The World Bank and Agricultural and Rural Development in the 1960s and 1970s

by

Verena Kröss

A thesis submitted in partial fulfillment of the requirements for the degree of

Doctor of Philosophy in History

Approved Dissertation Committee

Prof. Dr. Corinna Unger (Chair of Committee)
European University Institute & Jacobs University Bremen

Prof. Dr. Marc Frey (Internal Committee Member)
University of the Armed Forces Munich & Jacobs University Bremen

Prof. Dr. Amalia Ribi Forclaz (External Committee Member)
Graduate Institute Geneva

Date of Defense: 12th of March 2020

Department of Social Sciences and Humanities

Statutory Declaration

Family Name, Given/First Name	Kröss, Verena
Matriculation number	20331537
What kind of thesis are you submitting: Bachelor-, Master- or PhD-Thesis	PhD Thesis

English: Declaration of Authorship

I hereby declare that the thesis submitted was created and written solely by myself without any external support. Any sources, direct or indirect, are marked as such. I am aware of the fact that the contents of the thesis in digital form may be revised with regard to usage of unauthorized aid as well as whether the whole or parts of it may be identified as plagiarism. I do agree my work to be entered into a database for it to be compared with existing sources, where it will remain in order to enable further comparisons with future theses. This does not grant any rights of reproduction and usage, however.

The Thesis has been written independently and has not been submitted at any other university for the conferral of a PhD degree; neither has the thesis been previously published in full.

German: Erklärung der Autorenschaft (Urheberschaft)

Ich erkläre hiermit, dass die vorliegende Arbeit ohne fremde Hilfe ausschließlich von mir erstellt und geschrieben worden ist. Jedwede verwendeten Quellen, direkter oder indirekter Art, sind als solche kenntlich gemacht worden. Mir ist die Tatsache bewusst, dass der Inhalt der Thesis in digitaler Form geprüft werden kann im Hinblick darauf, ob es sich ganz oder in Teilen um ein Plagiat handelt. Ich bin damit einverstanden, dass meine Arbeit in einer Datenbank eingegeben werden kann, um mit bereits bestehenden Quellen verglichen zu werden und dort auch verbleibt, um mit zukünftigen Arbeiten verglichen werden zu können. Dies berechtigt jedoch nicht zur Verwendung oder Vervielfältigung.

Diese Arbeit wurde in der vorliegenden Form weder einer anderen Prüfungsbehörde vorgelegt noch wurde das Gesamtdokument bisher veröffentlicht.

9.3.2021 Verena Kröss verenak@posteo.de

Date, Signature Contact

Abstract

Today the World Bank is one of the largest and most influential development finance organizations worldwide. This dissertation analyzes the history of the World Bank in the 1960s and 1970s, the crucial period in which the Bank transitioned from being a rather small, specialized investment bank for development into becoming a powerful development finance organization. The history of the organization is analyzed with a specific focus on the Bank's 'discovery' and adoption of agricultural and rural development, which played an important role in the World Bank's transformation over these decades.

The thesis draws on a wide array of historical material from different archives, including some newly declassified sources from the World Bank Group Archive. By situating the Bank's history within the larger international historical context, the dissertation contributes to three connected fields of historical research: the history of international organizations, the international history of the 1960s and 1970s, and the history of development. The thesis approaches development as a contested field that involved debates about meanings and priorities, alongside struggles over financial resources, which it analyzes with a focus on the World Bank.

Analysis in chapter two and three demonstrates that the World Bank started to discuss the need for a wide-ranging 'agrarian reform' over the course of the 1960s. The Bank's understanding of such an 'agrarian reform' mostly relied on the ideas and experiences of others, and it differed significantly between world regions. In East African countries, the World Bank's approach to agricultural development was heavily influenced by British late colonial land settlement schemes and contained a large element of so-called 'technical assistance'. For India, in contrast, the World Bank shared the notion of 'agrarian reform', advanced by the U.S. Government and U.S. foundations, that focused on making capital investments into agriculture and on establishing linkages with industry.

Chapter four interprets the World Bank's embrace of a mission for poverty alleviation and rural development, under the presidency of Robert McNamara, as a response to a specific analysis of crisis with established models of development. The dissertation interprets the new focus on rural development as a conservative reformulation of the development belief at the World Bank. Further analysis in chapter five demonstrates that there was a quick disillusionment with this new mission for rural development. It highlights the difficulties and contradictions the Bank encountered as a highly centralized financial institution in its attempt to translate the new focus on rural development into bankable projects. Taken together, the two chapters shed light on the huge gap between rhetoric and practice with regards to poverty alleviation at the World Bank over the course of the 1970s.

The final chapter analyzes the World Bank's adoption of structural adjustment lending in 1980. It argues that the debate about this new lending instrument was entangled with the larger North-South conflict of the 1970s, which in the World Bank took place as a struggle over the access to international financial resources. The analysis also explores the role that disillusionment with rural development played in preparing the ground for some of the neoliberal policy shifts that took root in the World Bank over the course of the 1980s.

Acknowledgements

I would like to express my deepest gratitude to Prof. Dr. Corinna Unger and to Prof. Dr. Marc Frey, my two academic advisors, for providing me with excellent guidance and support throughout the different stages of my dissertation. Both provided me with intellectual and personal encouragement, and indispensable advice on how to work as an historian. They generously took the time to read several first drafts of the chapters that can be found in this dissertation. Their extensive comments and suggestions were incredibly valuable and improved my work and own thinking throughout my Ph.D. As academic advisors they always found the right balance between providing me with enough freedom to explore my own research questions and interpretations, while at the same time offering their invaluable support, time, and advice.

I also want to thank Prof. Dr. Amalia Ribi Forclaz for participating as an external member in my dissertation committee and for providing several insightful and constructive recommendations.

My profound appreciation goes to all of the people involved in the research project "The International History of Rural Development since 1950" at Jacobs University that was generously funded by the Volkswagen Foundation. My participation in the research project provided me with an excellent framework for the completion of my Ph.D. I again want to thank Prof. Dr. Corinna Unger and Prof. Dr. Marc Frey for organizing and leading the research project. My appreciation also goes out to Dienabou Barry, Karin Bugow, Aliya Tonkobayeva, and Smriti Sharma, my colleagues and fellow Ph.D. students in the project. I profited immensely from our exchange and from the broad insights each of their research projects gave me into the history of development. My special thank goes to Karin Bugow who helped me to keep up a regular writing routine in the last year of my Ph.D. by working next to me in the library and making sure I took enough coffee breaks.

Historical work crucially depends on finding the right sources and gaining access to them. I am grateful for the help and support of the staff at the following archives: Archive of the Food and Agriculture Organization, Library of Congress Manuscript Reading Room, Federal Archives of Germany, Political Archive - Federal Foreign Office of Germany, Riksarkivet National Archive of Norway. My special thanks go to Bertha F. Wilson, Sherrine M. Thompson, and Shiri Alon at the World Bank Group Archive who provided me with kind assistance, invaluable guidance on how to use the archive, and who accommodated several of my wishes and requests.

Finally, I want to thank all the people who supported me with their love and friendship in these last years. I am very grateful for the fact that you were not too deeply involved in my Ph.D., reminding me of all the other important things that count in life: Thank you to all the people living with me in the giant house that I call my home, to my family, and to Louise.

Contents

Table of Tables

List of Abbreviations

ADS	Agricultural Development Service
CDC	Colonial Development Corporation (later renamed the British Commonwealth Development Corporation)
ECOSOC	United Nations Economic and Social Council
ENEMA	Europe, the Middle East and North Africa (Regional Department at the World Bank)
FAO	Food and Agriculture Organization of the United Nations
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
ILO	International Labor Organization
IMF	International Monetary Fund
IRRI	International Rice Research Institute
ISI	Import Substitution Industrialization
IUDs	Intrauterine Devices
MDGs	Millennium Development Goals
NIEO	New International Economic Order
OECD	Organization for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
PIDER	Programa de Inversiones Públicas para el Desarrollo Rural, Mexico (Program for Public Investments for Rural Development)
SAL	Structural Adjustment Lending
SDGs	Sustainable Development Goals

SDRs	Special Drawing Rights
SUNFED	Special United Nations Fund for Economic Development
USAID	U.S. Agency for International Development
UNCTAD	United Nations Conference on Trade and Development
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organization

Abbreviations used in Citations from Archival Files

BArch	Bundesarchiv (Federal Archives of Germany)
COF	Chronological Outgoing Files
FAO	Archive of the Food and Agriculture Organization
FRUS	Foreign Relations of the United States
LoC	Library of Congress Manuscript Reading Room
OH	Oral History
PA AA	Political Archive Federal Foreign Office of Germany
PC	President Council
RA	National Archive of Norway, Oslo
RPGW	Records of President George Woods
RPRM	Records of President Robert S. McNamara
WB D&R	World Bank Documents and Reports Website
WBGA	World Bank Group Archives

Introduction

In September of 2015, the world's community of nation states adopted a new development agenda for the next one and a half decades in the United Nation's (UN) General Assembly, the so-called Sustainable Development Goals (SDGs).[1] The new agenda was ambitious in its vision, comprising 17 goals and 169 targets for development. In contrast to the humanitarian focus of the previous Millennium Development Goals (MDGs), the SDG agenda promised a more fully-fledged vision of broad economic development in its attempt to balance "the three different dimensions of sustainable development: the economic, social and environmental."[2]

From the perspective of the historian looking at the new agenda, in several regards the SDGs are indicative of the long lasting influence of a specific paradigm of development that was shaped during the 1970s and of a powerful actor it was closely associated with – the World Bank.[3] The 1970s saw intense debates and struggles over priorities in the development process between actors and analyses that focused on the level of inequalities *between* states and those that emphasized inequalities *within* countries: "The tension between the global redistribution of power centered on the state (NIEO [New International Economic Order]) and the antipoverty strategy centered on the individual (basic needs) – dominated the second half of the 1970s."[4]

The SDGs are still a clear expression of the fact that it was the camp of the World Bank which advertised a focus on fighting 'absolute poverty' that won the struggle over development priorities in the 1970s. The international discussion about structural economic reforms that were aimed at achieving more economic equality between states and at strengthening the role and control of states in the economy largely died at the end of the 1970s. The death of structural economic reform

[1] UN, General Assembly, "Transforming our world: the 2030 Agenda for Sustainable Development," September 25, 2015, A/RES/70/1, https://undocs.org/en/A/RES/70/1 (last accessed October 13, 2019).
[2] UN, General Assembly, "Transforming our world," 1, see also page 3.
[3] Throughout this dissertation the term "World Bank" or also just "Bank" is used, as commonly done in the literature, for the activities of the International Bank for Reconstruction and Development and for the International Development Association (founded in 1960) together. They are very tightly integrated institutions that are run by the same president and staff. The difference between the two with regards to their financing structure will be taken up in chapter one. I will use the specific names if I am talking about a specific institutional logic that is only attached to one of them. The other three organizations that form part of the larger "World Bank Group", the International Finance Corporation, the Multilateral Investment Guarantee Agency and the International Centre for Settlement of Investment Disputes do not form part of the analysis of this dissertation.
[4] Sara Lorenzini, *Global Development. A Cold War History* (Princeton, Oxford: Princeton University Press, 2019), 156.

proposals was cemented with the rise of structural adjustment lending and the emergence of the "Washington Consensus" at the beginning of the 1980s.[5]

The outcome of the struggle over development priorities in the 1970s is readily apparent in the tenth goal of the SDG agenda to "reduce inequality within and among countries."[6] While the goal includes the international level of inequalities between states, it does not formulate any concrete target for their reduction and a demand for structural economic reforms is largely absent.

The long-lasting influence of a specific paradigm of development that the World Bank helped to shape over the 1970s is also particularly apparent in the SDG to reduce inequality. The first target of the goal is formulated in the following way: "By 2030, progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average."[7] The target has been criticized for relying almost entirely on economic growth without considering redistributive national policies and for being a goal that is actually more concerned with poverty than with inequality.[8] Rarely noted in the current commentaries, this first target of SDG 10 is a direct reference to the World Bank's "Redistribution with Growth" approach to development from the 1970s, to which all of this criticism already applied.[9]

The main emphasis of the Bank's development paradigm in the 1970s was always on fighting "absolute poverty" that World Bank President Robert McNamara distinguished from "relative poverty", meaning economic inequality. He described absolute poverty as a "condition of life so degraded by disease, illiteracy, malnutrition, and squalor as to deny its victims basic human

[5] The term "Washington Consensus" was coined by the economist John Williamson to describe a set of ten policy prescriptions for countries experiencing economic crisis that were promoted over the 1980s by the three Washington-based actors the World Bank, the International Monetary Fund, and the U.S. Treasury. The policy prescriptions focused on fiscal discipline, the liberalization and deregulation of economic activity and privatization of state enterprises among other things, see John Williamson, "What Washington Means by Policy Reform," in John Williamson, ed., *Latin American Adjustment. How much has happened?* (Washington D.C.: Institute for International Economics, 1990), 7-38.
[6] See goal 10 in UN, General Assembly, "Transforming our world," 21.
[7] UN, General Assembly, "Transforming our world," 21.
[8] Thomas Pogge and Mitu Sengupta, "Assessing the sustainable development goals from a human rights perspective," *Journal of International and Comparative Social Policy* 32:2 (2016): 83-97, here 90-91; Gillian McNaughton, "Vertical inequalities: are the SDGs and human rights up to the challenges?," *The International Journal of Human Rights* 21:8 (2017): 1050-1072, here 1058. On the latter point McNaughton rightly observes that the target is actually in line with rising levels of inequality if for example the incomes of the lowest 40 per cent grow at an adequate rate but the income of the top per cent as well, with stagnating or falling levels of income of the classes in the middle.
[9] The central theoretical formulation of the approach can be found in Hollis Chenery, Montek Ahluwalia, C.L.G. Bell, John Duloy, and Richard Jolly, *Redistribution with Growth* (Oxford: Oxford University Press, 1974). For a concise summary and discussion of the approach see Robert Ayres, *Banking on the Poor. The World Bank and World Poverty* (Cambridge: MIT University Press, 1983), chapter 4.

necessities […] and yet a condition of life so common as to be the lot of some 40% of the peoples of the developing countries."[10] Before the MDGs and the SDGs advocated the eradication of 'extreme poverty' as the first goal on the development agenda of the new millennium, it had been the World Bank that (at least rhetorically) advertised a focus on 'absolute poverty' in the middle of the 1970s.

This focus of the Bank was closely entangled with the broader discussions about the provision of 'basic needs' of different international organizations and donor countries during the 1970s. The Bank's conception, however, was focused on a minimalist understanding of 'basic needs'. It never understood them as a right, or entitlement, but as something that could be obtained through a greater participation of the poor in the economic growth process.[11] At the heart of the World Bank's new focus on the poor in the 1970s was the small farmer and an attempt to increase the productivity of smallholder agriculture through rural development. The Bank concluded that the "vast bulk" of the absolute poor lived in rural areas and that "it is there - in the countryside – that we must confront their poverty."[12]

This dissertation goes back to the 1970s, to the original formulation of the influential World Bank paradigm of development that focused on the alleviation of absolute poverty within countries through a strategy of investing into rural development and the poor more generally. The analysis is focused on the World Bank itself and on the Bank's trajectory as an organization. The main aim of the dissertation is to contribute to a better historical understanding of how the World Bank became the kind of influential and powerful development finance organization as we know it today. In order to develop such an understanding, an analysis of the Bank in the 1960s and 1970s is crucial. It was during this time that the Bank transformed from being a cautious and rather small, special investment bank in the 1950s, into becoming a powerful and influential development finance organization. The dissertation will analyze this institutional transformation of the World Bank through the lens of its 'discovery' of agricultural and rural development in the 1960s and 1970s.

[10] Robert McNamara, "To the Board of Governors, Nairobi, Kenya, September 24, 1973," in Robert McNamara, *The McNamara Years at the World Bank. Major Policy Addresses of Robert S. McNamara 1968-1981* (Baltimore, London: John Hopkins University Press, 1981), 231-263, here 238-239.
[11] See ibid., 242-243; Hollis Chenery, "Transcript of Interview with Robert Asher, January 27th, 1983," World Bank Group Archives Oral History Project (https://oralhistory.worldbank.org/) herein after WBGA OH, page 11-12.
[12] Robert McNamara, "To the Board of Governors, Nairobi, Kenya, September 24, 1973," in McNamara, *The McNamara Years*, 231-263, here 259.

First agricultural and then also rural development were central new lending fields that helped to move the World Bank away from its strong focus on infrastructure investments in the 1950s. The adoption of lending for agricultural and rural development confronted the World Bank with intricate development problems and policy questions that could not be solved easily through the standard logic of a bank of simply adding more capital. The Bank's embrace of agricultural and rural development created new lending outlets and opportunities for the financial expansion of the World Bank. At the same time, it created a sense for new responsibilities and the perceived need for interventions into policy fields that had previously been understood as being 'domestic' policy issues. It was the Bank's institutional transformation of the 1960s and 1970s and the new responsibilities, increased lending levels, and policy discussions that came with it, which made it possible for the World Bank to play the controversial role it did in the so-called Washington Consensus of the 1980s and 1990s.

Research Fields and the Existing Literature

This dissertation is situated in, and wants to contribute to, three different but connected fields of historical research and enquiry; the history of development, the international history of the 1970s, and the history of international organizations.

Research on the history of development and modernization is by now a more or less established academic field of historical inquiry.[13] Following Nick Cullather's programmatic consideration that history should be used to analyze development and modernization (and not the other way round), historical research on development has provided a useful focus for approaching and understanding complex processes of economic transformations and the difficult North – South relationships during the twentieth century.[14] One of the aims of historical research on development has been the demarcation from postmodern critiques that analyzed development mainly as a discursive formation, focusing on Western intellectual and political elites and on the time period after 1945.[15]

[13] For a recent introduction and overview that points to a lot of more specific case studies see Corinna Unger, *International Development. A Postwar History* (London: Bloomsbury Academic, 2018); see also Lorenzini, *Global Development*.
[14] Nick Cullather, "Research Note. Development? It's History," *Diplomatic History* 24:4 (2000): 641-653, here 642.
[15] See Frederick Cooper, "Writing the History of Development," *Journal of Modern European History* 8:1 (2010): 5-21; Joseph M. Hodge, "Writing the History of Development (Part 1: The First Wave)," *Humanity* 6:4 (2015): 429–463. For an often-cited example of this type of critique of development see Arturo Escobar, *Encountering Development. The Making and Unmaking of the Third World* (Princeton: Princeton University Press, 1994).

But, in part, this analytical focus was also dominant in some of the first works on the history of development and modernization from scholars focusing on U.S. foreign relations and the influence of modernization theory during the Cold War.[16]

More recent research into the history of development can be described with Joseph Hodge as focusing on the “longer”, “deeper” and “wider” aspects of the history of development.[17] It pays more attention to the time period before 1945 and to the fact that development policies were not only shaped by the emerging Cold War and Truman’s ‘Point Four Program’ but had important legacies and connections with European colonial policies before (and after) 1945.[18] In stressing the “deeper” aspects of the history of development, scholars have paid more attention to the contradictions and debates surrounding development and to the complex and intricate processes involved in implementing and translating development ideas into practices.[19]

First, this focus emphasized that development always involved a struggle over its meaning and over resources. There was no “singular development discourse” that could simply impose itself without being appropriated and deflected.[20] Second, historical approaches that paid closer attention to case studies and to the actual implementation of development projects in specific circumstances have noticed the huge gap between discourses and practices. Monica van Beusekom, for example, made the convincing argument that while French colonial officers in the Office du Niger in Mali retained their development discourse, they were more flexible and pragmatic in their practices. When these officers were faced with farmer resistances, and other challenges of putting agricultural development programs into practice in the middle of the 1940s, they adapted to approaches that built on local knowledge without changing their ideas about a superiority of European science and agricultural methods.[21]

[16] See for example Nils Gilman, *Mandarins of the Future. Modernization in Cold War America* (Baltimore, London: John Hopkins University Press, 2003). For a discussion of this point see Hodge, “Writing the History of Development (Part 1: The First Wave),” 440-451.
[17] Joseph M. Hodge, “Writing the History of Development (Part 2: Longer, Deeper, Wider),” *Humanity* 7:1 (2016): 125–174.
[18] Ibid., 130-136. For an overview and review of some of the works which focus on European aid and development regimes and their colonial legacies see also Marc Frey and Sönke Kunkel, “Writing the History of Development: A Review of the Recent Literature,” *Contemporary European History* 20:2 (2011): 215-232.
[19] Hodge, “Writing the History of Development (Part 2: Longer, Deeper, Wider),” 137.
[20] Frederick Cooper and Randall Packard, “Introduction,” in Frederick Cooper and Randall Packard, eds., *International Development and the Social Sciences. Essays on the History and Politics of Knowledge* (Berkeley, Los Angeles, London: University of California Press, 1997), 1-41, here 10.
[21] Monica van Beusekom, “Disjunctures in Theory and Practice: Making Sense of Change in Agricultural Developmentat the Office du Niger, 1920-60,” *The Journal of African History* 41:1 (2000): 79-99.

The "wider" aspect of the history of development referred to the challenge of writing a more global history of development that explored the perspectives and experiences of other regions than the United States and Western Europe, as well as a broader range of issues and vast set of actors, including international organizations.[22]

In an introductory essay on the requirements for a more global history of modernization, Corinna Unger and David Engerman observed that much of the history of development and modernization has focused on the 1950s and early 1960s as a time of optimism about modernization.[23] They point out, however, that for a fuller history of "modernization as a global project" it is crucial to also look at the demise of modernization and a certain disillusionment with development over the 1970s.[24] The crisis of established models of development and modernization of the late 1960s that continued through much of the 1970s was noticed by contemporary authors and by several historians of development.[25]

In many aspects, this crisis of development and modernization in the 1970s is linked with a broader history of the 1970s as a time of structural changes and perceived crisis as it is discussed for the United States and Western Europe.[26] Many issues that were discussed as development topics for the first time during the 1970s, such as the role of women in the development process and environmental concerns, were clearly linked with social movements within Western and other societies. The crisis had cultural aspects that questioned the foundations of industrial society, it was a crisis of confidence entwined with the War in Vietnam and encompassed structural economic changes, such as the end of the Bretton Woods monetary system, the rapid increase of oil prices especially in 1973/74, an economic recession, and rising levels of sovereign debt.[27]

---

[22] Hodge, "Writing the History of Development (Part 2: Longer, Deeper, Wider)," 148.
[23] David Engerman and Corinna Unger, "Introduction: Towards a Global History of Modernization," *Diplomatic History* 33:3 (2009): 375–385, here 382-383.
[24] Ibid.
[25] See for example Albert O. Hirschman, "The Rise and Decline of Development Economics," in ibid., *Essays in Trespassing. Economics to Politics and Beyond* (Cambridge: Cambridge University Press, 1981), 1-24; Michael Latham, *The Right Kind of Revolution. Modernization, Development, and U.S. Foreign Policy from the Cold War to the Present* (Ithaca, London: Cornell University Press, 2011), chapter 6.
[26] See for example the contributions in Niall Ferguson, Charles Maier, Erez Manela, and Daniel Sargent, eds., *The Shock of the Global. The 1970s in Perspective* (Cambridge: Harvard University Press, 2010); Anselm Doering-Manteuffel and Lutz Raphael, *Nach dem Boom. Perspektiven auf die Zeitgeschichte* (Göttingen: Vandenhoeck & Ruprecht GmbH, 2. Auflage, 2010).
[27] For an excellent overview of the 1970s as a time of crisis and a crucial time of transition with a focus on economic aspects see Daniel Sargent, "The Cold War and the International Political Economy in the 1970s," *Cold War History* 13:3 (2013): 393-425.

All of these aspects of the imaginary and real crisis of the 1970s also affected debates about development. By the 1970s, political independence from colonial rule had been achieved by most states and the countries of the South focused on substantiating this sovereignty economically. This was most prominently expressed in the call for the Establishment of the New International Economic Order (NIEO) in 1974.[28] In the time of détente between the United States and the Soviet Union, the division and tensions between North and South received increasing attention in international forums.[29] Thus, the 1970s were not only the time of the demise of the belief in development and modernization. From the perspective of many countries of the South at the time, they were also the time of a renewed struggle for development and the resources required for it. With hindsight and knowledge about the 1980s and 1990s, the demise of development over the 1970s had a longer lasting effect.

While the World Bank discussed the economic crisis and the crisis of development during the 1970s, Robert McNamara also brought the belief in modernization and the faith of the social engineer to the World Bank when he became its new president in 1968. The new emphasis on rural development was a response to an analysis of crisis with established models of development and modernization. The dissertation will interpret the embrace of rural development as a conservative reformulation and renewal of the faith in development at the World Bank. The renewal of faith was, however, short-lived in the Bank. By the end of the 1970s, the Bank was already experiencing a profound disillusionment with its own rural development projects. Furthermore, the World Bank got caught up in the economic crisis of the late 1970s and in the North-South conflict of how to react to it. More detailed analysis of this demise and disillusionment with development at the World Bank and elsewhere over the 1970s will help us to better understand the turn and break that happened between the 1970s and the 1980s.

International organizations have been central actors in the development field and there is a growing number of historical works on international organizations concerned with development.[30] In recent years, the history of several international organizations has been analyzed with a perspective that contributes to a better understanding of their role in the process and debates of economic

[28] On the NIEO see for example the contributions in the special issue of *Humanity*, 6:1 (2015); Vijay Prashad, *The Poorer Nations. A Possible History of the Global South* (London, New York: Verso, 2012), chapter 1.
[29] See for example Giuliano Garavini, *After Empires. European Integration, Decolonization, and the Challenge from the Global South 1957-1986* (Oxford: Oxford University Press, 2012), chapter 5 & 6.
[30] See for example the contributions in Marc Frey, Sönke Kunkel, and Corinna Unger, *International Organizations and Development, 1945-1990* (Basingstoke: Palgrave Macmillan, 2014).

development in the second half of the 20th century.[31] Nevertheless, important research gaps remain.[32] With regards to the World Bank, it is apparent that there is an abundant body of literature on the organization but most of it comes from political and social sciences, and sometimes economics. The World Bank has been an important focus of the critique of neoliberal development policies and of the critique of development more generally.[33] The World Bank's structural adjustment programs in particular have been the subject of numerous analyses on the effect, the lack of effectiveness, and the destructiveness of these programs.[34] In recent years analysis has also focused on analyzing the "post- Washington Consensus" Bank under James D. Wolfensohn and his renewed (rhetoric) embrace of social issues starting in the second half of the 1990s.[35]

In contrast to the abundant literature from the political and social sciences, there are not yet many historical studies of the World Bank that could provide more detailed analysis of the organization's development. For quite a long time, the two historical studies that were commissioned by the World Bank itself were the main reference works for the history of the organization.[36] They provide a

[31] Just to name a few contributions see for example Daniel Maul, *Menschenrechte, Sozialpolitik und Dekolonisation. Die Internationale Arbeitsorganisation (IAO) 1940-1970* (Essen: Klartext, 2007); John Toye and Richard Toye, *The UN and Global Political Economy. Trade, Finance, and Development* (Bloomington: Indiana University Press, 2004); Matthias Schmelzer, *The Hegemony of Growth: The OECD and the Making of the Economic Growth Paradigm* (Cambridge: Cambridge University Press, 2016); Murphey, Craig, *The United Nations Development Programme. A Better Way?* (Cambridge: Cambridge University Press, 2006).

[32] There has thus far not been a lot of comprehensive research on the Food and Agriculture Organization for example which is only slowly starting to change. On this point see Corinne Pernet and Amalia Ribi Forclaz, "Revisiting the Food and Agriculture Organization (FAO): International Histories of Agriculture, Nutrition,and Development," *The International History Review* 41:2 (2019): 345-350. For some research on the FAO see the contributions to that same special issue *The International History Review* 41:2 (2019).

[33] See for example Susan George and Fabrizio Sabelli *Faith and Credit. The World Bank's Secular Empire* (London: Penguin Books, 1994); Bruce Rich, *Mortgaging the Earth. The World Bank, Environmental Impoverishment and the Crisis of Development* (London: Earthscan Publications, 1994); Hakim Hammouda *The Political Economy of Post-Adjustment: Towards New Theories and Strategies of Development* (Adlershot: Ashgate, 2013); John Cavanagh, Marcos Arruda, Daphne Wysham, eds., *Kein Grund zu Feiern. 50 Jahre Weltbank und IWF. Kritik und Alternativen* (Hamburg: Konkret Literatur Verlag, 1994);

[34] See the excellent general study on the Bank and the IMF in the 1980s and 1990s, Ngaire Woods, *The Globalizers. The IMF, the World Bank, and their Borrowers* (Ithaca, London: Cornell University Press, 2006). See also Nicolas van de Walle, *African Economies and the Politics of Permanent Crisis, 1979-1999* (Cambridge: Cambridge University Press, 2001). For more case studies on the Bank's structural adjustment programs and their effects see Paul Mosley, Jane Harrigan, and John Toye, *Aid and Power. The World Bank & Policy-based Lending. Volume 1 and 2* (London, New York: Routledge, 1991); Sarah Babb, "The Social Consequences of Structural Adjustment: Recent Evidence and Current Debates," *Annual Review of Sociology* 31 (2005): 199-222.

[35] Ben Fine, Costas Lapavitsas, and Jonathan Pincus, eds., *Development Policy in the Twenty-first Century. Beyond the post-Washington consensus* (London, New York: Routledge, 2001); David Craig and Douglas Porter, *Development beyond Neoliberalism? Governance, Poverty Reduction and Political Economy* (London: Routledge, 2006).

[36] These two studies are: Edward Mason and Robert Asher, *The World Bank since Bretton Woods* (Washington D.C.: The Brookings Institution, 1973); Devesh Kapur, John Lewis, and Richard Webb, *The World Bank: Its First Half Century. Vol I and Vol II* (Washington D.C.: Brookings Institution Press, 1997).

detailed and encyclopedic overview of the main events and institutional development of the World Bank and are a good basis to expand on for independent scholarly research and analysis.

One of the reasons for the lack of early independent historical works on the World Bank was the difficulty of accessing historical sources. In 2010 the World Bank implemented an "Access to Information Policy" that improved the access to its archive.[37] Some researchers have used recent expanded access to the World Bank Group Archive for historical analyses of development policies and projects that are focused on a specific country.[38] There is also some historical work on the establishment of the World Bank during the Bretton Woods Conference in 1944.[39] The historical analyses that are focused on the World Bank as an organization are, however, still few. Some works explore the early history of the Bank with a focus on the 1950s.[40] So far, Patrick Sharma has been the main independent historian who has published extensive works on the history of the World Bank as an organization for the time period of the Bank under the presidency of Robert McNamara (1968-1981).[41] His excellent work provides an important basis to build and expand upon for my dissertation.

In the remainder of this introduction, I will discuss some general aspects, theoretical approaches, and methodological issues that are relevant for this thesis. First, I will explain some of the theoretical perspectives the dissertation is based on both with regards to the understanding of the World Bank as an international organization and to the understanding of development. This also includes some discussion of the historical sources the dissertation is based on. Afterwards I will

---

Between these two works an important and often cited book by Robert Ayres appeared. Ayres was allowed access to internal World Bank documents and could interview Bank staff. But he agreed to only paraphrase and not to identify the persons and documents consulted which is why the book is difficult to use for a detailed scholarly discussion, see Robert Ayres, *Banking on the Poor*, xv.

37 http://www.worldbank.org/en/access-to-information/overview (last accessed on January16, 2018).

38 See for example David Engerman, *The Price of Aid. The Economic Cold War in India* (Cambridge: Harvard University Press, 2018); Alden Young, *Transforming Sudan. Decolonization, Economic Development, and State Formation* (Cambridge: Cambridge University Press, 2018).

39 With a focus on the World Bank instead of on the International Monetary Fund see especially Eric Helleiner, *Forgotten Foundations of Bretton Woods. International Development and the Making of the Postwar Order* (Ithaca: Cornell University Press, 2014).

40 See Michele Alacevich, *The Political Economy of the World Bank. The Early Years* (Stanford: Stanford University Press, 2009); Amy L. Staples, *The Birth of Development. How the World Bank, Food and Agriculture Organization and World Health Organization Changed the World, 1945-1965* (Kent: The Kent State University Press, 2006).

41 See Patrick Sharma *Robert McNamara's Other War. The World Bank and International Development* (Philadelphia: University of Pennsylvania Press, 2017); Patrick Sharma, "Bureaucratic Imperatives and Policy Outcomes: The Origins of World Bank Structural Adjustment Lending," *Review of International Political Economy* 20:4 (2013): 667-686; Patrick Sharma, "The United States, the World Bank, and the Challenges of International Development in the 1970s," *Diplomatic History* 37:3 (2013): 572-604; Patrick Sharma, "Between North and South: The World Bank and the New International Economic Order," *Humanity* 6:1 (2015): 189-200.

come to a short conceptual and terminological discussion, which will be followed by a brief outline of the chapters.

Theoretical Understandings and Reflection on Sources

The dissertation deliberately avoids placing the analysis of the Bank within one of the common theories about international organizations from international relations scholarship that have also influenced some historical work. In a classical international relations' perspective, international organizations are often analyzed by focusing on the influence of (powerful) member states within the organizations. The perspective assumes that international organizations are functional to the powerful member states, which is why they were created in the first place.[42] Against such a reductionist understanding the "constructivist approach" has pointed out that international organizations develop their own routines, institutional cultures and entrenched bureaucratic interests and should therefore be analyzed as (semi-)autonomous actors and bureaucracies.[43]

From the perspective of the historian these different theoretical perspectives first constitute a methodological problem: different types of archival material invite a different perspective and it is rarely possible to obtain a variety of material on all the relevant aspects. The regular sources from the World Bank Group Archive reflect the internal workings of the World Bank, including management discussions, policy reviews, and files on specific projects. This type of sources invites an account that is based in a more "constructivist" international relations approach to international organizations. Sources from the World Bank's Board of Executive Directors[44] and from the national archives of rich member states in contrast invite a more "realist" perspective that looks for the influence of member states in the organization. This dissertation uses both types of sources. Therefore, some of the chapters follow slightly different perspectives. As overarching theories both a simple "realist" or "constructivist" understanding of the World Bank do not provide useful for a historical analysis of the Bank as an international organization.

[42] See Michael Barnett and Martha Finnemore, *Rules for the World. International Organizations in Global Politics* (Ithaca and London: Cornell University Press, 2004), 2.
[43] Ibid., chapter 1 and 2.
[44] These sources are not a regular part of the World Bank Group Archive and its catalogue. They can be requested for declassification in a special procedure, however.

The best theoretical conceptualization that also inspires my own understanding of the World Bank thus far comes from Sarah Babb.[45] From an organizational sociology perspective, Babb developed a conceptual understanding of the World Bank along the lines of corporations.[46] Similar to corporations, management is traditionally strong in the World Bank and has considerable freedom to conduct daily operations. But the World Bank is an organization that at its core is dependent on resources which opens multiple ways for powerful member states to exercise their influence. Chapter one will take up Babb's account and the question of how the World Bank works and discuss them in more detail.

The analysis of the World Bank that is being pursued in this dissertation is inspired by an international history perspective. On the one hand, the aim is to situate the history of the Bank as an organization within the larger international historical context the World Bank was acting in, reacting to, and helping to shape. On the other hand, the World Bank itself is approached as an important institutional site in which international history was taking place. As an *international* organization the World Bank was an important international arena for the debate and struggle about development. The debate about development was taking place at different levels: within the Bank management, within the Bank's Board of Executive Directors representing the member states or between the World Bank and its borrowing countries in loan negotiations, for example.

The focus on the World Bank as an important international arena for the debate and struggle about development goes hand in hand with an understanding of development as a contested field that was discussed in the literature review. Certainly, the World Bank as an international arena never was one with levelled ground but one that was profoundly structured by power relations. The crucial insight of the historiography on development that development always involved debates, struggles, and contestations over its meaning and over resources, nevertheless, is a valid one.[47]

We do not always have the necessary records to analyze these debates in detail, but it is a useful perspective to be looking for points of contention whenever possible. When researching the World Bank, the analysis of debates and contestations regarding development is complicated by the technical character of much of the sources one is confronted with. The World Bank thinks of itself

[45] Sarah Babb, *Behind the Development Banks. Washington Politics, World Poverty, and the Wealth of Nations* (Chicago, London: University of Chicago Press, 2009).
[46] Ibid., 33-36, 45.
[47] See for example Cooper and Packard, "Introduction," 10.

as a technical and purely economic organization and not as a political one. That all economic choices and models already involve and necessarily imply political choices and consequences and should therefore always be thought of as a ‘political economy’ is not the self-understanding of the World Bank as an institution.

The dissertation tries to go beyond the technicality of the sources to analyze development as a contested field and as something that involved discussions, decisions, and judgements. The World Bank’s own history is deeply entangled with larger debates over the meaning of development and the struggle over resources for it.

We will see in chapter one and in chapter six how the creation of the International Development Association (IDA) in 1960 and the birth of Structural Adjustment Lending in 1980 in the World Bank were an outcome of the struggle over the access to international financial resources between countries of the North and the South. The outcome of these struggles involved fundamental transformations of the World Bank’s lending and institutional practices.

The focus of analysis on the Bank’s ‘discovery’ of agricultural and rural development also takes the debate about development, its meanings, and priorities into consideration. The Bank’s way towards agricultural and rural development cannot be understood as a continuous neutral learning exercise. First, the decision to invest more into agricultural and rural development was also always a decision to not invest in other fields. Second, the new focus on agricultural and rural development were based in concrete development models that usually involved contestations and competed with other ideas of development.

Thus, the different chapters will analyze the World Bank’s embrace of agricultural and rural development against the larger political and historical context that gave specific meanings to it. Chapter two analyzes the World Bank’s adoption of new forms of agricultural projects in East Africa in the 1960s. It points out the fact that these projects were rooted in older experiences of British colonial land settlement schemes. In chapter three we will see how the Bank’s new focus on agricultural intensification and development in India, in the middle of the 1960s, was part of a larger reform package that also contained a demand for population control and macroeconomic reforms. The package constituted a challenge to the strategy of import substitution industrialization India had been following for a long time and to the strong role of the state in it.

Chapter four analyzes the World Bank's embrace of the poverty theme and interprets its turn to rural development as a reaction and solution to a specific analysis of crisis with development at the beginning of the 1970s. The focus on absolute poverty and rural development constituted a conservative renewal of the development belief at the World Bank. As such it stood in direct tension with international (and domestic) development approaches that demanded structural economic reforms and a far-reaching redistribution of existing levels of wealth and resources.

One last important point that shall be mentioned here is that the situation regarding the historical records and sources is very unequal for the two presidencies of George Woods (1963-1968) and Robert McNamara (1968-1981) that are analyzed in the dissertation. Robert McNamara maintained extensive file records on some policy discussions, policy memoranda, and of the weekly meetings of the senior management in the World Bank that can be accessed in the World Bank Group Archives and in the Manuscript Reading Room of the Library of Congress where his personal papers are lying. For Woods' presidency there are no written records of high-level management meetings at the World Bank that would reflect their daily discussions. Most of the records on his presidency at the World Bank Group Archive consist of outgoing letters of which the majority is not very informative. The collection of George Woods' personal papers at the Rare Book and Manuscript Library at Columbia University did not provide to be useful for my research.

These differences in the number and quality of the sources influenced my research and writing. Chapter two extensively relies on secondary literature in order to contextualize and interpret the existing sparse sources and comments from George Woods' presidency. Chapter three then focuses on India as a specific country case on which there are extensive file records for the time of Woods' presidency.

Conceptual Remarks

It is important to briefly discuss some issues of terminology in order to increase conceptual clarity. The first point refers to the two concepts that are at the center of analysis in this dissertation: agricultural and rural development. They are distinct concepts but at the same time they have often been strongly associated with each other. One could say that they are quite different in that they are generally stressing different goals: While agricultural development emphasizes the increase of agricultural production, rural development often addressed a broader set of meanings and goals that, for example, encompassed the idea of nation building, extending social services and infrastructure to rural communities, and reducing rural poverty. In practice, however, a lot of rural development programs were also intended to raise agricultural production levels which can make it hard to categorize different development strategies and programs as being exclusively about either rural or agricultural development.

The World Bank developed its own precise but oddly technical distinction between agricultural and rural development that is being followed in this dissertation whenever I am analyzing the Bank's work. For the World Bank, rural development as a category is explicitly bound up with the Bank's attempt from the middle of the 1970s to make investments that would reach poor people directly. Per Bank definition, a project was rural development if it was based in rural areas and if at least 50 per cent of the estimated project beneficiaries were within the poverty target group the Bank had set for the country.[48] Almost all of these World Bank rural development projects also attempted to increase the agricultural production of the poor farmers, but it was the focus on a specific poverty target group that distinguished them from other agricultural projects.

Before the 1970s, agricultural development projects at the Bank were only focused on increasing overall agricultural production levels and the Bank's appraisal reports did not give any estimate of the degree to which poor farmers would benefit from them. Thus, as an explicit category, rural development did not exist in the World Bank before the 1970s, which is why the chapters of this dissertation that focus on the 1960s mostly speak about agricultural development projects.[49]

A second point of terminological discussion concerns the use of terms such as 'developing countries', 'the North' and 'the South' as categories of analysis when writing about economic development. It is important to keep in mind that these terms are social constructions that involve abstractions and imply a certain amount of ideological baggage. The two most important critiques aimed at terms such as 'developing countries' have been that first of all these terms often imply an

[48] World Bank, *Focus on Poverty. A Report by a Task Force of the World Bank* (Washington D.C.: World Bank, 1983) World Bank website for Documents and Reports http://documents.worldbank.org, herein after WB D&R, 5-6; World Bank, Operations Evaluation Department, *Rural Development. World Bank Experience, 1965-86* (Washington D.C.: World Bank, 1988) WB D&R, xiv, 4.

[49] It was only retrospectively that the Bank of the 1970s also analyzed some of the agricultural projects it had conducted in the 1960s as being remarkably similar to rural development in order to draw lessons from them. This was particularly the case for the agricultural projects in Africa that will be analyzed in chapter two, see World Bank, Operations Evaluation Department, "Rural Development Projects: A Retrospective View of Bank Experience in Sub-Saharan Africa," October 12, 1978, WB D&R.

occidentalist conception and notion of development in which every state is, or should at least develop, on a more or less standardized path towards a western version of liberal state capitalism, which is depicted as desirable. Besides this normative notion, using a single term to denominate a diversity of countries usually falls short in capturing important empirical and historical differences, which is itself of course deeply embedded in occidentalist thought. Fernando Coronil has made the important point that using these terms already suggests the idea of a homogenous reality behind them that does not exist:

> They involve the use of a shared spatial imagery and have the strange effect of producing a remarkably consistent mental picture or map of the world. In everyday speech as much as in scholarly works, terms such as the 'West', the 'Occident', the 'center', the 'first world', the 'East', the 'Orient', the 'periphery' and the 'third world' are commonly used to classify and identify areas of the world. Although it is not always clear to what these terms refer, they are used as if there existed a distinct external reality to which they corresponded, or at least they have the effect of creating such an illusion.[50]

While it is important to keep these observations in mind, I will nevertheless use the term 'developing countries' at different points in this dissertation. It is the central category and abstraction with which the World Bank operated, and it is used as a self-evident category and description in the historical sources and in all the debates about economic development in the time period under consideration here. On some occasions I will also use more functional denominations such as 'the Bank's borrowing countries' when Bank internal discussions are analyzed in order to underline the shared position countries had within the organization.

The terms 'North' and 'South' also involve a problem of abstraction but not to the same degree. The terms are mostly used in this work to capture concrete political projects, economic interests, and confrontations in international forums between this constellation of countries in the 1960s and 1970s. My use of these terms differs from their use in critical scholarship today in that they are not mainly used as critical analytical and theoretical terms but as historic categories that refer to an existing political process of policy coordination that shaped international debates in the 1960s and 1970s.[51] Nevertheless, it has to be kept in mind, of course, that the motivations and political

---

[50] Fernando Coronil, "Beyond Occidentalism: Toward Nonimperial Geohistorical Categories," *Cultural Anthropology*, 11:1 (1996): 51-87, here 52.

[51] For the use of the term "global South" today see for example Nour Dados and Raewyn Connell, "The Global South," *Contexts* 11:1 (2012): 12-13. With the use as a historic category to describe concrete political constellations I am referring to aspects such as the formation of the Group of 77 in the UN and the "North-South dialogue" in Paris in 1975-1977.

strategies in both of these blocks of countries were never homogeneous. The countries of 'the South' in particular had different political and economic interests and realities and political unity as a group was a precarious one.

Outline

The first chapter, to which we will now turn, will set the stage for all subsequent chapters with an analysis of the formation of the World Bank at the Bretton Woods Conference and of the way the World Bank worked as a special investment bank for development over the course of the 1950s. The chapter also points to some of the reasons for the low lending levels for agricultural projects over the 1950s.

The second and third chapters will examine the Bank's slow 'discovery' of agriculture as an important lending field, with a focus on the period of the presidency of George Woods at the World Bank. This 'discovery' of agriculture looked quite different in different places. The second chapter pays particular attention to the influence of British late colonial land settlement schemes in shaping the Bank's idea of an 'agrarian reform' in Africa and for the importance it gave to agriculture more generally. Decolonization and the rapid increase in Bank membership, particularly from newly independent African states, at the beginning of the 1960s was something the Bank had to grapple with and was ill-prepared for, as we will see in chapter two.

The third chapter discusses the role the World Bank played as the chair of the Aid India Consortium in the policy negotiations with the Indian government in the middle of the 1960s. Alongside the U.S. Government the World Bank negotiated a policy reform package that entailed a fundamental shift in agricultural policy as well as wide-ranging macroeconomic policy reforms and population control measures. The package was a challenge to earlier development models in India and was the clearest precursor for the structural adjustment lending of the 1980s. While this episode of interventionism is well documented and researched with a perspective on India, the chapter will approach it with a focus on the Bank itself and on the long-lasting influence it had on the organization.

The analysis of the Bank's adoption of agricultural development lending in the 1960s will show that the World Bank was not a monolithic actor that followed only one specific development idea. The type of agricultural development the World Bank pursued in East Africa and in India over the

1960s differed significantly from each other and perpetuated economic and racist differentiations from colonial times. A lot of the Bank's agricultural projects in East Africa were rooted in an agrarian vision of development for African states and were aimed at integrating peasants into a growing monetary economy. In India in contrast, the World Bank approached agriculture as a specific sector of the economy with a focus on the linkages to industries and on macroeconomic and sectoral policies. The Bank's emphasis in India was on making capital investments, particularly for chemical fertilizers, that would increase agricultural production.

In the fourth chapter, we will get to the period of the presidency of Robert McNamara, who made a profound contribution to transforming the World Bank into the kind of development bank as we know it today. The chapter focuses on the Bank's embrace of the poverty theme and on its new focus on rural development. I argue that the embrace of rural development was the result of a specific interpretation of the reasons for the crisis of development and modernization that was discussed widely since the end of the 1960s. The focus on rural development should be understood as a conservative reformulation of older development beliefs at the World Bank.

The fifth chapter will go beyond the level of policy announcements and theoretical discussions. It analyzes how the World Bank translated the new agenda for rural development into an actual operational approach and how it tried to make rural development fit into the logic of a highly centralized financial institution. The chapter shows that the Bank experienced a quick disillusionment with its mission for rural development. By the end of the 1970s, it was clear that it was not possible to integrate rural development well into the operational logic of the Bank as a financial institution and that a lot of the Bank's most ambitious rural area development projects were failing, particularly in African states.

The final chapter analyzes the World Bank's turn to structural adjustment lending in 1980. It develops a historical understanding of the birth of structural adjustment lending, interpreting it as the outcome of a struggle over the access to international financial resources in the World Bank along the lines of the larger North-South conflict. The chapter also points to the role the failure of rural development projects played in the Bank's adoption of structural adjustment lending and for the formation of a new policy consensus in the World Bank.

Chapter 1

The World Bank as a Special Investment Bank – the 1950s

Most of the original research of this dissertation is focused on the World Bank in the decades of the 1960s and the 1970s. However, it is indispensable to start with the establishment of the World Bank at the Bretton Woods Conference in 1944, and with an understanding of the institutional practices the Bank developed over the 1950s. This will allow us to better understand and contextualize the changes the World Bank subsequently underwent.

Over the course of the 1950s, the World Bank functioned as a small and cautious special investment bank that mostly financed profitable investments in various countries, encompassing lending to high-income countries directly, to European colonial powers for their late colonial development schemes, and to independent developing countries. The Bank's lending, especially to independent developing countries, was heavily concentrated on specific infrastructure projects in the power and transportation sectors.

The chapter will provide an overview of the establishment and further course of the World Bank up until the end of the 1950s. It will pay specific attention to analyzing the founding of the World Bank and its functioning in the 1950s from a perspective that treats development and the financial resources it requires as a contested field. We will see in this chapter that some of the disputes and debates that would emerge in later decades were already present at the Bretton Woods Conference in 1944 and inspired the establishment of a soft loan affiliate within the World Bank in 1960. The chapter will also analyze the low lending levels for agricultural projects which only accounted for a very small percentage share in the Bank over the 1950s. The analysis attempts to shed some light on why this was case, thus preparing the ground for the subsequent chapters that focus on the turn towards agricultural and rural development projects in the World Bank.

The Bretton Woods Conference

The International Bank for Reconstruction and Development (IBRD) was founded together with the International Monetary Fund (IMF) at the Bretton Woods Conference in July 1944. They were founded as the two central pillars for the postwar international financial order. The IMF was established with the task of coordinating international monetary stability and helping countries with short-term balance of payment problems. The World Bank, in the form of the IBRD, was supposed to provide long-term credits for the enormous reconstruction and development after the Second World War, helping with the supply of investment capital and with re-establishing trust in international lending activities.

The idea for both organizations, but especially for the IMF, was firmly rooted in an analysis of the devastating consequences of nationalist economic policies after the Great Depression. In the eyes of many contemporaries the breakdown of international economic relations at the beginning of the 1930s had been a "catalyst" for the rise of fascism.[1] The consensus at the Bretton Woods Conference on the causes of the Great Depression focused on the role of large, speculative, short-term capital flows that had transmitted the depression between different countries. These speculative capital flows had made the task of stabilizing exchange rates very difficult and fiscal stabilization measures ultimately a dangerous undertaking.[2]

The International Monetary Fund was founded in order to prevent a repetition of the currency wars of the 1930s, by encouraging sovereign capital controls and by attempting to create a system of stable exchange rates and convertible currencies, with the U.S. dollar's convertibility into gold at the heart of the new monetary system.[3] The IMF would help with the fiscal stabilization of this system through short-term balance of payment support. Trade was absent as an explicit topic for negotiation at the Bretton Woods Conference, mostly because the United Kingdom and other European countries were skeptical about a too rigorous push by the United States for quick trade liberalization and the abolishment of imperial trade preferences.[4] But the U.S. government perceived both organizations and especially a stable monetary order with convertible currencies as

[1] Giles Scott-Smith and J. Simon Rofe, "Bretton Woods: A Global Perspective," in ibid., eds., *Global Perspectives on the Bretton Woods Conference and the Post-War World Order* (New York: Palgrave Macmillan, 2017), 1-16, here 2.
[2] Harold James, "The Multiple Contexts of Bretton Woods," *Oxford Review of Economic Policy* 28:3 (2012): 411-430, here 418.
[3] I call it an "attempt" to create a new monetary system because in practice the idea of fully convertible currencies was clearly limited to the richer nations and even among them only came with considerable delay: "The major European economies only restored current account convertibility, in line with the requirements of Article VIII of the IMF's articles of agreement after 1958, and Japan in 1964. By 1968 the par-value system was in obvious crisis, and between 1971 and 1973 it broke down" ibid., 420.
[4] See Francine McKenzie, "Where Was Trade at Bretton Woods?," in Giles Scott-Smith and J. Simon Rofe, eds., *Global Perspectives on the Bretton Woods Conference and the Post-War World Order* (New York: Palgrave Macmillan, 2017), 263-280.

a crucial precondition for the restoration of a liberal international capitalist system that was based on open trade after the war.[5]

Most historians studying the Bretton Woods Conference focus on an analysis of the debates surrounding the design and establishment of the IMF and the larger monetary order it was supposed to establish. The establishment of the IBRD is not often given much attention by scholars, and for a number of reasons. The IBRD was largely uncontroversial when it was founded and occupied much less time at the conference.[6] Some of the debates and negotiations surrounding the IMF had a much larger significance for global power relations. The shift in global hegemonic power from Great Britain to the United States, for example, had a very visible and powerful sign in the centrality of the U.S. dollar within the envisioned new monetary system. Furthermore, the major intellectual and well-documented "battle" culminating at the Bretton Woods Conference between the eminent economist John Maynard Keynes and lesser-known Harry Dexter White, the lead negotiators for the United Kingdom and the United States respectively, was preoccupied with monetary questions and the design of the IMF.[7] Following this general perspective on the conference, the official historians of the World Bank, in a similar vein, have described the establishment of the IBRD as an "afterthought"[8] and have observed that especially the development aspect of the new institution was "far from the collective mind of the conference."[9]

Recent historical scholarship, however, has challenged this view of the World Bank as an "afterthought" as well as the perceived absence of development issues from the Bretton Woods Conference. Eric Helleiner has argued that the IBRD was important for U.S. American policymakers and that Harry Dexter White, in his first drafts for the new institution, had clearly put

[5] Ibid., 263-264. The Articles of Agreement of both institutions contained explicit references on their purpose in helping to expand world trade, see Article I point i and iv of IMF, "Articles of Agreement," https://www.imf.org/external/pubs/ft/aa/index.htm (last accessed 20th of July, 2019) and Article I point iii of IBRD, "Articles of Agreement," https://www.worldbank.org/en/about/articles-of-agreement (last accessed December 3, 2020). Robert Gilpin describes the postwar international economic order until the end of the 1960s with the illustrative formula of "Keynes at home and Smith abroad". Most of the industrialized countries pursued autonomous demand-management policies at home but there was no economic regulation to a similar degree internationally, see Robert Gilpin, *The Political Economy of International Relations* (Princeton: Princeton University Press, 1987), 355.
[6] See Mason and Asher, *The World Bank*, 21.
[7] For a recent very extensive account of that "battle" between John Maynard Keynes and Harry Dexter White see for example Benn Steil, *The Battle of Bretton Woods. John Maynard Keynes, Harry Dexter White and the Making of a New World Order* (Princeton, Oxford: Princeton University Press, 2013).
[8] Mason and Asher, *The World Bank*, 2.
[9] Kapur et al., *The World Bank. Vol. I*, 61.

forward the IBRD's development purpose.[10] Several researchers have also pointed to the 'New Deal' policy orientation of Harry Dexter White and other U.S. delegates which supported attempts at internationalizing the New Deal and state-led development programs.[11]

More importantly, development was not absent from "the collective mind" of the conference because forty-two other nations besides the United States and the United Kingdom attended and for many of them, for example the nineteen Latin American countries, Ethiopia, Egypt, (not yet independent) India, and China, prospects for economic development and ways of financing them were of crucial importance.[12] The contributions of these other 42 nations to the final outcome of the Bretton Woods Conference are still open for research but they should likely not be overrated amidst the dominance of big power politics at the conference. Nevertheless, it is important to keep in mind that the multilateral nature of the negotiations created a debate, expectations, and consequently also frustrations about the concrete form and functions that the IMF and IBRD should take and about their role in financing economic development. The prospect for economic development in this context should be understood as an important claim on international resources and means of financing development. This was clearly articulated, for example by several Latin American governments, China, and also by the representatives of pre-independence India before and at the Bretton Woods Conference.[13] Similar claims on resources and aspirations for development would also be made and expressed in international forums by many more

[10] Helleiner, *Forgotten Foundations of Bretton Woods*, 9-10. The development aspect of the new institution was also strong for White because his original plan for the IMF and the IBRD drew heavily on his experience of negotiating proposals for an "Inter-American Bank" in 1939/40 with different Latin American governments. While this proposal never materialized, it encompassed future IMF functions like short-term loans for the stabilization of currencies, but also long-term public loans which would become the primary activity of the IBRD, ibid., chapter 2, see especially pages 64-66.

[11] Helleiner, *Forgotten Foundations of Bretton Woods*, 274; Giles Scott-Smith and J. Simon Rofe, "Bretton Woods: A Global Perspective," 5, 10; for a perspective on Bretton Woods that emphasizes the aspect of the internationalization of the New Deal idea see also Elizabeth Borgwardt, *A New Deal for the World. America's Vision for Human Rights* (Cambridge, Mass., London: Belknap Press of Harvard University Press, 2005), 133-140.

[12] On the positions, strategies, and arguments these countries employed before and at the Bretton Woods Conference see for example Helleiner, *Forgotten Foundations of Bretton Woods*, chapters 6-9; Michael Franczak, "'Asia' at Bretton Woods: India, China, and Australasia in Comparative Perspective," in Giles Scott-Smith and J. Simon Rofe, eds., *Global Perspectives on the Bretton Woods Conference and the Post-War World Order* (New York: Palgrave Macmillan, 2017), 111-127 and some of the other contributions in the same book.

[13] For some of these articulations see for example Eric Helleiner, "Southern Pioneers of International Development," *Global Governance* 20:3 (2014): 375-388.

governments of countries that gained their political independence after struggles for decolonization throughout the 1950s and 1960s.[14]

Some of the discussions about the role of the IMF and IBRD in financing economic development that would continue to shape the critical debate about these institutions until at least the end of the 1970s were already present at the Bretton Woods Conference.[15] One of the controversies was for example around the question of whether the IMF should be solely concerned with questions of economic and monetary stabilization or if it should also have a role in financing development. The Indian delegation at Bretton Woods repeatedly tried to introduce a special reference to the development of "underdeveloped" and "economically backward countries" into the first article on the purpose of the IMF.[16] The Indian delegates were concerned that the article only focused on the expansion of world trade, but not on changing the type of trade and the underlying global division of labor which was a main goal in the Indian aspiration to pursue industrialization after the war.[17] Although these debates changed the wording of the article, they did not introduce any special concern for economic development of "underdeveloped" countries into the Fund's articles. The proposition of the Indian delegates was opposed by the United States and other countries because they argued that it would "confuse the Fund's objectives with those of the Bank."[18]

Regarding the developmental role of the IMF, a lot of Latin American countries also fundamentally disagreed with the IMF's hard stance against inflation over the course of the 1950s. They actively defended inflation as one way of financing development and of making investments.[19] The absence of a special concern with financing development and the very strict conditions that were attached

[14] I am very loosely following Frederick Cooper's emphasis on an understanding of development as a claim on resources and rights here. In most of his work Cooper analyzes this understanding of development and its contributions to the demise of colonialism at the level of citizens and social classes, however, not at the level of states, see for example Frederick Cooper, "Possibility and Constraint: African Independence in Historical Perspective," *The Journal of African History* 49:2 (2008): 167-196.
[15] See Helleiner, *Forgotten Foundations of Bretton Woods*, 274.
[16] The first Indian proposal to change the wording for the article used the word "underdeveloped", a later one used "backward countries", ibid., 252-253. While the head of the delegation that represented India at Bretton Woods was a British official, Helleiner argues that the Indian members of the delegation (central bankers and prominent businessmen) played the most active role, ibid., 249.
[17] See Franczak, "'Asia' at Bretton Woods," 118.
[18] Helleiner, *Forgotten Foundations of Bretton Woods*, 252.
[19] Harold James, *International Monetary Cooperation since Bretton Woods* (Washington D.C., New York, Oxford: International Monetary Fund & Oxford University Press, 1996), 127-129.

to the Fund's loans for balance of payment support would remain a central issue in the critique of the IMF, especially by developing countries, over the next decades.[20]

The critiques that the loans were too small, the conditions too strict, and that development aspirations were disregarded were not confined to the IMF though. Over the 1950s, several developing countries tried to establish alternative sources of financing for development to the IBRD. They attempted to create new channels to provide finances on concessional terms and through a more democratic UN system instead of through the World Bank.[21] One of the responses to these debates and a way of counterbalancing these demands was the establishment of the IDA within the World Bank in 1960, which will be discussed at the end of this chapter.

In the meantime, the Bretton Woods Conference and the Articles of Agreement that had been established for the IBRD had left many issues and questions about the specific ways in which the Bank was going to conduct its business undecided and open for interpretation. Among these issues was the exact relationship and tasks of the Bank's management vis-à-vis the Board of Executive Directors, which represented the Bank's member states. Additionally, it was unclear how the different purposes of financing reconstruction and development would be weighted within the organization. The Articles of Agreement were also open about the form of lending Bank loans could take, and it was not specified in which sectors the Bank was supposed to finance development projects. The Articles indicated only that Bank investments should be for "productive purposes" and that they should promote or supplement private foreign investments.[22]

In the next sections I will discuss how this openness of the Articles of Agreement of the IBRD was interpreted and which institutional practices evolved over the course of the 1950s. Throughout the 1950s the IBRD mainly operated as a small and cautious special investment bank, funding productive and profitable investments in richer countries, colonies and developing countries, mainly in infrastructure development in which private investors were not interested.

[20] See for example the chapter on conditionality as "a disputed issue" in the official history of the IMF: Margaret Garritsen de Vries, *The International Monetary Fund. 1972-1978. Cooperation on Trial. Cooperation on Trial. Cooperation on Trial. Vol.1: Narrative and Analysis* (Washington D.C.: International Monetary Fund, 1985), chapter 25.

[21] For the debates about and the unsuccessful attempt to establish a special soft loan fund for economic development investments within the UN system during the 1950s see Richard Jolly, Louis Emmerij, Dharam Ghai, and Frédéric Lapeyre, *UN Contributions to Development Thinking and Practice* (Bloomington: Indiana University Press, 2004), 73-83.

[22] See Article I, point i and ii, IBRD, "Articles of Agreement," https://www.worldbank.org/en/about/articles-of-agreement (last accessed December 3, 2020).

The Way the Bank Works

For anyone analyzing the history of the World Bank, the influence of the United States in the institution is readily discernible. From the beginning the World Bank was created as a U.S. dominated institution. As opposed to the United Nations General Assembly's 'one country one vote' principle, the organization was set up with a "deliberately unequal"[23] voting structure, in which votes at the Board of Executive Directors were weighted by the capital contributions of member states.[24] But influence is not a matter of formal voting power alone. The ability to raise opinions and to participate in the discussion about the daily business of the World Bank was also unevenly distributed between the Bank's member states in the attempt to keep the Board of Executive Directors small.

While some countries like the United States, United Kingdom, France, Japan, West Germany, and for a long time also India, had one Executive Director at the Board representing and speaking only for their country, the smaller countries were grouped in regional or other blocs. In 1970, for example, there were two Executive Directors which represented almost all of the countries in Sub-Saharan Africa in two big regional blocs of over fifteen countries, while the Latin American countries were split into groups represented by three Executive Directors.[25]

A lot of controversial decisions are talked through by the Bank's management and the U.S. and other influential Executive Directors before they are even taken to the Board for a decision.[26] Other aspects that have shaped the World Bank as a U.S. American institution include its origins and the uniquely U.S. American character of its charter and guiding principles, including the strong emphasis on fostering and accompanying private investments.[27] The Bank is also headquartered in Washington D.C., allowing for very direct and routine interchanges with the U.S. government in general and the U.S. Treasury in particular.[28] Furthermore, by tradition and informal agreement,

[23] Woods, *The Globalizers*, 22.
[24] The formal U.S. voting share declined over time with 34% in 1950 to 21% in 1980 in the IBRD. For the IDA the U.S. voting share also declined from 31% in 1960 to 21.5% in 1980, see Catherine Gwin, "U.S. Relations with the World Bank, 1945-1992," in Devesh Kapur et al., eds., *The World Bank: Its First Half Century. Vol II: Perspectives* (Washington D.C.: Brookings Institution Press, 1997), 195-274, here 244, table 6-3.
[25] World Bank, "Annual Report 1970," WB D&R, 117 appendix 5.
[26] Gwin, "U.S. Relations with the World Bank," 244-245.
[27] See ibid., 243.
[28] Ibid., 248.

the president of the World Bank has always been a U.S. citizen, while the managing director of the IMF has always been a European citizen.

Besides all of these formal and informal ways of exercising influence in the World Bank, it is important to understand the World Bank as a financial institution that is focused on lending capital as its raison d'être. As an institution it is thus dependent on resources and the most important "shareholders" of the World Bank can exercise influence on the World Bank through providing and withholding its access to resources. Sarah Babb has provided an excellent analysis and conceptualization of multilateral development banks as resource-dependent organizations that I am following in my understanding of the World Bank.[29] She compares the multilateral development banks from an organizational sociology perspective to private corporations. Like in private corporations, management has considerable freedom in taking basic daily decisions and organizations also gain a certain autonomy through internal logics and professional codes that develop. But ultimately the important shareholders, who provide the necessary resources, have different ways of exercising pressure on management. One of the differences to corporations is that the value shareholders attach to the World Bank cannot always be measured simply in profits but is dependent upon the political circumstances and interests of the powerful donor countries.

The resource dependency of the World Bank works differently for the IBRD than for the IDA. The IBRD's resources mainly depended on financial markets for its bond sales, and during the 1950s this was almost exclusively Wall Street, before borrowing activities became more international. Over the course of the 1950s, a lot of important decisions were thus taken with an eye to Wall Street and the New York banking community. While the IBRD still needed the permission of the U.S. government for its bond sales in Wall Street, it was not directly financially dependent on the U.S. government because it did not rely on annual contributions from the foreign aid budget. This started to change with the establishment of IDA in 1960, the new soft loan affiliate of the IBRD. IDA received its funds as contributions from its rich member state countries. Every few years when all IDA funds have been committed the World Bank starts negotiations about the replenishment of IDA funds. For the replenishment it was dependent on the willingness of its rich member states to contribute new funds to IDA. These government contributions were usually part of the annual foreign aid budget. In the United States it was the U.S. Congress which had to pass the budget. The

[29] Sarah Babb, *Behind the Development Banks*, 33-36, 45.

existence of IDA and the contributions to it through the foreign aid budget thus contributed to increased interest and criticism of the U.S. Congress of the World Bank over the course of the 1970s.[30]

One of the first struggles over the way in which the World Bank should operate and over the balance of power between the Bank's management and its member states broke out in 1946 between Eugene Meyer, the U.S. President of the World Bank, and Emilio Collado, the U.S. Executive Director. These actors represented different U.S. political factions: Collado was associated with New Deal policies, had worked together with Harry Dexter White in the Treasury and State Department, and had been involved in Latin America and in the 'Good Neighbor' financial partnership of the U.S. with Latin America in the 1930s.[31] He wanted the Bank to quickly move forward with bond issues in order to take on a substantial role in European reconstruction and worldwide development financing. He pushed the Bank's management to rapidly make loans to Chile as a developing country and held broad liberal ambitions for the World Bank.[32] This pressure to move quickly was resisted by then president Eugene Meyer, a cautious investment banker who had come directly from Wall Street to the World Bank. When Meyer resigned at the end of 1946, his successor John McCloy, a Wall Street lawyer, only accepted the new position under conditions that substantially strengthened the management's position within the World Bank vis-à-vis the Board of Executive Directors, which represented the Bank's member states.[33] This included the condition that only the management of the Bank would be responsible for loan negotiations and would present the loan proposals afterwards to the Bank's Board of Executive Directors and that the management held all administrative power regarding staff employment decisions.[34] McCloy also reserved the right for himself to nominate the U.S. Executive Director, forcing Collado to resign.[35] Collado was replaced with Eugene Black, former vice president of Chase National Bank, who moved on to become the World Bank's president in 1949 and stayed in that position throughout the 1950s. Over the 1950s, Black continued the practice of nominating the

[30] On this U.S. "Congressional Revolt" regarding foreign aid and the multilateral development banks see ibid., chapter 2; On the tensions and difficulties involved in IDA replenishment between the United States and the World Bank during the 1970s see Sharma, "The United States, the World Bank."
[31] Helleiner, *Forgotten Foundations of Bretton Woods*, 260-261.
[32] Kapur et al., *The World Bank. Vol. I,* 78-79.
[33] Ibid., 79; Gwin, "U.S. Relations with the World Bank," 200; Jeffrey M. Chwieroth, "Organizational change 'from within': Exploring the World Bank's early lending practices," *Review of International Political Economy* 15:4 (2008): 481-505.
[34] Gwin, "U.S. Relations with the World Bank," 200.
[35] Ibid.

U.S. Executive Director which only ceased in the 1960s.[36] Since this period, management at the World Bank has been strong in all decisions relating to the daily operations and business of the Bank such as starting policy discussions and proposals, negotiating loans, and making staffing decisions.

This autonomy and strong position of the Bank's management in most of the daily operations of the World Bank remained in place because in most cases there was a convergence of interests between Bank policies and the interests of the United States and other influential members, which made direct influence unnecessary.[37] This convergence happened without direct interference on details and more through the institutional character, top management staffing, and educational background of Bank personnel. The U.S. position on specific issues did not always prevail. For instance the Board approved several loans to India despite the fact that the United States Executive Director voted against them between 1974 and 1977.[38] There were similarly objections of the U.S. to World Bank lending to Ethiopia, Benin, and Argentina with reference to human rights concerns discussed in the U.S. Congress during the 1970s.[39] But in many other cases we can observe that when powerful World Bank member states and particularly the United States defined something as a central priority issue, they were usually able to force a decision.[40] In the early years U.S. pressure was important for example in the Bank's decision to not lend to Eastern Europe and in turning down loan applications from Poland and Czechoslovakia.[41] At the end of the 1970s Robert McNamara had to give a personal promise that the Bank would not lend to Vietnam again in order to obtain new contributions of the United States for the replenishment of IDA.[42]

While the World Bank was clearly susceptible to influence by its richer member states and was created and set-up as a 'Western' and Northern dominated institution, the concrete influence varied over time and circumstances, and cannot be merely reduced to the influence of the United States. We will see in chapter three how the World Bank was very closely aligned with the United States'

[36] Ibid.
[37] Ibid., 252.
[38] See also Sharma, *McNamara's Other War*, 108.
[39] Nordic Cable on the Board Meeting May 10, 1977, from May 11, 1977, Riksarkivet National Archive of Norway (Oslo), herein after RA, S-1387 G Ga L0043, folder 26; Nordic Cable on the Board Meeting May 26, 1977, from May 31, 1977, RA, S-1387 G Ga L0043, folder 27; Nordic Cable on the Board Meeting June 16, 1977, from June 22, 1977, RA, S-1387 G Ga L0043, folder 26.
[40] Gwin, "U.S. Relations with the World Bank," 243.
[41] Ibid., 253-254.
[42] Sharma, *McNamara's Other War*, 110.

government in enforcing certain policy changes in India in the middle of the 1960s. At the same time, the World Bank derived its power to negotiate crucial policy changes with the Indian government from its position as the chairmen of the Aid India Consortium in which the United States but also several Western European states were represented. We will also see in chapter six that in the Bank's turn towards structural adjustment lending in 1980 the blocs of North and South are more relevant for understanding the adoption of this new type of lending than the influence of the United States alone.

Reconstruction and Development

In its first year of lending, in 1947, the IBRD lent money exclusively for European reconstruction after the Second World War. The first three loans were generous general assistance loans to support a broad range of imports for France, the Netherlands, and Denmark. The fourth loan was for a steel and railway project in Luxembourg. But with the start of the U.S. Government-sponsored European Recovery Program, the so-called Marshall Plan, in 1948, the World Bank was sidelined in the post-war European reconstruction effort, as it was offering less money on harder terms compared with Marshall Plan aid.[43]

From 1948 onward, the World Bank started to broaden its focus, including developing countries, especially from Latin America, in its loan portfolio and undertaking economic missions to these countries. While the Bank was not of crucial importance in the reconstruction effort of Western Europe it still continued to fund economic development in the region. It is important to note that over the course of the 1950s, there were no specific qualitative or quantitative criteria in place to dictate which countries were allowed to borrow money from the IBRD. The Bank worked like a special investment bank, financing profitable investments in many different member countries, including investments in high-income countries, loans to European colonial powers for colonial development schemes, and loans for independent developing countries. While the Articles of Agreement did state that loans should only be given to countries which were not able to obtain the

[43] See Kapur et al., *The World Bank. Vol. I,* 72-74.

money through financial markets on reasonable terms,[44] this provision was handled loosely and at the beginning of the 1950s almost all countries were urgently looking to borrow U.S. dollars.

Over the course of the 1950s, despite the existence of the Marshall Plan, approximately half of the Bank's loans still went to economically comparatively more developed countries or to colonial powers for colonial development, as we can see in table 1. Over half of all the loans to high-income countries went to (Western) European countries which also had access to Marshall Plan funds. The other half mostly went to Japan, Australia, and South Africa. While the share of the richer countries receiving loans declined in the second half of the 1950s it was still relatively high at the end of the decade, especially if we include the funds for colonial development projects that some of the European countries received. At the end of the 1960s with decolonization, this had changed considerably and only seven percent of the Bank's loans were still going to high-income countries.[45]

Table 1 IBRD Lending Commitments, 1947-1960[46]

	1947 - 1960		**1955 - 1960**	
Recipient countries	Billion U.S. $	% of total	Billion U.S. $	% of total
High-income countries	2.15	39 %	0.93	31 %
Colonies	0.53	10 %	0.37	12 %
Developing countries	2.79	51 %	1.70	57 %
Total	5.47	100 %	3.00	100 %

The Focus on Specific Projects

One of the main points that the Articles of Agreement had left open and that would stir considerable debate in the coming decades was the question of the form of lending of the IBRD. Should the

[44] See article I point ii and article III section 4 point ii of IBRD, "Articles of Agreement," https://www.worldbank.org/en/about/articles-of-agreement (last accessed December 3, 2020).
[45] Kapur et al., *The World Bank. Vol I*, 139.
[46] The table is based on my own calculation from the project data provided at the Bank's website for projects and operations http://projects.worldbank.org/
The category of "high-income countries" consists of all European countries (except for Turkey and Yugoslavia), Japan, Australia, South Africa, and Israel. The category "colonies" consists of loans to European colonial powers for colonial development of (now) Democratic Republic of Congo, Zimbabwe, Zambia, Burkina Faso, Cote d'Ivoire, Mali, Senegal, Algeria, Burundi, Nigeria, Gabon, Mauritania, and Kenya. The category of "developing countries" is made up of Turkey, Yugoslavia, Egypt, Ethiopia, Sudan, Lebanon, Iraq, Iran, India, Pakistan (& Bangladesh), Sri Lanka, Thailand, Myanmar, Malaysia, Philippines, Haiti, and multiple countries from Latin America.

Bank only make *project loans*, for specific development projects, such as the construction of a power plant, a road, or specific irrigation scheme – or should the Bank also hand out *program loans* as more general-purpose loans that would support a broader import and development program, and that were thus closer to balance of payment supporting loans? The Articles of Agreement stated that "loans made or guaranteed by the Bank shall, *except in special circumstances*, be for the purpose of specific projects of reconstruction or development."[47] A committee of the Bank's Executive Directors on the interpretation of the Articles confirmed in 1946 that the focus should be on specific projects but that the Bank also had the authority for funding broader programs of economic reconstruction, including the possibility of long-term stabilization loans.[48] Neither the Executive Directors nor the Bank's Articles specified what the "special circumstances" for program loans were, and it was mostly left to the Bank's management to come up with specific interpretations for each loan and situation.[49] The conditions for program lending thus remained open for contestations and various countries and groups of countries tried to argue for a broad understanding of the "special circumstances" for program lending over the course of the 1960s and 1970s, while the Bank's management stuck to interpreting them on a case by case basis. This led to a practice in which program loans served as a special tool or reward for certain countries that were of special interest to the Bank's management and not as a form of lending to which countries were entitled under clear conditions.

The distinction between program and project loans will be relevant in other chapters of this dissertation. Thus, the differences between these types of loans shall be explained in more detail here. There are two important points to have in mind regarding this distinction. The first one is that the distinction between these two types of loans is not always easy or readily discernible. In fact, they should be understood as a "spectrum". A World Bank memorandum observed in this regard that "in general, however, it is easier to define one end point of the spectrum as the transfer of foreign exchange tied to financing the physical creation of a specific, new facility defined as a project, and the other as the provision of foreign exchange to finance general import

[47] Article III, section 4, point vii of the IBRD, "Articles of Agreement," https://www.worldbank.org/en/about/articles-of-agreement (last accessed December 3, 2020), emphasis added.
[48] See Chwieroth, "Organizational change 'from within'," 488.
[49] Ibid.

requirements."[50] It is important to point out that project loans also affected the balance of payment of borrowing countries and that the tight control over the use of funds in project loans was undermined through the so-called fungibility problem. Fungibility means that through the financial assistance of the Bank, even if it comes in the form of project loans, the Bank also helped the borrowing countries to free up other available funds to finance investments that they might not have done otherwise and which the Bank could not control.

The second important point to have in mind about program loans is that in many cases they were particularly desirable for borrowing countries, especially if they did not come with many conditions attached to them. The use of program loan funds is usually more flexible and wide-ranging than the use of a specific project loan. Furthermore, because of the wider and more flexible use, program loans are also much more quickly disbursed, which means that the borrowing country can make quicker use of these funds. Project loans are only disbursed with progress in project implementation. If a project experiences complication, the use and effect of that project's associated loan is also delayed.

Coming back to the 1950s, there are two important observations that have to be made about the distinction between project and program loans. On the one hand, as many other researchers have observed, the IBRD clearly established a focus on funding mostly specific projects over the course of the 1950s.[51] The crucial reason for that was the Bank's financial dependence on Wall Street and the investment banking orientation and background of its top personnel. On the other hand, it must be pointed out that the percentage of program loans in the overall Bank loan portfolio during the 1950s was the highest compared to the 1960s and 1970s. This second point has received far less attention in the literature. Program loans were clearly a privileged type of loan, mostly for a specific group of comparatively high-income countries. The Bank ceased to extend program loans on a larger scale when these countries had recovered economically and when international financial markets became more readily available for borrowing to them. Both phenomena, the establishment

[50] World Bank, President Memorandum to the Executive Directors, "A Review of Program Lending Policy and Practice," August 10, 1976, World Bank Website for Documents and Reports (http://documents.worldbank.org/curated/en/home), herein after WB D&R, page 4.
[51] See for example Kapur et al., *The World Bank. Vol. I,* 120-130; Chwieroth, "Organizational change 'from within'"; Michele Alacevich, "Not a Knowledge Bank: The Divided History of Development Economics and Development Organizations," *Social Science History* 40:4 (2016): 627–656.

of a focus on specific projects and the high percentage share of program lending for a specific privileged group of countries, coexisted and shall be discussed now in greater detail.

The IBRD acted as a careful and conservative lending institution, proud to be called a Bank, during most of the 1950s. One crucial reason for this was the financial dependency of the IBRD on the trust of Wall Street for its bond sales. Eugene Black observed that the IBRD had no credit standing with Wall Street when he came to the Bank as its U.S. Executive Director in 1947:

> The Bank was new. Nobody knew what it was, except that it was set up to make foreign loans; and foreign loans were suspect because of the very bad record. […] We had then to show that we were going to make some sound loans that we were not going to give the money away. Until we did that and until we acquainted people with what the other safeguards were, the Bank had no credit.[52]

From early on the Bank was a defendant of financial discipline and it clearly had an important role in enforcing this discipline in borrowing countries. On several occasions the Bank delayed lending or refused it altogether on the grounds of problems with the balance of payment and creditworthiness of borrowing countries, especially in Latin America.[53] The Bank also demanded that countries had settlements on previous debt and security defaults before it made loans to them. The earliest case for this was the Bank's loan to Chile in 1948.[54]

Another aspect that also developed with an eye to Wall Street but also from the investment banker perspective of Eugene Black and other top management at the IBRD was the focus on funding foreign exchange for specific investment projects with productive purposes. The focus on funding foreign exchange requirements developed on the one hand from the comparative advantage of the IBRD that was raising its money on Wall Street and thus had access to U.S. dollars in a time of dollar shortages. On the other hand, this focus on foreign exchange was also very much in the interest of the richer member states of the Bank because it was usually their products which the borrowing countries imported in that foreign exchange.

The focus on specific projects created "an image of soundness" and an idea of the control of Bank funds for Wall Street.[55] The projects had economic rate of return calculations, the money was bound to the import of discrete capital equipment, and the projects were presented as self-liquidating and

[52] Eugene Black, "Transcript of Interview with Robert Oliver, August 6th, 1961," WBGA OH, page 7.
[53] See Mason and Asher, *The World Bank*, 449-451.
[54] See Kapur et al., *The World Bank. Vol I*, 81-82; Black, "Transcript of Interview," 6-7.
[55] Kapur et al., *The World Bank. Vol I*, 121.

productive investments – meaning that in the long run, Bank projects would help to create enough additional revenue to cover their own costs. This "image of soundness" created by project loans is aptly summarized by the official historians of the World Bank in the following way: "Visibility, verifiability, and apparent productivity were the touchstones for projecting an image of supervised, controlled, safe 'quality' lending, and these criteria were best satisfied by the large-scale, import-intensive, long-lived investment project."[56]

But the resource dependency on and orientation towards Wall Street were not just an external requirement for the World Bank, they were internalized within the institution. The selection of the top personnel of the Bank was one of the crucial choices in the attempt to gain the trust of Wall Street. The IBRD, in coming out of the Bretton Woods Conference, was a product of New Dealers and was inspired by early Keynesianism. However, Eugene Black and Robert Garner, who profoundly shaped the Bank over the 1950s, were very closely aligned with Wall Street and the New York financial community and were very critical of Roosevelt and the New Deal policies. Michele Alacevich cites Garner, who served as Vice-President of the World Bank between 1947 and 1956, as saying that "Roosevelt did more harm to this country than anyone else in history."[57] The important point here is that it is hard to distinguish between the resource dependency and institutional requirement to gain the trust of Wall Street through sound investment projects, and the idea of development that Eugene Black and Robert Garner already had, coming from that same mindset.[58] They were not development economists that dreamed about a "big push" of large investments and capital transfers for developing countries or about the possibilities of state planning for industrialization. Instead they came to the World Bank with a cautious and conservative investment banker mindset and experience that focused on the virtues of private business and was preoccupied with the soundness of investments.[59]

Michele Alacevich's historical work on the early years of the World Bank has been focused on showing that this emphasis on specific projects and the investment banker approach towards development was not unanimous within the World Bank, at least before the reorganization of 1952 which marginalized the role of economists at the Bank.[60] A prominent dissenter within the Bank

[56] Ibid., 122.
[57] Michele Alacevich, *The Political Economy of the World Bank,* 135.
[58] See also Kapur et al., *The World Bank. Vol I,* 125.
[59] See also Kapur et al., *The World Bank. Vol I,* 92; Black, "Transcript of Interview," 39.
[60] See especially Alacevich, *The Political Economy of the World Bank,* 148-149; Michele Alacevich, "Not a Knowledge Bank".

was Paul Rosenstein-Rodan who was working in the Bank's economic department and was one of the pioneers in the academic field of development economics and the originator of the "big push" model.[61] The "big push" model argued for making large international investments and capital transfers available for a rapid industrialization process that transferred the "agrarian excess population" to industries. It was in favor of large-scale planned schemes for industrialization that would develop multiple industries at once in order to use the demand that was created through the new industrial jobs. Rosenstein-Rodan explicitly distinguished between the profit expectations and rational investment choices of individual entrepreneurs and the larger social benefits and profits that would arise from large-scale investments and the change of the entire economic structure.[62]

Paul Rosenstein-Rodan, along with other people working in the Bank's economic department, disagreed with and challenged many assumptions and orientations of the conservative investment banker outlook of the top management. Alacevich has pointed out, for example, that there were differing approaches towards assessing creditworthiness in the Bank. While the top management associated creditworthiness with the ability to pay back loans and to pay back all debt, the economic department understood creditworthiness as the ability to use loans productively.[63] This latter understanding of creditworthiness would only become prevalent in the Bank during the presidency of Robert McNamara since 1968. This went along with an understanding of development as the attempt to achieve a 'big push' for the economy rather than limiting activities to making some discrete investments. In connection to this there was also a broader debate within the institution on the merits of program and project loans. Rosenstein-Rodan and others at the economic department challenged the emerging focus on specific projects and emphasized the fungibility problem of project loans.[64] According to Alacevich, the economic department understood its early mission as one of examining and intervening in almost every policy aspect, from economic matters to social issues to monetary policies, and it prepared loans which paid attention to local and foreign currency spending and to project and program lending.[65] But on a broader level these diverging voices were sidelined and silenced with the reorganization of the Bank in 1952, which strengthened the regional

[61] For Paul Rosenstein-Rodan's early formulation of a "big push" model of economic development upon which a lot of other development economists built upon in the 1950s see Paul Rosenstein-Rodan, "Problems of Industrialization of Eastern and South-Eastern Europe," *Economic Journal* 53:210/211 (1943): 202-211.
[62] See ibid., 206.
[63] Alacevich, "Not a Knowledge Bank," 635.
[64] Alacevich, "Not a Knowledge Bank," 637-638.
[65] Ibid., 639.

line of organization and abolished the economic department. Only a small team of economists was left as advisory staff without operational responsibility.[66] Rosenstein-Rodan left the Bank in 1953, returning to the academic world at MIT. The World Bank under Eugene Black during the 1950s came to be dominated by engineers, who focused on preparing profitable investment projects with an adequate rate of return. Broader economic issues mainly mattered with regards to the assessment of creditworthiness as the ability to pay back the loans. Social issues were often mentioned in country mission reports, but they were not a real concern for the Bank's operations and the appraisal of projects.

During most of the 1950s, alongside the establishment of a focus on funding specific projects, however, the World Bank also made comparatively large amounts of funding available as program loans up until 1957. Up until 1957, program lending accounted for almost thirty per cent of all lending as we can see in table 2, whereas program lending over the 1960s and 1970s only accounted for roughly five per cent of total lending.[67]

Table 2 IBRD Program Loans over the 1940s and 1950s[68]

	1947 - 1957		
Recipient countries	Program Loans in Million U.S. $	Total Lending in Million U.S. $	Program loan percentage of total lending
High-income countries	875.5	1,522.3	57.51%
Colonies	70.0	278.4	25.00%
Developing countries	75.0	1,664.7	4.50%
Total	1,020.5	3,465.4	29.45%

[66] Ibid., 640-641.
[67] World Bank, President Memorandum to the Executive Directors, "A Review of Program Lending Policy and Practice," August 10, 1976, WB D&R, annex I – 2; World Bank, Staff Study, "The Bank's Recent Experience with Program Lending," February, 29, 1980, WB D&R, table 2.
[68] The table is based on my own calculation from the project data provided at the Bank's website for projects and operations http://projects.worldbank.org/. I used the Bank's own classification of loans as 'program loans', following the list of all program loans of the 1950s and 1960s in World Bank, President Memorandum to the Executive Directors, "A Review of Program Lending Policy and Practice," August 10, 1976, WB D&R, annex I – 1.
The category "colonies" is comprised of two loans to Belgium in 1951 for colonial development in Congo. The only developing country receiving a program loan of $75 million was Iran in 1957.

These program loans of the 1950s almost exclusively went to high-income countries. With the one-time exception of Iran in 1957, no independent developing country received program loans, as a privileged and flexible support for their general development plan throughout the 1950s. The next program loans for developing countries would only come with the founding of IDA and were confined to India and Pakistan during the 1960s, as we will see in subsequent chapters.

This clear pattern and division in the extension of program loans to different groups of countries during the 1950s has rarely received attention in the literature on the World Bank. While the official historians of the Bank notice this distribution, it almost seems to be taken as a given, not worthy of any special attention or explanation. The program loans are analyzed each through the lens of the specific situation of the countries receiving them, and not through this general pattern of distribution.[69] Others have neglected the specific distribution of program loans altogether. For example, Chwieroth, from a constructivist perspective, does not even mention the fact that almost all program loans went to high-income countries. He explains the decline of program lending in 1957 almost entirely through the change in the internal organizational culture of the Bank.[70] However, if we pay more attention to the geographical distribution of this type of lending, more structural economic explanations for the decline of program lending have to be taken into account. By the late 1950s, Western European countries had been quite successful in their economic recovery and in building foreign exchange and dollar reserves, which was signaled by the restoration of current account currency convertibility in 1958.[71] Australia, which received over $300 million of program loans alone, had also witnessed high economic growth rates of about 4.2 per cent on average over the 1950s[72] and was attracting large and growing inflow of foreign direct investments over most of the 1950s.[73]

[69] See for example Mason and Asher, *The World Bank*, 271-274. Regarding the program loans to Australia for example, they argue that a generous form of general program loans was necessary to compete with the U.S. Export-Import Bank, ibid., 272-273.
[70] Chwieroth, "Organizational change 'from within'".
[71] On the move to current account convertibility in 1958 see for example Eric Helleiner, *States and the Reemergence of Global Finance. From Bretton Woods to the 1990s* (Ithaca and London: Cornell University Press, 1994), 71; Barry Eichengreen, *Globalizing Capital. A History of the International Monetary System* (Princeton, Oxford: Princeton University Press, 2008), 112.
[72] Michael Keating, "The Evolution of Australian Macroeconomic Strategy since World War 2," in Simon Ville and Glenn Withers, eds., *The Cambridge Economic History of Australia* (Sydney: Cambridge University Press, 2014), 438-461, here 441.
[73] See Richard Pomfret, "Reorientation of trade, investment and migration," in Simon Ville and Glenn Withers, eds., *The Cambridge Economic History of Australia* (Sydney: Cambridge University Press, 2014), 397-418, here 405.

It is vital to note that in the 1950s, while the IBRD was making investment loans for development to all countries, the form of lending clearly differed between different groups of countries. Program loans, as a privileged type of lending that was more flexible and more quickly disbursed, were almost exclusively reserved for comparatively high-income countries. As mentioned, there was no fixed interpretation of the "special circumstances" that the Bank's Articles of Agreement required for program lending. While the immediate reconstruction after the Second World War plausibly constituted a "special circumstance", the program lending for Australia, for example, simply supported a broad import program and aimed at keeping investments at a high level,[74] which is something many other countries, for example in Latin America, were equally striving for. The interpretation of 'special circumstances' for program loans was clearly open for political and economic judgement by the Bank's management and Executive Directors and was used to establish privileged types of relationships with the Bank. Throughout the next two decades, developing countries tried to gain more access to program loans by challenging the management's interpretation of 'special circumstances' as a discriminatory distinction between countries,[75] and by criticizing the fact that program lending declined alongside the lending to high-income countries.

The distinction between program and project lending at first sight might appear as a technical financial question. It has been treated quite extensively here, however, because the debate about program lending would remain a central tension and struggle between the richer member states that dominated the Bank's Board and the Bank's borrowing countries. Rather than being merely a technical financial question the technical distinction between these two types of loans was entangled with political and economic meanings that encompassed struggles and debates about the access to financial resources for development. We can only perceive these points of contestation if we pay close attention to them and don't treat these kinds of distinctions as technicalities.

[74] See for example the report on the program loan in 1955 IBRD, "Report and Recommendations of the President to the Executive Directors on a Proposed Loan to the Commonwealth of Australia," March 11, 1955, WB D&R, 3.

[75] See especially the statements by Mohamed Nassim Kochman and Luis Machado in World Bank, "Memorandum of Discussion on Program Lending at Meeting of the Executive Directors," December 3, 1968, Political Archive Federal Foreign Office of Germany, herein after PA AA, B 58, Bd. 538 page 2-3, 12.

The Focus on Infrastructure

Another aspect that was not defined by the Articles of Agreement was the question of exactly in which sectors and for what the IBRD should make loans. In its project lending to independent developing countries the IBRD did, however, develop a clear institutional practice and became heavily focused on financing basic infrastructure projects over the 1950s. Over eighty per cent of all IBRD lending to developing countries, before the establishment of IDA in 1960, was for power and transportation projects.[76] Much of the remaining percentage share went into other infrastructure investments in telecommunications or to industry.[77] The amount of lending that went to the agricultural sector in developing countries was very small and accounted for only three percent of all lending to developing countries.[78] Social fields such as education, health services, housing, water supply, and nutrition were mentioned in World Bank reports but were not considered legitimate fields for World Bank lending and were not viewed as self-liquidating and directly productive.

Regarding the neglect of social lending fields, the Bank was in line with many development economists of the time who also focused on making investments to foster aggregate levels of economic growth under the assumption that this growth would somehow 'trickle down' to benefit a wider spectrum of society and would allow the extension of social services and higher levels of consumption in the future.[79] Basic infrastructure was seen as an important prerequisite in this process of economic development and industrialization.

While the emphasis on financing infrastructure projects was in line with development economics of the time, the Bank's management did not share the discipline's emphasis on planning and on an active role for the state.[80] The focus on lending for infrastructure at the Bank was inspired by a conservative understanding of a limited role for the state that was shared by Wall Street bankers, the Bank's management, and the Eisenhower administration of the United States.[81] While all World

[76] Kapur et.al., *The World Bank. Vol I*, 109.
[77] Ibid.
[78] Ibid., 112.
[79] See Heinz W. Arndt, *Economic Development. The History of an Idea* (Chicago, London: The University of Chicago Press: 1987), 51-60.
[80] Development economics' emphasis on planning and on an active role of the state had close intellectual ties with Keynesianism. For some of the ties between development economics and Keynesianism see for example Albert O. Hirshman, "The Rise and Decline of Development Economics," in Albert O. Hirshman, *Essays in Trespassing. Economics to Politics and Beyond* (Cambridge: Cambridge University Press, 1981), 1-24.
[81] On the Eisenhower administration's emphasis on private investments and the restoration of a liberal international political economy see Michael R. Adamson, "'The Most Important Single Aspect of Our Foreign Policy'?: The

Bank loans had to be guaranteed by governments, the World Bank's management was on ideological grounds against state-owned industries. Infrastructure development thus represented a legitimate field of investment for the state and an important prerequisite for private investments. During the 1950s, private investors were usually not interested in making infrastructure investments with high initial capital costs. They were, however, interested in receiving the construction contracts for these infrastructure projects.

The IBRD's management also tried to get around its difficulties in assisting the private industrial sector directly by helping to establish privately held development finance companies over the 1950s, such as the Industrial Credit and Investment Corporation of India in 1954 and the Pakistan Industrial Credit and Investment Corporation in 1956.[82] The Bank would lend money that was guaranteed by the respective government to these development finance companies. These then worked as a sort of retail structure which passed the loan on to private companies in need of foreign exchange. Only the International Finance Corporation (IFC), which was established in 1956 as part of the World Bank Group, could make direct loans to private enterprises without government guarantees. But IFC got off to a very slow start, being limited by a meager capital base of $100 million, which led to loan limits of $2 million in the early years.[83]

For the subsequent chapters, which will analyze how agricultural and rural development became important lending fields of the World Bank, it is interesting to ask here why these fields did not play a bigger role in the Bank's lending during the 1950s. While agriculture only accounted for three per cent of all the lending to developing countries, the number of projects financed in the agricultural sector was actually higher but agricultural projects tended to be small.[84] In several cases, a small agricultural project for the import of agricultural machinery was indeed the first project the Bank financed in some countries.[85] However, this was more likely an outcome of attempts to find quick and easy ways of establishing some form of lending relationship with these

Eisenhower Administration, Foreign Aid, and the Third World," in Kathryn Statler and Andrew Johns, eds., *The Eisenhower Administration, the Third World, and the Globalization of the Cold War* (Lanham, Boulder: Rowman & Littlefield Publishers, 2006), 47-66.

[82] Robert Oliver, *George Woods and the World Bank* (Boulder: Lynne Rienner, 1995), 47-48.

[83] Mason and Asher, *The World Bank*, 350-351.

[84] See Kapur et al., *The World Bank. Vol. 1*, 111-112.

[85] This is true for example for the start of Bank lending relationships to Chile (1948, $2.5 million), Colombia (1949, $5 million), Yugoslavia (1949, $2.7 million), and Nicaragua (1951, $1.2 million).

countries than it was a real recognition of the importance of making investments into agriculture as a sector.

There are different reasons which help to explain why the World Bank did not finance more agricultural projects during the 1950s. One reason may have been that the Food and Agriculture Organization (FAO) already existed and was the specialized organization in the UN system that was responsible for international agricultural development and related topics and questions. We will see in the next chapter that the FAO was very concerned when the World Bank started to prepare their own broad reports on agriculture. Yet the main reason why the Bank was not funding more agricultural or rural development projects was certainly the perception and understanding of agriculture itself during the 1950s. The perception of the sector in developing countries was one of duality with a "modern" capitalist farming sector on the one hand and a "traditional" subsistence sector on the other.

Within development economics, Arthur Lewis' classic formulation of a dual economy model was of enormous influence during the 1950s. The model was based on the core assumption that there was an "unlimited supply of labor" in most developing countries that was employed in the agricultural subsistence sector but did not add to the productivity of the sector. The basic challenge and transformation entailed by economic development in such settings was, according to this model, to channel this labor from an unproductive subsistence sector into a productive modern economy consisting of capitalist farming which required fewer workers and a capitalist industrial sector absorbing the spare workforce.[86] Lewis himself even argued for making investments into agriculture[87] but the entire model was nevertheless focused on the goal of industrialization. Within development economics in these early years economic development was "virtually synonymous with industrialization."[88]

Another line of thinking that contributed to this focus on industrialization was inspired by what has come to be called the Prebisch-Singer thesis. At the end of the 1940s, based in economic studies of Latin America, Raúl Prebisch and Hans Singer both argued that there was a trend of a deterioration of the prices of primary commodities in comparison to manufactured products in

[86] Arthur W. Lewis, "Economic Development with Unlimited Supplies of Labor," *The Manchester School* 22:2 (1954): 139–91.
[87] See Unger, *International Development*, 109-110; Kapur et al., *The World Bank. Vol. I*, 113.
[88] Arndt, *Economic Development*, 57.

international trade.[89] The thesis thus challenged long-held claims of the economic discipline of the mutual benefits of trade and contradicted the argument that each country should specialize and expand production according to their 'comparative advantages'. In the political setting of the 1950s and 1960s this economic thesis was often combined with a political emphasis on a strong role of the state in the economy intended to protect and assist the industrialization process in developing countries. It was only at the beginning of the 1960s that development economists started to debate and pay increasing attention to the necessity of making investments into the agricultural sector and to look at its role in fostering economic growth, which will be taken up again in the next chapter.[90]

For the IBRD and its lending pattern over the 1950s it is hard to say how they thought about an emphasis on industrialization vis-à-vis the role of agriculture in general. Infrastructure lending, especially for transportation, clearly benefited both sectors. In its agricultural lending, the IBRD was also faced with similar limitations as in its lending for industries. It could only make loans to governments, but it wanted to assist the private sector.

It is clear, however, that most of the IBRD's agricultural loans to developing countries were aimed at the "modern" commercial farming sector during the 1950s. As we can see in table 3 a large proportion of loans were for the import of agricultural machinery, often supporting the mechanization of agriculture in developing countries. The biggest amount went to a handful of irrigation projects. While the loan documents for the lending for irrigation do not mention what type of farmers would benefit from the newly irrigated area, it is likely that many commercial farmers benefited from the irrigation schemes, which were usually located in central regions of economic development within the respective countries. The irrigation loan for Thailand aimed to support rice cultivation as the main export crop and source of foreign exchange earnings of the country.[91] The irrigation projects for India and for Peru were both located in regions that were rapidly industrializing, which made increased food production necessary. In the Indian case the

[89] Much has been written about Prebisch and Singer, regarding their influential thesis and their careers in the United Nations system. For a very quick overview see for example: Cristóbal Kay, "Raúl Prebisch," in David Simon, ed., *Fifty Key Thinkers on Development* (London and New York: Routledge, 2006), 199-204; John Shaw, "Hans Wolfgang Singer," in Simon, ed. *Fifty Key Thinkers*, 242-247.
[90] See Unger, *International Development*, 110. One of the pioneering articles in this debate was Bruce F. Johnston and John W. Mellor, "The Role of Agriculture in Economic Development," *American Economic Review* 51:4 (1961): 566–593.
[91] IBRD, "Report and Recommendations of the President to the Executive Directors on the Three Proposed Loans to Thailand," October 23, 1950, WB D&R, 6.

irrigation project was also a multipurpose project which simultaneously aimed at the expansion of cheap energy production for the surrounding industries.[92]

Table 3 IBRD Lending for Agriculture to Developing Countries by Subsector, 1948-1959[93]

Subsector	Commitment in million U.S. $	Number of Projects
Irrigation & Flood Control	69.60	5
(Import of) agricultural machinery, equipment and livestock	53.90	15
Agricultural Credit	10.00	2
Storage Facilities	4.70	3
Total	138.20	25

Outside of the World Bank and the discussions of development economists, the 1950s were a peak time for development approaches that tried to assist the "traditional" agricultural subsistence sector. Community development approaches for improving agricultural production on a wide scale and as a broad strategy of rural reconstruction were pursued in many places. The UN counted more than sixty such programs in different countries in 1960.[94] There is no neat definition of community development, and the concept was applied in many different circumstances.[95] Nevertheless, we can say that in general, community development programs attempted to combine productive and social objectives and were aimed at improving the immediate living and working conditions of the poor village population. In many cases community development programs were built around a focus on self-help initiatives in combination with some extension services. While this strategy held promises for grassroots participation and, in a postcolonial setting, for nation building efforts that tried to include the countryside, it was also a low-cost strategy that tried to make big changes for many

[92] IBRD, "Report and Recommendations of the President to the Executive Directors concerning a Proposed Loan to India. For a Project of the Damodar Valley Corporation," December 16, 1953, WB D&R, 3-4; IBRD, "Report and Recommendations of the President to the Executive Directors on a Proposed Loan to the Republic of Peru for Quiroz-Piura Irrigation Project (Second Stage)," March 24, 1955, WB D&R, 3-4.
[93] The table is based on the data of the World Bank's project and operations website http://projects.worldbank.org/. Some irrigation projects were actually multi-purpose projects and included the generation of electricity through hydropower. They are nevertheless fully included in the irrigation category.
[94] Daniel Immerwahr, *Thinking Small. The United States and the Lure of Community Development* (Cambridge, Mass.: Harvard University Press, 2015), 55.
[95] See Unger, *International Development*, 103-104.

people at a time of low resources: "In a context characterized by a scarcity of economic resources, the need for rapid socioeconomic improvement, the rejection of colonial categories, and the attempt to build a nation, community development appeared to be the natural choice."[96] From a different angle, community development approaches and a preoccupation with the problems of rural poverty were also crucial to U.S. policymakers' idea of development in the context of the Cold War.[97] After the peasant revolution and communist victory in China in 1949, rural poverty and rural villages, especially in Asia, became the center of attention as a strategic security threat and as a breeding ground for communism.[98]

But the World Bank remained largely untouched by this trend of community development which did not fit with the investment banker orientation towards development nor with the institution's focus and comparative advantage in making large foreign exchange capital transfers. The official historians of the World Bank point to the important "cultural gap" between agronomists and farming specialists on the one hand, and the engineers and investment bankers that staffed the World Bank on the other. The agronomists "delivered technical assistance that was largely 'disembodied' from capital transfers. They spent much of their time posted in developing countrysides. The Bank, by contrast, was headquarter-centered; its main concern was to transfer capital."[99] One of the clearest statements of why a community development approach did not fit into the World Bank came from Robert McNamara during his presidency at the end of the 1960s. Even though McNamara was generally sympathetic towards community development, he had "considerable doubt" that the Bank could get involved in it:

> The amounts of money needed are relatively small; the foreign exchange requirements are even smaller. Moreover, it would be extremely difficult for the Bank effectively to supervise the use of proceeds of a loan given to support a program involving community development in numerous small villages. In those few instances in the past when we have investigated projects of the community development kind we have found them unlikely to provide returns to the economy as good as those available from alternative investments.[100]

[96] Ibid., 104.
[97] Nicole Sackley, "The Village as a Cold War Site: Experts, Development, and the History of Rural Reconstruction," *Journal of Global History*, 6:3 (2011): 481-504.
[98] Ibid., 490; see also Nick Cullather, *The Hungry World. America's Cold War Battle against Poverty in Asia* (Cambridge, London: Harvard University Press, 2010), chapter 3.
[99] Kapur et al., *The World Bank. Vol. I*, 380-381.
[100] Robert McNamara to Mohamed Nassim Kochman, "Community Development," May 1, 1969, Chronological Files (outgoing), Records of President Robert S. McNamara herein after RPRM, World Bank Group Archive herein after WBGA, folder 1771864.

By the late 1950s and early 1960s, there was widespread doubt that community development was able to sufficiently raise agricultural production levels, especially with rising population numbers. This doubt came alongside other disillusionments regarding the programs.[101] During the 1960s, the emphasis started to shift to the use of newly available technology packages and to a capital-intensive agricultural intensification strategy. The World Bank only adopted a broader lending effort in agriculture, and later also in rural development, when the emphasis within these fields had moved away from relatively cheap community development approaches to an emphasis on making capital investments which the Bank was able to offer and which fit the orientation and comparative advantage of the World Bank as a financial institution.

The International Development Association

Throughout most of the 1950s, thus, the IBRD had operated as a financially conservative, rather small special banking institution that mainly focused on financing the foreign exchange requirements for infrastructure projects. The institutional logic and character as a special investment bank was challenged with the establishment of the International Development Association in 1960. IDA certainly opened up space within the Bank to consider new types of projects which before were hardly thinkable. The new IDA was tightly integrated into the already existing structure of the IBRD, and it was run by the same president, staff, and Executive Directors, which is why both institutions are commonly summarized in the term World Bank. IDA was established as a soft loan affiliate of the IBRD, providing loans with a zero-interest rate, fifty year terms, and only a small service fee charge. The money did not come from Wall Street or other financial markets, but from contributions of rich member state governments which changed the resource dependency of the World Bank. But because IDA funds were grant money rather than loans from Wall Street, IDA also opened up more space to consider projects which were not directly self-liquidating, and which did not have high rates of economic return.

This change and the initiative for the establishment of IDA came from outside of the World Bank, and both Eugene Black and later also George Woods, the president who followed in 1963, were initially critical of IDA and the way this soft term money might influence and change regular IBRD

[101] See Unger, *International Development*, 108-109; Sackley, "The Village as a Cold War Site," 496; Cullather, *The Hungry World*, 89-92.

operations.[102] The establishment of IDA can be interpreted as a reaction by the United States and its allies to the demand of developing countries to establish a soft loan fund for development within the United Nations system.[103] Within the World Bank, the establishment of IDA was also perceived and interpreted with a specific focus on the balance of payment crisis in India, at the end of the 1950s.[104] On a larger scale the establishment of IDA also reflected the changed nature of the Cold War that had moved to the economic terrain. IDA was an expression of a new willingness of the late Eisenhower administration to use development aid as a means of gaining influence on the new economic terrain of the Cold War.[105]

The main critique of developing countries and development experts of the IBRD over the course of the 1950s had focused on the very low level of lending compared to estimates of how much investments developing countries needed in order to 'catch up' with the richer countries.[106] From 1949 up until 1957 average annual lending commitments of the IBRD for all countries together were only around $307 million, and did not begin their slow rise until 1958. This lending was multiple times smaller than the funds extended to Europe under the Marshall Plan, smaller than the bilateral development assistance of the United States, and also considerably below the annual resource requirements of $10 billion that were estimated by some UN Reports.[107] The level of aid was connected to the hard, almost market, terms on which the IBRD was extending its loans, because it was clear that increased lending levels for many countries would have to come on a soft term basis.

A first proposal to establish a soft loan fund for economic development within the United Nations had been raised as early as 1949 by the Indian economist V. K. R. V. Rao.[108] It continued to be discussed throughout the 1950s as a potential Special United Nations Fund for Economic Development (SUNFED). By 1955 the Soviet Union was supporting the SUNFED proposal and in 1957 the United Nations Economic and Social Council (ECOSOC) recommended the establishment of SUNFED to the UN General Assembly.[109] The vote on SUNFED was the first

[102] See Oliver, *George Woods*, 44-47; Kapur et al., *The World Bank. Vol I*, 171.
[103] See Jolly et al., *UN Contributions*, 82-83; Toye and Toye, *The UN and Global Political Economy*, 173-174; Kapur et al., *The World Bank. Vol I*, 154-156;
[104] Kapur et al., *The World Bank. Vol I*, 157.
[105] Adamson, "The Most Important Single Aspect," 63.
[106] Murphey, *The United Nations Development Programme*, 57-60; Kapur et al., *The World Bank. Vol I*, 90-91.
[107] Kapur et al., *The World Bank. Vol I*, 90-91.
[108] Toye and Toye, *The UN and Global Political Economy*, 172.
[109] Ibid., 173.

vote that split ECOSOC along the lines of richer and developing countries, with the United States, the United Kingdom, Canada, and others voting against SUNFED.[110] This line of division between North and South would become an important division in many organizations and bodies of the United Nations system, especially in those concerned with economic questions, culminating in the North-South conflict during the 1970s. The 'compromise' that developed out of the division about SUNFED led to the establishment of a greatly reduced 'Special Fund' within the UN that would enhance the technical assistance program by financing resource and pre-investment studies, but this 'Special Fund' was not a lending institution for investments.[111] A multilateral soft loan fund, in the form of the IDA, was only established in 1960 within the World Bank where the United States and other rich donor countries would have much more control and formal voting power over the use of the fund, and where the Soviet Union was absent. Looking back at the establishment of IDA in the World Bank, Eugene Black also confided that IDA "was really an idea to offset the urge for SUNFED."[112] With this beginning, the transformation of the World Bank from a cautious small investment bank into more of a development financing organization which was fostered by the establishment of IDA, was inextricably linked with one of the first defeats of developing countries in their attempts to achieve lasting economic reforms within a more democratic United Nations system.

On a larger scale the creation of IDA was also a reaction to the changes of the Cold War and an expression of a new willingness of the United States' administration under Eisenhower to use development funds as a means of influence.[113] All in all, the international economic policies of the Eisenhower administration can be summarized as 'trade not aid' and were focused on creating a liberal international capitalist order. Financial assistance on concessional terms in the form of aid was seen as a short-term emergency reaction only to military threats, and not as a permanent feature of the world economy.[114] At the end of the 1950s, the terrain of the Cold War had, however, moved more into the economic field and had expanded geographically. The Soviet Union started an

---

[110] Ibid.
[111] Jolly et al., *UN Contributions*, 80-81.
[112] James Weaver, *The International Development Association: A New Approach to Foreign Aid* (Santa Barbara: Praeger, 1965), 28.
[113] Adamson, "The Most Important Single Aspect," 63; Dennis Merrill, *Bread and the Ballot. The United States and India's Economic Development, 1947-1963* (Chapel Hill: University of North Carolina Press, 1990), 145; Engerman, *The Price of Aid*, 170-175.
[114] Adamson, "The Most Important Single Aspect," 47-53.

offensive in economic diplomacy and was backing the SUNFED proposal in the United Nations.[115] Furthermore, an immediate Cold War threat had returned to Latin America with the victory of Fidel Castro in Cuba at the end of 1958 and many Latin American governments were raising critiques about the neglect of economic assistance for the region at the end of the 1950s.[116]

Once IDA was established within the World Bank, India was in fact the country that was most on the mind of the Bank's management and had a special relationship with the newly created IDA. Not only had the Indian government supported SUNFED for a long time within the debates in the United Nations[117] and Indian officials like B.K. Nehru lobbied for the establishment of a soft loan affiliate within the World Bank.[118] The Bank's management was also very favorably inclined towards using the newly available funds in India.[119] At the end of the 1950s, India was a perfect example for a country with obvious financial needs and many bankable projects, but with limited creditworthiness from the point of view of the Bank.[120] Without IDA money, the World Bank would have had to reduce its engagement in India.[121] India was to become by far the largest borrower of IDA, particularly in the early years. In the first three years of its operation until the end of 1963, for example, India received 58 percent of all the funds committed by IDA. India and Pakistan together accounted for as much as 75 percent of the entire IDA commitments.[122] In chapter three we will look more in detail at the complicated relationship the World Bank had with India over the course of the 1960s.

From the beginning, the Bank's management tried to fight off any softening of the hard financial image the IBRD had established for itself through the existence of IDA. One of the crucial

[115] Ibid., 56; Merrill, *Bread and the Ballot*, 137.
[116] Adamson, "The Most Important Single Aspect," 60-61. The main reaction of the United States to these events in Latin America only came under John F. Kennedy with the launch of the 'Alliance for Progress' program. But the creation of IDA also should be interpreted as an earlier recognition of the U.S. government of the new economic dimension of competition involved in the Cold War.
[117] Toye and Toye, *The UN and Global Political Economy*, 344 (footnote 48).
[118] Engerman, *The Price of Aid*, 185-186.
[119] Kapur et al., *The World Bank. Vol I*, 157.
[120] The World Bank economic reports on India from the two years before the founding of IDA thus noticed on the one hand the need for foreign exchange assistance but also the need to give that assistance in a way "without adding unduly to India's future debt service obligations", see IBRD, "Current Economic Position and Prospects of India," July 28, 1958, WB D&R, page v, see also IBRD, "Recent Economic Developments and Current Prospects of India," February 20, 1959, WB D&R, 3.
[121] Mason and Asher, *The World Bank*, 682.
[122] The percentage shares were calculated based on the Bank's project data, http://projects.worldbank.org/. The country with the next highest percentage share was Turkey accounting for five percent of IDA commitments. Most of the rest of the funds was lent in small loans of under $10 million to multiple countries usually accounting for only about one or two percent of IDA's commitments in the first three years.

interpretations Bank staff and the Executive Directors agreed upon in this regard was the emphasis on the fact that IDA was created with regards to creditworthiness problems but not for specific "social" type of projects. This meant that while the terms of the loans were soft, the kind of projects financed by IDA should meet in principle the same criteria as the ones financed by IBRD. Only the balance of payment situation of the borrowing countries did not have to meet the same standards.[123] India, with its balance of payment problems but a long line of bankable projects, was the obvious candidate for IDA and its lending criteria.[124]

However, the availability of grant money which did not come from Wall Street but from richer member states did stir many discussions among the Executive Directors and the senior level staff in the Bank's Loan Committee. In an interview one year after the introduction of IDA, Burke Knapp, Vice President of Operations, observed that in the past the Bank's "doctrine" was that social services were the "fruits of economic development" which could only be reaped by investing into the "means of economic development" which was the task of the Bank.[125] Knapp observed that IDA now gave the Bank the possibility to "lean in" a little more in the direction of social and not directly productive projects,[126] while attempting to maintain high project standards. The World Bank indeed used this space to lean in a little bit. Bank staff at the Loan Committee started to discuss the eligibility of financing projects in education, water supply, and new agricultural projects.[127]

IDA also introduced more political factors into the Bank particularly with regards to the problem of the allocation of the new desired funds.[128] Slowly, the Bank started to discover criteria of relative income inequalities between different countries which were used to justify lending allocations to India and other countries.[129] IDA also flattened the way towards more program lending of the World Bank to developing countries, particularly to India. With its soft loan terms, IDA money was ideal as a balance of payment support credit for countries struggling with their creditworthiness, which was also recognized by the Bank's staff.[130] The official historians of the

[123] Kapur et al., *The World Bank. Vol I,* 154.
[124] Ibid., 157.
[125] Burke Knapp, "Transcript of Interview with Robert Oliver, July, 1961," WBGA OH, 33.
[126] Ibid.
[127] Kapur et al., *The World Bank. Vol I*, 160-168.
[128] Ibid., 172.
[129] Ibid., 165.
[130] Ibid., 168-169.

World Bank ultimately sum up the establishment of IDA as the creation of a “dual personality” within the World Bank, which had profound and lasting consequences for the further course the Bank would take over the 1960s and 1970s.[131]

Conclusion

The chapter analyzed the establishment of the World Bank at the Bretton Woods Conference and the institutional character and practices that the Bank developed over the course of the 1950s. The World Bank of the 1950s mostly acted as a small and cautious special investment bank lending to comparatively high-income countries, European colonial powers for colonial development and to independent developing countries. A lot of the institutional practices of the World Bank developed with an eye to Wall Street both, because the Bank was financially dependent on making bond sales at Wall Street and because Wall Street bankers and lawyers were in leading positions in the IBRD of the 1950s. While European countries and Australia received substantial amounts of privileged program loans over the course of the 1950s, Bank lending to independent developing countries was confined to project lending that largely concentrated on infrastructure investments in the transportation and power sector.

We have seen throughout the chapter that many critiques and points of contention that the countries of the South would raise with regards to the role of the World Bank as an international financial institution over the coming decades were already present at the Bretton Woods Conference and during the 1950s. Their demand in the 1950s, for a development fund that would hand out loans on better terms and conditions than the World Bank within the UN system led to the establishment of IDA within the World Bank. The grant-like character of IDA funds would have a big impact on allowing an opening of the World Bank to new lending fields, including agricultural development and more socially oriented fields such as funding education. The availability of IDA funds was, however, not the only factor that contributed to the increased attention and lending for agriculture over the 1960s.

In the next chapter we will see that the World Bank was largely following larger international trends and discussions about the importance of agriculture in the development process. The perception of agricultural development itself changed which made it possible for the World Bank

[131] Ibid., 173.

to expand its role in it. At the same time, the Bank was also struggling with the challenge of coming up with project designs for its rapidly growing membership of newly independent African states over the course of the 1960s. The Bank's answer to this challenge largely looked towards agricultural development and was influenced by the experiences and thinking of British late colonial development in Africa, as we will see now in the following chapter.

Chapter 2

Agriculture, Decolonization, and the Influence of British Colonialism – the 1960s

During the 1960s, the World Bank's lending focus in developing countries on transportation and power projects started to loosen a little bit, and the Bank financed more projects in the agricultural sector and in new lending fields such as education. Between 1960 and the end of 1968, the combined lending for agricultural projects of the IBRD and IDA to developing countries increased to a share of approximately 13 per cent of all lending to these countries.[1]

Several factors that were internal to the World Bank contributed to the increased lending to the agricultural sector: the new availability of IDA funds, a change in presidency of the Bank in 1963 after almost thirteen years of Eugene Black, and the search for an outlet for the excessive earnings of the IBRD. More importantly, however, the World Bank was following and contributing to larger international discussions about economic development that heightened the attention to and importance of agriculture. In this broader trend different aspects came together, ranging from worries about the slow increase of food production levels in India, to British late colonial land settlement schemes in Africa, and the question of what kind of development projects the World Bank was going to fund in the newly independent states in Africa during the 1960s. The increased emphasis on the importance of agriculture was also reflected in theoretical discussions in development economics. These ranged from the cautious argument of Johnston and Mellor that some investments into agriculture were needed in order to achieve "balanced growth"[2] to the seminal neoclassical statement of Theodore W. Schultz about the efficiency of poor farmers that criticized many core assumptions and models of the discipline.[3]

This chapter argues that two interconnected shifts in the understanding of agricultural development were at the core of these debates and trends and that these shifts facilitated the increased lending and attention of the World Bank for the agricultural sector over the course of the 1960s. The first shift was the emphasis on the importance of making investments into agriculture in order to

[1] The calculation includes five loans for agricultural colonial development to Britain amounting to $27.9 million. The calculation is based on the data of the World Bank's website for Projects and Operations http://projects.worldbank.org/ (last accessed September 16, 2019).
[2] Johnston and Mellor, "The Role of Agriculture," 590.
[3] Theodore W. Schultz, *Transforming Traditional Agriculture* (New Haven and London: Yale University Press, 1964).

increase its productivity. This emphasis on investments meant that agricultural development could be perceived more as a problem of capital transfers which fitted the Bank's mode of operations. Older ideas about agricultural development as a problem of technical assistance alone and of a gradual change of practices were losing ground over the 1960s. The argument here is not that the focus on making investments into agriculture was absent before the 1960s but that there was a marked shift in the importance that was attached to it.[4] The second shift was related to the first one but happened on a different level. Alongside the argument about the importance of making investments into agriculture a new perception of farmers as rational economic agents emerged. In this new perception farmers in developing countries did not appear as passive and bound by tradition but as economic men worthy of investments that could be addressed through classical economic means which focused on providing opportunities and setting the right incentives.

The chapter starts with an exploration of these two shifts in the understanding of agricultural development and tries to relate them back to the World Bank. It continues with an analysis of the explicit endorsement of an increase of agricultural lending by the World Bank under George Woods at the beginning of 1964. By the middle of the 1960s, the World Bank had moved away from an understanding of agricultural development that focused on financing single profitable projects into irrigation infrastructure to acknowledging, at least in theory, that broad agrarian reform measures were needed. The idea of an agrarian reform encompassed different elements and understandings, however. Both, the Bank's experience from its participation in late colonial land settlement schemes in Africa played into its idea of an agrarian reform, as well as a new understanding of agriculture as a sector with specific sector policies regarding prices, input supplies, and marketing. While this chapter has an emphasis on the World Bank's approach to agricultural development in Africa for which the former idea of agrarian reform was crucial, the latter understanding of agrarian reform played an important role in the Bank's approach towards Indian development policies during the middle of the 1960s which will be explored in the next chapter.

[4] As already seen in the last chapter, the World Bank had also financed small projects supporting agricultural mechanization and some irrigation schemes during the 1950s. Colonial administrations also had high hopes in investing into agricultural mechanization during the 1950s that most of the times were frustrated by results, however. For a brief account of the development disaster of the Groundnut Scheme in East Africa see for example Joseph M. Hodge, *Triumph of the Expert. Agrarian Doctrines of Development and the Legacies of British Colonialism* (Athens: Ohio University Press, 2007), 209-213.

Investing into Agriculture

Almost immediately with the turn to the decade of the 1960s agricultural lending started to increase at the World Bank, and the focus on lending for the power and transportation sector started to loosen. But the World Bank was still heavily focused on financing physical infrastructure investments, also in the agricultural sector. Between 1960 and 1963, over 80 percent of the agricultural projects financed by the IBRD and IDA were for irrigation schemes or connected to them in financing drainage and flood control projects.[5]

The IBRD financed some of the large irrigation schemes at the beginning of the 1960s. The first irrigation projects the IBRD financed since 1955 were in Pakistan and Sudan. The project in Pakistan was of crucial political relevance. The Bank had been involved in heated negotiations over the water use of the Indus Basin between Pakistan and India since 1951 and had helped to broker a treaty between them in 1960.[6] With the two loans for a dam and an irrigation scheme to Sudan in 1960 and 1961, the Bank supported the focus on cotton exports that was at the core of the development strategy of the country. The Bank's management agreed with the development strategy of the Sudanese government: a strategy that focused on investing in the most profitable and already more developed areas of the country which promised high returns on investments. At the same time this strategy also exacerbated regional economic inequalities and increased the dependency on the export of one central commodity, in this case cotton, as the main income source of the state.[7] When the Sudanese Ministry of Finance was discussing how to confront the decline of cotton prices in 1957, two different positions emerged. One argued to diversify the economic structure to overcome structural vulnerabilities in the reliance on one export commodity. The other advertised to lower the prices for cotton in order to gain a larger market share and to make up for the lower prices through increased production.[8] The World Bank, in its economic report on Sudan, was on the latter side, a position which also prevailed in the Sudanese government.[9]

---

[5] The number is based on my own calculation from the data provided at the Bank's website for Projects and Operations http://projects.worldbank.org/ (last accessed September 16, 2019).

[6] For a very detailed and Bank-focused view on these negotiations see Harold N. Graves, "The Bank as International Mediator: Three Episodes," in Edward Mason and Robert Asher, *The World Bank since Bretton Woods* (Washington D.C.: The Brookings Institution, 1973), 595-646, on the water negotiations between Pakistan and India see pages 610-626.

[7] For a detailed analysis of the choices and discussions of the Sudanese government regarding the development strategy see Young, *Transforming Sudan*, chapter 4 & 5.

[8] Ibid., 102-104.

[9] Ibid., 102.

A major drive for the expansion of agricultural lending at the beginning of the 1960s came from the new availability of the funds of IDA. IDA, with its grant money that did not come from Wall Street, provided the Bank's management with more freedom to experiment, to enter new lending fields, and to consider projects that were relevant but not always of utmost priority in the development strategy of a country. The Bank's management especially used IDA funds in this way in its lending to India. The Bank did not finance any agricultural projects in India after 1954 but in the eyes of several members of the Bank's management IDA funds now provided a new opportunity for entering that sector. Burke Knapp, the Bank's Vice President of Operations, was an outspoken supporter of using IDA funds to do more for agricultural development in India. In a Loan Committee Meeting in June of 1960 he argued against investments in water supply and sanitation and for a focus on rural areas and agriculture: "What would IDA do in India? The Bank had not got far into food supply, agricultural development and village projects there. Why shouldn't IDA assist in these in India?"[10] Eugene Black was apparently of a similar opinion and instructed a Bank mission to India to come back with at least a dozen agricultural projects.[11] In the first two years of operation, in 1961 and 1962, IDA funded six agricultural projects in India, all for irrigation. The new irrigation projects were already under construction but had run out of resources. A long-term Bank official observed retrospectively that "it was the worst series of projects we had ever supported. It took ten, twelve years to complete them."[12] But in the end he noticed that the slow progress did not matter because "it was the first serious attempt to do something more systematically about agriculture in India. And we met the requirement of putting agriculture on the map."[13]

With this increased agricultural lending the Bank was following broader trends and discussions that emphasized the importance of making investments into agriculture, and particularly into Indian agriculture, at the beginning of the 1960s. The Ford Foundation had already published its influential *Report on India's Food Crisis & Steps to Meet it* in 1959, warning of food shortages and advertising a "food-first strategy" instead of the focus on industrialization that the Indian government was

[10] IBRD, "Rough Notes of Staff Loan Committee Meeting," June 13, 1960, cited from Kapur et al., *The World Bank. Vol. I*, 160.
[11] Willi Wapenhans, "Transcript of Interview with John Lewis and Devesh Kapur, September 6, 1991," WBGA OH, 9.
[12] Ibid., 10.
[13] Ibid., 10.

pursuing in its Second Five Year Plan.[14] The Report warned of a huge gap in food supplies by the end of India's Third Five Year Plan in 1966, unless the slowly rising rate of food production is tripled in the upcoming years.[15] It urged Indian leaders to focus on the increase of food production as the most urgent and important problem in the next years.[16] While the Ford Foundation Report recommended to use the "underutilized" labor resources (often landless families) of rural villages in public works programs to increase food production, it also argued for making enough capital investments into agriculture, especially for credit provision, chemical fertilizers, pesticides, and improved seeds, to use these labor resources and to increase production.[17] Interestingly, regarding irrigation the report recommended to focus on investing in water management and in technical assistance for a better use of existing water resources instead of on the construction of new irrigation facilities that would need years for completion, which is what the Bank chose to do.[18] The Ford Foundation followed up on this report and advice with making more investments into agriculture themselves. In 1960, it pledged $7 million dollar for the establishment of the International Rice Research Institute (IRRI) in the Philippines, together with the Rockefeller Foundation. The IRRI would play a crucial role in the so-called Green Revolution of the 1960s in Asia through the development of IR-8, a new high-yielding rice variety.[19]

The importance of the agricultural sector was also receiving more attention in theoretical discussions in the discipline of development economics at the beginning of the 1960s. The discipline's strong focus on industrialization started to be questioned.[20] One of the seminal articles calling for a "balanced growth" between the agricultural and industrial sector, both at the same time, came from the two economists Bruce E. Johnston and John W. Mellor in 1961.[21] Johnston and Mellor were still quite firmly rooted in common models of economic development. They pointed to the important role of the agricultural sector in helping with industrialization by providing enough food supplies, foreign exchange through exports, labor force, savings for investments, and

[14] See Cullather, *The Hungry World*, 187.
[15] Ford Foundation, Agricultural Production Team, *Report on India's Food Crisis & Steps to Meet it* (Delhi: issued by the Government of India, April 1959), 1, 3-4.
[16] Ibid., 13-14.
[17] Ibid., 16-17, 19.
[18] Ibid., 5.
[19] Cullather, *The Hungry World*, 162-173; Corinna Unger, *Entwicklungspfade in Indien. Eine internationale Geschichte. 1947-1980* (Göttingen: Wallstein Verlag, 2015), 101-107.
[20] See Unger, *International Development*, 110.
[21] Johnston and Mellor, "The Role of Agriculture," 590.

a demand stimulus.[22] They advertised a development strategy that paid attention to the importance of agriculture but without actually allocating too much of the scarce resources to the agricultural sector. The hope was that some investments into research, new inputs, and education would lead to a more efficient use of already existing resources and would make a labor-intensive agriculture more efficient.[23]

The Bank was following and contributing to this broader trend in the discussions about economic development that emphasized the need to make more investments into agriculture. The new availability of IDA funds helped with the slow expansion of agricultural lending at the World Bank.

Table 4 Lending of IDA by Sector, 1961-1963[24]

Sector	Commitment in million U.S. $	Number of Projects
Transport	189,6	10
Irrigation and Drainage	113,2	12
Other Agricultural Projects	6,6	2
Water Supply in cities	62,9	6
Power	57,7	4
Telecommunications	42,0	1
Ports	22,3	3
Industry	16,5	3
Education	9,6	2
Total	520,4	43

As we can see in table 4, in the first years until 1963 agricultural lending accounted for 23 percent of IDA financial commitments and for one third of all the projects IDA financed because agricultural projects tended to be small. But there were no experiments regarding the type of agricultural projects that the Bank financed with IDA funds. Almost all the money went into

22 Ibid., 571-572.
23 Ibid., 581.
24 The table is based on my own calculations from the data of the World Bank's project and operations website http://projects.worldbank.org/.

infrastructure projects in irrigation and drainage work.[25] Most innovative in these first years was that with IDA the World Bank financed its first projects in the field of education and in water supply. Until the end of the 1960s, the educational lending of the World Bank was focused on secondary education and vocational training because the Bank argued that they had a more direct effect on economic development than primary education, a view that was challenged by the African Governors of the World Bank.[26]

The experiments with new types of agricultural projects the World Bank had never done before did not come with the availability of IDA funds but were rather financed by IBRD. These experiments happened in the context of late colonial land settlement schemes in Africa and the Bank's participation in these. At their root was a shift in British colonial agricultural policy in Africa that from the middle of the 1950s focused more on the idea of individual ownership in landholdings. Connected to this emphasis on individual ownership were hopes to intensify agricultural production and strategic security calculations. The British focus on individual ownership and land titles were an attempt to build specific elites and middle classes of African farmers in order to stabilize the countryside during late colonial uprisings and to protect British interests after decolonization.[27]

Late Colonialism and 'Progressive' African Farmers

Joseph Hodge has argued that immediately after the Second World War British colonial officials had been reluctant to grant individual land titles to Africans in colonial agricultural development schemes.[28] Individual ownership constituted an "impossible paradox" for colonial officials because from their perspective it held promises for agricultural intensification and for creating a 'progressive' class of farmers that invested in land and agricultural productivity.[29] At the same time, however, individual ownership was also associated with the danger of the breakdown of

[25] The two other projects which are listed in table four as "other agricultural projects" were a project for cattle development in Paraguay and an agricultural credit project to Jordan. Agricultural credit projects became an important new area of lending for the World Bank over the course of the 1960s. But this was also not the first agricultural credit project. The IBRD had already financed three agricultural credit projects in Peru prior to, the establishment of IDA.
[26] George Woods to The Governors representing African Group Countries, December 1, 1966, PA AA, B58, Bd. 542, page 4. While the Executive Directors are the member state representatives for the daily operations and decision making in the World Bank, each country sends a Governor to the Annual Meeting of the World Bank.
[27] See Hodge, *Triumph of the Expert*, 248-249; Daniel Branch, *Defeating Mau Mau, Creating Kenya. Counterinsurgency, Civil War, and Decolonization* (Cambridge: Cambridge University Press, 2009), 120-122.
[28] Hodge, *Triumph of the Expert*, 242-243.
[29] Ibid., 239-240.

village communities, an uneconomic partition of land units, peasant indebtedness, and landlessness.[30] In many areas the tensions and contradictions of late colonialism, however, produced a rapid individualization and land commercialization over the 1950s, which "left government authorities in these regions desperately trying to co-opt and contain the emerging indigenous petite bourgeoisie."[31]

One of the most influential colonial agricultural schemes that started promoting the establishment of an African class of 'progressive' farmers, holding individual land titles, was the so-called Swynnerton Plan of 1954 in Kenya. The term 'progressive' farmer is used here not as a direct citation but as a term appearing in the sources and in the discussion about agricultural development in the 1950s. There is no exact definition for the term because it is used as a term that carries various connotations that distinguish the 'progressive' farmer from the 'traditional' farmer. The term carries political connotations of loyalty and of keeping order that were relevant for the late colonial state. It also comprises ideas about the economic behavior of farmers and was associated with the already better off farmers that would make investments into agriculture and provide employment.

The Swynnerton Plan gave individual land holdings to African farmers and lifted colonial restrictions on cash crop production and marketing for them. Through the individual land titles, the farmers had access to credit and the economic idea behind the plan was to stimulate the capitalization and intensification of agriculture.[32] The economic doctrine underlying the plan was focused on "progressive farmers as the new vanguard in the drive to expand production and save the soil."[33] The Swynnerton Plan came at a moment of open conflict between the British late colonial state and the Mau Mau rebellion in Kenya. The execution of the plan was thus heavily influenced by a counterinsurgency logic in which colonial authorities extended land and the connected benefits to loyalists and punished farmers backing the insurgents.[34] Hodge has described the Plan as the "most comprehensive attempt by the postwar colonial state to engineer an agrarian counterrevolution […] by co-opting the middle peasantry."[35]

---

[30] Ibid.
[31] Ibid., 251.
[32] Branch, *Defeating Mau Mau*, 120-121.
[33] Hodge, *Triumph of the Expert*, 248.
[34] Branch, *Defeating Mau Mau*, 121-122.
[35] Hodge, *Triumph of the Expert*, 249.

Over the 1950s, the World Bank did not fund any agricultural colonial development projects. Lending for colonial development had mostly been confined to the transportation and power sector. It included Bank participation in show-case projects such as the Kariba Dam between (now) Zimbabwe and Zambia which created the biggest lake produced by man at the time and intended to triple the production of electricity of the region.[36] It was only in 1960 that the World Bank participated for the first time in late colonial agricultural projects and got particularly involved in British late colonial development schemes.

During the 1950s, Belgium, France, and the United Kingdom received loans for colonial development from the World Bank. Belgium, however, ceased to receive these loans with the independence of the Democratic Republic of Congo in 1960. France did not receive any colonial development loans from the Bank over the course of the 1960s anymore. In part this can likely be explained by the special arrangements France had established in the context of early European integration. Since 1957, with the establishment of the European Economic Community, French colonies and former colonies were granted special tariff exemptions and received loans from the European Development Fund as an alternative source of finances to the World Bank.[37] Over the course of the 1960s, the Bank only kept being involved in British late colonial development policy which is why it is the focus of this chapter.

The emphasis on individual ownership and the idea of actively contributing to building African elites and middle classes of farmers in some of the late colonial land settlement schemes contributed to the Bank entering the field of agricultural colonial development. The idea of individual ownership fitted to the Bank management's mindset that emphasized the important role of private responsibility and ownership in the economy. Furthermore, the image of a 'progressive' class of African farmers in which each farmer had individual incentives for investing in his (for the Bank it was a 'he') land in order to increase production resembled World Bank ideas about the progressive role of entrepreneurs and of private initiatives in the larger economy. In the Bank's reports on land settlement projects in Belgian Congo, South Rhodesia/Zimbabwe, and Kenya from

[36] For a detailed discussion of the Kariba Dam project that includes an analysis of the involvement of the World Bank see Julia Tischler, *Light and Power for a Multiracial Nation. The Kariba Dam Scheme in the Central African Federation* (New York: Palgrave Macmillan, 2013).

[37] Guia Migani, "Lomé and the North-South Relations (1975-1984): from the 'New International Economic Order' to a New Conditionality," in Claudia Hiepel, ed., *Europe in a Globalising World. Global Challenges and European Responses in the 'long' 1970s* (Baden-Baden: Nomos, 2014), 123-145, here 123-124.

1960 the central problem and explanation for the poverty of the African population were not colonial restrictions and land shortages connected to white colonial settlers. Instead the poverty was mostly explained by the inefficiency of "traditional" agricultural systems of shifting cultivation and communal landholding: "Inefficient use of land, including the traditional system of land tenure, backward agricultural practices and a resultant deterioration in soil fertility has, however, been largely responsible for the low yield in agriculture and for the poverty of African farmers."[38] For the Bank shifting cultivation systems of land use made "scientific farming" impossible[39] and led to the loss of fertility and to soil erosion because they made "no individual feel responsible."[40] One of the aims of the settlement projects for the Bank thus was to establish "a community of settled, responsible farmers."[41]

Especially the two land settlement projects in Kenya which the Bank supported in 1960 and 1961 were clearly inspired by core principles of the Swynnerton Plan.[42] Conservative political ideas of maintaining order, as well as an economic doctrine that focused on the importance of an African agricultural elite and middle class were crucial in the Bank's assessment of these projects. The World Bank in general supported British colonial interests on several crucial policy issues regarding East Africa, especially in important financial and monetary questions.[43] The Bank, for example, argued for a territorial balancing of budgets in its country economic reports thus reducing the claim on British development resources.[44] In accordance with the Bank of England, it also argued against a quick monetary and central bank reform that would have made sterling reserves available for East African countries and would have opened monetary solutions to financing development schemes.[45] The World Bank was clearly worried about a too radical and quick process of decolonization in Kenya. This concern and perspective were rooted in an unapologetic defense

[38] IBRD, "Report and Recommendations of the President to the Executive Directors on a Proposed Loan to the Colony and Protectorate of Kenya," May 17, 1960, WB D&R, 4.
[39] IBRD, "Appraisal of the Belgian Congo Agricultural Project," February 26, 1960, WB D&R, i.
[40] IBRD, "Federation of Rhodesia and Nyasaland. Appraisal of a Project to Develop African Agriculture in Southern Rhodesia," March 22, 1960, WB D&R, 2.
[41] Ibid., 12.
[42] The Bank was also explicit about this inspiration. The first project was presented as a continuation of the Swynnerton Plan: "The agricultural part of the proposed project consists essentially of the execution of the Swynnerton Plan in areas of 'high potential'," IBRD, "Report and Recommendations of the President to the Executive Directors on a Proposed Loan to the Colony and Protectorate of Kenya," May 17, 1960, WB D&R, 5.
[43] For a detailed analysis of late colonial World Bank reports on Kenya, Tanzania, and Uganda and their close alliance with core British economic interests, see Aldwin Roes, "World Bank Survey Missions and the Politics of Decolonization in British East Africa," *International Journal of African Historical Studies* 42:1 (2009): 1-28.
[44] Ibid., 14.
[45] Ibid., 25-26.

of the Bank's mission reports of a 'civilizing mission' of colonialism and in a glorified view of the role of white colonial settlers in the country and economy

> Despite their small numbers, about 1% of the total population, the Europeans are extremely important economically and politically and still remain the spearhead of Kenya's economic and social progress […] To a very large extent, they have been responsible for the development of Kenya's natural resources and for its economic and social progress. including the advancement of the African population. […] The great majority of the Africans are still illiterate, poor and without knowledge or understanding of the new world into which they are rapidly being thrust. There are only few Africans with adequate education and experience in the many complex spheres of modern business and government. Thus, it will be some considerable time before the Africans will have, in sufficient numbers, skilled people, ready to play a full part in the direction of the country's affairs.[46]

The Bank's report emphasized the dangers and negative consequences of "a large scale exodus of non-African capital and skill from Kenya."[47] The land settlement programs were intended to alleviate the "tensions between the races" by making former European land accessible to new African ownership.[48] At the same time the program should also "restore confidence among European farmers".[49] After all, they were not expropriated and instead compensated for their loss in land which acknowledged their land titles.[50]

One aspect in which the World Bank actually differed from the British and local governments at the beginning of the 1960s was that the Bank explicitly distinguished the land settlement program in which it participated from the "new smallholder scheme" (which would become known as the so-called One Million Acre Scheme) because the latter involved "lower standards for both land and settlers than were considered acceptable for the Bank Project."[51] The Bank-supported settlement project was aimed at a low-density settlement of "progressive" farmers that had some financial resources on their own and a proven ability and record as farmers.[52] It thus clearly had a specific type and economic class of African farmers in mind that it deemed worthy of receiving individual land holdings in the former European areas in Kenya and of obtaining investments. The Bank kept

[46] IBRD, "The Economy of Kenya," May 17, 1960, WB D&R, 22.
[47] IBRD, "Report and Recommendations of the President to the Executive Directors on a Proposed Loan to the Colony and Protectorate of Kenya," November 20, 1961, WB D&R, 6.
[48] Ibid., 6.
[49] Ibid., 5-6.
[50] See also Christopher Leo, "The Failure of the 'Progressive Farmer' in Kenya's Million-Acre Settlement Scheme," *The Journal of Modern African Studies*, 16:4 (1978): 619-638, here 621.
[51] IBRD, "Project for the Development and Settlement of Land in the Scheduled Areas. Kenya," November 20, 1961, WB D&R, 19.
[52] Christopher Leo, "The Failure of the 'Progressive Farmer'," 619-623.

its distance from the political urgency of dealing with protests and demands of the landless population in the immediate decolonization phase that led to the One Million Acre Scheme as a high-density settlement scheme with less restrictions and requirements for participation. According to Christopher Leo the Bank's endorsement of the low-density settlement schemes had consequences. It contributed to the fact that this settlement program always received much more resources than the high-density settlement program aimed at the landless and smaller farmers.[53]

Joseph Hodge has shown how several British colonial officials that had connections to the Swynnerton Plan and were involved in the One Million Acre Scheme went on to work as agricultural experts for the World Bank starting in the middle of the 1960s, carrying experiences from the colonial into the postcolonial development programs.[54] The relevance of stressing the Bank's participation in these late colonial settlement schemes in 1960, however, lies in the fact that the influence of these experiences with British colonial agricultural development was even more direct and more immediate in the Bank than Hodge's analysis suggests. The influence did not come only from the staffing of the Agricultural Development Service that was attached to the Bank's Resident Mission in Nairobi in the second half of the 1960s, which is what Hodge focuses on. There was also already a specific understanding of these land settlement schemes within the Bank's high management and headquarter in Washington D.C. as successful attempts at agrarian reform at the beginning of the 1960s. When many countries in Africa achieved their political independence at the beginning of the 1960s, the experiences with the land settlement programs from 1960 were the main experience with agricultural development in Africa the Bank was drawing upon. This experience was of particular relevance because, as we will see, the World Bank was to a certain degree reluctant to assist with financing industrial projects in the newly independent states in Africa. The main productive sector of the economy for many states was thus agriculture and from the Bank's perspective the new postcolonial 'progressive' class in Africa should be a class of farmers in several states.

[53] See ibid.

[54] Joseph Hodge, "British Colonial Expertise: Post-Colonial Careering and the Early History of International Development," *Journal of Modern European History* 8:1 (2010): 24–46, here 34-41.

The Farmer as a Rational Economic Agent

The idea of supporting the 'progressive' farmer that I have described above already included a perception of these farmers as more or less rational economic agents. 'Progressive' farmers were seen as farmers that knew how to make use of opportunities, would make investments, and had an interest in profitable production. The image was thus different from certain colonial but also otherwise widespread ideas of (peasant) farmers as 'backward', bound by tradition, and based in specific cultural patterns that determined their behavior.

During the first half of the 1960s, the peasant farmer as a rational economic agent was also discovered and discussed at a theoretical level in development economics. In 1960, when many countries in Africa obtained their independence, the U.S. American economist William O. Jones called for the freeing of "economic man" in Africa.[55] While Jones' analysis was not specifically focused on subsistence farmers, his argument certainly included them. The argument focused on showing that Africans were responsive to prices and that they had "economic drive".[56] In Jones's view this argument was crucial because nothing could substitute for "economic motivation" as a basic quality[57] and for Jones the assumption of a lack of "economic spirit" of Africans was at the heart of racist European justifications of colonial rule.[58]

A more general argument that specifically focused on subsistence farmers as rational economic agents was developed by the U.S. economist Theodore W. Schultz in his influential book *Transforming Traditional Agriculture* in 1964. Schultz did not explicitly engage with the rapid process of decolonization in Africa, into which time his book fell, but based his argument on the field work of other authors in India and Guatemala. The enormous influence of Schultz's book stemmed from the fact that he combined the arguments about the rationality of small farmers with the imperative to actually invest in agriculture, and that he challenged long established models within the discipline of development economics. From his entire approach to economics Schultz was set up for disagreeing with the Keynesian mainstream of development economists who were

[55] William O. Jones, "Economic Man in Africa," *Food Research Institute Studies* 1, May (1960): 107-134, here 133; see also the discussion of the article in Geoffrey Traugh, "Building a Nation of Farmers: 'Economic Man' and Expectations of Development in Postcolonial Malawi," (unpublished original English-language version that the author generously shared with me. The article was published in French, see Geoffrey Traugh, "Construire une nation d'agriculteurs: l'« homme économique » et l'attente du développement dans le Malawi postcolonial," *Politique Africaine*, 145:1 (2017): 27-45.)
[56] Jones, "Economic Man in Africa," 132.
[57] Ibid., 133
[58] Ibid., 108.

optimistic about government activities and state planning. From 1946 until 1961 Schultz had served as the head of the economic department at Chicago University, holding that position in some of the formative early years of what would later become the neoliberal so-called Chicago School around Milton Friedman, who also started working there in 1946.[59]

In his book from 1964 Schultz questioned many of the wisdoms of development economics' approach and understanding of "traditional" agriculture. He rejected Arthur Lewis' observation that the marginal productivity of labor employed in "traditional" agriculture was zero.[60] Schultz's argument was built around the observation that farmers in "traditional" agriculture were actually rational economic agents and that their allocation of existing resources was efficient.[61] This emphasis on subsistence farmers as rational economic agents on the one hand challenged assumptions about farmers as irrational and passive. On the other hand, this emphasis on economic rationality was also meant more generally as a challenge to many development economists who argued that the rules of economics differed between industrialized and developing countries – something that Hirschman called the "rejection of the monoeconomics claim" by development economics.[62] According to Schultz, the same 'economic laws' applied for industrialized and developing countries.[63]

One of the biggest implications this had for him was that farmers were indeed responsive to price incentives. The observation that most farmers were efficient economic agents implied that the major challenge involved in agricultural development could not be achieved through gradual changes in existing farming practices or outside experts that helped with a better allocation of

[59] See E.C. Pasour Jr., "Theodore W. Schultz," *Econ Journal Watch* 10:3 (2013): 593-601, here 596. Pasour points out that during the 1930s Schultz had advocated a strong role of the United States government in agricultural planning but that he went through a "pronounced ideological shift" before he came to Chicago. For the rest of his life Schultz would remain very critical of what he perceived as misguided government interventions into markets, see ibid., 594-596.
For a general historical account of the start and early years of the Chicago School that does not really discuss the exact role of Schultz, however, see Rob Van Horn and Philip Mirowksi, "The Rise of the Chicago School of Economics and the Birth of Neoliberalism," in Philip Mirowski and Dieter Plehwe, eds., *The Road from Mont Pèlerin. The Making of the Neoliberal Thought Collective* (Cambridge, Mass.: Harvard University Press, 2009), 139-180.
[60] Schultz, *Transforming Traditional Agriculture*, chapter 4.
[61] Ibid., 36-40.
[62] Hirschman, "The Rise and Decline of Development Economics," 3. The main observations about developing countries in which the rejection of monoeconomics was based was the underemployment in 'traditional' agriculture and the difficult process of late industrialization which required comprehensive planning, see ibid., 5-12.
[63] Theodore W. Schultz, "Tensions between Economics and Politics in Dealing with Agriculture," in Gerald Meier, ed., *Pioneers in Development. Second Series* (New York: Oxford University Press, published for the World Bank, 1987), 17-38, here 23.

existing resources.[64] For Schultz the challenge of agricultural modernization meant that entirely new factors and technologies of production had to be introduced, including the knowledge of how to use them. His agricultural development strategy can be summed up as one of making the right type of investments, into agricultural research, agricultural technologies and 'human capital', meaning health services and education, and of providing the right (price) incentives for increased production: "Once there are investment opportunities and efficient incentives, farmers will turn sand into gold."[65]

The direct influence of economic theory on the lending choices and policies of the World Bank should not be overestimated. Nevertheless, these debates and discussions provided the broader background against which the Bank's own discussions developed. This is all the more true for a figure like Theodore Schultz who shared the Bank management's suspicion against the Keynesian mainstream of development economics and its optimism about state planning. Schultz emphasized economic logics that worked through prices and markets which was a familiar doctrine for the high-level management of the Bank. While the archival sources are too few to speculate about the exact knowledge the Bank's management had of Schultz's arguments and ideas, there are traces that indicate that they were at least in contact with him and other U.S. development economists. Schultz, Edward Mason, and Max Millikan, for example, received copies of a confidential report on the Bank's agricultural policy discussion that was under consideration of the Bank's Executive Directors at the beginning of 1964.[66] One long-time Bank official who worked in the Bank Agricultural Department during the 1960s also claimed that he was very much influenced by Schultz's work, particularly by the emphasis on price incentives.[67]

In the middle of the 1960s, the emphasis of Schultz's work on providing "investment opportunities and efficient incentives"[68] was also not a purely theoretical debate for the World Bank. It was actively involved in both especially by pursuing agricultural policy changes in India, alongside the United States and the larger Aid India Consortium, as we will see in the next chapter.

---

[64] Schultz, *Transforming Traditional Agriculture*, 51-52.
[65] Ibid., 5.
[66] See George C. Wishart to Clarence S. Gulick, Feburary 5, 1964, Chronological Outgoing Files, herein after COF, Records of President George Woods, herein after RPGW, WBGA, folder 1769726.
[67] Willi Wapenhans, "Transcript of Interview with John Lewis, Richard Webb, and Devesh Kapur, September 6, 1991," WBGA OH, 15-16.
[68] Schultz, *Transforming Traditional Agriculture*, 5.

It is important to note that Schultz's model of the farmer as a rational economic agent never was a fully accepted doctrine. Doubts about the viability of modernizing agriculture remained widely spread also in the following decades and were in part based in preconceptions about the unpredictable economic behavior of 'traditional' farmers. It hardly has to be added that abstract economic models which were built around assumptions of optimizing and rational decision making could never capture the complex motivations, logics, and lives of real farmers and other people.

Geoffrey Traugh has convincingly argued that the real importance and influence of Schultz's model and similar beliefs about the efficiency of 'traditional' farmers should be seen in its use as a "planning tool" for development policy makers.[69] As a "planning tool" this model and vision served to connect the purported needs and expectations of the farmers and the broader rural population with the existing priorities of the developmentalist state and international organizations[70]:

> Schultz's particular innovation was to make a clear connection between what he defined as the needs of the optimizing farmer and the already existing development priorities of the state and international organizations. Thus while the optimizing farmer was a thin caricature, it was a tool that made agricultural development planning seem possible to states and foreign donors in even the most 'traditional' of rural societies, such as those found in newly independent Malawi.[71]

For an institution like the World Bank that was thinking in terms of profitability, with a focus on making productive investments, and assisting the private sector of the economy, the importance of the availability of an abstract idea of the efficiency and rationality of farmers for entering the field of agricultural lending can hardly be overestimated. This is especially true for the case of many African countries. As we have seen in the last section, the Bank's view of the newly independent African states was still informed by colonialism and the World Bank tended to perceive these states as particularly 'traditional' and rural societies, being pessimistic about financing industrial development in them.

An explicit endorsement for the importance of the agricultural sector and of increased lending for that sector by the World Bank happened with the change in presidency at the Bank from Eugene Black to George Woods to which we will now turn to.

[69] Traugh, "Building a Nation of Farmers," 9.
[70] Ibid., 2-3.
[71] Ibid., 10.

George Woods and the Increase of Agricultural Lending in the World Bank

George Woods did not arrive with a fixed agenda nor with a focus on agriculture as the new president of the World Bank in January of 1963. However, the change in presidency after almost thirteen years under Eugene Black certainly opened up some room for changes in the World Bank. Woods arrived with a very similar background to Eugene Black and had a similar perception of the Bank that can be summarized as the idea of a "cautious, image-conscious, [and] prestige lender".[72] He also came directly from Wall Street to the World Bank.[73] Woods was already very familiar with the World Bank when he arrived. He had advised Black on the marketing of Bank bonds for First Boston Corporation.[74] He had also served on several important Bank missions to India and the Philippines, where he helped to set up privately held development finance corporations, and to Egypt where he negotiated French and British stockholder claims after the nationalization of the Suez Canal.[75]

The official historians of the World Bank observe that the development agenda for the years of Woods' presidency was actually fully developed within the first year of his presidency and was originally an answer to an internal financial problem.[76] The Bank was facing the paradox of high earnings and diminishing investment opportunities in its regular borrowing countries and sectors because the most urgent infrastructure projects had already been financed.[77] In a memorandum for the Board's Financial Policy Committee Woods together with Richard Demuth, who was the director of the Development Service Department, was therefore looking for new ways of lending. Demuth's first draft in April of 1963 still focused principally on new ways of expanding industrial investments through program loans, direct assistance to the private sector, and the support of new industries.[78] But the revised draft in June also contained suggestions for longer repayment terms, loans for school buildings, and for more agricultural schemes.[79]

[72] Kapur et al., *The World Bank. Vol. I*, 176.
[73] See Oliver, *George Woods*, 21-32. Woods had worked as the chairman of the board of First Boston Corporation.
[74] Ibid., 47.
[75] Ibid., 47-53.
[76] Kapur et al., *The World Bank. Vol. I*, 176.
[77] Ibid., 177.
[78] Ibid., 177.
[79] Ibid., 177-178.

Between these two drafts, in May of 1963, George Woods seems to have become convinced that the Bank should pay more attention to agriculture as a lending field.[80] The rapid process of decolonization in Africa at the beginning of the 1960s played an important role for Woods' increased focus on agricultural lending. With the independence of many new states World Bank membership was expanding rapidly. Until the end of the 1950s, the Bank's membership had been confined to only 64 countries. This number started to increase rapidly particularly between 1961 and 1963. At the end of 1963, the World Bank already counted 98 member states. Most of the new countries were from Africa.[81] The World Bank was confronted with the question of what type of development programs and projects it was going to pursue and offer to the newly independent states. George Woods' seems to have found his answer in conversation with British ex-colonialists and continuing arguments about the importance of 'progressive' farmers. The answer was that the future lay in the support of private agriculture.

In a letter to Demuth in May of 1963 Woods mentioned that he wanted to talk about an article of the Washington Post on "Co-ops in Africa" when they discuss Demuth's draft memorandum for the Financial Policy Committee. Woods observed in that letter that the article and conversations with Lord Howick and the Prime Minister of Malaya had convinced him to expand Demuth's memorandum for the idea of more assistance to private agriculture.[82] Lord Howick, known as Sir Evelyn Baring until 1960, had been the British colonial Governor of Kenya from 1952 until 1959 and had thus held prime responsibility for the war and counterinsurgency strategy against the Mau Mau and was very familiar with the strategic implementation of the land settlement schemes based on the Swynnerton Plan. In 1960, he became chairman of the British Colonial Development Corporation (CDC). Over the course of the 1960s, the World Bank would finance several projects together with the CDC and George Woods was regularly in contact about these with Lord Howick.

The Washington Post article Woods wanted to discuss with Demuth praised co-operatives as the "poor man's capitalism in Africa" and as a viable way for modernizing agriculture and getting around the dominance of the new sovereign states as the only other "indigenous capitalist" in

[80] George Woods to Richard Demuth, "Washington Post Article on 'Co-ops' in Africa," May 13, 1963, COF, RPGW, WBGA, folder 1769723. See also Kapur et al., *The World Bank. Vol. I*, 178; Oliver, *George Woods*, 74.
[81] For Bank membership see http://www.worldbank.org/en/about/leadership/members (last accessed September 18, 2019).
[82] George Woods to Richard Demuth, "Washington Post Article on 'Co-ops' in Africa," May 13, 1963, COF, RPGW, WBGA, folder 1769723.

Africa.[83] The article praised co-operatives for their rational capitalist business practices and for the pooling of resources which made modern agricultural techniques available. The author clearly had a very specific type of cooperative in mind, in which large farmers would share agricultural machinery, not producer cooperatives of small farmers that were organized in different states after independence.[84] The author knew that the kind of capitalist-oriented co-operatives he talked about only affected a very small part of the respective societies (one percent in Ghana and Nigeria), but he emphasized that their actual financial importance was bigger because they were mostly comprised of the richer cash-crop farmers.[85]

Other reasons for the increased importance Woods wanted to pay to lending for agriculture were also connected to broader economic questions and models of how to foster economic growth through an export focus, how to assist private business, and how to improve the balance of payment situation of developing countries. Woods observed in his letter that:

> These conversations among other things, have made me wonder whether we are stressing private industry too much. Development of industry in many countries will immediately reduce imports; on the other hand, acceleration of exports is more likely to come from enlarging extractive and agricultural activities.[86]

One of the main constraints for an increase of agricultural lending by the Bank was its lack of agricultural experts and staff at the middle of the 1960s. At the end of 1963 there were only 22 agricultural specialists employed at the World Bank.[87] The Bank's President decided to try to draw upon the staff in the specialized UN organizations in order to achieve an increase of lending for agriculture and also for education. According to the recollection of a long-term staff member in the Bank Agricultural Department, the proposal to draw upon FAO staff came from George Woods

[83] Russel Howe, "Co-ops Are Poor Man's Capitalism in Africa," *Washington Post*, May 13, 1963, A25.
[84] For the discussion of a different example of rural development through cooperatives and mechanization that was aimed at a bigger fraction of the rural population see the discussion on post-independence Zambia, Andrew Bowman, "Mass Production or Production by the Masses? Tractors, Cooperatives, and the Politics of Rural Development in Post-Independence Zambia," *Journal of African History* 52:2 (2011): 201-221.
[85] Russel Howe, "Co-ops Are Poor Man's Capitalism in Africa," A25.
[86] George Woods to Richard Demuth, "Washington Post Article on 'Co-ops' in Africa," May 13, 1963, COF, RPGW, WBGA, folder 1769723.
[87] FAO notes on "Visit of Mr. George Woods, President of the International Bank for Reconstruction and Development to FAO Headquarters, Rome," November 15, 1963, Archive of the Food and Agriculture Organization, hereinafter FAO, RG8 IAA 1046, folder 1959-1968, page 3.

directly and was meant as a "threat" to Bank staff who at first was very critical of the envisioned cooperation.[88]

In the second half of 1963, the Bank started talks with the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the FAO, for co-operative agreements which they signed in spring of 1964. According to the cooperative agreement, the FAO mainly agreed to help the Bank with project identification and preparation in the realm of agriculture. When necessary, it also agreed to send agricultural specialists to Bank country missions and to help with the supervision and implementation of projects. The project appraisal and decision to finance it or not remained with the World Bank.[89] For the FAO a co-operative agreement with the World Bank promised new ways of implementing their policies and analyses developed on paper through the Bank as a stable source of foreign currency which promised to augment FAOs activities.[90]

Besides that promise of increasing their own influence through the lending potential of the World Bank it was also apparent, however, that the FAO felt somewhat threatened by the World Bank's plan to pay more attention to agriculture and saw a danger of the Bank marching onto FAO's established territory. This became obvious in the internal FAO discussion about a request for cooperation by the Bank for a World Bank study of Sub-Saharan Africa's agricultural situation in October of 1963, before signing the cooperative agreement. FAO staff observed that with the proposed study the World Bank was directly marching onto FAO territory by not limiting the study to a project approach and instead wanting to dedicate it to the whole problem of agricultural policy distinguished by ecological zones.[91] One staff member observed that FAO had waited too long to initiate a study for a long-term agricultural strategy across different geographical regions on their own and that it now had "no choice but to cooperate with the Bank in this study."[92] FAO staff also complained that the Bank was only taking this thorough approach with regards to agriculture and was not considering similar studies for example in the field of education marching onto UNESCO

[88] Willi Wapenhans, "Transcript of Interview with John Lewis and Devesh Kapur, September 6, 1991," WBGA OH, 10-11.

[89] "Memorandum of Understanding with Respect to Working Arrangements between the Food and Agriculture Organization of the United Nations and the International Bank for Reconstruction and Development and the International Development Association," March 1964, RA S-1387 G Ga L0031.

[90] Mekki Abbas to P.G.H. Barter „Draft Brief for the Director-General Discussions with the Representatives of the International Bank for Reconstruction and Development", October 29, 1963, FAO, RG8 IAA 1046, folder 1963-1965, page 3.

[91] See the letter of N.N. Pawley to P. Terver on "IBRD Study in Africa South of the Sahara", October 31, 1963, FAO, RG8 IAA 1046, folder 1963-1965.

[92] Ibid.

territory.[93] In December of 1963, the FAO and the World Bank agreed to carry out the study as a joint project directly referring to the spirit of the negotiations about the co-operative agreement Woods had held with the FAO in November.[94]

The central policy discussion in which Woods and the Bank's management presented their proposal to sign a co-operative agreement with the FAO and to increase the Bank's agricultural lending took place in spring of 1964. It was presented to the Bank's Executive Directors as a proposal that came out of the paper on "Bank Financial Policy" half a year ago.[95] As mentioned in the introduction, the sources on policy discussions for the time of Wood's presidency are generally few, which is why this policy proposal and the discussion of the Executive Directors shall be discussed in some detail here. They provide a good overview on the general line of thought of the Bank on the challenges of agricultural development in the middle of the 1960s.

The memorandum to the Executive Directors mentioned several factors that made lending for agriculture difficult for the World Bank: agricultural projects involved more staff and preparation time than other projects, and they required more technical expertise which could not be easily obtained from consultant firms. In addition to that the foreign exchange component was relatively small and was often for recurrent costs such as pesticides and fertilizers and not for the purchase of one-time capital goods.[96] In the memorandum the Bank's President thus argued for more flexibility in financing local and recurrent costs, and for a cooperative agreement with FAO which would help with some of the technical expertise and staffing problems.

The memorandum started from the observation that the increase of agricultural productivity should be at the core of any development strategy to achieve adequate economic growth rates but also to meet subsistence needs.[97] One of the central challenges of agricultural development was the question of how to navigate the contradiction between a high productivity of large commercial agricultural farms and the political demand and expediency to do something for smallholder agriculture that was the dominant form of farming in most developing countries. The World Bank's

[93] Office Memorandum of P. Terver to the Director-General on "IBRD Study on African Agriculture South of the Sahara", October 31, 1963, FAO, RG8 IAA 104, folder 1963-1965.
[94] Notes on "Meeting with the International Bank on Study on Africa South of the Sahara," held on December 17, 1963, FAO, RG8 IAA 1046, folder 1963-1965.
[95] IBRD/IDA, "Report of the President to the Executive Directors on proposed Bank/IDA Policies in the Field of Agriculture," January 1964, obtained from FAO, RG8 IAA 1046, folder 1963-1965, page 1.
[96] Ibid., 6.
[97] Ibid., 1.

management was still convinced that large commercial farms were desirable from the standpoint of productivity.[98] The author of the memorandum was, however, realistic enough to notice that most agricultural sectors in developing countries entailed a big element of smallholder agriculture and that there is political pressure in a lot of countries to break up the larger units.[99]

The Bank's President also discussed the difficulties and complexities involved in agricultural development and especially in assisting smallholding farmers because it was not a problem that could be solved by capital transfers alone. The memorandum observed that the "effective use of capital is impeded by a host of human and institutional problems."[100] Some of these "institutional problems" could be changed through concrete investments and by governmental action such as a lack of transport and marketing facilities, price systems which did not give enough incentives to the right kind of agricultural production, and the inadequacy of government institutions to assist the agricultural sector.[101] Other "institutional problems" were connected to the structure of agricultural production in most developing countries entailing a multitude of smallholders. The memorandum noticed that it was difficult to prepare projects for this diffused agricultural economy of smallholders and that the "economically precarious character" of these farms made capital accumulation, loan extension, and the adoption of new technology difficult for small farmers.[102] The "human problem" of smallholder agriculture seemed to lie in the picture of 'backwardness' of rural areas which the memorandum drew by lamenting "the generally low level of education in rural districts, their isolation from modernizing influences and the consequent absence of trained, progressive leadership."[103]

To overcome the mentioned obstacles the memorandum argued that an "agrarian reform in the broadest sense" was needed.[104] "Agrarian reform" was explicitly distinguished from the charged term "land reform" as a much broader reform attempt that included changes in tenure arrangement but also schemes for better land utilization, government agricultural services, price and other economic policies, marketing policies, and the supply of farm necessities and credit.[105] Speaking

[98] Ibid., 4.
[99] Ibid., 5.
[100] Ibid., 3.
[101] Ibid., 4
[102] Ibid., 3-4.
[103] Ibid., 4.
[104] Ibid., 5.
[105] Ibid., 5.

of “agrarian reform” certainly acknowledged the broader set of problems entailed in increasing agricultural production which could not be solved through financing an irrigation project here and there. But the term “agrarian reform” was also very open and could entail many different reform programs and it was open for all sorts of associations. All of the Executive Directors representing developing countries explicitly endorsed the Bank’s use of the term in the memorandum, while several Executive Directors from the Bank’s rich member states felt like they needed to remind caution regarding the term because they associated it with too broad social reform measures.[106] The Canadian Executive Director, for example, observed that for him “agrarian reform could be equated to social revolution [and therefore] underlined the difficulties of achieving an effective agricultural program.”[107] The Bank’s management was certainly not trying to pursue a broad social revolution with its increased lending for agriculture. Woods also tried to ease the Executive Directors of the richer Bank member states by promising that he did not “have in mind any dramatic innovations, but rather some shift in emphasis, an increase in flexibility, and above all taking a more active initiative, either directly or in cooperation with other agencies, to help our members shape up and carry out agricultural projects.”[108]

The use of the term “agrarian reform” and the emphasis on the need for broader reform measures by the Bank contained two different insights, understandings, and experiences of agricultural development and reform at the middle of the 1960s. On the one hand, the main experience the Bank had made with broader agrarian reforms, and the one they had in mind, were the late colonial land settlement schemes in Africa discussed earlier. Woods referred to them in the memorandum in a colonialist way as “comprehensive agricultural programs” whose “main feature has been the application of ‘agrarian reform’ measures to lands previously farmed inefficiently under the tribal system.”[109] He went on to observe that these land settlement projects had involved many different loan components and services and that “this integral approach […] is often the best way to raise agricultural productivity and improve the lot of the small farmers, but it involves many difficulties. It needs reasonably stable political conditions and efficient planning and administration (which

[106] IBRD, “Memorandum of Resumed Meeting of Bank Financial Policy Committee on ‘Bank Financial Policy’,” February 11, 1964, RA, S-1387 G Ga L0031. The memorandum is based on staff notes and contains the annotation that it is not an approved record.
[107] Ibid., 3.
[108] IBRD/IDA, “Report of the President to the Executive Directors on proposed Bank/IDA Policies in the Field of Agriculture,“ January 1964, obtained from FAO, RG8 IAA 1046, folder 1963-1965, 13.
[109] Ibid., 10.

often calls for foreign assistance)."[110] This first understanding of agrarian reform was focused on the challenge of actually engaging with smallholder agriculture and the main goal was to integrate it into a modern market and monetary economy. I would argue that it were particularly the newly independent African states which the Bank's President and management had in mind when they observed that a type of agricultural development was needed which will also make "small units viable in a modernizing economy, will give increasingly productive employment to the rural population, and will avoid aggravating political instability and wasteful land use."[111]

On the other hand, the broad description of agrarian reform in the World Bank memorandum also included aspects such as agricultural pricing, general economic policies, marketing, and the supply of agricultural inputs.[112] In this context it is interesting to note that the Executive Director of the United States during the discussion of the memorandum on agricultural policy pointed out that cooperation with other agencies and not just for technical assistance would be important. On his mind was a cooperation with the IMF in the field of exchange rate and financial policies.[113] Speaking of agrarian reform also acknowledged an understanding of agriculture as a specific sector of the economy with a set of sector policies attached to it which could be influenced and had connections to the wider economy. It was a different understanding of agrarian reform than the one that was rooted in the experience of the late colonial land settlement schemes and an attempt of developing smallholder agriculture. This understanding of reform emphasized the importance of agricultural sector policies, capital investments, and the linkages with macroeconomic policies. Such an understanding of reform was crucial in the Bank's pressure for policy reform in India during the middle of the 1960s that will be analyzed in the next chapter.

The Focus on Agricultural Credit

While the memorandum had discussed many complex issues in agricultural development the actual result in the change of Bank practices was, as announced, a "shift in emphasis" and not a "dramatic

[110] Ibid., 11.
[111] Ibid., 5.
[112] Ibid., 5.
[113] IBRD, "Memorandum of Resumed Meeting of Bank Financial Policy Committee on 'Bank Financial Policy'," February 11, 1964, RA, S-1387 G Ga L0031, 5. Unfortunately the summary of his statement is not detailed enough to draw any conclusion about how exactly a possible cooperation with the IMF was connected to agricultural policy for him.

innovation."[114] The most noticeable general change in agricultural lending practices of the World Bank during the presidency of George Woods was the significant increase of lending for agricultural credit projects.[115] This new focus of lending was already announced in the memorandum discussed above. With lending for agricultural credit, the Bank moved from off-farm investments like irrigation infrastructure to financing on-farm investments. Jonathan Pincus rightly observes that the extension of agricultural credit suited the Bank because it "recognized the decentralized nature of agricultural decision-making, but attempted to deliver assistance through the centralized vehicles (banks and agriculture ministries) most accessible to" the Bank.[116] Agricultural credit was indeed the means of the Bank to build up national agricultural credit institutions and to assist agriculture without getting into the intricacies and the complexities of having to deal directly with the diffused nature of agricultural production in borrowing countries. Lending to agricultural credit institutions allowed the Bank to stay at arm's length from the details of agricultural development and to focus on what it knew how to do – channeling capital. A staff member from the FAO also observed from the very beginning that the planned increase of lending for agriculture would closely resemble the Bank's financing for industries by working through and creating specific credit institutions which would then support the private sector in agriculture.[117]

The interesting question is of course what and for whom these agricultural credit projects were for. Pincus has claimed that agricultural credit projects were a mechanism with which the Bank tried to advance the dissemination of the technologies of the Green Revolution to smallholder agriculture in Asia and Africa.[118] For the 1960s this observation is not very convincing, however. First of all, later World Bank reports list recurrent inputs of the Green Revolution package such as fertilizers and pesticides as only one thing among many others which were financed through agricultural credit projects.[119] Second of all, the steep increase of agricultural credit projects to a share of 41

[114] IBRD/IDA, "Report of the President to the Executive Directors on proposed Bank/IDA Policies in the Field of Agriculture," January 1964, obtained from FAO, RG8 IAA 1046, folder 1963-1965, 13.
[115] See also World Bank, "Agriculture. Sector Working Paper," June 1972, WB D&R, 42.
[116] Jonathan Pincus "The post-Washington Consensus and Lending Operations in Agriculture. New Rhetoric and Old Operational Realities", in Ben Fine, Costas Lapavitsas, and Jonathan Pincus, eds., *Development Policy in the Twenty-first Century. Beyond the post-Washington consensus* (London, New York: Routledge, 2001), 182-218, here 192.
[117] Mekki Abbas to P.G.H. Barter, "Draft Brief for the Director-General Discussions with the Representatives of the International Bank for Reconstruction and Development," October 29, 1963, FAO, RG8 IAA 1046, folder 1963-1965, 5
[118] Pincus "The post-Washington Consensus", 192.
[119] See World Bank, "Agriculture. Sector Working Paper," June 1972, WB D&R, 42. Other items include for example "land development (groundwater development, land levelling, field ditches and drains, land clearing), other on-farm investments (tree crop planting, pasture improvement, livestock purchase, farm machinery purchase, building

per cent of all agricultural lending which is calculated in a crucial Bank sector report from the beginning of the 1970s, to which Pincus also refers, is only true if all of the livestock projects are counted as agricultural credit.[120] Most of these livestock agricultural credit loans went to Latin America. Agricultural credit for livestock and not for the technologies of the Green Revolution made up roughly half of all the agricultural credit projects. There should furthermore be a lot of doubt that agricultural credit during the 1960s actually reached smallholding farmers. The World Bank's own policy paper on agricultural credit from 1975 noticed that large farmers were in almost all countries the beneficiaries of institutional agricultural credit.[121]

One important point that has to be pointed out is that the type of agricultural lending of the World Bank differed significantly between different world regions. The share of agricultural projects in the overall lending portfolio was actually similar between Asia (15%), Latin America (13%) and Africa (14%) between 1964 and 1968.[122] In Asia 68 per cent of all agricultural lending was, however, still going into irrigation schemes or in flood and drainage control.

Most of the agricultural lending in Latin America, about 45 per cent, went to livestock development, but the Bank also financed irrigation schemes and some other agricultural credit projects on the continent. Latin America was the clearest case in which the Bank was really not attempting to contribute to broad agrarian reform measures. Early on in 1963, Woods had already expressed his refusal to consider land redistribution attempts in Latin America. Woods believed that they did not consider enough the problem of the lack of management and decision-making skills by poor peasants and the problem of separating the ones "everybody wants to assist" from those which are "just plain lazy and have never learned how to turn in a full day's work".[123] Financing livestock development in Latin America meant to invest in lucrative export sectors with entrenched elite interests. The Director of the Agriculture and Rural Development Department of the Bank during the McNamara time analyzed a sample of five livestock loans from the Woods' period. According to his analysis of these livestock agricultural credit projects the average loan

construction, fencing, on-farm processing and storage facilities); […] and off-farm developments (processing and storage enterprises, fishing vessels and gear)", Ibid., 42.

120 This is not explicitly mentioned in the Agriculture Sector Working Paper from 1972 but becomes apparent if one tries to do the calculation by oneself based on the project data of the World Bank under http://projects.worldbank.org/

121 World Bank, "Agricultural Credit. Sector Policy Paper," May 1975, WB D&R, 15.

122 The numbers are based on my own calculation from the data of the World Bank's website for Projects and Operations http://projects.worldbank.org/ (last accessed September 16, 2019).

123 George Woods to Willsie W. Wood, April 12, 1963, COF, RPGW, WBGA, folder 1769722.

passed on to farmers amounted to over $25,000 dollars, which is not a sum any small pastoralist could have taken on.[124]

Small Experiments with Agrarian Reform

In the newly independent states in Africa the World Bank also focused on financing infrastructure projects with which the Bank was already very experienced. The overwhelming majority of projects were, as in other world regions, for transportation and power projects, some projects financed telecommunications infrastructure, and there were several education projects. Agricultural lending accounted for approximately fourteen per cent of all the committed funds to African states between 1964 and 1968, but these agricultural projects were, for the World Bank, in many ways innovative in their design and the components they funded. The World Bank was clearly experimenting more explicitly than in other world regions with new designs for agricultural projects that tried to address smallholders and that can be described as tentative attempts at agrarian reform in the sense described above. Continuances and links with British agricultural colonial policy and ex-colonial agriculturalists were influential for most of these experiments by the Bank.

Before getting into the description and discussion of some of these agricultural projects it is important to note that the emphasis on smallholders was not as closely entwined with an emphasis on their poverty, as in later years under Robert McNamara. World Bank reports also emphasized that they intended to raise living standards, but the emphasis did not lie as much on assisting specific individuals. The Bank justified its projects by pointing out that they contributed to a wider societal change they deemed desirable: the transformation from subsistence production to a monetary and market economy. Smallholding farmers were addressed as a vital part of these economies whose potential should be developed. Before coming to a discussion of the Bank's new experiments with agricultural projects the larger setting and the problems in the Bank's relationship with its new member states in Africa shall be explored a little bit more in detail. It is important to point out that the focus on experimenting with new agricultural projects was also connected to a refusal of the Bank to finance industrial development in Africa. The World Bank was reluctant to

[124] Montague Yudelman, "The Role of Agriculture in Integrated Rural Development Projects. The Experience of the World Bank," in Theodor Dams and Kenneth Hunt, eds., *Decision-making and Agriculture. Papers and Reports, 16th International Conference of Agricultural Economists* (Oxford: Agricultural Economics Institute, 1977), 444-464, here 445.

be more flexible in its policies in order to finance industrial projects in Africa. It is against this backdrop that agriculture appeared as the number one investment option, besides building roads and power stations.

One of the main frustrations between the World Bank's management and the governments of the newly independent African states derived from a different assessment and sense of urgency regarding economic development. There was noticeable disappointment and impatience of the African Governors that the World Bank's management was not moving fast enough to assist them, to make more IDA funds available for urgent development needs, and to adapt the World Bank more to their own needs, for example by demanding the adoption of French as a second official language in the World Bank.[125] When Valery Giscard d'Estaing, the French Minister of Finance, expressed disappointment on behalf of the former French colonies in Africa that they were not receiving a larger share of IDA funds, Woods observed that while he understood the impatience "he thought that it would be a number of years before they were in a position to put forward an increased number of projects ready for financing."[126] This different sense of urgency is of course no surprise. For postcolonial leaders and governments, the need to stabilize the political and economic situation in their countries and to build political legitimacy through development programs was an urgent matter. In contrast the World Bank was still run by cautious investment bankers from Wall Street and had built up an institutional understanding and standards for 'sound' investment projects and for technical and economic preparation reports of projects over many years. The Bank also required economic mission reports and country creditworthiness assessments.

One of the steps the Bank took to accommodate their new member states was to open two resident missions in Africa in Nairobi and Abidjan in 1965-66 to help with the preparation and identification of projects eligible for Bank financing. Connected to the resident mission in Kenya was the Agricultural Development Service (ADS) which employed agricultural advisors on a long-term contract base to use them as consultants in Bank projects but also for regional governments. Hodge

[125] "Memorandum of the African Group to the Managing Director of the International Monetary Fund and the President of the International Bank for Reconstruction and Development," September 28, 1966, PA AA, B58, Bd. 542, 2, 7-8.
[126] Wishart to Files, "Mr Woods's Visit to Germany and France, March 13 – 17, 1965", March 24, 1965, COF, RPGW, WBGA, folder 1769730.

has shown how Sandy Storrar, the first head of the ADS, brought with him several ex-colonial British agricultural advisors for staffing of the ADS.[127]

A long-term official of the Bank, however, also observed that technical standards in project preparation and simple time requirements for preparing country economic reports were not the only reason why the World Bank under George Woods was moving slowly in its lending to African states: Africa "suffered from an almost – well, fairly strong bias, emotional bias against Africa, the sort of notion around the Bank was that this is not Africa's century and therefore much went on beyond, much more focus was upon other parts of the world."[128] While reconstructing such an "emotional bias" is impossible from the available sources, there definitely was a strong sense in the Bank's country economic and project reports that African states were not well prepared and ready for all of the administrative and economic tasks that came with independence.

A more specific frustration of African Governors was the Bank's reluctance to finance industrialization in the newly independent states. George Woods expressed his pessimistic view about industrialization in Africa early on in 1963. He admitted that the Bank was hesitant to set up development finance companies in Africa – which was the Bank's main way to assist (private) industries directly – because of the difficulty of finding enough good projects in most African states.[129] But the biggest obstacle for providing financial assistance to the industrial sector in African countries lay in enormous political and ideological differences connected to the question of private versus state ownership of industries. The African Governors of the World Bank urged Woods to change Bank policies that restricted lending to industrial enterprises that were managed by the state and to development finance corporations owned by the government. They pointed to the important role of the state in Africa in promoting economic development.[130] Woods, however, defended that while lending to state-owned agricultural banks was possible, in the industrial sector there were still "serious policy reservations" in the Bank of lending to publicly controlled

[127] Hodge, "British Colonial Expertise," 36-37. Storrar himself had been involved as a British colonial official in the execution of the Swynnerton Plan and of the One Million Acre Scheme. After his time at the ADS Storrar continued to work for the World Bank in the Project Department and in Missions in Indonesia and Bangladesh, ibid., 34-35, 37.
[128] Willi Wapenhans, "Transcript of Interview with John Lewis and Devesh Kapur, September 6, 1991," WBGA OH, 18.
[129] George Woods to Henry Dalby, March 11, 1963, COF, RPGW, WBGA, folder 1769721.
[130] "Memorandum of the African Group to the Managing Director of the International Monetary Fund and the President of the International Bank for Reconstruction and Development," September 28, 1966, PA AA, B58, Bd. 542, 2.

institutions.[131] It is important to point out that the Bank was not entirely confined to an agrarian vision of development for all of the African states, but the Bank's idea of the industrial sector was one in which (foreign) private investments and private corporations played the central role. This conception clashed with the development idea of a lot of postcolonial African governments which in many cases advertised a strong role of the state in building up crucial industries and which after long experiences with colonial rule were wary of foreign direct investments.

One example for this difference of ideas about economic development was the case of Ghana under Kwame Nkrumah, who was an outspoken proponent of African Socialism, defended the important role of the state in economic development, and warned about the dangers of neo-colonialism.[132] The World Bank had financed a massive expansion of Ghana's electricity supply through a $47 million loan to the Volta River Hydroelectric Power Project in 1962. The Bank participated in the project after much of the preparation had been done already by the U.S. Government and the main client that guaranteed the demand for the increased energy was a U.S. joint venture for an aluminum smelter.[133] During a visit to Ghana in 1964, George Woods, however, argued that the rest of the expanded energy production should also be used by private industries and that Ghana should try to attract more foreign private investments which for Woods was the crucial problem of the economy.[134] George Woods did notice that the strict Bank policy on not financing state-owned industries did not fit African political and economic circumstances.[135] He was also considering to make some exception from the rule for Sudan but was afraid of creating precedents for other countries.[136] The rule only changed under the presidency of Robert McNamara, when the Bank adopted a more flexible position on financing state-owned industries.

[131] George Woods to The Governors representing African Group Countries, December 1, 1966, PA AA, B58, Bd. 542, 2

[132] For the critique and rejection of the Ghanaian Convention People's Party of (foreign) private companies see for example Jeffrey Ahlman, *Living with Nkrumahism. Nation, State, and Pan-Africanism* (Athens, Ohio: Ohio University Press, 2017), 123-126.

[133] IBRD, "Report and Recommendations of the President to the Executive Directors on a Proposed Loan to the Volta River Authority of the Republic of Ghana," August 31, 1961, WB D&R, 1.

[134] George Wishart to Files, "Ghana – Summary of Discussions during Mr. Woods's visit, December 2-7, 1964," December 22, 1964, COF, RPGW, WBGA, folder 1769729.

[135] George Wishart to files "Mr. Woods's Visit to Ivory Coast – June 11 to 13, 1965", June 29, 1965, COF, RPGW, WBGA, folder 1769731.

[136] George Woods to Burke Knapp, July 29, 1964, COF, RPGW, WBGA, folder 1769728.

The first agricultural project that was explicitly addressing smallholders was for tea production in Kenya in 1964.[137] The Bank project followed up on a similar line of projects that started in the 1950s and the project happened in close collaboration with the British CDC. The World Bank financed the tea cultivation part of the project and CDC invested in the tea processing factories.[138] The Appraisal Report of the project noticed that while tea in Kenya was mostly grown on large estates, it was also the "only practical cash crop" for smallholders and the report claimed that past projects from the 1950s had a good record.[139] The project was not about agricultural intensification or about making capital-investments into smallholder agriculture. Tea production was advertised because it could be grown on bush- and grassland and did not require on-farm investments or fertilizers but only "hand labor that can be provided by the grower's family at no additional cost."[140] The project focused on providing all necessary services to the smallholding farmers which entailed selling plant seedlings, supervising production, and also arranging for all marketing and purchasing of the tea.

The World Bank also entered a new lending field in a project in Tunisia in 1967 in financing the countries program for establishing producer cooperatives.[141] The Bank's Project report pointed out that this was the Tunisian "approach to agrarian reform" in which large units of land were not split up and divided into small individual units but in which certain economies of scale were maintained through the integration into large cooperatives.[142] The World Bank was clearly more flexible in the agricultural than in the industrial sector in diverting from its strong focus on individual and private ownership. However, the Bank's report also warned that good supervision and management were needed in order to make up for the "weak incentives which characterize the functioning of production cooperatives."[143]

[137] A follow up project for smallholder tea production in Kenya was also funded in 1968 and a very similar project was started in Uganda in 1967.

[138] IDA, "Report and Recommendations of the President to the Executive Directors on a Proposed Development Credit to Kenya for a Smallholder Tea Development," July 13, 1964, WB D&R, 1. The Performance Audit report mentioned that the continuities in personnel by the CDC and the fact that some of their officials had joined the Bank's Agricultural Projects Department had "smoothed the progress" of project negotiations and preparation, IBRD, Operations Evaluation Department, "Performance Audit of First Kenya Tea Project," March 5, 1974, WB D&R, 3.

[139] IBRD/IDA, Department of Technical Operations, "Smallholder Tea Development Project. Kenya," July 9, 1964, WB D&R, 1.

[140] Ibid., 11.

[141] IBRD/IDA, "Report and Recommendations of the President to the Executive Directors on a Proposed Loan and a Proposed Credit to the Republic of Tunisia for a Cooperative Farm Project," February 6, 1967, WB D&R, 4.

[142] Ibid.

[143] Ibid.

Another experimental and new agricultural project for the Bank was the first livestock loan to Kenya at the beginning of 1968. The evaluation report noticed that the appraisal mission for the project was the first mission in the Bank's history to include a social-anthropologist.[144] The livestock project was special because it did not try to establish large state ranches for beef production, as the ones from the same year in Tanzania and Uganda did. The livestock project in Kenya tried to engage directly with "traditional pastoral societies" of Kenya and to bring their meat production into established commercial channels.[145] Besides the production focused goals of the project it also clearly aimed at changing the mindset and lifestyle of the "traditional pastoralists" it was working with and to give them a "market orientation".[146] In the Bank's own assessment of the effects of the project eight years later it was satisfied that some of these changes in orientation had actually materialized: "The project helped some Masai tribesmen to become progressively less nomadic and more sedentary and to begin to adapt to the demands of commercial ranching."[147] In the Bank's experiments with lending for 'agrarian change' in Kenya the emphasis on commercial activities of a classic investment bank clearly mixed with a focus on modernization and with colonial remnants of a "civilizing mission" that aimed at transforming the entire way of life of the population.

Regarding lending dimensions these projects only accounted for a very small percentage of the Bank's lending portfolio. The two projects in Kenya, which were just discussed, together only amounted to $6.4 million U.S. dollars while the project in Tunisia was bigger with $18 million. The argument here is precisely that these types of new pilot projects and experiments with new forms of agricultural lending did not define the institutional character and the wider lending activities of the World Bank under George Woods. Nevertheless, they existed as small and tentative experiments with new designs of agricultural development projects, at least for the World Bank.

The new agricultural projects that were to be trendsetting were, however, the so-called integrated agricultural development programs in Malawi, which were approved in February of 1968. The projects were prepared by the ADS staff in Nairobi and had the clearest link and continuity with

[144] World Bank, Operations Evaluation Department, "Project Performance Audit Report. Kenya First Livestock Development Project (Credit 129-KE)," October 19, 1976, WB D&R, 1.
[145] IDA, "Report and Recommendation of the President to the Executive Directors on a Proposed Development Credit to the Republic of Kenya for a Livestock Development Project," August 1, 1968, WB D&R,, 5.
[146] Ibid., 6.
[147] World Bank, Operations Evaluation Department, "Project Performance Audit Report. Kenya First Livestock Development Project (Credit 129-KE)," October 19, 1976, WB D&R, 18.

the past late colonial land settlement schemes in Kenya.[148] This link did not just exist through the continuity in personnel of the ADS that planned the project but there was also a clear continuity in the economic conception. There was first the focus on the need for agricultural intensification for example in the Lilongwe project in Malawi.[149] In addition to that a central component of the project was the reorganization and registration of individual land titles that were supposed to promote the economic rationality of farmers to pursue and invest into the intensification of agricultural production: The Bank's project report observed that land registration was "designed to encourage farmers to regard their land as a productive asset to be maintained and improved rather than merely a plot of soil to be exploited for the minimum means of existence."[150] The "integrated" nature of the program meant in this project that several different activities were incorporated and funded by the project, from land registration, to credit and fertilizer provision, and the provision of rural infrastructure and water supplies.[151] The World Bank described the project as a "departure from the usual type of Bank/IDA agricultural projects" because it contained a large component of technical assistance and simple investments.[152]

Very soon, however, this type of project that attempted to intensify smallholder production in a specific area through simple and small investments and that involved several different 'integrated' elements were to become much more wide-spread and commonly adopted in the World Bank under McNamara. The Lilongwe project in Malawi with its inspiration in the older colonial land settlement schemes was not the crucial reason why McNamara and the World Bank turned towards the embracement of rural development at the beginning of the 1970s. We will see in chapter four that rural development under McNamara emerged as the answer to a much wider crisis with development and modernization. Nevertheless, the Lilongwe project, was the earliest example and blueprint for a specific problematic pattern of the design of Bank rural development projects that would become particularly common in Africa. Colonial legacies and a deep mistrust of the African postcolonial state were deeply embedded in this design in which a large portion of the project costs were for foreign advisors and ex-patriate staff and the project was run by a separate project unit

[148] See also Traugh, "Building a Nation of Farmers," 14; Hodge, "British Colonial Expertise," 39-40.
[149] IDA, "Report and Recommendation of the President to the Executive Directors on a Proposed Development Credit to the Republic of Malawi for the Lilongwe Agricultural Development Project," January 22, 1968, WB D&R, 2.
[150] Ibid., 4.
[151] Ibid., 3.
[152] IBRD/IDA, Projects Department, "Lilongwe Development Project. Malawi," January 3, 1968, WB D&R, 3.

disconnected from the regular government and administrative structures.[153] These continuities of the design in rural development projects particularly in Africa will be analyzed in more detail at the end of chapter five.

Conclusion

The chapter emphasized that over the course of the 1960s, there were important shifts in the perception of agricultural development that contributed to the Bank's decision to increase its lending for agricultural development. On the one hand, the perception of agricultural development was not confined to a problem of technical assistance anymore. Agricultural development appeared as a problem of making investments into agriculture. On the other hand, ideas about 'traditional' farmers were supplanted by a new perception of subsistence farmers as rational economic agents worthy of investments that served as a "planning tool" for development institutions such as the World Bank.[154] While this was the broader background of theoretical debates in development economics of the time, the World Bank itself created corresponding analyses of the need for agricultural development to them.

George Woods' discussion on Bank agricultural policy and the decision to increase the agricultural lending of the Bank was to a large degree based on the influence of late colonial British experiences with agricultural development schemes, particularly in Kenya. Woods reported that the conversations with Lord Howick had convinced him of the important role of agriculture and the Bank's own experiences and participation in British colonial land settlement schemes were perceived as successful examples of 'agrarian reform' by the Bank's President. Ex-colonial British agricultural officials, furthermore, helped to design the Bank's new agricultural development projects in East Africa.

It is this influence and continuance of colonial development designs that help to explain the Bank's experiments with smallholder schemes of agricultural development in East Africa in the middle of the 1960s. The schemes were not innovative as such, as argued in the chapter, but they were new for the World Bank and diverged from the type of infrastructure projects and large irrigation

[153] IDA, "Report and Recommendation of the President to the Executive Directors on a Proposed Development Credit to the Republic of Malawi for the Lilongwe Agricultural Development Project," January 22, 1968, WB D&R, 3.
[154] Traugh, "Building a Nation of Farmers," 9.

schemes, the World Bank was used to finance and design. The type of 'agrarian reform' that the World Bank was pursuing in the postcolonial East African states focused on the idea that subsistence farmers could and should be integrated into a growing monetary economy. This understanding of 'agrarian reform' was still closer to an idea of agricultural development as a problem of technical assistance and of the gradual change of practices and did not focus on making large investments into agriculture.

A second and different understanding of 'agrarian reform' was, however, also present at the World Bank at the middle of the 1960s and focused on agriculture as a specific sector of the economy, with important sectoral policies and linkages to industries and macroeconomic policies that could be influenced. In order to find and understand this second vision of 'agrarian reform' we have to turn to an analysis of the World Bank's involvement in India in the middle of the 1960s now.

Chapter 3

India, the Green Revolution, and Macroeconomic Policies

The World Bank's involvement in financing Indian development plans during the 1960s happened before the same background of discussion about the role of agriculture in the development process that has been described in the previous chapter. Development economists were discussing the importance of a more "balanced growth"[1] between agriculture and industries and were pointing to the rationality of "traditional" farmers that needed to be provided with "investment opportunities and efficient incentives."[2] Over the course of the 1960s, agricultural development was increasingly perceived as a problem of making capital investments into agriculture instead of as a problem that could be tackled through technical assistance alone. In many places this focus on making investments into agriculture was bound up with the spread of the technology package of the so-called Green Revolution which included high-yielding seed varieties, fertilizers, irrigation, and pesticides.

Throughout this dissertation the term "Green Revolution" is mostly used as meaning the introduction of this package of agricultural technologies and inputs in order to increase production. It is important to have in mind, however, that agricultural technologies and inputs were never simply a technological solution. They were always connected to other economic issues such as the provision of credit and setting the right price incentives for the use of inputs, they were connected to wider societal transformations and all of this happened in a specific political context. The term "Green Revolution" was coined by William Gaud, director of the U.S. Agency for International Development (USAID), in March of 1968. The connotation of the Cold War that the 'Green Revolution' made a 'Red Revolution' unnecessary was explicit. For Gaud, the Green Revolution was intended to demonstrate the superiority of Western technological progress and productivity that would prevent famines. By coining the term Green Revolution Gaud gave retrospective coherence to conflicting processes, complex social transformations and multiple different

[1] Johnston and Mellor, "The Role of Agriculture,“ 590.
[2] Schultz, *Transforming Traditional Agriculture*, 5.

development efforts that had started in the 1940s in Mexico and traveled to South and Southeast Asia in the 1960s.[3]

India was one of the most prominent sites in which a shift in agricultural development policy away from "low-modern" approaches of community development to an emphasis on the provision of industrial inputs for agricultural development along the lines of a Green Revolution took place in the middle of the 1960s. [4] The government of the United States under Lyndon B. Johnson but also the World Bank, in its role as the chair of the Aid India Consortium, contributed to this change in Indian agricultural development policy by putting pressure on the Indian government for adopting an agricultural strategy that focused on intensification and the use of capital-intensive inputs, most importantly fertilizers, in the middle of the 1960s.[5] At the core of the policy negotiations with the Indian government was a different understanding of 'agrarian reform' than the one that was rooted in the late colonial land settlement schemes in Africa which has been analyzed in the previous chapter.

In India, the World Bank clearly perceived agriculture as a specific sector of the economy with important sector policies affecting prices, input supplies, and marketing that were all deemed crucial for achieving increased agricultural production levels. The envisioned 'agrarian reform' in India was focused on influencing these agricultural sector policies and of linking the fate of agricultural development with the production and provision of industrial inputs such as chemical fertilizers. But the agricultural policy reforms were not the only reforms that the World Bank was discussing with the Indian government during the middle of the 1960s. The Bank also negotiated about crucial issues of macroeconomic policy concerning the exchange rate and the level of protection of the Indian economy. These were crucial questions that were concerned with such fundamental issues as the appropriate economic model of development and of the role of the state in the economy.

[3] See Cullather, *The Hungry World*, 233-234. For some recent attempts and angles from which this coherence can be questioned and broken up historically see Prakash Kumar, Timothy Lorek, Tore C. Olsson, Nicole Sackley, Sigrid Schmalzer and Gabriela Soto Laveaga, "Roundtable: New Narratives of the Green Revolution," *Agricultural History* 91:3 (2017): 397-422.

[4] For the description of the Indian community development program as a "low-modern" approach to development see Unger, *Entwicklungspfade in Indien*, 44-45

[5] See for example Cullather, *The Hungry World*, 221-230.

The Bank, as a multilateral organization, was particularly involved in these negotiations about the sensitive political issue of devaluation and economic liberalization,[6] whereas the United States government was the most crucial actor in pursuing the agricultural policy reforms through Johnson's so-called short tether food aid policy.[7] From the World Bank archival material it is clear, however, that both lines of reform should be understood and analyzed together as a 'package' in combination with population control.[8] As a package they constituted a fundamental challenge to the basic development model of import substitution industrialization (ISI) that India had been following for a long time. It was precisely this package of several broad economic reform attempts on the macroeconomic and agricultural sector level in exchange for program loans that made the Indian episode of policy pressure by the United States, the World Bank, and the Aid India Consortium a special case during the 1960s and the clearest precursor for the structural adjustment lending of the 1980s.

It is important to understand the relationship between India and the World Bank as a two-way street. The official historians of the World Bank, writing in 1973, observed in this regard that "it is no exaggeration to say that India has influenced the Bank as much as the Bank has influenced India."[9] India was clearly the country which shaped most of the Bank's preoccupations and discussions during the 1960s.[10] For the World Bank, India was the largest borrower over the 1960s, accounting for approximately fifteen per cent of the combined lending of IDA and IBRD. India also particularly profited from IDA and received 47 per cent of all of these funds over the 1960s.[11] From the Indian perspective the World Bank also played a crucial role as the largest provider of

[6] See also Kapur et al. *The World Bank. Vol.I*, 464.
[7] On this policy see for example Kristin Ahlberg, "'Machiavelli with a Heart': The Johnson Administration's Food for Peace Program in India, 1965–1966," *Diplomatic History* 31:4 (2007): 665-701.
[8] See especially Andre de Lattre to George Woods, (without title) Report on discussions with the Government of India, August 6, 1965, Bernard R. Bell files, WBGA, folder 1850786. John Lewis, who was working for USAID during the middle of the 1960s in Delhi, also points out that while the two areas of reform were "distinguishable" and connected to different donor institutions and segments of the Government of India, they were also closely related to each other: "The two [areas of reform] also inter-penetrated and were the common concern of many of the principal actors," John Lewis, *India's Political Economy. Governance and Reform* (Delhi: Oxford University Press, 1995), 61.
[9] Mason and Asher, *The World Bank*, 675. This is particularly true for the 1960s, while for the 1950s Latin America and a concern with stabilization measures and inflation were also a primary concern for the Bank, see ibid., 471.
[10] The crucial role of India particularly during the 1960s is of course in no ways confined to the Bank and is in fact a reflection of the focus on India by both superpowers in the Cold War and by discussions about development economics. David Engerman argues that the United States as well as the Soviet Union developed and tested their foreign assistance policies in regards to India, see Engerman, *The Price of Aid*, 4, see also chapter 9.
[11] The percentage shares are based on my own calculation from the table 4-1 in Kapur et al., *The World Bank. Vol.I*, 140.

external funds after the United States and through its policy leverage as the chair of the Aid India Consortium during the middle of the 1960s.

There is an abundant body of literature on a lot of the issues touched upon in this chapter. There are many works on the history of economic development in India in general, and on the episode of policy pressure by the United States and the World Bank during the middle of the 1960s in particular.[12] There are also several historical accounts more specifically on the change in agricultural policy in India during the 1960s, analyzing domestic and international factors and actors contributing to the onset of the Green Revolution in India.[13] The chapter extensively relies on that literature but will not aim to make an original contribution to the understanding of the Indian side of that story or to the question of how important external pressure was for the implementation of reform measures vis-à-vis Indian positions going in the same direction. The focus of analysis will lie instead on exploring the other side of the story – the significance and long-lasting influence of the experiences the World Bank made during the middle of the 1960s in India for the Bank as an organization.[14] Before we get to the 1960s, the chapter will review the start of the close lending relationship between the Bank and India with the launch of the Second Five Year Plan and the formation of the Aid India Consortium.

[12] See for example the classic account, first published in 1978, of Francine Frankel, *India's Political Economy, 1947-2004. The Gradual Revolution* (Delhi: Oxford University Press, 2010). Also see for example David Denoon, *Devaluation und Pressure: India, Indonesia, and Ghana* (Cambridge: MIT Press, 1986), chapter 2; Marcel Bearth, *Weizen, Waffen und Kredite für den Indischen Subkontinent. Die amerikanische Südasienpolitik unter Präsident Johnson im Dilemma zwischen Indien und Pakistan, 1963-1969* (Stuttgart: Franz Steiner Verlag, 1990); Vivek Chibber, *Locked in Place. State-Building and Late Industrialization in India* (Princeton: Princeton University Press, 2003); Engerman, *The Price of Aid.* Several "participants", working for USAID or the Government of India during the 1960s, have also published their own account and memory of the policy negotiations during the middle of the 1960s: see for example Lewis, *India's Political Economy*, chapters 3-5; Indraprasad G. Patel, *Glimpses of Indian Economic Policy. An Insider's View* (New Delhi: Oxford University Press, 2002), 81-117.

[13] See for example Cullather, *The Hungry World*, chapter 7-9; Unger, *Entwicklungspfade in Indien*, chapter 3; Ashutosh Varshney "Ideas, Interest and Institutions in Policy Change: Transformation of India's Agricultural Strategy in the Mid-1960s," *Policy Sciences* 22:3/4 (1989): 289-323.

[14] This side of the story has so far not received a lot of attention in the existing literature. Most of the recent books on the relationship between India and the World Bank focus on the time period of the 1990s, see Nagesh Prabhu, *Reflective Shadows. Political Economy of World Bank Lending to India* (New Delhi: Oxford University Press, 2017); Jason A. Kirk, *India and the World Bank. The Politics of Aid and Influence* (London: Anthem Press, 2012).

The World Bank and India's Second Five Year Plan

It was only in 1956, after a favorable Bank report on the launch of India's Second Five Year Plan that India emerged as the largest borrower among the developing countries of the World Bank.[15] The World Bank's increased attention and lending for India in the second half of the 1950s mainly seems to mirror the increased importance the United States administration and other Western governments payed to India in a changed Cold War dynamic that emphasized the importance of foreign economic assistance.[16] The Soviet Union had signed an agreement with the Indian government for financing a steel plant in Bhilai in 1955 which was perceived as a "down payment on closer Indo-Soviet ties" by Soviet and American diplomats.[17] India, as a non-aligned state, would become a central site for the economic side of the competition of the Cold War, starting in the second half of the 1950s.[18]

India's Second Five Year Plan, which was launched in 1956, was explicit in pursuing a strategy for rapid industrialization based on import substitution and put a lot of emphasis on the role of public sector companies.[19] ISI as a development strategy was not just adopted in India but also by many states in Latin America over the 1940s and 1950s. The economic crisis of the 1930s had deeply affected Latin American countries especially in their role as exporters of raw materials. They were heavily dependent on the international market for their export-oriented development strategy but were also at the margin of it. Their turn to ISI strategies was at least in part a reaction to the experiences during this economic crisis and their vulnerable position in it.[20] It was no accident that the Prebisch-Singer thesis that stressed the need for industrialization because of declining terms of trade for raw materials had been formulated with the Latin American context in mind.

The basic idea of the model, however, held many promises also for other world regions and for newly independent countries that had fought for decolonization by combining the idea of a strong

[15] Mason and Asher, *The World Bank*, 195. Until 1955 Brazil and Mexico received more funds than India. If we also pay attention to the amount of projects funded and not only to the total amount lent, other Latin American countries such as Colombia, Nicaragua and Peru also received more or an equal amount of Bank financed projects in comparison with India until 1955.

[16] On this changed Cold War dynamic that shifted to the economic terrain see for example Adamson, "The Most Important Single Aspect"; on the special significance of India in this see for example Merrill, *Bread and the Ballot*, 137-140.

[17] Engerman, *The Price of Aid*, 128.

[18] Ibid., see especially chapter 4.

[19] Frankel, *India's Political Economy*, 117, 129-131.

[20] For a short discussion of this see for example Garavini, *After Empires*, 26-27.

state in the economy with the promise of modern industry. The emphasis on creating a national industrial base was intricately linked in this model with the idea that this new 'infant' industry needed to be protected from world market competition through tariffs. The model was looking inwards to the needs of a national economy and to domestic demand, as opposed to a focus on producing exports for an international market. While tariff protection had been a key characteristic of 'late' development and industrialization also in 19th century Europe,[21] the prominence of the idea of development planning after 1945 envisioned an even more active role of the state in the process of industrialization: "It is really during the postwar development efforts that the state has made a concerted effort not only to subsidize industrialization, or to create a favorable climate for it, but actually to coordinate the activities of firms as a means of accelerating its progress."[22] In India this meant that the state did not only raise tariffs but also played an active role in trying to steer and direct industrialization through a process of industrial licensing, by handing out import licenses, setting internal prices, and by creating state-owned industries in certain sectors.[23] The Second Five Year Plan also recognized the importance of agriculture as a base of living in India and for any program of rapid industrialization but it did not allocate a lot of resources to the development of agriculture and emphasized the use of labor and institutional reforms instead.[24] Agricultural development was still closely associated with the relatively cheap community development program emphasizing elements of self-help.[25]

The U.S. administration of President Eisenhower largely accepted the Indian development strategy under the Second Plan.[26] India signed its first agreement with the United States to receive so-called food aid under Title I of Public Law 480 at the end of 1956. This agreement was welcomed by the Indian planners because it provided cheap food imports that supported industrialization, a larger aid budget, and some room for tackling inflation and for keeping food prices low.[27] The United States administration thereby encouraged a growing dependence of India on these food imports of

[21] The idea of infant industry protection through tariffs was for example also raised by German economist Friedrich List in the middle of the 19th century as a model for economic policies for the late industrialization of Germany, Unger, *International Development*, 131.
[22] Chibber, *Locked in Place*, 13.
[23] For an excellent analysis of the contradictions involved in this model and of the practical political difficulties and challenges these new tasks posed for state administrations see ibid., especially chapter 2.
[24] Frankel, *India's Political Economy*, 131-141.
[25] Unger, *Entwicklungspfade in Indien*, 44-45.
[26] Merrill, *Bread and the Ballot*, 139, 155-160.
[27] Cullather, *The Hungry World*, 143-146; Engerman, *The Price of Aid*, 141-142.

American surpluses. Eisenhower and his administration also took a pragmatic stance on India's mixed economy and the existence of large public sector projects.[28]

At first, the World Bank was struggling with the Indian ISI strategy and the emphasis on public sector companies of the Second Five Year Plan. Before the end version of a Bank mission report to India was finished, there was an internal debate about how to handle the Indian Plan.[29] This internal debate got public when a letter by Eugene Black to T.T. Krishnamachari, the Indian Minister of Finance, got leaked to the press. In his letter Black had complained that he had "the distinct impression that the potentialities of private enterprise are commonly underestimated in India and that its operations are subjected to unnecessary restrictions."[30] The publication of this letter provoked a public debate and outcry in India and was seen as an unsolicited attempt to influence Indian policies.[31]

The final version of the Bank mission's report on India's Second Plan was not an endorsement of the economic policies pursued in the Plan but it provided a rather nuanced critique for coming from the World Bank that had been a firm proponent of liberal capitalism and of private industries from its inception. The Bank's mission report criticized some aspects of the ISI strategy in emphasizing that the Indian government should pay more attention to exports[32] and criticized government controls, regulations, and the government's ability to set prices that were related to the attempt to steer and direct the process of industrialization through import substitution.[33] However, all in all the report painted a positive picture of the Indian economy and pointed to statements by Prime Minister Jawaharlal Nehru that assured the Bank that there would still be sufficient room for private industry.[34]

The Bank's criticism was focused on the exact model of industrialization pursued by the Second Five Year Plan but not on the focus of investing in industrialization as such. With regards to

[28] Merrill, *Bread and the Ballot*, 156-157.
[29] Engerman, *The Price of Aid*, 177-178.
[30] IBRD, "Some Observations of the IBRD Mission on Economic Programmes and Policies in India." June 30, 1956, cited from Mason and Asher, *The World Bank*, 372.
[31] See Ibid., 372-373; Engerman, *The Price of Aid*, 177-178.
[32] IBRD, Department of Operations Asia and Middle East, "Current Economic Position and Prospects of India. Report of Bank Mission to India," August 1956, WB D&R, 51, 60, 118-120. But sticking to the nuanced critique the report also was not a complete refusal of an import substitution strategy. It argued that for a good balance of payment it was reasonable to reduce the import content and the report was quite optimistic that this would be possible with the Second Plan, see ibid., 119.
[33] Ibid., 76-77.
[34] Ibid., 72-75.

agriculture the Bank was very much in line with mainstream thinking of the time and with other actors concerned with development in India. It had a positive image of Indian community development programs[35] and believed in slow but steady progress in agricultural development that did not require the diversion of scarce funds.[36]

Most importantly, the report paved the way for increased Bank lending to India by stressing the utmost importance of enhancing basic economic infrastructure during the Second Plan, particularly in the field of transportation but also for power generation.[37] Emphasizing transportation as a central bottleneck for the growth of industrial and agricultural production opened multiple pragmatic lending options for the World Bank in lending fields it was already familiar with and in which the role of the state in making investments was accepted by the Bank and by proponents of private industry.[38] The Bank accommodated itself to the Indian Second Five Year Plan and the ISI strategy pursued in it and rapidly expanded its lending to India.[39] But it did so without changing its own lending focus or idea of economic policies. The increased lending to India by the IBRD under the Second Plan was heavily concentrated on transportation and power generation which was anyways a focus of Bank lending during the 1950s. Additionally, the Bank even managed to channel 28 per cent of its lending volume to India to private industries, mainly in steel and iron production as we can see in table five. The Indian Government guaranteed these Bank loans to private industries.

---

[35] Ibid., 8, 113-115.
[36] Ibid., 116. The report mentioned that a greater use of fertilizers would be necessary for the increase of agricultural production which was inhibited by the high prices for chemical fertilizers but it did not argue for an actual shift in the allocation of resources for use of fertilizers, see ibid. 103-105.
[37] Ibid., 85-90, 117.
[38] The Indian business community and the Indian Chambers of Commerce which criticized the public sector focus of the Second Plan were also in favor of public investments into the transportation and power sector, see Frankel, *India's Political Economy*, 129.
[39] While Bank lending to India in the years 1953 to 1955 had been below the level of $20 million each year, the lending level rose to $95 million in 1956, $137.90 million in 1957, and $153 million in 1958. The lending level remained high in subsequent years, rising to over $200 million in 1961 and 1965, reaching a high point in 1966 with $336 million. This high point was followed by a steep decline in lending to only $25 million in 1967 and no new projects at all in 1968. The lending levels have been taken from the Bank's website for projects and operations http://projects.worldbank.org/.

Table 5 IBRD Lending to India by Sectors during the Second Plan, 1956-1960[40]

Sector	Million U.S. $	% of total U.S. $	Number of Projects
Private Industry	157.5	28.08	5
Power	59.8	10.66	3
Transportation	343.6	61.26	10

From the Balance of Payment Crisis to the Aid India Consortium

A short time after the commencement of the ambitious Second Five Year Plan in 1956, India ran into balance of payment problems which gained momentum over the course of 1957 and endangered the success of the Plan. The balance of payment crisis which mainly expressed itself as a shortage of foreign exchange for the planned investments revealed a more general crisis with the Indian development planning model.[41] Indian officials were now faced with the difficult decision of which projects and imports to delay and with cutting the Plan to some core projects. The causes for the balance of payment problems were a matter of political dispute in India and were connected to analyses of past and future development models.[42] While the Indian Planning Commission pointed to excessive import needs of the private sector, undue consumption levels and the need for better planning, the Finance Ministry used the crisis for a general critique of the Plan and of over-investment by the government.[43] The most obvious way out of the crisis was foreign assistance money.[44]

The World Bank was not clear-cut in putting blame on any specific aspect or ministry for the balance of payment crisis. It observed that the planners had failed to account for the severity of the

[40] The table is based on the data of the Bank's website for projects and operations http://projects.worldbank.org/. The first IDA loan to India was only made in 1961. Most of the transportation project loans were for the Indian Railways ($295 million). Two other projects were for the expansion of ports and one for buying airplanes for Air India.

[41] See Chibber, *Locked in Place*, 196. Vivek Chibber has argued quite convincingly that the balance of payment crisis had to do with the structural set-up of the state and planning structure in India. On the one hand, the ISI strategy which India, alongside many other countries, pursued over the 1960s did not give a lot of incentives to exports. On the other hand, the Indian planning system was also not set up in a way to actually carry out a systematic development plan because the Planning Commission lacked central authority to actually execute the plans it designed and the different ministries were autonomous in their decisions. This led to a dynamic of over-licensing and to firms rushing out to spend foreign exchange whenever a new plan was launched, see Chibber, *Locked in Place*, chapter 8. Frankel also points to over-licensing and to the inadequacy of the finance ministry to impose controls as one of the factors causing the balance of payment crisis, see Frankel, *India's Political Economy*, 148.

[42] See Engerman *The Price of Aid*, 159-168.

[43] Ibid., 159, 164-169.

[44] Ibid., 159-161.

foreign exchange gap but that the Ministry of Commerce and Industry had also handed out too many import licenses and that the Ministry of Finance was not exercising control over the situation.[45] It is remarkable that the World Bank as a conservative and cautious financial institution that held a lot of doubts about the ISI strategy on which the Second Plan was based did not use the balance of payment crisis for a general critique of the Plan. Any general critique of 'wrong' policies is notably absent from the Bank's discussion of the balance of payment crisis. While the Bank argued for dealing with the crisis by slowing down investments it also emphasized the fact that money had not been wasted and that necessary physical investments had been financed in the past years.[46] One reason why the Bank remained quite sympathetic to the Indian economic situation despite the balance of payment crisis was likely based in its assessment that the foreign exchange crisis had mainly been caused by the very large investment expansion of the private sector that the Bank of course welcomed.[47] The balance of payment crisis did not lead to a rejection of the ambitious development and investment plans of the Indian government but to the question of how to provide more foreign assistance and financial means for India.

This sympathy of the World Bank to India's economic problems intersected with a recognition of the strategic importance of India and the willingness to provide foreign assistance by the United States government in 1957.[48] A report of the U.S. National Security Council at the beginning of the year summarized not only the strategic relevance India had in the Cold War and as an important example of a 'non-aligned' state many other countries were paying attention to. It also emphasized the new importance of economic development in the Cold War dynamic of the end of the 1950s and defended the ambitious goals of India's Second Plan:

> The higher targets [of the Second Plan] are necessary if India is to cope with its long-term economic problems and hold in check the grave political dangers implicit in large-scale unemployment. […] Should India fall significantly short of the projected expansion during the crucial next five years and lose the momentum it has gained under Nehru's leadership, it is unlikely to regain this momentum during the foreseeable future. […] India's economic development program has international political ramifications as well. The outcome of the competition between Communist China and India as to which can best satisfy the

[45] IBRD, "Current Economic Position and Prospects of India. Report of Bank Mission to India," May 9, 1957, WB D&R, ii.
[46] Ibid., 18. In 1958 the Bank in a somewhat unusual fashion even observed that the development momentum was felt on a larger cultural and social level and that people in India were becoming more "development-minded": "More children are going to school, old habits are breaking down, new tastes are being developed, and new ambitions are stirring", IBRD, "Current Economic Position and Prospects of India," July 28, 1958, WB D&R, iii.
[47] See IBRD, "Current Economic Position" May 9, 1957, WB D&R, iii, 18, 23.
[48] Merrill, *Bread and the Ballot*, 137-144.

> aspirations of peoples for economic improvement, will have a profound effect throughout Asia and Africa. Similarly, the relative advantages to be derived from economic cooperation with the Soviet bloc or the West will be closely watched.[49]

While the strategic relevance and importance of assisting India with its economic development plans was clearly established at the end of the 1950s, the government of the United States was also increasingly looking to share the financial burden involved in this with its Western allies.[50] When T.T. Krishnamachari, the Indian Finance Minister, was traveling to several Western capitals in the fall of 1957, asking for financial assistance in the balance of payment crisis, Washington let the Federal Republic of Germany know that it expected the German government to make concessions to the Indian call for financial help, for example.[51] The shortage of foreign exchange continued in 1958 and Indian officials kept trying to obtain more investment funds in Washington and other Western capitals.

According to several scholars the Indian official B.K. Nehru was a crucial figure in lobbying for the formation of the Aid India Consortium and for bringing about its first meeting under the auspices of the World Bank in the summer of 1958.[52] B.K. Nehru, nephew of the Prime Minister, worked as commissioner general for economic affairs in the Finance Ministry and unofficially was the "economic ambassador for all aid matters".[53] B.K. Nehru was quite familiar with the World Bank, having served as the Indian Executive Director to the Bank in 1949. In a proposal to Finance Minister Morarji Desai in May of 1958 he advertised bringing together current and future lenders of India under the auspices of the World Bank in order to internationalize India's search for foreign exchange.[54] David Engerman has convincingly argued that the establishment of the Aid India Consortium was a well-played example of what he analyzes as "development politics."[55] "Development politics" are characterized for him by the competition for external aid and by the fact that external assistance is entangled with domestic politics.[56] On the latter aspect he observes

[49] National Security Council Report 5701, "Statement of Policy on U.S. Policy toward South Asia," January 10, 1957, Document 5, Foreign Relations of the United States herein after FRUS, 1955-1957, South Asia, Vol. 8.
[50] Engerman *The Price of Aid*, 179; Unger, *International Development*, 89; Carol Lancaster, *Foreign Aid. Diplomacy, Development, Domestic Politics* (Chicago, London: The University of Chicago Press, 2007), 29.
[51] Amit Das Gupta, *Handel, Hilfe, Hallstein-Doktrin. Die deutsche Südostasienpolitik unter Adenauer und Erhard 1949-1966* (Husum: Matthiesen Verlag, 2004), 163-164.
[52] Engerman *The Price of Aid*, 176-185; Shigeru Akita "The Aid-India Consortium, the World Bank, and the International Order of Asia, 1958-1968", *Asian Review of World Histories* 2:2 (2014): 217-248, here 218-219.
[53] Engerman *The Price of Aid*, 163.
[54] Ibid., 176.
[55] Ibid., 179, 187-189.
[56] Ibid., 3. I find his use of this conceptualization of "development politics" convincing for a better understanding of the establishment of the Aid India Consortium. It is open for debate, however, if his general conception of

that "development assistance altered domestic politics in both donor and recipient nations, and especially the latter, by providing groups with resources to advance their own economic visions and interests."[57] Engerman emphasizes in his analysis of the formation of the consortium how both a lobby within India in favor of a closer alliance with the United States and an India lobby within the United States used the Indian balance of payment crisis to advance their own political positions domestically and how new aid mechanisms and logics started to emerge with that.[58]

In close coordination with the U.S. State Department World Bank President Eugene Black then suggested to convene an Indian "creditor meeting".[59] This first creditor meeting was held at the end of August 1958 in Washington D.C. under the auspices of the World Bank and was attended by the United States, the United Kingdom, Canada, the Federal Republic of Germany, Japan, and an observer of the IMF. It was intended as a "temporary rescue operation" and a one-time meeting to deal with the difficult foreign exchange situation of India.[60] While the meeting parties agreed to give increased levels of loans to India, B.K. Nehru still had to work out bilateral agreements with all the donor countries afterwards which was not always an easy task.[61] At this first meeting the creditor countries did not agree to meet again but a subsequent meeting was held in March of 1959. There was a noticeable but slow change in the approach to aid involved in these meetings.[62] The meetings did not center on the discussion of distinct projects every country planned to finance but actually bargained over how to split up a total amount of foreign exchange India needed. By 1960 the emergency meetings had developed into a more long-term form which was termed a "consortium" for the first time. The September meeting in 1960 discussed long-term external assistance needs for India's Third Five Year Plan and marked a change "from an ad hoc gathering mainly concerned with bailing India out of a foreign exchange crisis, to a consortium taking a broader view of India's problems and committed to aiding her long-range economic development".[63] After 1960, the consortium usually met twice a year trying to obtain pledges of

"development politics" can actually be usefully extended to other locations and other time periods beyond India in the 1950s and 1960s.

[57] Ibid., 9.

[58] Ibid., 164-189.

[59] U.S. Department of State, "Memorandum of a Conversation, Subject: Indian Financial Situation," July 12, 1958, Document 212, FRUS 1958-1960, South and Southeast Asia, Vol.15. In the memorandum of the conversation Black refers quite often to the conversations he had about the Indian financial needs with B.K. Nehru.

[60] Mason and Asher *The World Bank*, 514.

[61] Engerman *The Price of Aid*, 182; For the difficult subsequent negotiations with the German government see for example Das Gupta, *Handel, Hilfe, Hallstein-Doktrin*, 172-173.

[62] See also Engerman *The Price of Aid*, 181-182.

[63] O.S. Kamanu, World Bank Memorandum, "India Consortium," July 10, 1968, WB D&R, 9.

the represented donor governments for the estimated foreign exchange needs for India's development plans.[64] Membership of the consortium also grew with France joining in 1961 and the Netherlands, Austria, Italy and Belgium all joining in 1962. The Aid India Consortium was the first case in which the World Bank took over the responsibility of greater aid coordination. Another Bank consortium for Pakistan in 1960 and one for Turkey in 1962 under the auspices of the OECD were created more or less explicitly following the Indian model.[65] While the Bank and its rich member states evaded the formation of formal consortia for most other countries, they still formed a lot of looser so-called Consultative Groups over the 1960s and 1970s. In Consultative Groups lending countries did not pledge money for a proposed development plan – like they did in consortia – but they still exchanged their views and tried to coordinate their activities under the auspices of the World Bank.[66] The richer lending countries in fact seem to have been reluctant to form more formal consortia because the consortia meetings for India and Pakistan let to a routine pressure to commit more funds.[67]

The World Bank's assessment of India's Third Five Year Plan (1961-1965) repeated some of the criticism of the ISI strategy by emphasizing that India should focus more on exports and by criticizing the protection of Indian industry.[68] The report also put a bigger emphasis on the need to invest more into agriculture and into fertilizers more specifically.[69] As a whole the assessment, however, again supported India's basic strategy for industrialization and endorsed a high level of foreign assistance.[70] The lack of opportunities for (foreign) private investments in India was a constant theme in the critique of consortium member states at their meetings.[71] But the form of the consortium and the regular meetings that promised a continued assistance also seemed to be paying

[64] Ibid., 12-13, for the list of all meetings see ibid., 41. The World Bank memorandum observed that there was no agreed upon formula of burden sharing and that "the way in which individual contributions have been determined has been rather haphazard," ibid., 12.
[65] Amit Das Gupta "Development by Consortia: International Donors and the Development of India, Pakistan, Indonesia and Turkey in the 1960s", in Marc Frey, ed., *Asian Experiences of Development in the 20th Century, Comparativ* 19:4 (2009): 96-111.
[66] For the distinction between "consortia" and "consultative groups" see Mason and Asher, *The World Bank*, 511-513. On the establishment of consultative groups over the 1960s and 1970s for several different countries see ibid., 519-528.
[67] Das Gupta, "Development by Consortia," 96-97.
[68] IBRD "India's Third Five Year Plan. Report of Bank Mission to India. The Main Report" August 10, 1960, WB D&R, 16-17.
[69] Ibid., 15, 20, 24.
[70] Ibid., vii, 14-15, 17-18. "The mission believes that India has demonstrated a capacity to make good use of foreign aid, and that the continuance of aid on a generous scale during the Third Plan can be justified on economic grounds", ibid., xv.
[71] O.S. Kamanu, World Bank Memorandum, "India Consortium," July 10, 1968, WB D&R, 16-17.

off for India: "The criticism had become routine, even routinized, but were not necessarily reflected in aid decisions. His [B.K. Nehru's] government's rhetorical accommodation preempted major attacks and helped avoid serious alterations to its overall strategy."[72] At the same time Indian officials knew that Western aid could come with strings attached to it. The Third Plan that relied upon foreign assistance money for about one-third of all investment resources constituted a great exposure to the Aid India Consortium.[73]

Disillusionment and Open Criticism

A lot of the problems of the strong focus on industrialization in the development strategy of India's Second Plan were already apparent at the end of the 1950s. One of the central contradictions with regards to agricultural development that was built into the Plan was that it heavily relied on institutional reforms such as the building of cooperatives and imposing ceilings on land ownership, but the Indian central government actually lacked the authority to implement these reforms because agriculture was a responsibility of the state governments.[74] The economic crisis of the first years of the Second Plan, had not only been a balance of payment crisis caused by the increased demand for industrial investments, the fall of agricultural production in these years and higher than expected imports of food also contributed to it.[75] By the late 1950s, there was widespread doubt within India and by outside observers that community development programs that emphasized institutional measures, gradual reforms, and self-help initiatives were actually enough to sufficiently raise agricultural production levels, especially with population growth.[76]

While there was also considerable debate about the ineffectiveness of community development programs within India,[77] the most influential critique for the international debate about agricultural development in India was the widely read report of the Ford Foundation, *Report on India's Food Crisis & Steps to Meet it* from 1959.[78] As analyzed in the previous chapter, the report criticized the

[72] Engerman, *The Price of Aid*, 186.
[73] Ibid., 189, 187, see also IBRD, "India's Third Five Year Plan," August 10, 1960, WB D&R, 14.
[74] Frankel, *India's Political Economy*, 128.
[75] Ibid., 142-147.
[76] Unger, *International Development*, 108-109; Sackley, "The Village as a Cold War Site," 496; Cullather, *The Hungry World*, 89-92.
[77] See for example Cullather, *The Hungry World*, 90-91; Unger, *Entwicklungspfade in Indien*, 72-74
[78] Ford Foundation, Agricultural Production Team, *Report on India's Food Crisis & Steps to Meet it* (Delhi: issued by the Government of India, April 1959).

emphasis on industrialization of the Second Plan and urged the Indian leaders to focus on food production as the first priority. The report still recommended public works programs in a tradition of community development. It also stressed the importance of making enough capital investments into agriculture for the provision of what would become the Green Revolution package of credit, high-yielding seeds, chemical fertilizers and pesticides.[79]

This emphasis on the importance of agriculture was reflected in the discussions of India's Third Five Year Plan (1961-1965). The Indian Planning Commission envisioned accelerated output growth of food grains for the Third Plan and raised the expenditure for agriculture by 70 per cent in comparison to the Second Plan. There was also a much stronger emphasis on increasing fertilizer production during the Third Plan.[80] While the importance of more investment into and growth of agricultural production was recognized in the Third Plan, the actual policies were still trapped in political contradictions that had marked agricultural development in India for a long time. Concessions to the landed elites and the lack of central state authority over agriculture made far-reaching institutional and land reforms impossible. At the same time, the Plan was not yet aimed at an agricultural intensification strategy that only focused on the most prosperous farmers and areas but still attempted to spread developmental benefits more broadly.[81]

The World Bank's discussion of the Third Plan also demonstrated a new recognition of the importance of agriculture and of making investments into it: "Agriculture is at present the main source of income and employment. Agricultural production must therefore be expanded and no one questions that this is in one sense the first priority in economic development."[82] The Bank's discussion also showed signs of thinking about "traditional" farmers as rational economic actors. The Bank's report emphasized the institutional difficulties of assisting millions of small farmers in India but it noticed their "receptiveness" to new ideas: "The difficulty is frequently not so much reluctance to adopt improvements as the fact that at the margin of subsistence a person cannot afford to take big risks. He [sic] may also hope that by waiting a while the state will subsidize the cost of the improvements."[83] In 1960, the Bank was still quite optimistic about the implementation of the Third Plan. It mentioned that the Indian planners knew about the importance of agriculture.

[79] Ibid., 16-17, 19.
[80] Frankel, *India's Political Economy*, 181.
[81] For the discussions of these contradictions and compromises in the Third Plan see ibid., 181-190.
[82] IBRD "India's Third Five Year Plan. Report of Bank Mission to India. The Main Report" August 10, 1960, WB D&R, 15.
[83] Ibid.

At the same time the Bank defended the continued focus on heavy industry and of investing in the production of capital goods as a strategy of economic development that did not just look at the next five years but to a longer time period.[84]

It was the year 1963 that can be seen as a turning point in the relationship between the consortium and India.[85] From that year on the consortium started to voice sharp criticism and more openly demanded changes in Indian economic policy. The points of critique were not new. One aspect was, as just seen, the demand for focusing more on agricultural development and to increase agricultural production. The other aspect was the critique of the ISI model of development more generally and the emphasis on public sector companies. The consortium emphasized the important role of (foreign) private investments, a bigger focus on export earnings and of an economic liberalization that would reduce the role of government regulations and administrative controls in the economy. All these points of critique were already present at the start of the Third Five Year Plan. What changed from 1963 onwards was the political will to press this criticism and to demand a change of policies.

The year started with a note from William Gaud, at the time assistant administrator USAID for South Asia and the Near East, in which he let the Bank know that the U.S. wanted to "put pressure" on India to adapt its policies to "comply with the views of [consortium] members."[86] After high hopes and optimism in assisting India during the first years of the government administration of John F. Kennedy, the United States government was faced with a quick disillusionment in 1963. Dennis Merrill has argued that the Kennedy administration was too optimistic about resolving regional conflicts in South Asia and had a too simplistic view of economic development. Ultimately, it also failed in reconciling old military and new economic imperatives and logics of the Cold War in the difficult task of maintaining both Pakistan and India as allies.[87]

In 1963, furthermore, the administration experienced the largest congressional aid cut in history.[88] However, according to Merrill, it was not only a critical U.S. Congress which was standing between India and the support in the form of foreign assistance: "The available evidence suggests that by

[84] Ibid., 20, 17.
[85] Bruce Muirhead, "Differing Perspectives: India, the World Bank and the 1963 Aid-India Negotiations," *India Review* 4:1 (2005): 1-22; see also Engerman *The Price of Aid*, 239.
[86] William Gaud cited in Muirhead "Differing Perspectives," 6.
[87] See Merrill *Bread and the Ballot*, chapter 7.
[88] Ibid., 197.

the middle of 1963 the White House had also begun to pull back from its plans for making India a primary beneficiary of the 'development decade'."[89] But in 1963, the United States government and the World Bank were still committed to achieving large aid pledges for India in the consortium.

Other states, however, were starting to question what they perceived as an "unqualified support of India" and the costs involved in the American pressure for burden sharing.[90] The West German and British governments in particular questioned continued and enlarged financial commitments to India: "Bonn and London were dismayed that there seemed to be no end to India's requirements for foreign aid and that instead of diminishing year by year they were going up. India, or so they believed, was 'becoming a permanent pensioner of the West.' Moreover, […] the country was 'helping to discredit the image of foreign assistance throughout the developing world'."[91]

In the United States government a group which directly advocated influencing economic policy change in India through non-project aid also formed and gained in strength over the year 1964 – arguing for a "big push therapy."[92] The "big push" intended here was different from the original use of the term in development economics. The push through investments was not primarily aimed at raising the Indian economy to a different level of economic development anymore but into a new direction with different economic policies.[93] This group consisted of John P. Lewis, head of the USAID mission in Delhi since 1964, Chester Bowles, U.S. ambassador in India, and White House staff Robert Komer, who was a member of the National Security Council.[94] From a perspective that is interested in the World Bank and the trajectory of ideas and concepts it is interesting to note that John P. Lewis credits Hollis Chenery with inventing the "big push strategy" on more general grounds as the chief economist of AID. Chenery was to become the chief economist in the World Bank under McNamara in 1970.[95]

On the top of the list of policy changes envisioned by this group were agricultural reforms and a greater emphasis on market mechanisms in the Indian economy.[96] The bargaining chip to achieve these policy reforms would be "non-project" aid that the Indian government urgently needed. This

[89] Ibid., 193.
[90] Muirhead "Differing Perspectives," 12.
[91] Ibid., 13.
[92] Lewis, *India's Political Economy*, 94.
[93] See ibid.; Engerman, *The Price of Aid*, 242.
[94] Ibid., 240-242; Lewis *India's Political Economy*, 94-95.
[95] Lewis, *India's Political Economy*, 94
[96] Engerman, *The Price of Aid*, 242.

non-project aid took the form of commodity food aid provided directly by the U.S. American government and general purpose loans, or 'program loans' in World Bank language, provided through the Aid India Consortium, as we will see in subsequent sections.

At the consortium meeting in 1963, the World Bank adopted a mediating role as the chair of the consortium. On the one hand, the new World Bank president George Woods pointed to the critique of a recent Bank economic report of India which was shared by most consortium member states.[97] He emphasized that foreign private investments should play a larger role in the Indian economy and that there should be a "simplification" of government controls.[98] Woods also stressed the need to curb population growth, to double agricultural production, to focus more on exports and to achieve "a more rational allocation of resources" by focusing more on price mechanisms as important points in the recent Bank report.[99] He called upon the consortium for tackling these issues together and through a continued support of the Indian Third Plan: "These, gentlemen, are the problems. They are India's problems, but they are also ours. We cannot cut down our support simply because the development program has problems and difficulties."[100]

On the other hand, Woods also supported the call of the Indian official for changes in the aid policies of the donor countries.[101] L.K. Jha, representing India, pointed out that the demand for an increase of Indian exports would only be possible if the richer countries removed their barriers for the import of Indian goods and he called for a bigger provision of aid that was not tied to the implementation of new projects.[102] Woods encouraged better aid terms for India and called for long-term aid with low interest rates and for loans that were not tied to the procurement of products from the specific lending country. He was clearly worried about the high debt service ratio of India, which also made it difficult for the World Bank to expand IBRD lending and not just IDA funds to the country.[103] Woods also emphasized the need to make more aid available in a "non-project"

[97] IBRD/IDA, "Progress of Economic Development in India. Report of a Bank Mission," April 16, 1963, WB D&R. The Report on the consortium meeting noted that "there was general agreement with the mission's conclusions and recommendations," IBRD, "Seventh Meeting on India's Foreign Exchange Situation. Report of Proceedings, Prepared by the Chairman," May 3, 1963, India General Consortium Meetings, WBGA, folder 1844604, 1.
[98] "Opening Statement by Mr. Woods, April 30, 1963," Annex A to ibid., 3.
[99] Ibid., 4.
[100] Ibid.
[101] It was for the first time that an Indian official was invited to attend a meeting of the Aid India Consortium.
[102] See IBRD, "Seventh Meeting on India's Foreign Exchange Situation. Report of Proceedings, Prepared by the Chairman," May 3, 1963, India General Consortium Meetings, WBGA, folder 1844604, 1.
[103] "Opening Statement by Mr. Woods, April 30, 1963," Annex A to ibid., 2-3.

form, meaning program loans that supported an import program that was not tied to the implementation of specific projects.[104]

We have seen in chapter one that program lending had been confined to the Bank's high-income member states over the 1950s, with the one-time exception of Iran in 1957. There was no clear interpretation of the 'special circumstances' that the Bank's Articles of Agreement required for the use of program loans. This led to a practice in which the Bank's management justified these loans on a case by case basis and used them to establish privileged types of lending relationships with specific countries. This logic continued over the 1960s in which Bank program lending was confined to India and Pakistan and was agreed upon in the respective consortia. India made the start in 1964 with the first Bank program loan since 1957. The justification and interpretation of the 'special circumstances' focused on the specific stage of economic development India was in. The argument was that India did not need the instalment of new productive capacities through new projects but a better use of the already existing ones which required a support of a broad import program.[105] In later discussions about program loans in the Bank's Board this case of the justification of 'special circumstances' was described as "the need to supply industrial raw materials or equipment to raise the use of existing industrial capacity."[106] In the 1960s, it was only applied as an interpretation for the specific situation in India and Pakistan.

The Bank's management was quite aware of the fact that the extension of program lending to India would mean a diversion from standard Bank practices and feared that the Bank's Executive Directors might object to it. Standard Bank procedures clashed with the economic analysis and requirements the Bank proposed in the Aid India Consortium. In the end it was a question of how to sell and label these loans: "Thus even if we are able to work out an arrangement for the Bank or IDA financing of Indian maintenance imports, we shall still be expected to call it a project when we present it to the Board, even though we may want to claim it as non-project aid in the consortium."[107] The first "Industrial Imports Project" for India over $90 million was approved in

[104] Ibid., 2.
[105] Ibid., 2.
[106] World Bank, President Memorandum to the Executive Directors, "A Review of Program Lending Policy and Practice," August 10, 1976, WB D&R, 12.
[107] E.P. Wright to Alexander Stevenson, "Non-Project Aid," May 9, 1963, India General Consortium Meetings, WBGA, folder 1844604.

1964.This specific type of lending would be continued as a special Bank line of credit to India in almost every year up until 1976.[108]

While the Bank in its role as the chair of the Aid India Consortium was calling for a continued commitment to the Indian Third Plan, internal letters also show a strong disillusionment with the actual implementation of the Plan and a harsh critique of the Indian planning system and the institution responsible for it, the Indian Planning Commission. After a meeting with the Planning Commission two Bank officials reported that "everything" had been wrong at the meeting and that the Commission "showed very little sense of reality and common sense in dealing also with social and sociological problems."[109] Regarding economic issues the judgement was not any better. The Bank officials observed that the Planning Commission seemed "certainly less systematically informed than many other observers in Delhi" with regards to the monitoring of progress on the Plan's targets: "Instead of a briefing by the best informed political economists in India the meeting seemed more like a world affairs discussion at a luncheon meeting of the league of Women Voters."[110] That the World Bank disagreed with the Indian Planning Commission on economic policy questions, especially with regards to the role of private investments, private ownership and the emphasis on prices and market mechanisms was hardly breaking news. But the harsh tone of these letters made it hard to imagine how any further working arrangements could look like and the wish for change was clearly expressed:

> In any country, whether democratic or not, people responsible for the failure of a policy are usually removed, and other people, often with different ideas, are substituted for them. Instead, in India, these same people sit there since Independence, and there is little talk of sending them away. What guarantees do we have that they are now provided with more common sense than fifteen years ago?[111]

[108] All in all the Bank extended eleven such import program loans to India between 1964 and 1976 with breaks in the years 1967, 1968 and 1971, see World Bank, President Memorandum to the Executive Directors, "A Review of Program Lending Policy and Practice," August 10, 1976, WB D&R, annex I – 1 & annex II–1.
[109] R. Pantanali to Escott Reid, "What I feel was wrong in out Meeting of the Planning Commission in Delhi," May 9, 1963, India General Consortium Meetings, WBGA, folder 1844604, 1-2.
[110] Gregory Votaw to Escott Reid, "Observation on the March Meeting with the Indian Planning Commission," May 9, 1963, India General Consortium Meetings, WBGA, folder 1844604.
[111] R. Pantanali to Escott Reid, "What I feel was wrong in out Meeting of the Planning Commission in Delhi," May 9, 1963, India General Consortium Meetings, WBGA, folder 1844604, 2.

The Bell Mission to India

The year 1963 also marked a turning point in the World Bank with the change in presidency from Eugene Black to George Woods. In the previous chapter we have already analyzed the increased attention to and endorsement of more agricultural lending by the Bank that happened under Woods' presidency. Another change he initiated in the Bank was the establishment of an economic department and the expansion of economic analysis at the Bank.[112] Eugene Black had abolished the economic department in the reorganization of the Bank in 1952 and the World Bank of the 1950s was dominated by engineers.[113] The focus lay on the economic appraisal of single projects and a broad assessment of the creditworthiness of borrowing countries. While sectoral questions and macroeconomic policy issues were not completely absent from the Bank of the 1950s, they also did not have a specific place or role in the Bank's business. George Woods brought Irving Friedman from the IMF to the Bank as his personal economic advisor, in August of 1964. Friedman was in charge of the expansion of the number of economists working in economic analysis and for the introduction of proper economic country analysis in the World Bank.[114] The so-called Bell mission to India from 1965 which produced a fourteen volumes study of the Indian economy is an exceptional but still illustrative example for the shift to a broader economy-wide analysis within the World Bank.[115] It also demonstrated the new confidence of the Bank to provide wide-ranging policy analysis that was not limited to the assessment of concrete projects and to openly articulate criticism as well as the demand for change of borrowing country economic policies.

In spring of 1964, George Woods asked Bernard Bell, if he would be interested in heading a Bank mission to India. Hiring Bell as an outside consultant and asking him to put together a mission team from mostly outside of the Bank was an expression of Woods' dissatisfaction with many of the Bank staff and with past analyses of the Indian economy.[116] Before the mission was leaving, the Indian Government was already wary of it and there were some disputes about the terms of reference for the mission. T.T. Krishnamachari, the Indian Finance Minister, agreed in June 1964 to a "small mission" with "limited scope".[117] There was also some debate on whether the mission

[112] Oliver, *George Woods*, chapter 4; Michele Alacevich "Not a Knowledge Bank," 651.
[113] Alacevich "Not a Knowledge Bank," 628.
[114] Oliver, *George Woods*, 96, 100.
[115] See also Nicholas Stern and Francisco Ferreira, "The World Bank as 'Intellectual Actor'," in Devesh Kapur, John Lewis, and Richard Webb, eds., *The World Bank: Its First Half Century. Vol II* (Washington D.C.: Brookings Institution Press, 1997): 523-609, here 599.
[116] Bernard Bell, "Transcript of Interview with Robert Oliver, November 13, 1985," WBGA OH, 2-4.
[117] Cited in Oliver, *George Woods*, 133.

could touch upon the question of the appropriateness of the exchange rate because Bell felt it was important but it was traditionally the terrain of the IMF and not of the World Bank.[118] The final terms of reference for the mission which the World Bank and the Indian Government agreed upon at the end of August of 1964 did not mention the controversial issue of the exchange rate as a topic for the mission.[119] The Indian Government delegation had also achieved to take the question of ownership of industries out of the terms of reference as a matter of "acute political controversy in India."[120] It was also agreed upon that the mission report was not a report for the consortium but would only be an internal Bank study directed at the World Bank President, thereby attempting to limit the circulation of the report.[121] But the World Bank one-sidedly expanded both the fields studied by the mission and later also the circulation of the mission report.[122]

The members of the Bell mission visited India between the end of 1964 and spring of 1965. Most of the reports were finished writing in May of 1965 and they were issued in October of the same year for the Bank's President and the government of India. The study produced fourteen volumes on several different economic sectors and policy fields.[123] The main conclusions and findings that were used for the subsequent policy negotiations with the Indian government were contained in the main report in which Bernard Bell personally summarized the main conclusions and findings of the mission. The central points of the main report could have easily been predicted without the mission.[124] While Bell pointed out in the preface that his analysis did not rest on sufficient evidence

[118] Bernard Bell, "Transcript of Interview with Robert Oliver, November 13, 1985," WBGA OH, 5. In the interview Bell claims that Paul Schweitzer, managing director of the IMF told him to look into the exchange rate because the Bank had "all the leverage, we [the IMF] had none," ibid. There are, however, other sources in which the IMF explicitly told Bell to not address the question of the exchange rate and to only discuss other export problems, see Bernard Bell, "Conversation with Mr. Savkar, Asia Department, IMF", October 7, 1964, Bernard R. Bell files, WBGA, folder 1850786.

[119] See "Statement on the Bank study of the Indian Economy, 1964-65", August 27, 1964, Bernard R. Bell files, WBGA, folder 1850796. The explicit topics mentioned which the mission wanted to look into were agriculture, industry, exports, population, unemployment, fiscal policy and finance (meaning price policies), government controls and foreign aid.

[120] See G.C. Wishart to Files, "Meeting in New Delhi with Finance Minister of India, T.T. Krishnamachari, on Monday, August 24, 1964," September 7, 1964, COF, RPGW, WBGA, folder 1769728.

[121] See "Statement on the Bank study of the Indian Economy, 1964-65", August 27, 1964, Bernard R. Bell files, WBGA, folder 1850796, 1.

[122] Before the writing of the Bell mission reports were finalized Woods already asked Bell to discuss with Indian officials if there could be some version of the report that could be made available to consortium members and large donors, see George Woods to Bernard Bell, without title, May 28, 1965, COF, RPGW, WBGA, folder 1769731.

[123] Besides the four agricultural volumes there were for example volumes on the manufacturing industry, on export policy, transport planning, administrative controls and family planning. All reports can be found on the World Bank's website for documents and reports, http://documents.worldbank.org/curated/en/home.

[124] Bernard Bell in fact cited a long paragraph from a memorandum he had written to Woods before the start of the mission in the introduction to his report that clearly indicated that he already went into the study with an idea of what

this recognition did not lead him to write a nuanced critique with suggestions. He decided on a strident pamphlet style because of his belief in the recommended actions and ended the main report with a list of sixteen wide-ranging policy recommendations for the Indian government.[125]

The basic analysis contained in the main report that inspired the policy negotiations with the Indian government was not new and was the same one that we have already discussed above. The Bank clearly formulated a package of policy reform that it expected from India. On the one hand, the report argued that rapidly rising levels of population growth had to be curtailed and they made it necessary to "redress" the balance between agriculture and industry which during the Third Plan was "tipped too far against agriculture."[126] This emphasis on a more 'balanced growth' had already been promoted by the Ford Foundation report in 1959 and was discussed widely in development economics and U.S. government circles since the beginning of the 1960s. On the other hand, the Bell mission report forcefully brought back a general Bank critique of the Indian economic model of import substitution and of the large role of the state and state regulations in the economy. This critique had been present for a long time already in the Bank's economic reports on India but it was only now, with the backing of a fourteen volume study and the negotiation leverage as the chair of the consortium, that the Bank attempted its own "big push" to shift Indian economic policies to a more liberal capitalist direction relying on market mechanisms.

The official historians of the World Bank correctly observed that the agricultural analysis of the Bell mission which was let by John Crawford and constituted four volumes was hardly new. Besides John Crawford, who was an Australian civil servant and the leader of the agricultural part of the Bell mission, other renowned figures participated as consultants to the four volumes constituting the agricultural report. Wolf Ladejinsky, the U.S. land reform specialist, participated in the mission as a consultant. Another member was David Hopper who at the time was working for the Ford Foundation. Theodore W. Schultz had relied on Hopper's analysis of Indian villages in his book *Transforming Traditional Agriculture*.

was going wrong in India, Bernard Bell, "Report to the President of the IBRD and the IDA on India's Economic Development Effort. Vol. 1. Main Report", October 1, 1965, WB D&R, iii. See also Engerman, *The Price of Aid*, 248.

[125] Bernard Bell, "Report to the President of the IBRD and the IDA on India's Economic Development Effort. Vol. 1. Main Report", October 1, 1965, WB D&R, ii, 34-36.

[126] Ibid., 11.

The role of the agricultural consultants of the Bell mission was that of “codifiers, not originators.”[127] The agricultural analysis basically supported the ‘New Agricultural Strategy’ of the Indian Minister for agriculture C. Subramaniam and similar policy reform ideas of the U.S. government and U.S. based foundations.[128] But one thing that the analysis achieved was to bring this agricultural perspective back to the World Bank that had only endorsed increased Bank lending levels for agriculture a year ago.[129]

The four volumes of the agricultural report together had about 650 pages, written by different authors with different emphases. Wolf Ladejinsky, for example, emphasized the need for tenancy and ownership reform which was in accordance with his general focus as a land reform specialist. He observed in one of his contributions that while the provision of credit and adequate farm prices were important, they would not have the intended effects “unless those who work the land own it or hold it securely” which is why tenancy and ownership reforms were at the “top of the list” for him.[130] This multiplicity of voices was, however, not really represented in the main agricultural report nor in the summary report or the negotiations with the Indian government.

The main agricultural report, written by John Crawford, mentioned from the beginning that the terms of reference for the report were an analysis of “agricultural policies appropriate to growth” and it did not deal with any other policy issues such as questions of social and economic inequality.[131] The report looked at agriculture as an entire sector of the economy. As such it argued for a more balanced growth between agriculture and industry which entailed giving priority to agriculture for a while and to allocate all necessary resources to it.[132] Agricultural growth was a formula that according to the report could be achieved by making investments, providing industrial inputs such as chemical fertilizers and by setting the right price incentives to which farmers would react.[133] The main agricultural report was clearly informed by Theodore W. Schultz’ work and cited him affirmatively.[134]

---

[127] Kapur et al., *The World Bank. Vol. I*, 390.
[128] Ibid., 389.
[129] Ibid., 390.
[130] Wolf Ladejinsky in Bell mission report “Report to the President of the IBRD and IDA on India’s economic Development Effort. Vol. 4 Agricultural Policy, Appendixes 6 to 10” October 1, 1965, WB D&R, appendix 9, page 2.
[131] John Crawford, “Report to the President of the IBRD and IDA on India’s economic Development Effort. Vol. 2 Agricultural Policy,” October 1, 1965, WB D&R, 3, see also 1.
[132] Ibid., 3, 34-35.
[133] Ibid., 4, 19, 27, 36-37, 40-69.
[134] Ibid., 38.

On the issue of population growth Bell was outspoken about the fact that “a massive, energetic and reorganized population control program” was needed.[135] Bell saw the growth of population mainly as an economic problem that prevented economic development and the rise of living standards in India.[136] It is noteworthy that the Bank in most discussions about population control did not feel a great need of persuading the Indian government, however. Bell noticed in this regard that it was “encouraging” that the Indian government already showed a lot of determination to “grapple with the problem.”[137] He expressed hope because in his view the right technology in the form of intrauterine devices (IUDs) was now available that together with sterilizations and condoms “could be the basis for a massive and quickly-effective program.”[138] Similarly to the agricultural reports, the Bank was hardly innovative in framing population growth as a problem in India, but the report helped to bring the debates of the time back to the World Bank. USAID, the United Nations and the Ford Foundation were all already involved in advising and putting pressure on the Indian government with regards to population control programs during the middle of the 1960s. They had similar advice about launching a new program that would set specific targets and put great hope in the insertion of IUD’s on a massive scale.[139]

The analysis of the macroeconomic policy issues in the main report by Bernhard Bell was straightforward and encompassed most points that would also be raised by other authors against the ISI model at the end of the 1960s and 1970s. The main critique was that the government’s direct involvement in economic activities and its attempt to steer the process of industrialization by making investments, handing out industrial licenses and creating public sector companies fostered corruption and (economic) inefficiencies.[140] The “over-valuation” of the Indian rupee was closely bound up with this problem of economic inefficiencies for the World Bank and Bell described it as one of the policies “with the most pervasive negative effects on India’s economic progress.”[141]

[135] Bernard Bell, “Report to the President of the IBRD and the IDA on India’s Economic Development Effort. Vol. 1. Main Report”, October 1, 1965, WB D&R, 34.
[136] Ibid., 21.
[137] Ibid.
[138] Ibid., 21-22.
[139] Matthew Connelly, *Fatal Misconceptions. The Struggle to Control World Population* (Cambridge, Mass., London: Belknap Press of Harvard University Press, 2008), 214-217. On the problems and brutality entailed in the Indian population programs implemented in the second half of the 1960s see ibid., 222-231.
[140] Bernard Bell, “Report to the President of the IBRD and the IDA on India’s Economic Development Effort. Vol. 1. Main Report”, October 1, 1965, WB D&R, 24-25.
[141] Ibid., 13.

On the one hand, the high exchange rate made imports cheap and thus created a high demand for imports. Faced with low levels of foreign exchange this made the system of import controls and licenses necessary which the report criticized as an "inefficient allocator."[142] On the other hand, the high exchange rate also prevented Indian manufacturers from expanding their exports.[143] The report recommended to devalue the Indian currency and to abolish all import controls for "maintenance imports" meaning spare parts, raw materials and all other products that were required as an input to production. This included chemical fertilizers. Import controls should only be continued for capital items such as new machines and for consumer goods that were not an investment in production.[144] Bell emphasized that "liberalization" of these imports was not intended to raise the level of imports but to establish a system that relied on prices and on markets and not on a government planning process that included decisions about the importance of certain industries.[145]

The main report all in all was a sweeping critique of the Indian development model although Bell argued that he was not generally against the model and the focus on industrialization but only against the "unselective effort to establish import-substituting production at any cost."[146] Nevertheless, it should be understood that especially the macroeconomic reforms, that were proposed by Bell and the Bank, went against the core principles of the ISI model and the planning model of the state involved in it in India. Bell's strong focus on devaluation was based in a belief in the market and prices as efficient allocation mechanisms and efficiency was given a premium over other economic goals. Alternative reform proposals for some of the problems with Indian planning could have looked at the political and administrative procedures and structures involved in the planning process to make it more effective. The Bank was, however, firmly rooted in its core idea of letting the market and prices do their job.

Negotiating Reform

There were four main elements of the Bell report that constituted the basic reform package that the World Bank demanded from India: a stronger focus on agriculture and a strategy of agricultural

[142] Ibid., 13, see also 17-18.
[143] Ibid., 15.
[144] Ibid., 19, see also the first two policy recommendations for the Indian government on page 34.
[145] Ibid., 18.
[146] Ibid., 29.

intensification through inputs such as fertilizers, a vigorous program of population control and the two combined elements of the devaluation of the Indian rupee and the liberalization of imports.[147] Taken all together this package of policy reforms constituted a fundamental challenge to and departure from past development models in India, from the emphasis on industrialization as well as from state planning procedures.[148]

As already indicated, the World Bank was not the most important actor in pressing for agricultural policy changes that would contribute to the onset of the Green Revolution in India. The World Bank mostly supported these reform attempts and contributed to linking it to the wider reform package. The main negotiation processes that led to the adoption of an agricultural intensification strategy that focused on the wider use of new high-yielding seed varieties and chemical fertilizers, as well as to a greater emphasis on price incentives to private investment happened within the Indian government itself. C. Subramaniam, Agricultural Minister in the Shastri government, was arguing for a shift towards such an agricultural policy as a solution to the immediate food crisis and the threat of famines in 1964/65.[149]

Starting in spring of 1965, it was also obvious that the United States government was prepared to actually use its leverage in India to "force the grain revolution down the throats of the Indian Government."[150] The most visible expression of that was the refusal of President Lyndon B. Johnson to sign a new "food aid" agreement under the Food for Peace Program for the usual two years, when the old agreement was expiring at the end of June of 1965. Johnson's so called short tether policy, in which he reduced agreements about food shipments to India to a month-to-month basis was intended to keep the pressure on India up.[151] The goal was to enforce reforms in the agricultural sector that would benefit agricultural intensification and to achieve a more sympathetic stance of India regarding the U.S. War in Vietnam. Johnson stuck to this policy throughout the year 1965, also during food shortages after the bad monsoon in that year and throughout 1966 when a lot of agricultural reforms had already been officially agreed upon and India was confronted with the second draught year in a row. Johnson's short tether policy, its effects on India, and its

[147] These four points are clearly spelled out as the main issues in the subsequent policy negotiation with the Indian government, see Andre de Lattre to George Woods, (without title) Report on discussions with the Government of India, August 6, 1965, Bernard R. Bell files, WBGA, folder 1850786.
[148] Frankel, *India's Political Economy*, 271.
[149] Ibid., 256-267; Cullather, *The Hungry World*, 206-210.
[150] Robert Komer, deputy at the National Security Council, cited in Ahlberg, "'Machiavelli with a Heart'," 676.
[151] Ibid., 675-676, 681.

relationship to his domestic farm policies, the Vietnam War, and problems with the U.S. Congress and his own administration have already been discussed extensively elsewhere.[152]

While the threat to withhold 'food aid' in a time of bad monsoons and low harvests was a very visible and controversial way of exercising influence on Indian agricultural and other politics, it was not the only bargaining chip. The advocates of the "big push therapy" within USAID had originally emphasized the use of non-project aid more generally to reform Indian economic policies and this means of influence was not forgotten.[153] For the exercise of pressure through program loans the World Bank as the chair of the Aid India Consortium was a crucial actor – as a possible provider of non-project aid itself and in its role of coordinating aid pledges of the member states of the consortium and of preparing economic reports and assessments for the consortium meetings. The Bank, as a multilateral international organization, was perceived as having some advantages in influencing borrowing country policies vis-á-vis bilateral donors because Bank advice would not have the same image of an infringement of sovereignty. In a long note to Bernard Bell Harvard economist Edward Mason argued for example

> It seems probable that much leverage can be more effectively utilized by an international agency such as the Bank or the Fund or at least in conjunction with one or both of these institutions – then by straight bilateral bargaining. Obviously, external inducements for a change in domestic policies will be more effective if the principal aid suppliers act in concert. Large steps have already been taken in this direction through the formulation of consortia.[154]

The first extensive policy negotiations between the Bank and the Indian government, based on the recommendations of the Bell mission, took place at the beginning of August in 1965. It repeated the main analysis of the Bell mission and formulated a package of economic reforms that India would have to undertake in order to count on continued financial support from the Aid India

---

[152] For Johnson's "short tether" policy in India during the middle of the 1960s specifically see for example Ahlberg, "'Machiavelli with a Heart'"; Engerman, *The Price of Aid*, 243-247; Cullather, *The Hungry World*, 205-231.

[153] Engerman points out that some advocates of using aid for gaining influence in India like John Lewis actually "quickly got cold feet" when they saw that Johnson was using "food aid" for it, see Engerman *The Price of Aid*, 245. Lewis himself has retrospectively argued that he was "surprised" about how well food aid had indeed worked as a means of leverage in India for the agricultural reforms because he had thought that it was obvious that food aid would never really be withheld and that Johnson would not actually let Indians starve – an assessment that was not shared by Lewis' interview partners from India, see Lewis, *India's Political Economy*, 163-164.

[154] Edward Mason to Bernard Bell "The Future of Foreign Economic Assistance", no date (probably second half of 1966), Bernard R. Bell files, WBGA, folder 1850796, 9.

Consortium for the financing of the Fourth Plan.[155] One element of this reform package was the demand to control population growth and to reduce it from present figures of 2.5 per cent to 1 or 1.5 per cent.[156] Another element was giving "priority to agriculture" in the Fourth Plan.[157]

André de Lattre who acted as George Woods' personal representative in the negotiations with the Indian government observed that the difficulty entailed in giving priority to agriculture was one of not just acknowledging it on paper but actually following through with it.[158] This meant to prioritize agriculture in the allocation of resources over industries and infrastructure investments: "The concept of priority to agriculture does imply a decision that no cut whatsoever would be made in the amounts needed for agriculture itself and 'industry for agriculture' (tractors, fertilizers, etc.); this means that if the required amounts of foreign exchange should not be available, the needed cuts would have to fall on something else."[159]

The last crucial element of the economic reform package was also in line with the arguments and recommendations of the Bell mission. It was the demand for a further liberalization of the economy, particularly with regards to lifting controls of maintenance imports and the question of the exchange rate.[160] It is important to emphasize that this last element of the reform package was the only one in which the Bank's negotiators still saw "substantial divergences" between the Bank position and the one of the government of India.[161] With regards to the other reform elements of the package the Bank emphasized that important reforms were already on their way and that "the answer of the GOI [Government of India] to the suggestions of the Bank will not be one of disagreement but, on the contrary, of full concurrence in the objectives and even in the methods."[162]

Similar to the other aspects of the reform package the debate about liberalization and critiques of the ISI model were not new to the Indian context and did not just come from outside of India. During the middle of the 1960s, the Swatantra party was rising as an opposition party in India

[155] This deal character of the negotiations was clearly expressed in the record of the negotiations, Andre de Lattre to George Woods, (without title) Report on discussions with the Government of India, August 6, 1965, Bernard R. Bell files, WBGA, folder 1850786, 2, 28.
[156] Ibid., 6.
[157] Ibid., 8.
[158] Ibid., 8-9.
[159] Ibid., 9-10.
[160] Ibid., 15-21.
[161] Ibid. 24.
[162] Ibid.

calling for a reduced role of the central government and of state planning in the economy.[163] The young Indian economist Jagdish Bhagwati was also openly calling for a devaluation of the Indian rupee and several committee reports called for the delicensing of a number of industries.[164] Nevertheless, one of the main differences to the other aspects of the reform package was that the Indian minister of Finance T.T. Krishnamachari, who was responsible for devaluation, was openly against it and had made an announcement in July 1965 that devaluation was out of the question.[165]

Almost immediately after the Bank negotiations with the Indian government, the Indo-Pakistani War over Kashmir broke out, delaying any discussion about broad macroeconomic policy reform. In November of 1965, U.S. Secretary of Agriculture Orville Freeman reached an understanding with the Indian Minister of Agriculture C. Subramaniam in the so called Treaty of Rome on most aspects of the agricultural elements of the reform package.[166] Similar to the points that were addressed by the World Bank negotiations in August, the understanding emphasized the priority of investing into agriculture and of making scarce foreign exchange available to agriculture as a sector.

Chemical fertilizers were the most crucial element in the investment strategy into agriculture and one of the most difficult ones because their import required scarce foreign exchange resources. It was particularly in this emphasis on fertilizers that the agricultural side of the reform package intersected with some of the demands for a further liberalization and decontrol of the Indian economy. Fertilizers were one of the maintenance goods for which import controls should be lifted. The understanding between Subramaniam and Freeman furthermore emphasized other elements that touched upon a broader program of economic liberalization that was not confined to import controls. Their agreement also stressed the importance of enhancing the role of (foreign) private investments and companies in the fertilizer industry in India and of liberalizing distribution

[163] Frankel, *India's Political Economy*, 219-221; Engerman *The Price of Aid*, 235-236.
[164] See Jayati Gosh, "Liberalization Debates," in Terence J. Byres, ed., *The Indian Economy. Major Debates since Independence* (Delhi: Oxford University Press, 1998), 295-334; Engerman *The Price of Aid,* 236.
[165] Andre de Lattre to George Woods, (without title) Report on discussions with the Government of India, August 6, 1965, Bernard R. Bell files, WBGA, folder 1850786, 20. Denoon even observed that "TTK [T.T. Krishnamachari] so strongly opposed devaluation that he virtually refused to listen to Bernard Bell and Ambassador C. Bowles when they called on him to discuss the findings of the IBRD Bell report. TTK also prevented the Bell report from being disseminated within the government of India. TTK delayed passing it up to Shastri, thus postponing the possibility of action on the recommendations," David Denoon, *Devaluation under Pressure*, footnote to page 29 on page 227.
[166] "Telegram From the Embassy in Italy to the Department of State," November 26, 1965, Document 253, FRUS 1964-1968, South Asia, Vol.25.

arrangements and licensing procedures.[167] The Indian government Cabinet accepted Subramaniam's new agricultural strategy and more concessions for private fertilizer plants in December of 1965 although the Planning Commission and the Finance Minister opposed this shift in policy.[168]

Over the course of 1965, the Indian government was also showing signs of moving into the direction the U.S. and the World Bank wanted with regards to a massive program of population control. Lead Indian ministers of the Shastri government were in favor of a more forceful population control policy that set concrete targets.[169] In the year 1965-66 spending on family planning had increased by more than two-thirds and the central Health Ministry mandated that states set specific targets for the number of IUD insertions that could be monitored.[170] More support for a forceful program also came from the new Prime Minister Indira Gandhi, who had taken over the position after the unexpected death of Prime Minister Lal Bahadur Shastri in January of 1966. Indira Gandhi was an outspoken proponent of population control measures.[171]

She visited Washington D.C. for talks with President Johnson at the end of March 1966. The conversation revolved around all of the elements of the reform package that have already been described but also around political issues such as the relationship with Pakistan and India's position regarding the Vietnam War.[172] After the talks with Indira Gandhi the U.S. Government seems to have felt comfortable in handing over all detailed negotiations about the reform package to World Bank President George Woods in the Bank's role as the chair of the Aid India Consortium. President Johnson was confident that Indira Gandhi would actually implement the different elements of the policy package, including the liberalization of imports and an adjustment of the exchange rate against a promise of more financial aid from the consortium.[173] Robert Komer, Special Assistant of President Johnson, summarized the benefits of enforcing the reform package through the consortium under the auspices of the World Bank:

[167] Ibid.
[168] Frankel, *India's Political Economy*, 286.
[169] Connelly, *Fatal Misconceptions*, 218.
[170] Ibid., 219.
[171] Ibid., 221-222.
[172] Engerman, *The Price of Aid*, 254-256; on Johnson's impression of Indira Gandhi's stance on the policy reforms of the package see Robert Komer, "Memorandum From the President's Special Assistant (Komer) to President Johnson," March 29, 1966, Document 310, FRUS 1964-68, South Asia, Vol. 25.
[173] Ibid.

> This package is the real McCoy—much more so than emergency food. If George Woods, with our backing can drive the tough bargain which he contemplates, we will have accomplished more in moving India via our aid leverage than in the last six years combined. And we will have done so at little if any greater out-of-pocket cost than in 1963 or 1964. I stress again that this is a self-enforcing bargain—if India doesn't make the reforms we and the Bank want, it doesn't get most of the dough. This puts the choice squarely up to them. I may be over- enthusiastic, but I see this as a major foreign policy stroke, affecting 500 million people in the largest country in the Free World.[174]

The details of the Indian deal with the World Bank, acting as chair for the larger Aid India Consortium, were hammered out between George Woods and Asoka Mehta, the Indian Minister of Planning, at the end of April and beginning of May 1966.[175] The record of their discussions produced a detailed document with numerous policy recommendations on the main reform package but it also included new topics such as tourism and transportation. The deal character of the agreement was clear. World Bank President Woods expressed that he was confident that if India followed through with these policy reforms aid flows would be coming forth and that "he would do what he could both as President of the World Bank Group and Chairman of the Consortium to help obtain the needed external support."[176]

The most controversial element of the reform package, the devaluation of the Indian rupee, was missing from the record of the agreement between Mehta and Woods. Bernard Bell later made it clear to the consortium members that devaluation had been "deliberately" not mentioned in the minutes "because this question is the principal responsibility of the International Monetary Fund."[177] The World Bank and the IMF had in fact agreed on a formal memorandum of collaboration between their staff for the first time in their history in January of 1966. While a lot of the language of the document emphasized the need for collaboration and the broad range of issues for which both were responsible, the memorandum also made a clear statement on exchange rates being one of the issues of "primary responsibility" of the Fund.[178] The memorandum further observed that on such issues the Bank and its missions should "not engage in a critical review of

[174] Ibid.
[175] K.S. Sundara Rajan to Bernard Bell, "Discussions between Shri Asoka Mehta and Mr. George D. Woods – April 21 to May 6, 1966," May 9, 1966, India General Consortium Meetings, WBGA, folder 1844620.
[176] Ibid., point 14 page 2.
[177] A.F. Kirk to Files, "India – Informal Meeting on External Debt, June 7, 1966," India General Consortium Meetings, WBGA, folder 1844620, 2.
[178] "Memorandum on Fund-Bank Collaboration," January 19, 1966, Attachment C to the following document, Ernest Stern to Regional Vice Presidents, "Structural Adjustment Lending – Collaboration with the IMF," June 9, 1980, WB D&R, page 10.

those matters with member countries unless it is done with the prior consent of the Fund."[179] It is very likely that the Bell mission's very open endorsement and emphasis on devaluation had led the Fund to formally claim its turf back from the World Bank and to set-up a more formal agreement on the 'collaboration' between the two organizations.

The decision of the Indian government to devalue the rupee by 36.5 per cent and a decision to provide extensive import licenses for 59 core industries was announced by Sachin Chaudhuri, the new Minister of Finance on June 6 of 1966.[180] While the IMF had handled the details of the negotiations about the level of devaluation,[181] it was clear that devaluation had also been a part of the reform deal with the World Bank and the consortium.[182] This was clearly expressed by Bank President George Woods in his response to a critical article that claimed that devaluation had not been necessary in order to receive continued consortium financial support: "This statement is incorrect. I can tell you of my own knowledge that the World Bank share in the $900 million non-project aid figure would not have been the same if the program for decontrol and relaxation had not been adopted."[183]

The Aftermath of Reform

Most observers have analyzed the devaluation of the Indian rupee largely as a failure on economic as well as on political terms.[184] The political opposition and critique of devaluation was severe and came from different ideological spectrums in India as well as from within the governing Congress Party itself.[185] The Indian Congress party while still maintaining a majority of votes lost much ground in the elections in February of 1967.[186] From an economic point of view devaluation had also been conducted at a particularly bad moment. Shortly after the announcement of devaluation it became clear that the year 1966 would witness a second consecutive year of drought which negatively affected exports and increased the need for food imports at import prices that had been

[179] Ibid., 11.
[180] See Frankel, *India's Political Economy*, 298.
[181] Engerman, *The Price of Aid*, 260.
[182] A.F. Kirk to Files, "India – Informal Meeting on External Debt, June 7, 1966," India General Consortium Meetings, WBGA, folder 1844620.
[183] George Woods to C.C. Desai, July 27, 1966, COF, RPGW, WBGA, folder 1769736.
[184] See for example Denoon, *Devaluation under Pressure*, 48-51; Michael Brecher, "India's Devaluation of 1966: Linkage Politics and Crisis Decision-Making," *British Journal of International Studies* 3:1 (1977): 1-25, here 22-25.
[185] Frankel, *India's Political Economy*, 298-300, 392; Engerman, *The Price of Aid*, 263, 306-308.
[186] Frankel, *India's Political Economy*, 307-308.

raised across the board with devaluation. Instead of increased spending and investment levels that the Bank expected from economic liberalization, the drought had an adverse impact on several economic elements:

> Agricultural exports would not be up to predicted levels; disposable income would remain low, failing to trigger the increase in spending and production that the liberalization was designed for; speculation on food would drive up prices and thus aggravate the price increases resulting from the devaluation; and Mrs Gandhi's domestic political fortunes would remain strongly influenced by the flow of PL480 food.[187]

Adding to these difficulties with devaluation and with the larger program of (import) liberalization that was in theory attached to it was the fact that the Aid India Consortium was not living up to its side of the bargain.[188] In fact, it was clear that George Woods and the World Bank had largely gambled on obtaining increased consortium support with devaluation. Support was, however, not coming forth to the degree they had envisioned. In an informal meeting with consortium members one day after devaluation Bell noted on behalf of the World Bank that the policy reforms of devaluation and decontrol had been taken by the Indian government because it expected the consortium to commit $900 million in non-project aid, compared to $400 million in the previous years.[189] The German and Japanese delegates of the consortium were particularly hesitant in committing to such a steep increase of non-project aid commitments and were worried about the risks involved in devaluation if this aid level was not coming forth.[190] Bell acknowledged that devaluation had indeed been a risky and dangerous step and that the $900 million figure was a minimum level to achieve.[191] The World Bank in close collaboration with the United States had gambled that the support of the rest of the consortium would be coming forth but it was not. In 1967, a disillusioned George Woods was not trying to strike a deal anymore and only had hope to offer for the Indian Minister of Finance:

> I remember talking to you about the disenchantment of the Consortium members with the situation in the subcontinent, but I must say it is more deep-seated than I had realized. Of course continuing progress on the program of decontrol combined with the buoyancy a good monsoon will bring, could improve the present feeling before the end of the year. I

[187] Denoon, *Devaluation under Pressure*, 49.
[188] Engerman, *The Price of Aid*, 262-267;
[189] A.F. Kirk to Files, "India – Informal Meeting on External Debt, June 7, 1966," India General Consortium Meetings, WBGA, folder 1844620, 2.
[190] Ibid., 3-4.
[191] Ibid., 4.

> certainly hope this will be the case.[192] All in all, the World Bank did not live up to the challenge of organizing continued high levels of financial support from the consortium members over the years of the Fourth Five Year Plan.[193]

While the logic behind the bargain was that devaluation and liberalization could only be successful if increased aid flows helped with keeping investment levels high and with making up for the increased import prices, consortium members were now discussing Indian economic performance and not the steps taken that required support.[194]

The World Bank itself only committed a meager loan of $25 million in 1967 and no new loan for India in all of 1968. The Bank was struggling with the replenishment of IDA funds. Approval of this replenishment was delayed because the U.S. Congress took a long time to vote on it. According to the official Bank historians both George Woods and then also Robert McNamara, however, felt that it was a moral obligation of the Bank to keep lending to India because of the deal the consortium had made with it.[195] Lending indeed picked up quickly again in 1969 with $248 million rising to $699 million in 1974.[196] Over much of the 1970s, under the leadership of Robert McNamara the World Bank in fact made up for falling bilateral aid levels of the United States and other Western donors and took an independent stance from Washington in its high lending to India.[197] While the U.S. Executive Director in the Bank voted no on all loans to India between 1974 and 1977 all of these loans passed the Bank's Board.[198] By that time, Bank support for India was not tied to a program of economic liberalization anymore. Indira Gandhi's turn away from liberalization and towards the left was met by a much more flexible World Bank of the 1970s with regards to questions of state ownership and certain macroeconomic policies.

It is also important to point out that increased levels of program aid in support of devaluation and liberalization measures were not the only aspect the World Bank struggled to live up to in the aftermath of reform. In fact, the Bank had also little to offer in support of the other elements of the reform package. Population control projects were not yet deemed worthy of World Bank financial support. The first attempts at Bank project design in this field only came with McNamara's forceful

---

[192] George Woods to Morarji Desai, July 28, 1967, COF, RPGW, WBGA, folder 1769740.
[193] See the table in Engerman, *The Price of Aid*, 265.
[194] See ibid., 265.
[195] Mason and Asher, *The World Bank after Bretton Woods*, 286.
[196] The lending amounts have been calculated from the data provided at the World Bank's website for Projects and Operations, https://projects.worldbank.org/
[197] See also Kirk, *India and the World Bank*, 15-22.
[198] Sharma, *McNamara's Other War*, 108.

endorsement of population control as the primary problem of development in the early years of his presidency, to which we will turn to in the next chapter.

Besides all the emphasis that the Bank had given to the "priority of agriculture" in its negotiations with the Indian government, it was also difficult for the Bank to provide finances in support of it. The Bank was outspoken about the fact that no new irrigation schemes should be started until the old schemes had been fully implemented. The Bank's Executive Directors, however, did not accept to finance the import of fertilizers because fertilizers counted as recurrent costs and not as one-time capital investments.[199] The Bank included the Indian fertilizer and pesticide industry in its import program loan from 1966 for the first time as an industry that could receive a share of the foreign exchange of that credit. But it was only one manufacturing sector among several other ones that were not linked to agriculture.[200]

The Bank's actual lending to agriculture in India thus took the form of program lending for maintenance imports to the Indian fertilizer industry. From a focus on financing agricultural infrastructure like irrigation the Bank had moved in its analysis to seeing agriculture in its close link to industries in India. This direct focus on the link between agriculture and industry that came with an agricultural intensification strategy that focused on the use of chemical fertilizers on the one hand weakened over the 1970s with McNamara's new focus on rural development. On the other hand, it was only under McNamara when the Bank abandoned its ideological stance on not financing state-owned industries that Bank financing of fertilizer plants really gained in traction.[201] Over the course of the 1970s, all of the loans made by IBRD and IDA directly to the fertilizer industry in India were either to public sector companies or, in one case, to a factory owned by a farmer cooperative.[202]

There was another long-lasting influence of the Indian episode of policy pressure by the World Bank. The Bank's involvement in India during the middle of the 1960s was the clearest precursor

---

[199] Andre de Lattre to George Woods, (without title) Report on discussions with the Government of India, August 6, 1965, Bernard R. Bell files, WBGA, folder 1850786, 11.
[200] See table 5 in IBRD/IDA, Asia Department, "Appraisal of a Third Industrial Imports Project. India," August 10, 1966, WB D&R, 20.
[201] On this change in the position on state-owned industries during the presidency of McNamara see Kapur et al., *The World Bank. Vol.I*, 481-482.
[202] World Bank, "Report and Recommendation of the President of the International Development Association to the Executive Directors on a Proposed Credit to India for the Hazira Fertilizer Project," March 11, 1981, WB D&R, pages 13-15. IFC still lent money to private industries and provided finances for three privately owned fertilizer companies in India during the 1970s, see ibid.

for the structural adjustment lending of the 1980s and it was to shape the discussion about program lending more generally in the Bank's Board of Executive Directors for several years to come. Over the 1960s only India and Pakistan received program loans from the World Bank but several other borrowing countries also tried to gain access to this privileged type of loan, notwithstanding the conditions the Bank had attached to its lending in India.

In the Board discussion in 1968, one of the African Executive Directors most forthrightly observed for example that one could make the critique that program lending for the Bank "was a discriminatory formula which the Bank had applied in Europe and Asia, timidly considered for Latin America, and obstinately refused to apply in Africa."[203] In a similar vein one of the Latin American Executive Directors observed that "special circumstances" that were necessary for program lending at the moment were interpreted in the Bank as "special countries."[204]

The Board discussions about program lending in 1968 also revealed that the Bank's richer member states held different views about the future role of program lending and of policy conditions that could be attached to these. Different assessments of the Indian episode were clearly an important part in shaping these different views at the end of the 1960s. The Executive Directors from the United States, the United Kingdom, and Canada all expressed the opinion that program loans and the influence they gave the Bank to intervene in important policy measures could be helpful in specific exceptional circumstances.[205]

Other Executive Directors from the Bank's richer countries, however, argued against using Bank program loans to pursue policy reforms in countries. The Dutch Executive Director emphasized the World Bank's role as an "investment banker" that should advise borrowers on the selection of the right projects but should abstain from economic issues the IMF was responsible for such as the devaluation of currencies and the liberalization of imports.[206] Similarly the West German Executive Director pointed out that it was difficult to enforce policy conditions through program loans because that would require the Bank to "exert a continuous influence on policy, thus becoming a kind of super minister of economy" which he found undesirable.[207] Frustrations and different

[203] See the statement of Mohamed Nassim Kochman, the Executive Director representing seventeen different mostly Central and Western African states, in World Bank, "Memorandum of Discussion on Program Lending at Meeting of the Executive Directors," December 3, 1968, PA AA, B 58, Bd. 538, 2.
[204] Statement of Luis Machado, representing the Central American countries, Venezuela, and Peru, ibid., 12.
[205] Ibid., 9, 12, 14.
[206] Ibid., 8.
[207] Ibid., 4.

opinions about the policy negotiations in India during the middle of the 1960s were clearly involved in these statements. At least for the case of the West German Executive Director it was clear from the position the country had taken in the Consortium meetings prior to the reforms that they were not opposed to the reforms themselves. What was at stake here was the effectiveness of the Bank as an organization for organizing and buying policy change particularly vis-á-vis the IMF. Similar debates and opinions would dominate the discussions about program lending until the end of the 1970s, when they transformed into the design of structural adjustment lending under the influence of the economic crisis at the end of the 1970s. This will be taken up again in the last chapter.

Conclusion

The chapter analyzed the deep involvement of the World Bank in the negotiations about the wide-ranging package of economic policy reforms with the government of India, in the middle of the 1960s. This package involved a policy for population control, a focus on making investments into agriculture in order to increase agricultural production and macroeconomic policy reforms such as devaluation and economic liberalization. Taken all together they constituted a fundamental challenge to the established development model in India that had followed a strategy of ISI for a long time. The aim of the chapter was to illustrate that these wide-ranging economic policy reforms did not only affect India which has been well documented and researched but that the Bank's involvement in these negotiations also had an impact on the World Bank as an organization.

It was in India that the World Bank took on new responsibilities in aid coordination as the chair of the Aid India Consortium which increased its own leverage and power as an organization. Nowhere has the World Bank employed this leverage as a mobilizer of resources more clearly over the course of the 1960s than in India. The World Bank was not acting as a cautious special investment bank for infrastructure development anymore. It bartered with program loans in exchange for wide-ranging policy reforms and took over the role of the IMF in demanding a devaluation of the Indian rupee. The Bank was exposed to and involved in policy issues such as population control that had not been a classic field of World Bank engagement.

Finally, it was the involvement in India alongside the United States that brought home to the World Bank an understanding of 'agrarian reform' that focused on agriculture as a sector of the economy, on making investments into agriculture, and of achieving agricultural growth through the technology package of the so-called Green Revolution. But in the middle of the 1960s in India, the World Bank was mostly addressing these issues on a level of policy dialogue and with a focus on a sectoral level. A fundamental change of Bank practices and of the embrace of new lending fields only came under the presidency of Robert McNamara in the World Bank, to which we will now turn to.

Chapter 4

The World Bank's Way towards Rural Development

Robert S. McNamara arrived as the new president of the World Bank in April of 1968 directly from his post as Secretary of Defense of the United States. Serving as Secretary of Defense for about seven years under the presidencies of John F. Kennedy and Lyndon B. Johnson, McNamara had been one of the primary people responsible for the brutal escalation of the Vietnam War over the 1960s. The nomination of McNamara for World Bank presidency was a convenient way for Johnson to ease him out of the Pentagon, after McNamara had become skeptic about the military strategy employed in Vietnam.[1] The new position provided McNamara with both an excuse and an incentive to remain silent about his doubts regarding the War in Vietnam, as the Articles of Agreement of the World Bank prevented its staff from commenting on the 'political affairs' of member countries.[2]

McNamara brought his faith in modern management techniques and his obsession with numbers and quantification to the World Bank. These were things that he had already upheld at previous stages of his professional life at the Ford Motor Company and the U.S. Ministry of Defense.[3] He also brought with him an understanding of development as a wide ranging and large scale process of modernization that was widely spread and shared in the Kennedy and Johnson administrations.[4] McNamara oversaw the time period from 1968 to 1981 that fundamentally changed the World Bank as an organization. Most analysts agree that it was during his presidency that the World Bank became the kind of influential and powerful development finance organization as we know it

[1] Sharma, *McNamara's Other War*, 23-25; David Ekbladh, *The Great American Mission. Modernization and Construction of an American World Order* (Princeton: Princeton University Press, 2010), 252.
[2] See also Sharma, *McNamara's Other War*, 25.
[3] For an account of McNamara's time at Ford Motor Company and for his reorganization of budgeting procedures at the Ministry of Defense see for example Sharma, *McNamara's Other War*, 17-22; Deborah Shapley, *Promise and Power. The Life and Times of Robert McNamara* (Boston, Toronto, London: Little, Brown and Company, 1993), chapter 4 and 6. For the classic account of McNamara's budgeting and programming reforms at the Ministry of Defense see Lawrence Kaplan, Ronald Landa, and Edward Drea, *The McNamara Ascendancy 1961-1965* (Washington D.C.: Office of the Secretary of Defense, 2006), chapter 4.
[4] On Modernization theory and its' close connection to Cold War American policy making see Gilman, *Mandarins of the Future*; Michael Latham, "Modernization," in Theodore M. Porter and Dorothy Ross, eds., *The Modern Social Sciences* (Cambridge: Cambridge University Press, 2003), 721–734. For the connection between modernization thinking and the War in Vietnam see especially Ekbladh, *The Great American Mission*, chapter 6; Michael Latham, *Modernization as Ideology. American Social Science and 'Nation Building' in the Kennedy Era* (Chapel Hill, London: The University of North Carolina Press, 2000), chapter 5.

today.[5] This work is not a history that focuses on the influence of McNamara as a person. Instead, the argument here emphasizes the importance of political and economic factors as well as broader debates about development allowing for and shaping the Bank's transformation. Nevertheless, it has to be recognized that McNamara as a person was crucial in steering the transformation of the Bank, for actually taking the opportunity of a rapid expansion of lending, and in directing the Bank towards new lending fields.

There are two fundamental aspects to the transformation of the World Bank into a powerful development finance organization over the course of the 1970s. On the one hand, the World Bank rapidly expanded and multiplied its entire lending and borrowing volume and with that its staff. On the other hand, the Bank also substantially widened the range of its lending activities and the policy fields it was engaged in. The World Bank helped to institutionalize (at least rhetorically) a concern for poverty, both within its own organization and in the broader development discourse that would never fully disappear again.[6] Connected to this new agenda was a legitimacy to intervene in new borrowing country policies that had previously been understood as domestic measures, in the name of poverty alleviation.[7] At the core of the experiments with lending for poverty lay the Bank's new focus on rural development that was officially announced in McNamara's Nairobi address in 1973.[8]

After a short summary of the rapid expansion of the World Bank under McNamara this chapter will focus on an analysis of the World Bank's way towards the adoption of rural development. Rural development was the Bank's main answer for overcoming a broader crisis with development models and with modernization that was discussed and felt by different actors since the end of the 1960s. By analyzing the Bank's discussions leading up to the new focus on rural development, the extent to which the new strategy was part of a reformulation and renewal of a conservative

---

[5] See for example Sharma, *McNamara's Other War*, 5; Kapur et al., *The World Bank. Vol. I*, 215; Michael Goldman, *Imperial Nature. The World Bank and Struggles for Social Justice in the Age of Globalization* (New Haven, London: Yale University Press, 2005), 60-78; Katherine Marshall, *The World Bank. From Reconstruction to Development to Equity* (London and New York: Routledge, 2008), 39.

[6] See Martha Finnemore, "Redefining Development at the World Bank," in Frederick Cooper and Randall Packard, eds., *International Development and the Social Sciences. Essays on the History and Politics of Knowledge* (Berkeley, Los Angeles, London: University of California Press, 1997), 203-227.

[7] For a similar point see also Sharma, *McNamara's Other War*, 71; Robert E. Wood, *From Marshall Plan to Debt Crisis. Foreign Aid and Development Choices in the World Economy* (Berkeley, Los Angeles, London: University of California Press), 223.

[8] Robert McNamara, "To the Board of Governors, Nairobi, Kenya, September 24, 1973," in ibid., *The McNamara Years*, 233-261.

development idea becomes clear. This reformulated vision of development explicitly argued for keeping people on the land and countervailing rapid urbanization processes. It argued against a focus on creating 'modern' sectors in the economy and against long-held beliefs and hopes in technology transfers and industrialization in developing countries. The new vision also let go of the optimistic hopes of U.S. American policy makers from the early 1960s to 'close the gap' and to catapult countries into 'self-sustaining levels of economic growth'.[9] With all of this and through shifting the focus away from inequalities *between* countries to poverty *within* countries, rural development at the World Bank was also opposed to much of the political and economic agenda of the countries of the South over the 1970s, as expressed for example in the call for a New International Economic Order in 1974 and the ensuing North- South debates and conflicts.[10]

Becoming a Big Financial Player

In the first years at the Bank, Robert McNamara was mainly concerned with increasing the power and influence of the World Bank through a rapid expansion of the institution and its lending volume. He also introduced modern management techniques in the World Bank that increased his own power over the institution and strengthened a quantitative focus and country orientation of the Bank's operations.[11]

From the beginning of his presidency until the very end, McNamara had no doubts about the need to channel growing amounts to the Bank's borrowing countries and that increased levels of financing would be necessary for development. Right at the beginning, McNamara asked the Bank's senior management to prepare the upcoming five-year lending program for the time period

[9] Such hopes were apparent for example in Kennedy's announcement and formulation of the Alliance for Progress program for Latin America, see Jeffrey F. Taffet, *Foreign Aid as Foreign Policy. The Alliance for Progress in Latin America* (New York, London: Routledge, 2007), 10-13. The idea of helping developing countries with investments to reach a so called "take-off" that would lead to self-sustaining levels of growth was most clearly put forward in Walt Rostow's version of modernization theory, see Walt Rostow, *Stages of Economic Growth: A Non-Communist Manifesto* (New York: Cambridge University Press, 1960). On the influence of Rostow on Kennedy see for example Mark H. Haefele, "Walt Rostow's Stages of Economic Growth: Ideas and Action," in David Engerman et al., eds., *Staging Growth. Modernization, Development, and the Global Cold War* (Amherst and Boston: University of Massachusetts Press, 2003), 81-103.

[10] This point will be taken up again at the end of this chapter. For a first overview on the struggle for a New International Economic Order in the 1970s see for example the contributions in the special issue of *Humanity*, 6:1 (2015) and Prashad, *The Poorer Nations*, 15-34.

[11] Patrick Sharma provides an excellent account of these aspects of the transformation of the World Bank under McNamara upon which large parts of this section are based, see Sharma, *McNamara's Other War*, chapter 2.

from 1969 to 1973 under the assumption that there was no shortage of funds in the Bank.[12] In his first annual meeting address in 1968 he announced that he intended to double the amount of Bank lending until 1973 compared to the previous five years.[13] McNamara actually achieved that goal.[14] By the end of his presidency, World Bank lending had multiplied. IBRD lending commitments increased up to $8.8 billion in 1981 from $847 million in 1968.[15] IDA also increased its lending commitments during the same time from $107 million to $3.5 billion.[16]

While it is clear that McNamara worked vigorously from the start towards increasing the Bank's relevance and influence through an expanded lending volume, his success in doing so was ultimately predicated on broader trends and shifts in the foreign aid and financial system of the 1970s.[17] For a bigger lending volume, the World Bank also needed to be able to borrow increasing amounts of money on financial markets through bond sales, financing IBRD's lending program. For the expansion of lending on IDA terms the World Bank was bound to the willingness of its richer member states to increase their government contributions to multilateral channels such as IDA.

At the end of the 1960s, many countries of the Organization for Economic Co-operation and Development (OECD) were critically discussing the level of their bilateral aid programs and there was a crisis of confidence in development aid.[18] The World Bank tried to countervail this tendency toward reduced foreign assistance levels and successfully presented itself as an alternative channel for aid. Richard Nixon announced that he wanted to channel growing amounts of American foreign

---

[12] PC, "Draft – Review of 5-Year Country Programs," June 1, 1968, page 1, RPRM, WBGA, folder 1770814; see also Burke Knapp "Transcript of Interview with John Lewis, Richard Webb, and Devesh Kapur, between October 22, 1990 and October 10, 1995," WBGA OH, 83.
[13] Robert McNamara, "To the Board of Governors, Washington D.C., September 30, 1968," in ibid., *The McNamara Years*, 6.
[14] See World Bank, "Annual Report," 1973, 3.
[15] Even if we account for the high inflation rates over the 1970s this expansion was very rapid. World Bank, "Annual Report," 1981, WB D&R, 121; World Bank, "Annual Report," 1968, WB D&R, 9.
[16] Ibid. The increase of IDA lending between these two years is a little bit exaggerated by the fact that 1968 has been an exceptionally low year of IDA commitments. The average of IDA commitments in the previous 5 years before was around $300 million. Nevertheless, the overall trend of a rapid expansion is obvious.
[17] While the World Bank's expansion is crucial, especially for the Bank as an organization, Robert E. Wood's work helps to put the expansion of the Bank over the 1970s into a larger perspective. He points out that growth rates in the share of multilateral aid were actually biggest over the 1960s because so many regional development banks and IDA were founded during that decade. The most important phenomenon of finances for the richer developing countries in the 1970s was the "recycling" of OPEC funds by commercial banks which by far surpassed the World Bank's resources, Wood, *From Marshall Plan to Debt Crisis*, 72-85.
[18] Sharma, *McNamara's Other War*, 29.

assistance through multilateral institutions in an address to Congress in 1970.[19] While the actual U.S. contributions for multilateral development banks did not grow significantly in real terms over the 1970s, their percentage share rose with budget cuts to the general U.S. bilateral aid program.[20] The 1970s also showed that the foreign aid system had become more international, with multiple European countries and Japan maintaining their own foreign assistance programs. A lot of countries had already set up their own foreign assistance agencies during the 1960s. U.S. pressure to take part in some kind of "burden sharing" had contributed to this but the different countries also had their own diplomatic and national reasons for providing development assistance.[21]

Several states of the Organization of the Petroleum Exporting Countries (OPEC), especially the ones from the Middle East, joined them after the oil price increases in 1974 and 1979.[22] The IDA replenishments over the 1970s mirrored this trend with a declining percentage share of the U.S. in total contributions to IDA from about 40 percent at the end of the 1960s to around 30 percent at the end of the 1970s.[23]

With regards to IBRD, the World Bank managed to make use of the globalization of financial markets during the 1970s.[24] The Bank adapted to pressure on the U.S. balance of payment through diversifying its borrowing structure. It persuaded Germany and Japan to use Bank bonds as one outlet for their surpluses. The Bank increased its borrowing in Germany and placed a bond issue for the first time in Japan in 1970.[25] After the first 'oil price shock' the Bank also managed to borrow increased amounts from OPEC states accounting for 80 per cent of all borrowing in the one and a half years after the price increase and for about one third between 1974 and 1976.[26] The

[19] Richard Nixon, "Special Message to Congress Proposing Reform of the Foreign Assistance Program, September 15, 1970," https://www.presidency.ucsb.edu/documents/special-message-the-congress-proposing-reform-the-foreign-assistance-program-0 (last accessed April 11, 2019).
[20] Gwin, "U.S. Relations with the World Bank," 213-15. This growing percentage of the multilateral banks in the U.S. foreign aid budget contributed to a critical and heightened attention of the U.S. Congress for the work of the World Bank and the other multilateral development banks over the 1970s, see Babb, *Behind the Development Banks*, chapter 2.
[21] For an overview of foreign aid programs by different countries see Lancaster, *Foreign Aid.*
[22] Wood, *From Marshall Plan to Debt Crisis*, 76-78.
[23] See Table 17-1 in Kapur et al., *The World Bank. Vol. I*, 1137.
[24] The Bank still needed the permission of governments though to access the respective financial markets and several financial markets were withdrawn from World Bank access at certain moments. The United States, Germany and Japan for example refused Bank bond issues in the aftermath of the first oil price shock in 1974, see Kapur et al., *The World Bank. Vol. I*, 969-972. On the globalization of financial markets over the 1970s and the role of states in this process in general see Helleiner, *States and the Reemergence of Global Finance*.
[25] Sharma, *McNamara's Other War*, 33-35; Kapur et al., *The World Bank. Vol. I*, 962-967.
[26] Kapur et al., *The World Bank. Vol. I*, 973. All in all, however, the World Bank was clearly not a favorite institution for OPEC countries to channel their surpluses. Contributions to the World Bank between 1974 and 1981 only

World Bank's dependence on borrowing in the U.S. financial markets clearly declined over the 1970s. While in 1968 41 per cent of all outstanding debt of the World Bank was to the United States, in 1981 it was only 17 per cent, with Germany, Japan, and Switzerland making up for most of the reduced U.S. percentage share.[27]

Along with the higher lending volume came a rapid increase in staff. Professional staff more than doubled within the first five years of McNamara's presidency from 767 in 1968 to 1.784 in 1973.[28] A lot of the new staff had a background in economics. McNamara thus contributed to the trend already started under George Woods to shift away from the dominance of engineers in the Bank towards a focus on economics.[29] There was also a rapid expansion of research and generally of issuing reports in the World Bank. During the 1960s, the annual average number of reports produced by the Bank was 204, by the 1970s this had climbed up to 715.[30]

McNamara also introduced several new management, accounting, and reporting procedures in the World Bank, which accompanied the rapid expansion. These reforms were reflective of both the strong quantitative focus on management that was characteristic of McNamara and of his broader understanding of development as modernization that went beyond the focus on single projects that was still dominant in the Bank.

As in previous stages of his professional life, McNamara was displeased to find that there were not enough statistical information, project accounting and planning procedures established in the World Bank. He asked his staff to compile data charts on the Bank's activities and past lending that would make the organization legible for him.[31] McNamara introduced a programming and planning perspective to the Bank internally and to its relationships with borrowing countries.[32]

accounted for 1.4% of OPEC surpluses. A lot of the surpluses were invested in commercial banks in the United States and Western Europe. Most of the assistance OPEC countries gave to oil importing developing countries was channeled through bilateral aid programs or through newly founded multilateral institutions like the International Fund for Agricultural Development, see ibid., 973-974.

[27] See Table 15-2 in ibid, 961.

[28] World Bank, "Annual Report," 1973, WB D&R, 3.

[29] Sharma, *McNamara's Other War*, 42.

[30] Kapur et al., *The World Bank. Vol. I*, 1182.

[31] Sharma, *McNamara's Other War*, 43-44.

[32] Ibid., 44-45.

Internally, he created a Programming and Budgeting Department that would allocate all of the resources within the Bank and that would directly report to him.[33]

Most importantly, McNamara also introduced a planning perspective into the Bank's lending activities and shifted the focus of the Bank's operation department from single projects to the development of entire countries as the basic unit of analysis. The request to prepare a five-year lending program for the entire Bank diverted from the way in which the Bank had previously been conducting its operations. It introduced quantitative future planning in the Bank's operations instead of a qualitative approach that evaluated each incoming loan request. Instead of waiting for loan applications by borrowing countries, the Bank's staff would become much more involved in proposing projects and lending programs for countries in order to meet the programmed lending targets.[34]

Bank staff had also helped with project design and had prepared economic reports before of course. For certain countries, such as India, the Bank also gave rough estimates and promises in the consortium about how much money it planned to commit in the next years. But a five-year program with actual lending targets and estimates for all regions and countries was an entirely new approach to the Bank's operations that ingrained a quantitative logic into the way the Bank worked. It was this quantitative planning that made the expansionary drive of the World Bank possible. This new planning system, and the rapid expansion of the Bank, met with considerable resistance by staff during its introduction and throughout large parts of the 1970s.[35] The planning procedures and the new reports that came with them further increased the workload of staff. Some officials also observed that this new approach would reduce the policy leverage of the Bank because with lending targets set in place it was harder to withhold loans as a means of exercising pressure.[36]

Several new initiatives fortified the country programming focus of the Bank's operations. Starting in 1969, the Bank prepared confidential Country Policy Papers that were both used as a basis for setting lending targets for countries as well as for advising countries on economic policies.[37] The Bank also set up several new resident missions in different borrowing countries that helped with

[33] Ibid., 44. Sharma points to the similarity of this type of reform with McNamara's restructuring of the programming and budgeting procedures in the Pentagon that had reduced the power of the generals.
[34] Ibid., 44-45.
[35] Ibid., 45. For the discussions about staff morale problems at the end of the 1970s see ibid., 140-143 and the discussion in the next chapter.
[36] Sharma, *McNamara's Other War*, 45.
[37] Ibid., 46

maintaining a constant policy dialogue with borrowing countries. By 1970 there were resident missions in Indonesia, India, Kenya, Ethiopia, Afghanistan, Ivory Coast, Nigeria, and Pakistan.[38] Some of these focused on single countries, others were regional resident missions. The internal reorganization of the World Bank in 1972 further strengthened the country programming approach. The reorganization abolished the division of area and project staff in two distinct departments. Most of the project staff were redistributed to the new regional departments that were led by managers with a regional, rather than a project specific, focus.[39]

The rapid expansion of the Bank's lending and borrowing activities, as well as the change in budgeting and planning procedures in the Bank, can in part be analyzed through McNamara's quantitative management style and obsession with numbers. We will see in the next chapter that this quantitative way of thinking had consequences not only for the management structure of the Bank but also affected the World Bank's rural development projects. But at the same time, the new country programming approach was not only an expression of a quantitative focus but also of a managerial understanding of development that saw "entire countries as susceptible to rational planning and control."[40] It was rooted in a broad and ambitious understanding of development, with which McNamara arrived at the World Bank that included a concern for poverty and notably differed from the investment banker approach that had been dominant before him.

McNamara's Poverty Focus in Perspective

Both Eugene Black and George Woods had directly come from the New York financial community and from Wall Street to the World Bank.[41] As we have seen in previous chapters, they ran the World Bank more or less as a special investment bank for development. The Bank focused on making loans for profitable investment projects, mainly in the realm of infrastructure, and leaving most other activities to the private sector. The increase of agricultural lending to a share of 13 per cent between 1960 and 1968 constituted an opening for some new projects but it hardly was a

[38] Ibid., 48. Wood also observed that this expansion of World Bank regional and resident missions happened at the same time when USAID scaled back their field missions, Wood, *From Marshall Plan to Debt Crisis*, 77-78.
[39] Sharma, *McNamara's Other War*, 51-52.
[40] Ibid., 27.
[41] Eugene Black worked as vice president of Chase National Bank since 1933 until he became the U.S. Executive Director at the World Bank in 1947 and its president in 1949. George Woods worked for the investment banking firm First Boston Corporation before becoming the World Bank's president in 1963.

fundamental break with established Bank practices.[42] The shared assumption was that the benefits of investments would somehow 'trickle down' to the poorer segments of society as well. As mentioned before, this focus was to a large degree in line with dominant thinking in development economics throughout large parts of the 1950s up until the middle of the 1960s.[43] But it was also in line with a conservative understanding of a limited role of the state and of government that was widely shared in the New York financial community and by the Bank's top personnel.

McNamara arrived at the World Bank with a quite different background and with an understanding of development that was rooted in U.S. foreign and military politics and modernization theory of the 1960s.[44] Development was not mainly a limited and profitable investment project but was tightly linked to the Cold War logic and security concerns. McNamara came from U.S. government administrations that were at the highest point since the New Deal of a liberal belief in the power of government, social engineering, and of policy interventions. Poverty – especially as a security concern, first abroad and then also at home – had been an important issue in some of Kennedy's and Johnson's major government initiatives, such as Kennedy's launch of the 'Alliance for Progress' and Johnson's domestic 'War on Poverty'.[45]

Even before coming to the World Bank, McNamara had expressed that, for him, development and security concerns were intimately linked. Through the established belief that poverty contributed to revolts and instability, living standards were also part of the security – development nexus. In a speech given during his tenure as Secretary of Defense in Montreal in 1966, McNamara observed that security cannot be understood only through military power. Security required a certain degree of order and stability and for that internal development was necessary "because human nature cannot be frustrated indefinitely. It reacts because it must."[46] He pointed out that "development means economic, social, and political progress. It means a reasonable standard of living."[47] As

[42] The calculation includes five loans for agricultural colonial development to Britain amounting to $27.9 million. The calculation is based on the data of the World Bank's website for Projects and Operations http://projects.worldbank.org/ (last accessed September 16, 2019).
[43] Arndt, *Economic Development*, 51-60.
[44] For a better understanding of that type of development and modernization thinking see the already cited classic works by Gilman, *Mandarins of the Future;* Latham, *Modernization as Ideology,* and Ekbladh, *The Great American Mission*.
[45] On some of the links and continuities between international development programs under Kennedy and Johnson's 'War on Poverty' see Sheyda Jahanbani, "One Global War on Poverty: The Johnson Administration Fights Poverty at Home and Abroad, 1964-1968," in Francis J. Gavin and Mark Atwood Lawrence, eds., *Beyond the Cold War. Lyndon Johnson and the New Global Challenges of the 1960s* (New York: Oxford University Press, 2014), 97-117.
[46] Robert McNamara, *The Essence of Security. Reflections in Office* (New York City: Harper and Row, 1968), 149.
[47] Ibid., 150.

president of the World Bank, McNamara continued to warn about the security problems that were connected to poverty: "When the highly privileged are few and the desperately poor are many-and when the gap between them is worsening rather than improving-it is only a question of time before a decisive choice must be made between the political costs of reform and the political risks of rebellion."[48]

At the Bank, McNamara also initially still alluded to his vision of development as a broad process of modernization in his annual meeting address of 1969. He argued that the quantitative expansion of lending was not enough and that the Bank also had to change in a qualitative way. He criticized that an approach that simply focused on "a project here, and a project there" and their short-term profitability – something that can be described as the old Bank approach – was simply not enough.[49] Instead, the Bank needed a comprehensive plan and a better understanding of the "internal dynamics of development" because his wish was not "simply to modernize separate sectors. It is rather to deal with them in such a manner that the entire society can make the transition to modern life."[50]

The official historians of the World Bank correctly observed that McNamara in a way served as a "time capsule" that carried the U.S. Government security-driven aid rationale of the 1950s and 1960s and a concern for poverty connected to that to the World Bank of the 1970s.[51] He did that at a time when, from a different angle, development economists were also questioning the disciplines' almost exclusive focus on growth, a topic to which I will return. But the official historians of the World Bank and others have also misunderstood McNamara's broad understanding of development as a vigorous and personal mission to establish a poverty focus in the World Bank.[52] They have argued that McNamara came to the Bank with a strong focus on poverty and was just looking for adequate operational fields to establish this new focus during the first years of his presidency, until formulating a strategy that focused on small farmers in 1973.[53] This argument is hardly convincing.

[48] Robert McNamara, "To the Board of Governors, Washington D.C., September 25, 1972," in *The McNamara Years*, 223.
[49] Robert McNamara, "To the Board of Governors, Washington D.C., September 29, 1969," in *The McNamara Years*, 72.
[50] Ibid., 73-74.
[51] Kapur et al., *The World Bank. Vol. I*, 220.
[52] Ibid., 219.
[53] Ibid., 215-217, 234-235; Finnemore "Redefining Development," 212.

McNamara was indeed critical of development models that only focused on growth and he was quite open to consider new fields of lending for the World Bank. New lending fields were also necessary for his plan of rapidly expanding the Bank's lending volume. In the second meeting of the President Council he attended, he suggested that lending for education should be increased significantly.[54] Regarding the plans for the first five-year lending program he also asked his staff to at least consider financing of housing, health and urbanization for the Bank's operations.[55] In the first half of 1971 he also saw nutrition as a field in which the Bank might need to lend in the future as it was increasingly discussed at the UN and the Brookings Institution.[56] But McNamara's motivation can be better understood as a search mission for the role of the Bank in financing a wider process of development than as a straight forward mission to establish a poverty focus in the World Bank.

Mahub ul-Haq, a prominent Pakistani critic of growth centered development models who would have a large influence on McNamara and on the Bank's embrace of poverty as an important topic, recalled that McNamara was not yet fully convinced of focusing on poverty issues when ul-Haq came to the World Bank in 1970: "I recall my first encounters with McNamara at that time. They were extremely unhappy ones. He suggested to me that this kind of belligerent questioning of growth, at a time that the World Bank was committed mostly to production projects, was totally uncalled for."[57]

The argument that McNamara arrived with a strong focus on poverty at the World Bank also underestimates how much McNamara was preoccupied specifically with population growth. Population control was not simply one field among many others that the Bank investigated for possible engagement. It was the field McNamara cared most about and addressed as the central challenge especially in the early years of his presidency. Population control also remained an important issue until the end of his presidency although the Bank was experiencing problems in actually designing projects for population control. Projects for population control did not fall into

[54] PC, April 8, 1968, RPRM, WBGA, folder 1770814.
[55] See points 29 and 30 in the List of Tasks, May 25, 1968, Robert McNamara Chronological Files (personal), RPRM, WBGA, folder 1772408; „Check List of Projects to Refer to in Chapter 7" PC, June 1, 1968, RPRM, WBGA, folder 1770814.
[56] PC, April 12 & May 10, 1971, RPRM, WBGA, folder 1770820.
[57] Mahub ul-Haq "Transcript, Oral History Interview with Robert Asher held on December 3, 1982," WBGA OH, 2. Ul-Haq reports that he was ready to leave the Bank but that McNamara asked him to put down in writing all of his arguments of why trickle-down was not working and of why the Bank should focus more directly on poverty. McNamara also asked him to help prepare his annual speeches for 1971 and 1972, ibid., 3.

the comparative advantages of the World Bank as a financial institution. They usually required only small financing amounts and a lot of staff time which made them unattractive for staff. [58] Furthermore, it was clear that the reluctance of borrowing countries to design population control programs was a political issue and not a matter of a lack of access to finances.

McNamara's focus on population growth came as no surprise. It was in line with the concerns of the Johnson administration he had just left.[59] It also matched a broader international discourse and network around population issues that had formed by the end of the 1960s.[60] Like for many of his contemporaries the debate about population control at the end of the 1960s was intersected with debates about economic development and poverty. McNamara emphasized both the difficulty of raising living standards with population growth but also the security problems he saw in a rapid expansion of population.[61] But at the end of the 1960s, it was clear that population growth, not poverty, was his major concern.

Marc Frey observed that when confronted with the option to reduce poverty or the number of poor people, most population experts of the late 1960s opted for the latter.[62] In this regard, McNamara was well in line with the population experts of his time. His concern with population growth led him to be reluctant about financing health care measures, for example, because "health facilities contributed to the decline of the death rate, and thereby to the population explosion."[63]

[58] PC, May 17, 1976, RPRM, WBGA, folder 1770827; see also Sharma, *McNamara's Other War*, 62-63.
[59] Matthew Connelly also points out that Lyndon B. Johnson got convinced of population control measures through cost-benefit and systems analysis, a type of analysis that McNamara had first introduced in his restructuring of the Ministry of Defense, see Matthew Connelly, "LBJ and World Population. Planning the Greater Society One Family at a Time," in Francis J. Gavin and Mark Atwood Lawrence, eds., *Beyond the Cold War. Lyndon Johnson and the New Global Challenges of the 1960s* (New York: Oxford University Press, 2014), 141-164.
[60] See for example Marc Frey, "Neo-Malthusianism and development: shifting interpretations of a contested paradigm," *Journal of Global History* 6:1 (2011): 75-97; Connelly, *Fatal Misconceptions*, chapter 6; On Paul Ehrlich and his controversial bestseller *The Population Bomb*, which was first published in 1968, see Thomas Robertson, *The Malthusian Moment. Global Population Growth and the Birth of American Environmentalism* (New Brunswick: Rutgers University Press. 2012), chapter 6.
[61] See for example Robert McNamara, "To the Board of Governors, Washington D.C., September 30, 1968," in *The McNamara Years*, 13; He also emphasized in alarming tones the urgency of dealing with population growth: "If there is anything certain about the population explosion, it is that if it is not dealt with reasonably, it will in fact explode: explode in suffering, explode in violence, explode in inhumanity," Robert McNamara, "To the University of Notre Dame, Indiana, May 1, 1969," in *The McNamara Years*, 34.
[62] Frey, "Neo-Malthusianism," 77, 91.
[63] PC, March 3, 1969, RPRM, WBGA, folder 1770816. With the exception of the Bank's special cooperation with UNDP, FAO and WHO to fight river blindness in eleven West African states since 1974, health care only emerged as a bigger topic again in 1979 when a new Bank Department for Population, Health, and Nutrition was founded. During the rest of the 1970s health care was only sometimes included as a small component within larger rural development projects, see Jennifer Prah Ruger, "The Changing Role of the World Bank in Global Health," in *American Public Health Organization*, 95(1), 2005, 60–70.

McNamara's strong focus on population growth actually also initially made it difficult for him to consider a lending strategy for rural development that had a focus on poor farmers.

If McNamara and the World Bank would have simply been looking for a good operational program to do something about poverty, it is hardly understandable why they needed five years to come up with a focus on rural development. Agriculture was already an established field in the Bank's lending program and there had already been some small experiments with lending for smallholding farmers in Africa under the presidency of George Woods, as analyzed in the second chapter. From his time as Secretary of Defense McNamara was quite familiar with the existence of rural poverty in Asia, particularly as a strategic security threat.[64] Commenting on the inequalities of economic growth, McNamara also observed in his first annual meeting address that a lot of growth was concentrated in industrial regions "while the peasant remains stuck in his immemorial poverty, living on the bare margin of subsistence."[65] But while he announced a doubling of the World Bank's lending to agriculture, he did not mention any goal of targeting this lending specifically to the peasants at the margin of subsistence. Instead he endorsed the ongoing "agricultural revolution", meaning the 'Green Revolution', as the most significant event since the industrial revolution and was hopeful that it would provide "us a breathing spell in the race between man and his resources."[66] McNamara knew that the ongoing Green Revolution was mainly benefitting the already better off farmers and contributed to social tensions in the countryside but he wanted to "postpone discussions of this controversial matter to a much later date."[67] His focus on population growth and Neo-Malthusian fears of how to feed a growing population made a hope in the rapid expansion of food supplies connected to the Green Revolution initially his priority.

Rural development that attempted to address small farmers directly only emerged slowly as the Bank's solution to a specific analysis of the crisis of development and modernization at the end of the 1960s. In that analysis, discussions about population growth, employment problems, urbanization, and poverty that were not addressed through growth centered development models

[64] For a short description of the strategic role of villages and the challenges of rural poverty in the War in Vietnam see for example Sackley, "The Village as a Cold War Site," 497-501.
[65] Robert McNamara, "To the Board of Governors, Washington D.C., September 30, 1968," in *The McNamara Years*, 4.
[66] Ibid., 12.
[67] PC, March 24, 1969, RPRM, WBGA, folder 1770816.

all came together. Rural development was a conservative reformulation of the development belief and a solution to the crisis with modernization at the World Bank.

The Crisis of Development at the End of the 1960s

Many observers agree that by the end of the 1960s established models of development and modernization were in crisis.[68] Debates about development over the course of the 1970s touched upon many different topics, from critiques of the focus on economic growth, concerns about population growth and the environment, to the role of women in development, human rights issues, and the appropriate use of technology. The depth and analyses of the crisis varied widely; from disillusionment with certain economic models that only focused on growth to critiques of structural dependencies in dependency theory and the call for a NIEO. Furthermore, some of the critiques and challenges to development models were also connected to social movements and a crisis of post-war capitalist societies that came from within Western societies and was thus connected to larger perceptions of crisis during the 1970s.[69]

Some of the most profound aspects of this crisis of confidence in the established models of development and modernization did not seriously affect the World Bank of the 1970s and it paid, at best, lip service to some of these concerns. This was clear, for example, in the Bank's reaction to discussions about the role of women in development during the middle of the 1970s.[70] In 1977 the World Bank appointed an advisor for women in development issues. But it was only one advisor for the entire World Bank who was mostly involved in the appraisal of projects and not in their actual design.[71] In a lot of reports, women were still mostly considered in their reproductive roles and a special remark on women in the fields of health, nutrition and education was usually linked to discussions about birth rates.[72] Bank staff that were interviewed by a researcher thus also

---

[68] See for example Unger, *International Development*, 133-136; Arndt, *Economic Development*, chapter 4 & 5; Ekbladh, *The Great American Mission*, chapter 7; Wood, *From Marshall Plan to Debt Crisis*, chapter 5; Hirshman, "The Rise and Decline of Development Economics"; Cullather, *The Hungry World*, 247-254; Immerwahr, *Thinking Small*, 167-168.
[69] Arndt, *Economic Development*, 108; Unger, *International Development*, 135-136. On the larger perceptions of crisis during the 1970s see for example the contributions in Ferguson et al., eds., *The Shock of the Global*.
[70] For a widely read and classic contribution to this debate see Ester Boserup, *Woman's role in economic development* (London: George Allen & Unwin, 1970).
[71] Nüket Kardam, "The adaptability of international development agencies: the response of the World Bank to women in development," in Kathleen Staudt, ed., *Women, International Development, and Politics: the Bureaucratic Mire* (Philadelphia, Pennsylvania: Temple University Press, 1997), 136-150, here 138, 141-142.
[72] Ibid., 139.

observed that the Bank's management did not see women in development as an important issue and that the advisor for women in development functioned as "window dressing".[73]

The World Bank made a more visible effort to take environmental problems into consideration. In 1970 the World Bank was the first multilateral or bilateral agency to employ an environmental adviser and it played a critical role in the preparation of the UN conference on environment in Stockholm in 1972.[74] McNamara gave a keynote address to the conference in which he argued that the impact of development and growth on the environment had to be respected.[75] The actual consequences within the Bank were, however, limited. The Bank's Office of Environmental Affairs was a specialized office that was not included in the early stages of project appraisal and design. Its task was to control the most obvious environmental damages and externalities of Bank projects that were chosen elsewhere. By 1983, only three specialists were working in the office approving and screening about 250 projects and supervising hundreds of ongoing operations, which did not leave any time for detailed environmental assessments.[76] The World Bank's embracement of a "sustainable development" rhetoric and the rapid expansion of environmental specialists at the Bank only began in the late 1980s.[77] Pressure by Non-Governmental Organizations was crucial for that.[78]

The clearest opposition of the Bank's management to the introduction of new concerns into the World Bank can probably be observed with regards to discussions about human rights. The 1970s were the decade in which the human rights movement experienced a "breakthrough" and human rights violations gained a new prominence in global debates, also in the ones about development.[79] This did not apply to the World Bank, however. The Bank in some cases did not lend money to certain regimes on the grounds of economic judgements that were closely entangled with politics,

[73] Ibid., 142.
[74] Robert Wade, "Greening the Bank: The Struggle over the Environment, 1970-1995," in Devesh Kapur et al., eds., *The World Bank: Its First Half Century. Vol II: Perspectives* (Washington D.C.: Brookings Institution Press, 1997), 611-734, here 618, 622-623.
[75] Robert McNamara, "Speech to the UN Conference on the Human Environment, Stockholm, Sweden, June 8, 1972" in *The McNamara Years of the World Bank,* 196.
[76] Wade, "Greening the Bank," 628-629.
[77] In 1985 only five staff members had been working in the Bank's Environment Department. By 1990 this number had grown to 106 and in 1995 to 162, ibid., 612.
[78] For a more detailed account of this see Stephen Macekura, *Of Limits and Growth. The Rise of Global Sustainable Development in the Twentieth Century* (New York: Cambridge University Press, 2015), 196-218; for a critique of the recent embracement of environmental issues by the World Bank see Michael Goldman, *Imperial Nature*.
[79] For an overview see Jan Eckel and Samuel Moyn (eds.), *The Breakthrough: Human Rights in the 1970s* (Philadelphia: University of Pennsylvania Press, 2013).

such was the case of Chile under the presidency of Salvador Allende.[80] In other cases the Bank stopped its loans because of crucial political interests of the United States which was the case for communist Vietnam at the end of the 1970s.[81] But the Bank never refused lending on the basis of human rights concerns. The World Bank under McNamara was actively involved in the economic development of several dictatorships and military governments with questionable human rights policies from Mobutu Sésé-Séko's rule in Zaire, to Indonesia under Suharto and the Latin American military dictatorships, ahead of all Chile under the rule of Augusto Pinochet.

On several occasions, human rights questions were discussed at the Bank's Board of Executive Directors, however. The Scandinavian Executive Director and others voted against loans to Chile under the dictatorship of Augusto Pinochet because of human rights violations[82] and the U.S. Executive Director abstained from voting for loans to Ethiopia, Benin and Argentina in 1977 on the same grounds.[83] Several Executive Directors representing the Bank's borrowing countries criticized the Executive Directors from the richer countries for bringing up human rights issues in the Bank's Board on these occasions. They argued that it was a political issue for which the Bank was not responsible and that poverty could also be seen as a human rights issue that had to be dealt with.[84] McNamara shared this understanding of the Bank's role and the focus on poverty and economic issues.[85] While some scholars of the history of human rights have observed that it was only in the 1970s and 1980s that human rights became separated from social/economic rights,[86] the division was always quite clear-cut for the World Bank. The discussions about human rights were

[80] On the controversial decision of the Bank to not lend to Chile under Allende which the Bank justified on the grounds of worries about the country's creditworthiness see Sharma, *McNamara's other War,* 103-105

[81] On McNamara's personal promise to stop Bank lending to communist Vietnam in order to obtain U.S. resources for IDA at the end of the 1970s, see ibid., 110.

[82] World Bank, "Report of Board Discussion and Voting on Copper Sector Loan for Chile," February 3, 1976, RA, S-1387 G Ga L0042, folder 1; IBRD/IDA/IFC, "Summaries of Discussions at Meetings of the Executive Directors of the Bank and IDA and the Board of Directors of IFC," December 21, 1976, RA, S-1387 G Ga L0043, folder 26, page 3-7.

[83] Nordic Cable on the Board Meeting May 10, 1977, from May 11, 1977 RA, S-1387 G Ga L0043, folder 26; Nordic Cable on the Board Meeting May 26, 1977, from May 31, 1977 RA, S-1387 G Ga L0043, folder 27; Nordic Cable on the Board Meeting June 16, 1977, from June 22, 1977 RA, S-1387 G Ga L0043, folder 26.
In the United States it was particularly the U.S. Congress that tried to include amendments to the approbation of the foreign assistance act which attempted to bind U.S. representatives in multilateral institutions to consider human rights issues in their voting. On these attempts and the "congressional revolt" in U.S. foreign assistance in general see Babb, *Behind the Development Banks*, chapter 2, on human rights specifically see 182-186.

[84] Nordic Cable on the Board Meeting May 26, 1977, from May 31, 1977 RA, S-1387 G Ga L0043, folder 27.

[85] Robert McNamara "Transcript of Interview with John Lewis, Richard Webb, and Devesh Kapur, between April 1 and October 3, 1991," WBGA OH, 36.

[86] Samuel Moyn, *Not Enough. Human Rights in an Unequal World* (Cambridge, Mass., London: The Belknap Press of Harvard University Press, 2018), chapter 5 and 6

one of the few issues in which the Bank's management strongly sided with its borrowing countries. The self-conception of the Bank as a purely economic institution that was not engaged in political affairs and the dominant ideology that economics could be separated clearly from politics were at stake here for the Bank's management.

Other aspects of the larger crisis of development and modernization models at the end of the 1960s were, however, crucial, and more influential for the debates and the perception of crisis at the World Bank. At the same time as McNamara arrived at the Bank with a broad understanding of development, doubts among development economists about growth centered development models and dissatisfaction with "trickle-down economics" were widely spread.[87] One reason for the disillusionment with economic growth was precisely that the growth rates of the Development Decade of the 1960s were achieved but that the benefits were very unevenly spread between and within developing countries.[88] Dudley Seers, the director of the Institute for Development Studies at Sussex University, in 1969 questioned the very "meaning of development" and its measurement through growth. He observed that economic growth did not always solve social problems and political upheavals and, in some situations, even caused them. The reliance and faith in growth measures from his point of view "begins to look like a preference for avoiding the real problems of development."[89] Ernst F. Schumacher, author of the influential book *Small Is Beautiful*, also criticized the fact that many people working in development had lost track of the people on the ground:

> Development of a country – very well! But does it not have to mean above all else the development of people? Industrialization - splendid! But will the poor people be involved, and, if so, how many of them? Growth of the national income - excellent! But will it benefit the poor and enable them to develop?[90]

At the International Labor Organization (ILO) similar problems were debated and analyzed from a different angle from the early 1960s. The ILO's discussion about employment can be dated back to the beginning of the 1960s and was related to the organization's attempt to move away from its classical technical assistance work after decolonization. Daniel Maul has analyzed how the ILO

[87] See Arndt, *Economic Development*, 92.
[88] Wood, *From Marshall Plan to Debt Crisis*, 196-197.
[89] Dudley Seers, "The Meaning of Development," *Institute of Development Studies Communication* 44 (1969): 1-26, here 2.
[90] Ernst Friedrich Schumacher, "Intermediate Technology: The Missing Factor in Foreign Aid," *The Oxford Diocesan Magazine*, July, 1970, obtained from Robert McNamara Chronological Files, RPRM, WBGA, folder 1771877.

came up with a new development approach that included social aspects since the early 1960s and focused on planning and creating productive employment.[91] The launch of the World Employment Program in 1969 drew a lot of attention on a wider scale and by other international organizations to these discussions within the ILO. In the program the ILO together with the Institute for Development Studies at Sussex University carried out major country studies on employment problems in developing countries.[92]

One of the crucial insights from these studies was, however, that unemployment was not a category that was well suited for the analysis of developing countries because people were not unemployed in the strict sense and often worked long hours. The real problem was a lack of jobs that would yield enough income. Ultimately, it was a problem of poverty not of unemployment as such.[93] From these discussions about employment issues being a problem of poverty it was no longer a big step to the articulation of a focus on basic needs at the ILO World Employment Conference in 1976. During the same time period employment problems were also discussed at the OECD. Free trade proponents at the OECD were, along with the ILO, among the first to draw attention to unemployment and to call for sacrificing some growth for higher employment levels in developing countries.[94]

The specific notion of looking at poverty issues through the lens of an employment problem had two important consequences. On the one hand, the analysis of the employment problem had an important ideological bridging function, especially at the OECD but also later at the World Bank. When poverty was associated with job creation orthodox economic measures of raising production

[91] See Maul, *Menschenrechte, Sozialpolitik und Dekolonisation*, 342-346.
[92] Daniel Maul, *The International Labour Organization. 100 Years of Global Social Policy* (Berlin: De Gruyter Oldenbourg, 2019), 172-181.
[93] For this interpretation and discussion of the ILO reports on employment see Hans W. Singer "Poverty, Income Distribution, and Levels of Living: Thirty Years of Changing Thought on Development Problems," in Hanumantha Rao and P.C. Joshi, eds., *Reflections on Economic Development and Social Change. Essays in Honour of Professor V.K.R.V. Rao* (Oxford: Martin Robertson, 1979), 29-40; Arndt *Economic Development*, 92-97.
[94] See Kapur et al., *The World Bank Vol I*, 226. They refer to the study by Ian Little, Tibor Scitovsky, and Maurice Scott, *Industry and Trade in Some Developing Countries* (London: Oxford University Press, 1970). One year after this study the OECD also published the influential monograph by David Turnham on the subject, see David Turnham, *The Employment Problem in Less Developed Countries: A Review of Evidence* (Paris: Development Centre Studies OECD, 1971).
For a better context on the debates at the OECD it is useful to have in mind that the OECD during that time was more broadly discussing certain problems attached to a focus on growth and 'problems of modern society' also with regards to industrialized countries, see Matthias Schmelzer, "The crisis before the crisis: the 'problems of modern society' and the OECD, 1968–74," *European Review of History: Revue europeenne d'histoire*, 19:6 (2012): 999-1020.

became possible and poverty could be disconnected from sensitive political issues such as property, class, gender, race, and caste relations.[95]

On the other hand, debates about employment problems also raised fundamental doubts about established development models and the idea of modernization. In the debates about an employment problem in developing countries discussions about population growth, urbanization, problems with growth centered development models, and debates about the role of agriculture in the development model all came together. One observation was that there were problems with employment because since the late 1960s the children of the "population explosion" of the 1950s had been coming to the labor market.[96] Many contemporaries were also very critical of rapid urbanization processes and the migration to cities in developing countries. At the beginning of the 1970s this was not anymore primarily seen as a step towards a modern life but was associated with growing social problems, instability, and unrest: "The combination of the employment problem (which is especially acute among young people), the widening gap between the rich and the poor, and the growth of cities with their increased possibilities for political organization, breeds a climate of frustration that can easily break out into periodic violence."[97]

A UN Report from 1970 on the urbanization process in developing countries stated very clearly that at the beginning of the 1970s cities had become a symbol of failure and an expression of the fundamental crisis of established development and modernization models:

> The city throughout the developing world is thus in some sense the sign and symbol of a development process that could run completely off the track in the coming decade. […] The cities are where the evils come to a head in monstrously visible gatherings of human misery. Cities are symptoms of a wider distemper and their progress depends upon its cure.[98]

Underlying all these discussions was a crisis of basic development models that focused on industrialization and the creation of a modern economy like, for example, in Arthur Lewis' classic dual economy model. Lewis, writing in the middle of the 1950s, had still perceived the "unlimited supply of labor" in developing countries as an important asset. From his point of view, the main challenge of the development process was to successfully channel this unlimited supply of labor

[95] See also Kapur et al. *The World Bank Vol I*, 224, 227.
[96] Robert d'A Shaw and Paul A. Laudicina "Jobs: A Growing Global Crisis," *Overseas Development Council Communique* No.7, March 1971, obtained from Robert S. McNamara Papers, LC, part I, box 24, folder 5.
[97] Ibid.; see also Nick Cullather, *The Hungry World*, 242.
[98] United Nations, Department of Economic and Social Affairs, *Urbanization in the Second United Nations Development Decade* (New York: United Nations, 1970), 19.

from the unproductive subsistence sector into a productive modern economy consisting of capitalist farming which required fewer workers and a capitalist industrial sector absorbing the spare workforce.[99] At the beginning of the 1970s, however, the unlimited supply of labor had become a problem. It was clear that not all of the labor force could be absorbed by the industrial sector and the actual move of people in developing countries to the city searching for modern industrial employment was perceived as a problem. In an influential article in 1970 the two economists John Harris and Michael Todaro explained that migration to the cities made economic sense for individuals despite urban unemployment because of the big income gap between cities and rural areas. They also pointed out that, from a general welfare perspective, restrictions of migration to the city and policies that aimed at keeping people on the land could make sense.[100]

As analyzed in the last chapters, a lot of the development discussions of the 1960s that found their way into the World Bank had already warned against an exclusive focus on industrialization and had concentrated on finding the right balance between industrialization and investments in agriculture as important sectors of national economies. But this debate shifted at the beginning of the 1970s with critical discussions about development models that only focused on growth and discussions about employment and poverty problems. The main question was no longer what the contributions of the two sectors to the growth of the national economy could be. Instead it shifted to questions about the internal welfare effects of the sectors.

On the one hand, a focus on employment led to critiques of technology intensive ways of production in both sectors, advertising labor intensive industries and arguing against mechanization in agriculture.[101] On the other hand, there was also more discussion about inequalities between industry and agriculture and more broadly between the city and rural spaces. Harris and Todaro already criticized the big income gap between modern jobs in the city and income possibilities in rural areas that was shaped and maintained by politics and attracted rural migration.[102] These

[99] Lewis, "Economic Development".
[100] John R. Harris and Michael P. Todaro, "Migration, Unemployment and Development: A Two-Sector Analysis," *The American Economic Review* 60:1 (1970): 126-142.
[101] See Arndt, *Economic Development*, 95-97.
[102] Harris and Todaro, "Migration, Unemployment and Development," 126-127. McNamara made a similar observation, see Robert McNamara "To the Board of Governors, Washington D.C., September 27, 1971", in *The McNamara Years*, 150.

debates culminated in the second half of the 1970s in Michael Lipton's formulation and critique of a fundamental "urban bias" of policy makers.[103]

From the Employment Problem to Rural Development at the World Bank

At the World Bank the crisis of development and modernization at the end of the 1960s was perceived along similar lines as the ones just mapped out. It was also characterized by the interconnected problems of population growth, unemployment, urbanization, and problems with poverty that were not addressed by growth-centered development models. These interconnected problems were addressed in several of McNamara's annual meeting speeches in the early years of his presidency.[104]

McNamara also observed that there was a fundamental crisis of modernization and of late industrialization at the root of these problems. He emphasized that developing countries were facing very different conditions in the 1970s than the richer countries that industrialized a century earlier and that technological modernization had become more complicated.[105] One of the problems in his analysis was that he contrasted the real difficulties of modernization processes in the 1970s with a quite harmonious picture of the industrialization process of the 19th century that could easily be challenged by historic accounts of the social devastations of the time.[106]

For McNamara the real problem was that any technological modernization of the economy – in both industry and agriculture – would leave out vast amounts of people that could not be included through 'modern' employment. McNamara observed:

> So the cities fill up and urban unemployment steadily grows. Very probably there is an equal measure of worklessness in the countryside. The poorest quarter of the population in

[103] Michael Lipton, *Why Poor People Stay Poor. Urban Bias in World Development* (London: Temple Smith, 1977). For an early extensive critique of Lipton's urban bias thesis see T.J. Byres, "Of neo-populist pipe-dreams: Daedalus in the Third World and the myth of urban bias," *Journal of Peasant Studies* 6:2 (1979): 210-244. The most obvious and important point against Lipton's thesis is that through its focus on the rural-urban divide it neglects and minimizes the fundamental class differentiation in the countryside and the active role of rural elites and large landholders in maintaining this economic differentiation, see ibid., 234-237.

[104] See for example Robert McNamara, "To the Board of Governors, Washington D.C., September 29, 1969", in *The McNamara Years*, 82, 86; Robert McNamara, "To the Board of Governors, Copenhagen, September 21, 1970", in *The McNamara Years*, 132; Robert McNamara, "To the Board of Governors, Washington D.C., September 27, 1971", in *The McNamara Years*, 148-150.

[105] Robert McNamara, "To the Board of Governors, Copenhagen, September 21, 1970," in *The McNamara Years*, 128-129.

[106] Ibid.

> developing lands risks being left almost entirely behind in the vast transformation of the modern technological society. […] Can we imagine any human order surviving with so gross a mass of misery piling up at its base?[107]

Through this lens of the employment problem the entire attempt of late industrialization and the wish to 'catch up' with countries that already had a large industrial base became dubious in the eyes of the Bank. McNamara also shied away from any questions of historical equity and a right to industrialization that were often articulated by postcolonial leaders. He did not talk about the history of colonialism and instead only alluded to the benefits of Europeans in the 19th century through "temperate land [that] was opened up for European use all around the globe."[108] The Bank's analysis of the crisis of development and modernization helped to shift the focus away from international comparisons of development between countries to internal equity concerns within countries.

But in the first years McNamara underlined in his speeches that the Bank was still quite unsure of what to do with the crisis and how to address it.[109] He still talked about the Bank's lending achievements in agriculture in very traditional ways by emphasizing that it helped to provide food for an expanding population, promoted agricultural exports, and a stimulus for industrialization.[110]

McNamara knew from the beginning of his presidency about some of the technical limitations of the use of new high-yielding seed varieties. In 1968, he mentioned that the seeds had not yet completed all tests and that there was always a risk that the new plants did not resist local diseases and pests.[111] Three years later, McNamara also observed the limited applicability of the technologies of the Green Revolution in some developing countries because they only worked for irrigated agriculture.[112] In a discussion about the expected grain shortages in India in 1973, Hollis Chenery also observed that the Green Revolution had probably been "overrated".[113]

More importantly, McNamara was also well aware of the social problems attached to the Green Revolution and that it tended to exacerbate existing social tensions and inequalities in the

[107] Ibid., 129.
[108] Ibid., 128.
[109] Robert McNamara, "To the Board of Governors, Washington D.C., September 29, 1969," in *The McNamara Years*, 86; Robert McNamara, "To the Board of Governors, Copenhagen, September 21, 1970," in *The McNamara Years*, 113, 132.
[110] Robert McNamara, "To the Board of Governors, Copenhagen, September 21, 1970," in *The McNamara Years*, 113.
[111] McNamara "To the Board of Governors, Washington D.C., September 30, 1968", in *The McNamara Years*, 12.
[112] Robert McNamara "To the Board of Governors, Washington D.C., September 27, 1971", in *The McNamara Years*, 153.
[113] PC, January 22, 1973, RPRM, WBGA, folder 1770824.

countryside.[114] But for a long time, especially against the backdrop of his concern with population growth, he mostly expressed hope that the ongoing Green Revolution provided them with a "breathing spell" and that for the first time food production was rising faster than population.[115] The priorities were clearly expressed when McNamara observed in 1969 that the agricultural package of the Green Revolution was helping to solve the "*initial* problem" of global food supplies but that they might "gradually give way to *second-generation* problems […]. The new technology is more readily available to richer farmers, and thus can paradoxically become punitive to poorer farmers."[116]

By 1971, however, this priority had changed at least in McNamara's speeches. The analysis of the crisis and possible solutions to it had become clearer. The employment problem – and poverty seen through this lens – were at the center of the analysis of crisis. McNamara promoted the idea of attacking the employment problem directly through a focus on creating jobs for the poorest. Other means of addressing poverty, for example through taxes and fiscal redistribution measures, were explicitly ruled out by McNamara because in his opinion they were beyond the capabilities of developing country administration systems or were simply not deemed politically feasible.[117] While he argued that most of the job creation needed to be done in the countryside by making agricultural technology available to smaller farmers, he also stressed the importance of building up export-oriented labor-intensive industries and to employ the right policy incentives for that.[118]

McNamara's annual meeting speech of 1971 marked a critical shift in the Bank's thinking about agriculture and the ongoing Green Revolution. The earlier emphasis on agricultural production gave way to an emphasis on the implication of the Green Revolution in exacerbating inequalities and the employment problem in the countryside by benefitting mostly large farmers who tried to expand their landholdings and pursued mechanization.[119]

[114] PC, March 24, 1969, RPRM, WBGA, folder 1770816.
[115] Robert McNamara, "To the Board of Governors, Washington D.C., September 30, 1968," in *The McNamara Years*, 12.
[116] Robert McNamara "To the Board of Governors, Washington D.C., September 29, 1969", in *The McNamara Years*, 78, emphasis added.
[117] Robert McNamara, "To the Board of Governors, Washington D.C., September 27, 1971," in *The McNamara Years*, 151, ibid.
[118] Ibid., 152-160.
[119] Ibid., 154.

This shift in perception in the Bank was part of a larger debate about the social consequences of the Green Revolution. During the initial phase in Asia from the middle of the 1960s the main concern had been with threats of hunger, famines, and Neo-Malthusian fears of how to feed a growing population and thus the primary goal was an increase of agricultural production. By the beginning of the 1970s, this almost exclusive focus on agricultural production had become more dubious with rising evidence of social devastations and tensions in the countryside. Enquiries and reports about the increase of inequality connected to the Green Revolution also circulated at USAID and the FAO.[120] The Green Revolution was now critically discussed in connection with growing violence, conflicts, and political instability in East Asia.[121] One FAO official also summarized the shift in thinking about population growth and the importance of the unemployment problem at the beginning of the 1970s by observing that "we have been forced to redefine the population problem; now we worry more about idle arms than hungry mouths."[122]

Similar concerns had already been raised by Wolf Ladejinsky[123] who visited the Indian state Punjab on behalf of the World Bank in 1969.[124] He described in an article how the agricultural technologies of the Green Revolution were already firmly established and visible in the Punjabi countryside but that only about 10 to 20 per cent of the households were benefitting from this and that the introduction of the agricultural technology package was actually widening the gap between the rich and the poor in the countryside.[125] Ladejinsky also warned about the possible negative employment effects connected to that. He observed that the better off farmers were already planning and discussing a substantial mechanization of agriculture that could significantly reduce the employment prospects of landless laborers.[126] Other reports also noticed that the problem of rural unemployment was exacerbated by international donors that supported medium and large scale

[120] Nick Cullather, *The Hungry World*, 240-241.
[121] Ibid., 240-245.
[122] Cited in ibid., 236.
[123] Ladejinsky was an influential Russian-born U.S. American advocate for land reform. He had worked for the U.S. Government in planning the land reform in occupied Japan after World War II. He participated in the World Bank agricultural volumes of the Bell mission to India in 1966 and was an advisor to the World Bank until he died in 1975.
[124] At the same time Francine Frankel, as a young scientist, visited India to investigate the social problems of the Green Revolution on behalf of USAID for which she also published articles in Indian newspapers almost simultaneously with Ladejinsky, see ibid., 240.
[125] Wolf Ladejinsky, "The Green Revolution in Punjab: A Field Trip," *Economic and Political Weekly* 4:26 (1969): A73-A82, here A-81.
[126] Ibid., A-79.

farmers in mechanization. The World Bank's loans for tractors in the Indian states Punjab and Gujarat were given as one example for this.[127]

For the actual establishment of rural development and the focus on small farmers in the World Bank a Tidewater meeting that was held in Lausanne in April of 1971 seems to have been quite influential in convincing McNamara of the necessity to really look at agriculture through the employment perspective and with that providing a rationale for small-scale agriculture. The Tidewater meetings were annual informal meetings in which ministers responsible for foreign aid and several heads of international organizations met to discuss current development issues. The Tidewater meeting in 1971 was concerned with the employment problem. One of the participants at the meeting was Montague Yudelman who was at that time vice president of the Development Centre of the OECD.[128] Yudelman recollects that after his talk that focused on agricultural policies and argued against large-scale mechanization and the displacement of rural people McNamara came to him and said that large-scale mechanization was still something the World Bank was supporting.[129] According to his own account McNamara asked him if he really believed in plot farming, which Yudelman affirmed. McNamara then asked him what he wanted to do after his term at the OECD had ended because "he said he was worried about agriculture at the Bank."[130]

In October of 1971, rural development was for the first time mentioned as an important issue in the Bank's high-level management meeting of the President Council. Burke Knapp reported that it was difficult for the Bank to design rural development projects because they fell between the responsibilities and expertise of different departments and that the Bank might have to consider designing a new rural development department.[131] These organizational issues continued to be discussed until rural development emerged with its own department after the reorganization of the Bank in 1972. The new department head was Montague Yudelman.

McNamara's Nairobi address of 1973 was an expression of an end of the debate about the crisis with development and modernization at the World Bank. The focus on small farmers as the new

[127] USAID (?) "Employment Problems and Prospects," 1970, Robert S. McNamara Papers, LC, part I, box 24, folder 5, page 6.
[128] Some background information and papers on that meeting can be found in Robert S. McNamara Papers, LC, part I, box 24, folder 5.
[129] Montague Yudelman "Transcript, Oral History Interview with John Lewis and Devesh Kapur, held on September 12, 1991," WBGA OH, 2.
[130] Ibid., p.3
[131] PC, October 4, 1971, RPRM, WBGA, folder 1770821.

priority for the Bank's upcoming five-year lending program from 1974 until 1978 was announced with confidence and certainty. Continuing the line of thinking of the employment problem the problem of poverty of small farmers was presented as one of productivity and not as one of entrenched economic and social structures that produced inequality.[132] In the Bank's view the poor were neither benefitting nor contributing enough to economic growth.[133] The focus on increasing the productivity of subsistence farmers was announced on the one hand, as a viable way of assisting the non-modern sector of the economy.[134] On the other hand, the focus also relied on a belief in modernizing subsistence agriculture and significantly raising its productivity through inputs such as the access to credit, water, seeds, fertilizers, and pesticides and through extension services, tenure reforms, social infrastructure support, and organizational changes in institutions.[135]

But the speech was also a final nail in the coffin for a broader vision of economic modernization that included hopes for technology-intensive industrialization and attempts for reducing international inequalities between countries. McNamara made unmistakably clear that for him this was not a realistic option anymore:

> The industrial base of the wealthy nations is so great, their technological capacity so advanced, and their consequent advantages so immense that it is unrealistic to expect that the gap will narrow by the end of the century. Every indication is that it will continue to grow. Nothing we can do is likely to prevent this. But what we can do is begin to move now to ensure that absolute poverty - utter degradation - is ended.[136]

This conservative renewed vision for development explicitly argued for keeping the basic imbalance of the international economy as it was and for turning its attention to problems of poverty that previously had been mostly deemed domestic affairs of countries.[137] The main responsibility for the new agenda was placed with developing country governments but McNamara emphasized

[132] See Ayres, *Banking on the Poor*, 79-81.
[133] Robert McNamara "To the Board of Governors, Nairobi, Kenya, September 24, 1973", in *The McNamara Years*, 242, 245.
[134] Ibid., 245.
[135] Ibid., 249-255.
[136] Ibid., 258. A similar observation and argument to focus on absolute poverty had already been made two years before by Mahub ul-Haq who worked at the Bank and influenced McNamara in his thinking on poverty and the employment problem. The similarities get obvious in an analysis of Haq's writing of the 1970s, see Moyn, *Not Enough*, 127-133.
[137] Escott Reid, who had worked at the Bank during the middle of the 1960s, underlines this new focus on domestic policies under McNamara: "The task which Robert McNamara has set himself is to make respectable international development lending to help the poorest two fifths of the peoples of the developing countries. This is a difficult and hazardous task, for it involves the Bank Group in efforts to influence the general development policies of the countries which borrow from it on issues much more politically delicate, much more traditionally domestic, than issues related to growth in the gross national product on which the Bank Group has in the past attempted to exert leverage or influence," Escott Reid, "McNamara's World Bank," *Foreign Affairs*, 51:4 (1973): 794-810, here 795.

the importance of Bank advice on the right policies and assistance.[138] The richer countries were called upon to remove some of their discriminating trade barriers and to provide increased amounts of official development assistance but only as an increment of their own economic growth – not as a redistribution of existing wealth.[139]

Similarly, the emphasis on absolute poverty in the Nairobi address, instead of on income inequality, of which McNamara spoke before, also implied a conservative policy towards domestic policies of developing countries. They did not have to focus on the redistribution of existing wealth in their countries but on the alleviation of the gravest forms of poverty.[140] This was most clearly expressed in *Redistribution with Growth*, a basic text of the Bank's new development approach.[141]

Together with the Institute for Development Studies at Sussex University Bank economists discussed in the volume how economic growth could be reconciled with more attention for poverty. The main answer was to increase the incomes and productivity of the poor which formed the core of the "Sussex-ILO-Bank school"[142] that had emerged. Hollis Chenery, a development economist from Harvard University who then worked as Vice President for Development Policy at the World Bank, argued that directing investments to the poor was the most viable strategy combining growth and distributional targets. Alternative strategies to implement a concern for poverty in development policies were mostly ruled out by him. The redistribution of incomes through fiscal measures would, from his point of view, often negatively affect investments, while the redistribution of existing assets within countries would lead to too much political and social unrest which negatively affected growth.[143] Thus the World Bank as the leading international development organization had already decided in 1973/74 that the ideal of equality both within and among countries was dead. It was only the "distributive ideal of sufficiency" which meant focusing on absolute poverty that would guide the development efforts of the 1970s at the World Bank.[144]

[138] Robert McNamara, "To the Board of Governors, Nairobi, Kenya, September 24, 1973," in *The McNamara Years*, 256-257.
[139] Ibid., 238; Robert McNamara, "To the Board of Governors, Washington D.C., September 25, 1972," in *The McNamara Years*, 226-227.
[140] See Hans W. Singer, "Poverty, Income Distribution, and Levels of Living," 38.
[141] Chenery et al., eds., *Redistribution with Growth*.
[142] Arndt, *Economic Development*, 100.
[143] Montek Ahluwalia and Hollis Chenery, "The Economic Framework," in Hollis Chenery et al., eds., *Redistribution with Growth* (Oxford: Oxford University Press, 1974), 38-51, here 48-49.
[144] For the distinction between these two ideals and the general demise of equality over the 1970s see Moyn, *Not Enough*, chapter 5 here specifically page 121.

A contemporary scholar, who was quite familiar with the World Bank and generally sympathetic to its activities, summarized the *Redistribution with Growth* strategy that had the small farmers as one of its main focus points in the following way that demonstrated the conservative character of the strategy:

> The strategy […] should be seen for what it was: relatively modest, eminently possibilist, bedeviled by political constraints, highly tenuous, subject to complex and formidable problems of implementation. In neither a national nor international sense did it seek fundamentally to change the world in which the poor lived; it sought to improve the terms on which they related to it.[145]

Rural Development, the Price of Oil and Food, and the New International Economic Order

The optimism of the Nairobi address and of having articulated a renewed development mission of rural development for the upcoming five year lending program that focused on internal policies of developing countries and aimed at alleviating absolute poverty did not last very long. Structural economic issues very quickly came to the forefront again and closed in on the World Bank. The most important structural issues that provided a challenge for the Bank's new emphasis on rural development were the first 'oil price shock' in 1973/74, the world food crisis from 1972-74 and the collective demand of the countries of the global South for a NIEO in 1974 that focused on inequalities between countries.

Only two weeks after McNamara's Nairobi address, the Arab Israeli War broke out in October of 1973 through a surprise attack of a coalition of Arab states, led by Egypt and Syria, against Israel.[146] The subsequent embargo of oil exports by the Arab members of OPEC to the United States and the Netherlands that were supporting Israel, was the most visible expression for a new fight about international political and economic power and the idea that oil could be used as a "weapon" in that.[147] The Arab embargo was, however, only a very visible sign. Oil prices had in fact already been rising since 1970. Rising prices were an expression of sovereign claims of OPEC states on their natural resources and a radicalized position towards nationalization of the oil industries.[148] This was also linked with general demands by countries from the South within the United Nations

[145] Ayres, *Banking on the Poor,* 89.
[146] See also Sharma, *McNamara's Other War,* 76.
[147] On the idea of an "oil weapon" see for example Rüdiger Graf, "Making Use of the 'Oil Weapon': Western Industrialized Countries and Arab Petropolitics in 1973–1974," *Diplomatic History*, 36:1 (2012), 185-208.
[148] Garavini, *After Empires*, 167-168.

Conference on Trade and Development (UNCTAD) for higher prices and a stabilization of prices for commodities and for redistributive economic structures on an international level since at least 1964.[149]

By the end of December 1973, the price of crude oil had more than quadrupled over the year.[150] The World Bank was alarmed by the consequences this might have for oil importing developing countries. The Bank's management estimated that the foreign exchange requirements of oil importing developing countries would multiply five times by 1980, which would require funds that were not available.[151] It was not only the higher import bill produced by oil prices that made the Bank worry about the balance of payment and the growth prospects of developing countries, however. The higher oil prices also came at a time of high inflation in the OECD countries and contributed to expected slowdowns in their economic growth which would negatively affect the export prospects of developing countries. Furthermore, the Bank forecast a decline of prices for other commodity exports besides oil after a long-lasting boom in prices since the beginning of the 1970s.[152] Taking all of these aspects together the Bank's economic outlook was grim and McNamara pointed out to the Bank's Executive Directors that "the present plans of the World Bank, other international agencies, and bilateral aid administrations fall far short of what is required to assist those countries which have been most seriously affected by recent changes in the world economy in attaining minimally acceptable levels of economic growth."[153]

The high oil and energy prices did not only affect the balance of payment in general, but the Bank was also specifically worried about their effect on the newly announced strategy for rural development and about agriculture and food production more generally. One high ranking Bank official observed that "the Green Revolution in Asia would receive a serious blow from the increase in oil prices."[154] This fear was particularly connected to the high prices for chemical fertilizers that were deemed one of the most crucial inputs for the increase of agricultural production but which

[149] Giuliano Garavini, "Completing Decolonization: The 1973 'Oil Shock' and the Struggle for Economic Rights," *The International History Review*, 33:3 (2011): 473-487.
[150] Garavini, *After Empires*, 168.
[151] PC, December 17, 1973, RPRM, WBGA, folder 1770824.
[152] World Bank, "Prospects for the Developing Countries," July 8, 1974, WB D&R, 32.
[153] IBRD, Memorandum to the Executive Directors, "Prospects for the Developing Countries: An Analysis of the Effects of Recent Changes in the World Economy on Growth Prospects and Capital Requirements of the Developing Countries," July 8, 1974, printed in ibid., 4.
[154] PC, December 17, 1973, RPRM, WBGA, folder 1770824.

required large amounts of energy in their production.[155] But the Bank and FAO also discussed possible negative influences of high energy prices on other agricultural inputs such as pesticides, herbicides, and power generation for irrigation.[156] The oil price increases had not suddenly caused a rapid increase in the price of fertilizers but it contributed to the prospect of high prices for the next years.[157] Prices for fertilizers had also been rising already since 1970.

A central problem was that 40 per cent of the fertilizers that developing countries were using were still imported from industrialized countries and thus required foreign exchange and contributed to the already high import bill.[158] As already mentioned in the previous chapter, with the loosening of the Bank's ideological stance on the public versus private industry question, the World Bank was now financing fertilizer plants in several developing countries, in many cases for state-owned industries. But fertilizer plants were a capital-intensive industry and the investments needed at least four years to bear results and were not an immediate answer to a shortage of fertilizer supply.[159]

The middle of the 1970s was not just the time of the increase of oil prices, there was also a world food crisis between 1972 and 1974. Different elements came together in this world food crisis from long-term problems with a slow growth of agricultural production in comparison with the food demand of a growing population in several developing countries, to particularly bad weather effects in different places of the world simultaneously. All of this produced a decline in food production by about 3 per cent worldwide in 1972 instead of an increase of 2 per cent that was needed to satisfy world demand.[160] In addition to that the Soviet Union became a large importer of grain in 1972. After very low harvests it had agreed on importing 28 million tons of grain from the United States at concessional prices which became the largest commercial grain transaction in history.[161] The world food crisis affected the World Bank's new announcement to focus on rural development in three ways. On the one hand, the food crisis of course strengthened the Bank's legitimacy to focus on agricultural production and agrarian questions in developing countries. On the other hand, it also strengthened a focus on productivity against demands to experiment with new forms of lending for rural development that could pay more attention to poverty and social issues. In addition to that

155 IBRD/IDA/IFC, "Fertilizer Requirements of Developing Countries," May 15, 1974, WB D&R, 30.
156 Sharma, *McNamara's Other War*, 78.
157 IBRD/IDA/IFC, "Fertilizer Requirements of Developing Countries," May 15, 1974, WB D&R, 35.
158 Ibid., 6.
159 Ibid., 33-36.
160 John D. Shaw, *World Food Security. A History since 1945* (Basingstoke: Palgrave Macmillan, 2007), 115-116.
161 Ibid., 116.

the rising prices for food during the world food crisis constituted a similar problem like the increased oil prices for developing countries. For several countries, these two price increases in combination had produced a higher import bill which put a lot of pressure on their balance of payment. For the Bank it also revealed the problems of past development strategies. Hollis Chenery, the Bank's Vice President of Development Policy, observed in this regard that

> With hindsight it is now clear that they [the developing countries] overestimated the increased productivity stemming from the 'green revolution,' relied too heavily on continued availability of cheap imports, and devoted insufficient resources to agricultural development. Although the shortfall in LDC [less developed countries] production of foodstuffs in the past several years has been relatively small, the rise in import requirements combined with large price rises have had as damaging an effect on the growth prospects of many developing countries as have rising oil prices."[162]

Chenery analyzed the higher prices for food and oil as permanent features of the world economy to which all countries had to adjust to, but he pointed to the very limited means available to the poorest countries for a quick adjustment to that situation.[163] According to Chenery only increased amounts of concessional funds for the poorest countries would help them to adapt to this new world situation.[164]

The call for more aid and concessional funds for the poorest developing countries was, however, only one of the demands that the countries of the South raised themselves in the middle of the 1970s to deal with the economic crisis. The year 1974 also was the culmination point of long-held demands by the countries of the South to implement structural reforms of the international economic system to their benefit.[165] These demands found their most visible expression in the call for the establishment of a NIEO that was passed by the UN General Assembly in May of 1974.[166] In the demand for a NIEO the countries of the South worked closely together using the leverage and confidence of the oil price increases to «force the developed countries to the negotiating table»[167] Internal unity in opposition to the dominance of Northern countries in the international

---

[162] Hollis B. Chenery, "Restructuring the World Economy," *Foreign Affairs*, January (1975): 242- 263, here 245.
[163] Ibid., 259-260.
[164] Ibid., 259, 262.
[165] For an account of longer demands for and debates about international economic reform that were leading up to the NIEO in 1974 see for example Garavini, "Completing Decolonization," 474-479; Daniel J. Whelan, "'Under the Aegis of Man': The Right to Development and the Origins of the New International Economic Order," *Humanity* 6:1 (2015): 93-108.
[166] UN, General Assembly, "Declaration on the Establishment of a New International Economic Order," 3201 (S-VI), May 1, 1974, http://www.un-documents.net/s6r3201.htm (last accessed May 17, 2019).
[167] Garavini, "From Boumedienomics to Reaganomics," 89.

economic system and its institutions was strong in 1974, even though oil exporting and importing developing countries were in very different economic positions, profiting tremendously from the oil price increases or accumulating growing amounts of debt.[168]

The call for a NIEO encompassed several different economic demands, legal tactics and political motivations.[169] For our purpose it is most important to point out that a lot of the demands were aimed at strengthening the political sovereignty of postcolonial states and at substantiating and securing this political independence economically. The starting point of the Declaration on the Establishment of a NIEO was the "sovereign equality of States" and it asserted the right of each country to choose its own internal economic and social policies and the sovereignty of each state over its natural resources which included a "right to nationalization."[170] The demands for reforms of the international system touched upon different areas ranging from a better regulation of transnational companies and improved trade arrangements for developing countries in general and for raw materials specifically, to the transfer of technology and more funds for development.[171] Nils Gilman has summarized the economic proposals of the NIEO by observing that

> Contrary to some claims about the NIEO, the proposals were not antitrade or prefiguratively antiglobalization; rather, the NIEO envisaged an alternative order of global economic integration in which countries in the south could catch up with the economic achievements of the north, thus creating a material foundation for political equality between states in the north and south.[172]

This focus on the equality between states and the emphasis on achieving international reforms that would help to redress inequalities between states clashed with the World Bank's new focus on inequalities within countries, however. While the NIEO should "make it possible to eliminate the widening gap between the developed and the developing countries" [173], McNamara had announced that this was impossible and therefore not worthy of too much attention just half a year before.[174] While the World Bank embarked on emphasizing the need to fight "absolute poverty [and] - utter

[168] See Garavini, *After Empires*, 180.
[169] See Nils Gilman, "The New International Economic Order: A Reintroduction," *Humanity* 6:1 (2015): 1-16, here 2 and the contributions in the special issue of *Humanity* 6:1 (2015).
[170] UN, General Assembly, "Declaration on the Establishment of a New International Economic Order," 3201 (S-VI), May 1, 1974.
[171] Ibid.
[172] Gilman, "The New International Economic Order," 4.
[173] United Nations, General Assembly, "Declaration on the Establishment of a New International Economic Order," 3201 (S-VI), May 1, 1974.
[174] Robert McNamara "To the Board of Governors, Nairobi, Kenya, September 24, 1973", in *The McNamara Years*, 258.

degradation" in its lending strategy for rural development,[175] the NIEO stressed the need to focus on inequality at the level of states, not individuals.[176] Contemporaries discussed these different focuses that were proposed by different groups of actors.[177] The tension and contradiction between these different focuses was to guide many of the discussions and contentions about development throughout the decade: "The tension between a macro and a micro approach to development—that is, the tension between the global redistribution of power centered on the state (NIEO) and the antipoverty strategy centered on the individual (basic needs)—dominated the second half of the 1970s."[178] In this tension the World Bank was the most vociferous and influential organization arguing for a focus on absolute poverty.

Conclusion

The chapter emphasized that it was under the presidency of Robert McNamara over the course of the 1970s that the World Bank became the influential and powerful development finance organization as we know it today. Besides the rapid expansion of the Bank's lending volume and of its staff, the shift of Bank activity to new lending fields and the rhetoric embrace of poverty alleviation were crucial in this institutional transformation. At the heart of the Bank's new emphasis on poverty was a focus on and strategy for rural development.

The embrace of a focus on rural development under McNamara should be understood as a conservative reformulation of the development belief and as a solution to a specific analysis of the crisis with established models of development and modernization that was discussed by several actors and organizations since the end of the 1960s. Rural development argued for keeping people on the land and countervailing rapid processes of urbanization. Its focus was on mitigating the worst effects and exclusions of the established development models. As a strategy rural development, however, was opposed to domestic and international development proposals that aimed at a more wide-ranging redistribution of existing levels of wealth and income. Most prominently the new World Bank focus on absolute poverty within countries clashed with the

[175] Ibid.
[176] Gilman, "The New International Economic Order," 4.
[177] See for example Ajit Singh, "The 'Basic Needs' Approach to Development vs the New International Economic Order: The Significance of Third World Industrialization," *World Development* 7:6 (1979): 585–606.
[178] Lorenzini, *Global Development*, 156.

demands of the countries of the South to focus on the inequality between states as the priority issue on the development agenda of the 1970s.

The analysis of this chapter was largely confined to an analysis of rhetoric and of new ideas about the problem of development at the World Bank. The Bank's rhetoric, reports and discussions mattered because they had a large audience and were augmented and amplified by the financial resources of the World Bank. Nevertheless, it is important to keep in mind that rhetoric outpaced actual shifts in the Bank's lending patterns and practices during the 1970s.[179] The strong analysis of the crisis of modernization and the persistence of poverty that McNamara portrayed in a lot of his speeches was not met with a fundamental transformation of the Bank's business. The World Bank kept being a Bank and furthermore one that was on an expansionary drive of pushing out growing amounts of money. While a concern for poverty entered the Bank's language and reports, projects that attempted to address the poor directly never accounted for more than 30 per cent of the World Bank's lending over the second half of the 1970s – with rural development accounting for about half of that poverty focused lending.[180] Rural development was a new experiment that posed many challenges to the World Bank. The difficulties and contradictions that were involved in the World Bank's attempt to translate the focus on rural development into an actual operational approach and into bankable projects are at the center of analysis of the next chapter.

[179] For an analysis of the big gap between World Bank rhetoric and the reality of its lending operations since the 1990s see Jonathan Pincus, "The post-Washington Consensus."

[180] See table 2 in World Bank, *Focus on Poverty. A Report by a Task Force of the World Bank* (Washington D.C.: World Bank, 1983), WB D&R, 6.

Chapter 5

The Problems with Rural Development

In the previous chapter, the World Bank's turn towards rural development and McNamara's embrace of a rhetorical focus on poverty alleviation have been analyzed as a response to the larger crisis with established models of development and modernization and as a conservative reformulation of the belief in development at the World Bank. However, it was one thing for McNamara to embrace the small farmer in his speeches and to announce a focus on rural poverty for the upcoming five-year lending program in the annual meeting address in Nairobi in 1973. It was a quite different thing, to actually implement such a focus in the lending strategy of the World Bank and in its project design. Rural development and the entire attempt to focus on poverty alleviation by the World Bank entailed many challenges and constituted a new experiment for the Bank.

This chapter analyzes some of the complexities of rural development and the attempt of the World Bank to reduce these complexities and to make rural development fit into the World Bank. It focuses on an analysis of the logic and difficulties that were built into the World Bank's specific approach to rural development and on some of the contradictions the Bank ran into. It thus remains within the general framework of this dissertation which analyzes the World Bank with a focus on the organization itself. There are several studies focused on specific countries or projects that collected evidence and showed that the World Bank was either not very successful in actually reaching the rural poor with its projects or was even harmful to the poor in its assistance.[1]

While using different criteria and a different perspective, the Bank's own evaluation of its experience with rural development was also unmistakably clear in its assessment that at least area development projects, which represented "the heart of the rural development experience as originally proposed,"[2] failed to a large degree, especially in Sub-Saharan Africa, where "only a

[1] The best overview on the difficulties the World Bank had with rural development so far comes from Robert Ayres who had access to World Bank material and held many interviews with staff at the end of the 1970s. For the problems with the implementation of rural development projects see especially chapter 6 in Ayres, *Banking on the Poor*. For summary discussions that give an overview on several smaller case studies and articles that criticized the implementation of the Bank's rural development projects see also Rich, *Mortgaging the Earth*, 86-99; Sharma, *McNamara's Other War*, 115-124.

[2] World Bank, Operations Evaluation Department, *Rural Development. World Bank Experience, 1965-86* (Washington D.C.: World Bank, 1988), WB D&R, xiv-xv.

minority […] succeeded to some degree."[3] This conspicuous failure of the Bank's rural development projects in Africa will be discussed at the end of this chapter. In a first step, the chapter will discuss the challenges of implementing the idea of rural development and of rural poverty alleviation in the Bank. It analyzes the difficulties the Bank had of translating rural development into bankable projects. As a highly centralized financial institution the World Bank was neither particularly well suited nor experienced for carrying out complex programs focused on rural poverty and on engaging with thousands of smallholding farmers. Bank staff was quite aware of the complexities encompassed in rural development and of the difficulties of integrating it into the way the Bank worked. While the Bank showed flexibility for working through vastly different borrowing country programs, rural development still had to be made fit into the logic of operation of a highly centralized financial institution.

The Complexities and Challenges of Rural Development

Let us start with a small riddle that shall guide the analysis of this chapter: What did compulsory villagization programs rooted in the idea of African Socialism in Tanzania have in common with the creation of grassroots cooperatives inspired by community development programs in Bangladesh and with transmigration schemes between Java and the outer islands in Indonesia under the anti-communist military rule of Haji Mohamed Suharto?[4] And what was the common denominator of such different endeavors as resettling 13,000 people for the construction of a large dam in the Philippines,[5] organizing dairy cooperatives in India, and enforcing grazing control and providing animal health services and water ponds for pastoralists in Mali? The answer is that they were all 'rural development' projects financed by the World Bank.[6] The answer hides as much as

[3] Ibid., xvi.
[4] For more background on these different programs see for example Priya Lal, *African Socialism in Postcolonial Tanzania. Between the Village and the World* (New York: Cambridge University Press, 2015); Brad Simpson, "Indonesia's 'Accelerated Modernization' and the Global Discourse of Development, 1960-1975," *Diplomatic History* 33:3 (2009): 467-486; for some more information on East Pakistan's/Bangladesh's version of community development developed at Comilla see Unger, *International Development*, 105-106; Amna Qayyum, "'Our Man at Comilla': Akhter Hameed Khan and Theories of Rural Development in Comilla, East Pakistan," unpublished paper presented at the Agricultural History Society Conference, Washington D.C., July 5th-8th, 2019.
[5] This was the first irrigation project the Bank financed in the country. The Bank experienced major problems with the lack of prior arrangements for the resettlement of these people, see World Bank, Operation Evaluation Department, "Project Performance Audit Report. Philippines – Upper Pampanga River Irrigation Project," June 30, 1980, WB D&R, 3-6.
[6] All information on the projects can be found at the Documents and Reports website of the World Bank (http://documents.worldbank.org/curated/en/home) with the help of the corresponding project IDs: Mali Livestock project 1975 (P001693), India Dairy Development Project Karnataka 1974 (P009683), Philippines Upper Pampanga

it is revealing about the complexities of rural development. It hides the fact that these were disparate programs, happening in distinct regions of the world and in different political contexts which shaped the execution and content of these programs and the meanings that were attached to them by governments and political administrators. The fact that they were all rural development projects financed by the World Bank also tells us little to nothing about the distinct lived experiences of these projects in the local context or about how people on the ground reacted to and were affected by them. The answer is, however, revealing of the fact that from the perspective of the World Bank it was, nevertheless, possible to reduce this complexity and to subsume the 343 rural development projects that the Bank conducted in dozens of different countries between 1974 and 1981 alone under the general category of rural development.[7]

As mentioned in the introduction, as a category rural development was distinguished within the World Bank from its (traditional) agricultural lending by the fact that rural development tried to directly address the rural poor, whereas agricultural projects did not care about any specific target group, and were only concerned with overall growth rates and profitability. The quantitative definition that was used for monitoring purposes in the Bank classified projects as rural development if they were based in rural areas and if at least 50 per cent of the intended project beneficiaries were within the poverty target group of the World Bank.[8] The exact poverty line depended on the national context but the rough criterion was that everybody could be counted as poor if they could not meet minimum food and other essential expenses or if they had an income equal to or less than one-third of the national average.[9] This quantitative definition of rural development did not care about the content and the actual design of projects. It entailed that as long as the Bank's appraisal report estimated that half of the beneficiaries of a project would be poor people in rural areas it was rural development, even if most of the loan was used for the construction of a rural road for example which was something that the Bank had already been financing since the 1950s.

Irrigation Project 1969 (P004418), Indonesia Transmigration Project (P003757), Bangladesh Rural Development Project 1976 (P009373), Tanzania Kigoma Rural Development Project 1974 (P002693).

[7] See table 3 in World Bank, *Focus on Poverty. A Report by a Task Force of the World Bank* (Washington D.C.: World Bank, 1983), WB D&R, 7.

[8] Ibid., 5-6; World Bank, Operations Evaluation Department, *Rural Development. World Bank Experience, 1965-86* (Washington D.C.: World Bank, 1988), WB D&R, xiv, 4.

[9] World Bank, "Rural Development Sector Policy Paper," February 1975, WB D&R, 17.

Apart from this quantitative definition that was used for monitoring purposes there was also a more qualitative and implicit shared understanding of rural development among Bank staff that connected it to the broader goals and ambitions of a poverty-focused lending approach of which rural development formed the core strategy. This qualitative understanding emphasized the multi-sectoral nature of rural development as an attempt to combine production-focused with social service components for example in education, nutrition, health, sanitation, and rural water supply. The latter components were considered to be only indirectly productive by the Bank but were part of the broader agenda to alleviate rural poverty and to increase the productivity of the poor.[10] This "integrated" understanding of rural development especially inspired the multi-sectoral rural area development projects.[11]

Rural development, especially in its ambition to adopt a multi-sectoral area development form, raised many intricate and complex questions about development at the World Bank. The attempt to address thousands of smallholding farmers directly and to 'modernize' their agricultural practices, while also providing them with social services, posed quite a different development problem than financing a central irrigation scheme or building a highway. We have seen in chapter two that this was already recognized in the discussion of the expansion of agricultural lending under George Woods in which the Bank had emphasized the "human and institutional problems" involved in smallholding agriculture that could not be solved by capital transfers alone.[12] The main challenge involved in dealing with (smallholder) agriculture had also been summarized in John de Wilde's Bank-sponsored study *Experiences with Agricultural Development in Tropical Africa* in 1967:

> It is much easier to build ports, railways, roads, and power stations; and the talent necessary for either construction or operation can be imported if it is not available at home. It is even comparatively easy to build and operate factories, for production takes place in a narrowly confined and closely controlled environment under a single management and under

[10] Such a broad understanding of rural development as a multi-sectoral strategy and thus as a combination of investments into production focused components and social services was clear, for example, in the World Bank's sector paper on rural development, World Bank, "Rural Development Sector Policy Paper," February 1975, WB D&R, 3, 10, 14-17

[11] There was no exact definition of "integrated rural development" at the Bank and while the Bank at times used the term in reports it did not really use it as a special category to classify its lending. But the broad meaning of "integrated" was that a project contained different elements that had to be coordinated: The "integrated approach would involve two or more project components, usually multisectoral, and these would include, in the spirit of the RD [rural development] strategy, both social and productive activities," World Bank, Operations Evaluation Department, *Rural Development. World Bank Experience, 1965-86* (Washington D.C.: World Bank, 1988), WB D&R, 6.

[12] IBRD/IDA, "Report of the President to the Executive Directors on proposed Bank/IDA Policies in the Field of Agriculture," January 1964, obtained from FAO, RG8 IAA 1046, folder 1963-1965, 3.

> conditions where the machine or process determines at least partly the pace.' In agriculture, however, the conditions of production are not easily controlled. Often the vagaries of climate frustrate the best efforts of farmers and government. In each country there are hundreds of thousands, or often millions, of independent producers or 'decision-makers' who may vary widely in their capacity and their responses to various outside stimuli and government policies. Their activities cannot be directed but only influenced.[13]

As a highly centralized financial institution whose comparative advantage and experience lay in the transfer of large amounts of foreign exchange capital the World Bank was neither particularly well suited nor experienced for carrying out complex programs involving thousands of smallholders which required detailed knowledge about local economic, agricultural, and social conditions. The institutional logic of development financing at the World Bank was the logic of a "wholesaler" that needed functioning "retail" structures and institutions within the borrowing countries to further distribute and implement the Bank's loans.[14] The World Bank usually had either lent money for foreign exchange intensive concrete construction projects, such as dams, railways, and highways that were usually implemented by a centralized institution. Or it had used existing 'retail' structures within borrowing countries, channeling money through agricultural credit banks or to the industrial sector through development finance corporations. Regarding the assistance to small farmers the World Bank noticed, however, that in a lot of borrowing countries there were no well-established 'retail' structures that the Bank could simply rely upon and that a lot of the existing institutions – for example in agricultural credit provision – were actually "biased" against smallholders.[15] Nevertheless, the Bank had to work through borrowing governments and often relied on already existing government programs which is one explanation for the disparate programs financed under the title of rural development that were mentioned above.

World Bank staff and management were quite aware of the challenges and complexities that rural development entailed and that it differed from other Bank projects through the fact that its success did not mainly depend on the amount of capital that was invested. When Robert McNamara announced the lending focus on small farmers as the new emphasis for the upcoming five year lending program in 1973, he also noted in his speech that it was the "organizational structure" that posed the biggest problem for rural development: "Neither we at the Bank, nor anyone else, have very clear answers on how to bring the improved technology and other inputs to over 100 million

[13] John C. de Wilde, *Experiences with Agricultural Development in Tropical Africa. Volume 1. The Synthesis* (Baltimore: The John Hopkins Press, published for the IBRD, 1967), WB D&R, 15-16.
[14] Ayres, *Banking on the Poor*, 248-249.
[15] World Bank, "Rural Development Sector Policy Paper," February 1975, WB D&R, 25, 75.

small farmers – especially to those in dry-land areas."[16] The Bank's Sector Policy Paper on rural development in a similar vein observed that "finance alone is not the limiting factor in bringing about a sustained increase in output among small-scale producers, frequently technological, organizational, procedural, and manpower difficulties limit the effective use of additional investment."[17]

Two country examples of rural development in Mexico and Bangladesh that the Bank discussed quite prominently in its Sector Policy Paper as existing experiments from which the Bank could learn also demonstrated the complexities involved in coming up with a general strategy and program for rural development.[18] The Mexican Puebla project had a focus on increasing agricultural productivity and on providing new agricultural packages for smallholding farmers.[19] But the Mexican project team also warned the Bank's management about the difficulties involved in coming up with technological solutions for increasing the output of small farmers.[20] They emphasized the need to adapt any technology to local conditions, to test them on farmers land and not on research stations, and to find advice that involved low risks for small farmers. The project team indirectly also expressed a preference for locally rooted research and knowledge against general scientific models. They emphasized that their type of project could only really be developed by nationals of the country providing for continuity and an adequate understanding of local conditions as opposed to international experts, and they were skeptical about drawing any generalized conclusions from the project.[21]

The Bank's discussion of the integrated rural development program developed at Comilla in East Pakistan/Bangladesh that had started in 1958 also showed that the Bank was aware of the larger goals of community organization and nation building that were often attached to rural development programs and of the importance of the local context. In its positive description of the program the Bank observed that "large numbers of people, many of them at village level, were trained in

[16] Robert McNamara, "To the Board of Governors, Nairobi, Kenya, September 24, 1973," in *The McNamara Years*, 233-261, here 249.
[17] World Bank, "Rural Development Sector Policy Paper," February 1975, WB D&R, 63-64.
[18] The Puebla project in Mexico and the rural development program developed at Comilla in East Pakistan/Bangladesh were prominently discussed in the paper but were not the only country examples under consideration. The Bank also discussed other programs it had been involved more directly in such as for example the Lilongwe project in Malawi and the Gezire settlement scheme in Sudan, see ibid., 45-47.
[19] Ibid., 46.
[20] AL (?) "The Puebla Project," December 17, 1973, Memoranda for the Record, RPRM, WBGA, folder 1771494.
[21] Ibid.

cooperative organization, pump irrigation, taxation, conciliation court procedures, Muslim family law and literacy."[22] The Bank was impressed by the achievements of the public works program and the credit extension through village cooperatives that emphasized self-help. It attributed the success of the Comilla program to the specific social and political local context in which "exceptionally innovative and imaginative local leadership" had achieved a lot with very limited resources.[23]

There were several instances in which Bank staff members recognized that the alleviation of rural poverty did not have a quick fix or a technological solution and that it was bound up with social, historical, and economic structures. This intricacy of the problem of rural poverty and of coming up with an answer for it through rural development programs made it in their view, however, also difficult to address rural poverty through the World Bank:

> Significant progress in rural areas requires what amounts to a social revolution. Radical changes in the social/economic structure, such as an effective land reform, is likely to be disruptive during the period of transition and thus to slow down economic growth in the shortrun and worsen the country's creditworthiness. In view of poor performance the Bank then reduces its lending to the country.[24]

Rural Development as a Financial Institution

The complexities of rural development have been discussed here because it is important to understand that on an analytical level the Bank's management and staff were quite aware of a lot of the challenges involved in establishing a viable rural development operational program. They recognized the importance of finding the right organizational set-up to engage with smallholders, the relevance of the specific context and local political leadership, and the difficulty of finding locally tested agricultural packages that worked for smallholding farmers. This analytical knowledge was in strong conflict, however, with the operational reality of the World Bank as a highly centralized financial institution that was specialized in transferring capital.

Beyond the lofty discussions of the Sector Policy Paper the Bank aimed at translating the idea of rural development into practice, meaning into bankable projects. To do that rural development had

[22] World Bank, "Rural Development Sector Policy Paper," February 1975, WB D&R, 45.
[23] Ibid., 46.
[24] See the extensive list "Bank Policies and Procedures: Real and Imaginary Obstacles to Rural Poverty Programs," which is the annex E to the following document: Warren Baum and Ernest Stern to Robert McNamara, "Plan of Action to Implement the Nairobi Speech," November 27, 1973, Robert S. McNamara Papers, LC, part I, box 36, folder 4, page 6.

to be made fit into the procedures and operational logic of the World Bank as a financial institution. In its own operational approach, the Bank abstracted from the complexities involved and found a general form of rural development which it could handle and work with. This general form centered on the assumption of productivity increases around which all of the projects were built. Counting on an increase in economic productivity made them appropriate for Bank financing, promised high rates of cost recovery, and made the calculation of an economic rate of return for rural development projects possible. All of this was an attempt of fitting rural development into the procedures and logic of a banking institution.

Furthermore, the World Bank of the 1970s did not just keep being a bank, it was Robert McNamara's Bank now. As analyzed in the previous chapter, McNamara had introduced new management techniques and quantitative programming, budgeting, and monitoring procedures in the World Bank that affected the Bank's internal processes and its lending program. McNamara's management style that was obsessed with numbers and the new quantitative monitoring and programming techniques for the lending program also profoundly affected the shape that rural development took at the Bank. Both of these points shall be analyzed in more detail here.

Shortly after McNamara's Nairobi address, when the implementation of the new focus on small farmers was being discussed and planned by high-level management officials at the Bank, World Bank staff had mentioned many "obstacles" for implementing a rural development program in the organization.[25] These obstacles were, for example, the Bank's standards for international competitive bidding, the focus on foreign exchange, restrictions on financing recurrent costs, and difficulties in disbursing money for many small items.[26] In many cases the Bank's management pointed out that Bank procedures had already become more flexible and that staff only had to be filled in on that.[27] Other difficulties also included quantifying the benefits of rural development, the Bank's insistence on an acceptable economic rate of return, and expectations of a high rate of cost recovery.[28]

The most crucial obstacle to the implementation of a rural development lending program at the Bank was, however, the "conflict between quantity and quality in lending targets" which was one

[25] Ibid.
[26] Ibid., annex E, 1-3.
[27] Ibid., annex E, 1-3.
[28] Ibid., annex E, 4-5.

of the few elements that senior management officials did not try to refute.[29] This conflict was in fact a contradiction that was at the core of how the Bank worked under McNamara.

If rural development was perceived as a complex lending endeavor that was new to the Bank and required carefully designed pilot projects and experiments, it also required more staff time and encountered more uncertainties and risks. But the mandate to establish a focus on (rural) poverty in the Bank's lending program was not the only one McNamara had put out to his staff. As analyzed in the previous chapter, McNamara was also vigorously trying to increase the Bank's lending volume and he had introduced new quantitative programming procedures in the organization that set specific lending targets that staff and Bank departments were supposed to meet. Pushing out growing amounts of loans, maintaining an efficient Bank budget by keeping staff increases to a necessary limit and experimenting with new lending fields that required carefully designed pilot projects did not go well together.

Bank staff clearly perceived the objective to design new and ambitious rural development programs as being in conflict with the quantitative lending goals: "Rural development projects are difficult to prepare and implement, and consume large amounts of time and staff. This conflicts with the strong Management push for meeting quantitative lending targets. Management must choose what it wants."[30] Another Bank official also warned McNamara that his quantitative goals were much more dominant than the goal to implement an experimental rural development program in the Bank:

> Your stated quantitative objectives come through the organization loud and clear. The gospel of new ideas does not transpire as easily. The upper and middle levels of management have not been convinced or capable enough to transmit the inspiration, and we have not yet found a good way to 'indoctrinate'. Hence the accusations for quantitative emphasis.[31]

The quantitative emphasis on the one hand affected the overall lending amount and put pressure on staff to meet the lending targets that had been set for countries and regions in the Bank's five-year program. This encouraged the design of large and expensive projects.[32] On the other hand, there was also a quantitative focus in the Bank's entire monitoring process to measure the effect the Bank

[29] Ibid., annex E, 6-7.
[30] Ibid., annex E, 6.
[31] AL (?) to Robert McNamara, "Gaining Commitment to the Poverty Program," October 16, 1973, Robert S. McNamara Papers, LC, part I, box 36, folder 4.
[32] World Bank, Operations Evaluation Department, *Rural Development. World Bank Experience, 1965-86* (Washington D.C.: World Bank, 1988), WB D&R, 22.

was having on the poor that was connected to McNamara's emphasis on quantitative management techniques. As mentioned at the beginning of the chapter, the definition of rural development was a quantitative one in which all lending could be classified as rural development if 50 per cent of the intended beneficiaries were poor people in rural areas.[33] The definition entailed that project appraisal reports had to estimate who the beneficiaries of the project were and what their income levels looked like. The reports usually also estimated the projected income raise (and thus the poverty reduction effect) of the projects.

The projected increase of income in the project design was supposed to come from the increase of agricultural productivity and output increases through the use of agricultural inputs and the change of agricultural practices. These output increases were also estimated at project appraisal, usually quite optimistically.[34] In many cases it was still unclear how exactly the agricultural production of small farmers in the region could be increased because there were usually no agricultural packages that had already been extensively tested in the local context. The Green Revolution package was not a simple answer for arid or for certain mountainous regions, but the Bank was usually very optimistic that in the further course of the project a viable set of agricultural inputs and technologies could be found. The entire Bank approach to poverty and in particular rural development were built around this focus on the increase of productivity which in turn was expected to increase incomes. These income and productivity increases justified including some social service and social infrastructure components in the multi-sectoral rural development projects. But the focus of the project was still a productive one and the appraisal reports estimated the economic rate of return for rural development projects.

It is important to understand that in its actual lending practices the Bank never adopted a 'basic needs' approach to development that understood their fulfillment as an entitlement.[35] The Bank worried about the economics involved, about possible schemes of cost recovery and low enough costs and standards in order to make social services economically sound. Even though the Bank participated in international policy discussions about 'basic needs' at the end of the 1970s, the practical lending approach remained one that was inspired by the 'Redistribution with Growth'

[33] Ibid., xiv, 4.
[34] Ayres, *Banking on the Poor,* 100-101.
[35] See also Hollis Chenery, "Transcript of Interview with Robert Asher, January 27, 1983," WBGA OH, 11-12; World Bank, Operations Evaluation Department, *Rural Development. World Bank Experience, 1965-86* (Washington D.C.: World Bank, 1988), WB D&R, 22.

approach.[36] The Bank did not fund social programs for the direct fulfillment of 'basic needs', it focused on the need to make investments into the poor in order to increase their productivity and to let them participate in a wider process of economic growth.

The emphasis on quantitative goals of the rural development effort was clearly spelled out in the Bank's definition of "new style" projects which were an ambitious orientation the rural development program should strive towards to. The criteria for "new style" projects were that they should attempt to find a balance between directly productive and other more social components. But they should also be designed for reaching a large group of beneficiaries among the rural poor while "earning an economic rate of return, that is, at least equal to the opportunity cost of capital" which for the Bank meant at least 10 per cent.[37] Additionally "new style" projects should also have a low cost per beneficiary so that larger projects and nationwide programs could be developed out of the initial Bank projects.[38] All in all the Bank was confident that ambitious quantitative goals could be met, concluding that past experience of rural development programs seemed to confirm that "it is possible to reach large numbers of the rural poor at moderate cost, with reasonable expectations of acceptable economic return."[39]

As an actual lending approach, if we focus on how rural development as an agenda was operationalized into bankable projects, rural development at the World Bank can be described as being rooted in a "high-modernist" vision and ideology of development.[40] This characterization does not contradict the interpretation of rural development as a "conservative" renewal of the development belief that was proposed in the last chapter. The "high-modernist" vision in my understanding captures the faith in social engineering, in technological progress and in the ability to remake the countryside that characterized the Bank's lending for rural development. The Bank stuck to this faith in its project design despite its own doubts and the knowledge of the complexities involved that were discussed earlier. Robert McNamara deserved his place in the imaginary "Hall of Fame of high-modernist figures" in which James Scott included him[41] – not just for the counterinsurgency villagization programs in the Vietnam War, but also for his time at the World

[36] See also Ayres, *Banking on the Poor*, 83-91 with whom I agree on this point.
[37] World Bank, "Rural Development Sector Policy Paper," February 1975, WB D&R, 60.
[38] Ibid., 61.
[39] Ibid., 57.
[40] James Scott, *Seeing Like a State. How Certain Schemes to Improve the Human Condition Have Failed* (New Haven, London: Yale University Press, 1998).
[41] Ibid., 88-89.

Bank. Scott describes "high-modernism" as a very strong "belief in scientific and technical progress" and as a

> supreme self-confidence about continued linear progress, the development of scientific and technical knowledge, the expansion of production, the rational design of social order, the growing satisfaction of human needs, and, not least, an increasing control over nature (including human nature) commensurate with scientific understanding of natural laws.[42]

For Scott high-modernists were "unscientifically optimistic" about the possibilities and capabilities of social engineering and planning[43] and they disregarded forms of knowledge and practices that did not come with scientific authority and were rooted in the past, in traditions, or local practices.[44]

Scott's account of high-modernism has received a lot of criticism from historians of development for providing a too generalized account with little regard to specific circumstances and for "reverting to metanarratives" himself, despite his criticism of the abstracting logic involved in high-modernism.[45] One of the best and most thorough critiques of Scott's analysis was advanced by Priya Lal in her historical analysis of African Socialism and the "ujamaa" villagization campaigns in postcolonial Tanzania that Scott had also analyzed as an example of the failures of high-modernism. Lal criticized that the problem with attributing the failure of the "ujamaa" experiment to a universal logic of the developmentalist state lay in the fact that it left out the entire historical context of the program and how it came to be understood.[46] She also argued that such a characterization helped to universalize a Euro-American vision of development which reduces all other world regions to merely copying their approaches and it assumes the existence of a "state project" instead of paying attention to the "fractured internal constitution of the state" which is particularly relevant in a postcolonial context.[47] Lal concludes that "when combined, these tendencies reinforce widely prevalent popular tropes that pathologize Africa as a site of endless crisis and dysfunction. In extending their diagnosis of consistently failed or impossible development well into the past, such narratives cannot help but suggest that this condition might stretch indefinitely into the future."[48]

---

[42] Ibid., 89-90.
[43] Ibid., 4.
[44] Ibid., 93-95.
[45] Hodge, "Writing the History of Development (Part 1: The First Wave)", 444. See also Frederick Cooper, *Colonialism in Question. Theory, Knowledge, History* (Berkeley: University of California Press, 2005), 140-142.
[46] Lal, *African Socialism*, 14.
[47] Ibid., 13-14.
[48] Ibid., 14.

While this criticism is important and valid, Scott's description of the high-modernist vision and ideology is still useful for the analysis of actors such as the World Bank, if we treat it as a matter of perspective. As noted at the beginning of the chapter, the World Bank as a lending institution worked through government programs and thus funded rural development projects of different shapes and content and in distinct social and political settings that the Bank had little control over. If we want to understand the different meanings, outcomes, and lived experiences of these projects we should analyze them with a focus on their specific political context and on what happened on the ground.

But if we want to understand what rural development was and meant from the perspective of the World Bank we have to pay attention to the institutional logic the Bank had that allowed it to abstract from all of these different contexts in its project design. The Bank employed generalizing procedures which translated complex problems of rural poverty into bankable projects that could be implemented with technocratic confidence. Most of the aspects mentioned in Scott's description of the high-modernist vision were very present in the Bank's lending approach to rural development.

All of the rural development projects were built around very optimistic hopes for rapid production increases and they relied on an abstract and untested belief in finding technological solutions along the way that would produce these. The Bank's design of rural development projects was also very much a top-down and not a bottom-up approach. The project appraisal report estimated the number of beneficiaries, the expected increase of production, and which component of social infrastructure was to be financed through the project. Ayres has aptly summarized the top-down logic of the Bank's rural development approach by continuing the logic of "targeting" which was the way of thinking and terminology with which the Bank approached the rural poor, as a "target population" for their projects: "This assumed, to continue the analogy, that the target could be readily identified and that, once identified, it could be 'hit' with the intended benefits."[49]

Even at the World Bank rural development was, however, never a unified and singular vision of development. We will see in the next section that many staff members of the Bank questioned the quantification effort with which the Bank's management tried to make rural development fit into the World Bank. Nevertheless, this emphasis on quantitative assessments and estimates as well as

[49] Ayres, *Banking on the Poor*, 103.

the emphasis on productivity was still the dominant vision with which the institution looked at its own rural development effort and which affected the design of its projects. In the next section we will see what it meant in practice to try and fit rural development into the operational and quantifying logic of the World Bank and will analyze the difficulties entailed in this.

The Difficulties of 'Seeing Like a Bank'

Robert Ayres, who conducted interviews with Bank staff in the late 1970s, reports that many staff members did not see the utility of monitoring rural development projects through quantitatively measured benefits and that "some admitted that they cooked up the data requested."[50] According to Montague Yudelman, Director of the Agricultural and Rural Development Department, the insistence on quantification of the benefits of the rural development program came straight from McNamara. The rest of the Bank's headquarter had to go along with it and had to trust the data that were being provided: "So it may have been like the body count in Vietnam; they [World Bank regional and project staff] may have manufactured numbers, but I had to trust them."[51] In many cases it was just impossible for World Bank staff to rely on trustful data sources but the World Bank's headquarters requested the necessary data anyways.

The Division Chief for rural development at the headquarter, for example, complained to the East Africa Division that most of the early project information briefs were missing a lot of necessary data and that regarding these data the "most important problem is the reluctance of project staff to make estimates."[52] Staff indeed seemed to have been hesitant in making certain estimates. An economist working in East Africa reluctantly transmitted income guidelines for rural poverty groups but only upon pointing out that they had to be used with "extreme caution", that there was no national account of this income data, and that the methodologies for coming up with the data included "pure guesses."[53]

The problem was not confined to income data alone, it involved most data in the project appraisal. Staff also expressed "serious reservations" about calculating economic rate of returns for rural

[50] Ayres, *Banking on the Poor*, 108, see also page 131 on a similar point.
[51] Montague Yudelman, "Transcript of Interview with Robert Oliver, July 18, 1986," WBGA OH, 9
[52] Leif E. Christoffersen to James Hendry, "Monitoring System of Agriculture and Rural Development Projects Preparation of Quarterly Report," September 18, 1975, East Africa Agricultural Record, WBGA, folder 1411392.
[53] Michel Del Buono to Ted J. Davis, "Monitoring Project Information: Rural Poverty Income Guidelines," August 6, 1975, East Africa Agricultural Record, WBGA, folder 1411392.

development projects which required precise data on all of the production related project aspects. Bank staff observed that base data on production levels contained "enormous margins of error" and that they were able to "produce almost any desired rate of return."[54] These examples of staff questioning the quantification effort of rural development came from the East Africa Regional Department, where the lack of trustful data source was likely more severe than elsewhere. But determining the exact target group, estimating local income data, and calculating an exact economic rate of return presented a difficult challenge for all project appraisal missions. Staff defended rural development as an experiment in achieving larger structural reforms with unclear outcomes – but that made the calculation of an exact economic rate of return impossible.[55]

Besides the frustration these quantification efforts produced in staff, it is important to keep in mind that the questionable nature of the data disappeared once these data entered the World Bank's reports. Once established, these data and the estimates became important project facts.[56] In most cases when the World Bank announced that it had assisted X millions of poor people and has lifted Y thousands out of poverty, these numbers were the estimates of what the Bank thought would be the effect of their projects. They were almost never related to the actual results of projects also because there was a big time lag in the completion review and assessment of projects. One Bank official observed in this regard that "there is a tendency for us to take figures at their face value and not understand what lies behind them. We should not ignore the cynicism that our own staff have about the poverty figures they produce and some of the cynicism from outside the Bank."[57] In the Bank's own evaluation reports on its rural development effort it dutifully noticed the limitations of economic rate of return calculations for the assessment of projects that focused on small farmers, only to continue the analysis by still relying on the economic rate of return for comparing rural development as a whole to the lending to other sectors and to assess successes and failures.[58]

---

[54] Hans A. Adler to Willi A. Wapenhans, "Rural Development Projects in Eastern Africa," May 1, 1978, East Africa Agricultural Record, WBGA, folder 30339854, page 2.
[55] Ibid.
[56] This is also one of the reasons why it is difficult to mainly rely on the Bank's own Project Implementation Reports or their own retrospective Evaluation Reports for an assessment of the actual effects of their rural development program. While these reports offer some insight into difficulties that arose with the projects, they often put too much emphasis on the question of whether the Bank achieved its quantitative targets or not.
[57] J.K. Peberdy to K. Berg, "Poverty Impact Analysis in Appraisal Reporting for Agricultural Projects," February 21, 1980, West Africa Agricultural Record, WBGA, folder 1420582.
[58] World Bank, Operations Evaluation Department, *Rural Development. World Bank Experience, 1965-86* (Washington D.C.: World Bank, 1988), WB D&R, 25; World Bank, Operations Evaluation Department, "Rural

The difficulties of quantifying and estimating the benefits and costs in the appraisal and monitoring of Bank rural development projects where not the only complicated aspects. Another set of difficulties also affected the actual design of projects more directly and their emphasis on productivity increases. An illustrative example for these difficulties was the World Bank's assistance to Mexico's nationwide rural development program (PIDER) which was one of the Bank's largest financial assistance programs to rural development during the 1970s.[59] The Bank financed three projects accounting for $405 million all together until the end of McNamara's presidency in support of the program. PIDER was launched by the Mexican government in 1973 independently of the World Bank and Bank assistance all in all remained modest, with PIDER expenditures amounting to around $3 billion until the middle of the 1980s.[60] World Bank engagement in the project was, however, crucial for the quick shift in focus from an initial construction of social and general infrastructure such as roads, towards an immediate emphasis on making 'directly productive' investments. The Bank was also influential for shifting the focus of the program to micro-regions with more agricultural potential and away from the very poor ones.[61]

The big problem with shifting the focus to making 'directly productive' investments was that 80 per cent of these investments failed or had very poor results in the World Bank assisted PIDER projects.[62] While the construction of central infrastructure such as rural roads and rural electrification did not pose major implementation problems for the agencies involved, dealing with many poor farmers and improving their productivity posed major challenges.[63] The productivity components suffered from poor implementation,[64] but also from poor design which was too much

Development Projects: A Retrospective View of Bank Experience in Sub-Saharan Africa," October 12, 1978, WB D&R, 3-6.

[59] The acronym comes from the Spanish name, "Programa de Inversiones Públicas para el Desarrollo Rural" which can be translated as "Program for Public Investments for Rural Development". The World Bank actually used their own description "Integrated Rural Development Program" in Mexico as a long name for the acronym PIDER. Daniel Lindheim, who wrote a dissertation on this development program in the middle of the 1980s, observed in this regard that from the beginning World Bank staff had misunderstood the "I" as standing for 'integrated'. While the Mexican officials were worried about getting out as much public investments as they could, which meant infrastructure investments for them, World Bank staff worried about the impact on production this infrastructure would have, Daniel Lindheim, *Regional Development and Deliberate Social Change: Integrated Rural Development in Mexico* (Ph.D. dissertation, University of California, Berkeley, 1986), 128.

[60] World Bank, Operations Evaluation Department, *Rural Development. World Bank Experience, 1965-86* (Washington D.C.: World Bank, 1988), WB D&R, 67-68.

[61] Ibid., 68; Lindheim, *Regional Development*, 94-95, 122.

[62] World Bank, Operations Evaluation Department, *Rural Development. World Bank Experience, 1965-86* (Washington D.C.: World Bank, 1988), WB D&R, 68.

[63] Lindheim, *Regional Development*, 96.

[64] For its first PIDER project the World Bank observed in its review for example: "About 25% of the productive investments still are not operating, some because of long gestation, but many for technical problems. Of those

focused on technology and required intensive management skills.[65] The crucial problem affecting the project was that despite the focus on achieving agricultural productivity increases the Bank did not have an agricultural package ready at hand from which it could have reasonably expected the estimated rise in productivity. Most agriculturalists involved were trained in irrigated and not in the rain-fed agriculture of the regions, risks of expensive input use was very high for small farmers, and local adaptive research that was planned in the projects was rarely conducted.[66] In the absence of an easy agricultural package that could be extended to thousands of farmers the 'directly productive' investments that were undertaken tended to be quite expensive investments in irrigation or livestock, benefitting only a small portion of farmers. These farmers were usually the already better off farmers which led to growing social inequality in the villages.[67] For Lindheim this benefit concentration was a more general problem of the focus on production of the Bank's rural development projects because the benefits of social and other infrastructure projects at least tended to accrue to a larger number of people and were not as easily monopolized.[68]

In many cases the Bank did not care if the benefits of their projects went to the already better off farmers, because in several cases, like the one in Mexico, Bank staff defended that the assisted farmers were still poor people by Bank standards and assessment.[69] But in some settings with highly unequal landholding structures the difficulties involved in the Bank's "targeting" approach were quite apparent. Bank staff knew about the difficulties involved in actually 'hitting' the poor farmers and not the wealthy ones with the project benefits and investments. This was for example a concern that was raised by all project officers working in Brazil.[70] Interviews with Bank staff of the 1970s revealed that "almost all project officers interviewed […] either saw the deflection of benefits as a major problem in projects under implementation or saw it as a large potential problem. Almost all agreed that it was inevitable that large farmers as well as small farmers would benefit from the Bank's projects."[71]

---

operating, a high proportion have low economic returns due to delayed startup, higher than expected unit investment and operating costs, and lower than expected production levels and operating life," World Bank, Operations Evaluation Department, "Project Performance Audit. Mexico – Integrated Rural Development Project (PIDER I)," June 30, 1983, WB D&R, 6.

[65] Lindheim, *Regional Development*, 103-104.
[66] Ibid., 100-101, 194-195.
[67] Ibid., 183, 194-195
[68] Ibid., 195.
[69] Ibid., 183.
[70] Ayres, *Banking on the Poor*, 134.
[71] Ibid., 136.

The World Bank's involvement in the massive Indonesian resettlement program illustrated some of the disastrous effects that could come with the Bank's ambition to design "new style" projects that attempted to assist the largest number of people possible at a low cost. In the Transmigration Program the Indonesian government resettled around 3.6 million people from Java to the outer islands of Indonesia, between 1903 and 1990. These resettlements in many cases had disastrous effects on the natural environment and on indigenous populations living on the outer islands.[72] The World Bank got involved in this program with a first pilot project in 1976. The pilot project resettled 4,500 families and invested into tree-crop production in their new location. According to the Bank's own assessment tree crops worked well as an agricultural component of the project. The entire project costs were, however, quite high with $58 million (of which the Bank covered $30 million) producing a cost of roughly $12,900 for each resettled family.[73]

After this first project the Bank had a heated internal discussion about how to continue with the Bank's engagement in the transmigration scheme. The second project came in 1979 and tried to abide to the "new style" ideal of projects by attempting to resettle 30,000 families at a lower cost per family. While agriculturalists and soil specialists recommended a similar approach as in the pilot project that focused on tree-crops, Bank managers disregarded their advice and voted for an agricultural component that focused on food production in order to save costs per family. This focus on food production failed and had to be abandoned during the implementation of the project.[74] A contemporary journalist reporting on the Bank's development projects in Indonesia pointed out that there was a heated debate within the Bank about the transmigration projects and that the dispute over them "has caused more internal bitterness at the World Bank here than most people can remember on any other project."[75]

These examples of the difficulties that were built into the Bank's design of rural development and into the quantitative appraisal and monitoring of the projects do not entail that they were equally present in all Bank projects and that they determined the shape and outcome of all Bank projects

[72] World Bank, Operations Evaluation Department, "ED Précis – Transmigration in Indonesia," September 1994, WB D&R, 1.
[73] World Bank, Operations Evaluation Department, "Indonesia Impact Evaluation Report. Transmigration I, II, III," March 22, 1994, WB D&R, iii.
[74] Ibid., x; World Bank, Operations Evaluation Department, "ED Précis – Transmigration in Indonesia," September 1994, WB D&R, 3.
[75] Barry Newman, "Missing the Mark in Indonesia. Attempts by World Bank to Aid the Poor often go astray," *Wall Street Journal*, November 10, 1977.

on the ground. However, it is important to understand that these difficulties were systemic and inherent to the logic of operation of the Bank as a financial institution under the leadership of Robert McNamara. There was a quick process of disillusionment with rural development already by the end of the 1970s and the conservative renewal of the development belief at the World Bank that was analyzed in the previous chapter came into quick demise. While some aspects of this disillusionment had to do with the larger economic crisis of the second half of the 1970s, there was also a recognition of many problems that were intrinsic to the Bank's approach to rural development.

The Bank's Problems with Rural Development

By the end of the 1970s, it was clear that a lot of the most innovative and ambitious rural development projects were having major problems[76] and that it had been impossible to really integrate rural development into the operational logic of the World Bank as a financial institution. Both points shall be discussed in the remainder of this chapter.

By the end of the 1970s, there was a severe crisis of the World Bank's overall operational approach.[77] This crisis was larger than the problems attached to the rural development agenda and was affected by the broader economic crisis and the rapid expansion of the Bank as an institution more generally. Nevertheless, rural development played an important role in a lot of the aspects of this crisis. At its core, the crisis of the Bank's operational approach revealed the tension that existed between the institutional requirements of being a financial and a development organization. Several different problems and elements came together in this crisis of the Bank's operational approach that shall be analyzed now: problems with the slow disbursement of funds, the demand by the Bank's richer member states to maximize the Bank's budget, and staff morale problems.

At the end of the 1970s, the World Bank's management on several occasions discussed the problem of a slow rate of disbursement of the Bank's committed funds.[78] At the end of the decade, a possible

[76] World Bank, Operations Evaluation Department, "Rural Development Projects: A Retrospective View of Bank Experience in Sub-Saharan Africa," October 12, 1978, WB D&R; Judith Tendler, World Bank Staff Working Papers, *Rural Projects through Urban Eyes. An Interpretation of the World Bank's New Style Rural Development Projects* (Washington D.C.: World Bank, 1982) WB D&R, i-ii.
[77] Patrick Sharma provides a useful and detailed discussion of this crisis even though he has a different focus of analysis than I have, see Sharma, *McNamara's Other War*, chapter 7.
[78] See for example PC, February 13 and May 1, 1978, RPRM, WBGA, folder 1770829 & PC, June 20, September 26, and December 18, 1978, RPRM, WBGA, folder 1770830. Patrick Sharma provides a detailed analysis of these

negative net disbursement rate was looming as a great danger to the Bank's image as a development institution that actively channeled capital from its richer member states to its borrowing countries.[79] While slower disbursement rates were a general problem of project loans in comparison to program loans which could be used more flexibly and quickly, it was especially a problem of rural development projects with complex and experimental institutional and project designs. This was also discussed as a problem in the Board of Executive Directors. The Indian Executive Director, for example, observed that "new-style projects", meaning mostly innovative rural development projects, took even longer than the average seven years for project implementation. He criticized that this entailed that the borrowing countries could only make very slow use of the resource transfers involved in the Bank's loans.[80]

There were numerous aspects that could delay the implementation of rural development projects, ranging from problems of finding adequate staff and a lack of counterpart funds by the government, to lengthy coordination processes of different government institutions involved in multi-sectoral projects and the difficulties involved in finding locally tested agricultural packages that could be extended to farmers. When the Bank's management was looking at the organization's actual resource transfers, meaning the use and disbursement of funds and not just their commitment on paper, all of these implementation problems translated into the problem of a 'slow disbursement rate'.[81] Rural development in particular was simply not an adequate lending endeavor to quickly channel large amounts of capital.

---

discussions, though with a different focus, see Sharma, *McNamara's Other War*, chapter 7; Sharma, "Bureaucratic Imperatives".

[79] Net disbursements are the total amount of money disbursed to borrowing countries during a year minus the repayment of earlier loans by these countries. The Bank as a development institution wanted to maintain the image that it was actively channeling capital from its rich member states to its poorer borrowing countries which would be indicated by positive net disbursements. Negative net disbursements would imply that the Bank is mostly redistributing the funds which were paid back by developing countries themselves. On the problem of the net transfer decline at the end of the 1970s at the Bank and more generally see also Wood, *From Marshall Plan to Debt Crisis*, 235-239.

[80] IBRD/IDA/IFC, "Transcript of Board Meeting," July 3, 1979, WB D&R, 125, the German Executive Director also made a similar statement about the slow disbursement rate of "new-style projects [that] have become administratively more and more complicated," ibid., 47.

[81] It is interesting to point out that the Bank's senior management in their discussions mentioned several times that they did not really know what caused the slow disbursement rate, see PC, September 26, 1978, RPRM, WBGA, folder 1770830. Even after debating that issue at different points throughout 1978 McNamara observed at the beginning of 1979 that "he was still not comfortable with management's understanding of the disbursement problem", PC, January 18, 1979, RPRM, WBGA, folder 1770831. They often tended to see the problem as only a temporary one caused by the oil crisis See PC, June 20, 1978, RPRM, WBGA, folder 1770830. At the beginning of 1980 McNamara even argued that there was no real problem with disbursements but that it only looked like a problem because the estimates for disbursements had been overly optimistic, PC, March 3, 1980, RPRM, WBGA, folder 1770833.

Another aspect of the crisis of the Bank's operational approach was the imperative of budget maximization. The imperative aimed at achieving high lending levels while keeping administrative costs, which in many cases meant staff costs, to a necessary minimum. Munir Benjenk, Vice President of the Europe, Middle East, and North Africa Department, gave a good summary of the main contradiction involved in the Bank's budgeting and operation system at the end of 1977. He observed that the Bank's rich member states have been very reluctant to allow for a rapid increase in staff and budget but that "in seemingly complete contradiction" there is a

> Realization among Bank operational managers that under the present system of operation and management, there is not enough staff available to prepare an adequate pipeline of projects, of a quality and quantity enabling us to reach the targets which we have set for ourselves. These two opposing points of view can be reconciled only in one way: to look for less expensive ways of conducting our affairs. This may mean a considerable streamlining of our procedures.[82]

In 1977, Benjenk proposed many different measures for "streamlining" the Bank's procedures such as for example abolishing certain project appraisal reports and cuts in the Bank's economic and research work. But he also already alluded to a solution of this internal tension through a different form of loan along the lines of what would become structural adjustment lending. Benjenk raised the question if the Bank should "not make fewer loans of larger amounts and increase our sector lending, with fewer detailed conditions and more macro-agreements on sectoral policy?" as another way of "streamlining" Bank procedures.[83] The fact is that nearly every year the Bank's management debated in the President Council about how they could cut the yearly budget demands by the regions because the Bank's management was aware that the Board of Executive Directors would not allow a too high budget increase for the Bank's administrative and staff expenses.[84]

The budgetary pressure was also discussed and mentioned in the regional departments as something that limited the way in which difficulties could be discussed. As a response to an issue paper on the complexity of technological change one regional agricultural officer observed: "You have in a sense, opened a Pandora's box of complications which, in these days of budgetary constraints on

[82] Munir Benjenk to Robert McNamara, "Perspective 1983," November 30, 1977, Robert S. McNamara Papers, LC, Part I, Box 28, folder 1, page 2. For an example of an (agricultural) operational manager expressing this "contradiction" between a shortages of staff and the goal to meet programmed lending targets see C. Walton to Hans Adler, "Agriculture Projects Programming," July 16, 1976, East Africa Agricultural Record, WBGA, folder 30339853.
[83] Munir Benjenk to Robert McNamara, "Perspective 1983," November 30, 1977, Robert S. McNamara Papers, LC, Part I, Box 28, folder 1, page, 3.
[84] See for example PC, May 10, 1976, RPRM, WBGA, forder 1770827; PC, January 2, 1980, RPRM, WBGA, folder 1770833.

'non-operational' activities, lending by target, and a thin pipeline of projects could well result in a less than welcoming reception in several areas."[85]

The central tension involved here concerned the question about the institutional character of the World Bank. The imperative of budget maximization that was rooted in the Bank's character as a financial institution clearly contradicted the idea of the World Bank as a development institution. As a development institution the World Bank wanted to provide advice, conduct economic analysis and research, carefully design innovative development projects, and have time for monitoring their progress. All of these things involved staff time and administrative costs. Again, the problem here was not confined to rural development but rural development was the most illustrative example for a development problem that required much more staff time and could hardly be reconciled with the imperative of budget maximization and with a 'streamlining' of procedures.

This brings us to the discussions about "staff morale problems" in the World Bank at the end of the 1970s.[86] While some of the problems had to do with compensation issues, other concerns raised by staff were much more directly related to their perception of a declining project quality and to problems with over-control and pressure on staff coming from the Bank's programming and budgeting procedures.[87] In the staff's perception a lot of these problems stemmed from the rapid increase of the World Bank under McNamara and from the introduction of quantitative lending targets which led to a constant pressure to push out money.[88] In an extensive discussion of the staff's perception of a declining project quality Burke Knapp summarized that the issue was concentrated on three different areas: "(a) that we were pushing loans which stretched the creditworthiness of the borrowers; (b) that we were pushing loans which were not meeting minimum priority standards; and (c) that the conditions attached to the projects were not adequate to achieve the objectives."[89] The Bank's management argued that this was only a problem of staff perception and McNamara firmly rejected the notion that any such problem was connected to the rapid expansion of the Bank.[90]

---

[85] Pickering to Graham Donaldson, "Farm Technology Issues Paper – Revised Draft," March 9, 1977, East Africa Agricultural Record, WBGA, folder 30339854.
[86] See for example PC, April 17, 1978, RPRM, WBGA, folder 1770829; PC, July 5, 1978, RPRM, WBGA, folder 1770830.
[87] See for example PC, January 17, 1977, RPRM, WBGA, folder 1770828.
[88] See also Sharma, *McNamara's Other War*, 141-143.
[89] PC, January 31, 1977, RPRM, WBGA, folder 1770828.
[90] Ibid.

The staff's perception did not change, however, and similar discussions kept coming up in the meetings of senior management. In spring of 1979, Hollis Chenery suggested that "quality versus growth issues" were plaguing staff at the Bank and were at the root of some of their concern.[91] McNamara obstinately refused to consider any tension between quality and quantity at the World Bank: "Mr. McNamara said that undoubtedly the LDCs [less developed countries] needed capital. In his view, there had never been a quality versus money trade-off. To the contrary Bank growth had improved the quality of its work."[92] However, this was not the shared perception of staff at the World Bank, especially with regards to rural development which was the major qualitative shift in lending endorsed by McNamara.

The Bank's Operation Evaluation Department published a sweeping critique of past experiences with rural development in Africa in 1978.[93] But the disillusionment with rural development was not confined to Africa, although it was strongest there. In 1982, one Bank official was able to summarize the Bank's "disappointment" with "new-style" rural development projects quite comprehensively and independently from any specific region: "(1) They have reached the poor much less than was hoped; (2) they have taken longer to design, negotiate and execute than was expected; (3) they have had difficulty in building and leaving behind institutions that are able to function on their own and actually deliver services to the poor."[94]

The discussions about the slow disbursement of loans, budget maximization, and staff morale problems revealed the profound tension and contradiction that existed in the World Bank between the institutional requirements of being a financial and a development organization. While this tension was a general one, rural development was the most illustrative example for this inherent contradiction at the World Bank. Ultimately it had proven to be impossible to reconcile an ambitious and carefully designed program for rural development with the imperatives of the Bank as a financial institution.

[91] PC, April 30, 1979, RPRM, WBGA, folder 1770831.
[92] Ibid.
[93] World Bank, Operations Evaluation Department, "Rural Development Projects: A Retrospective View of Bank Experience in Sub-Saharan Africa," October 12, 1978, WB D&R. While the report only reviewed rural development projects that were appraised before 1973, the problems it identified were very similar in recent Bank projects.
[94] Judith Tendler, World Bank Staff Working Papers, *Rural Projects through Urban Eyes. An Interpretation of the World Bank's New Style Rural Development Projects* (Washington D.C.: World Bank, 1982) WB D&R, i.

The Failure of Rural Development in Africa

The Bank's own assessment of its rural development projects in Africa[95] is quite clear in seeing them largely as a failure. The Bank's evaluation report from 1978 noticed that while rural development projects in Africa as a whole had a satisfactory economic rate of return this was not based in the projects themselves but in "unanticipated benefits" coming from outside of the Bank's projects.[96] The evaluation report noticed that most of the projects failed to achieve the production goals they were designed for. On paper they were, however, successful because world market prices for commodities had been rising which meant that farmers were gaining more, despite the projects' unsuccessfulness in expanding production. In the Bank's technical language this was expressed in the following way: "While production targets were thus largely not achieved, the re-estimated rates of return of the projects under review remain satisfactory because of sharp increases in commodity prices, bringing unanticipated benefits to both Government and farmers."[97]

The next Bank evaluation from 1988 that included most of the projects prepared after the Nairobi address of 1973 made the failure of rural development projects in Africa unmistakably clear: "The most conspicuous project failures were in the large group of area development projects, especially the many Sub-Saharan African ones, only a minority of which succeeded to some degree."[98] It should be mentioned here one more time that this does not mean that all of these projects were 'failures' if we analyze them from the perspective of local and national administrators or from the lived experience of people that were affected by them. The Bank's evaluation reports largely focus on quantitative goals that were set upon project appraisal and on whether these were being met and achieved. Other standards of evaluation and of 'failure' would be possible and desirable. The Bank's evaluation reports are not a good means to trace a possible deflection of the benefits of investments or their appropriations and alternative uses by people on the ground.

[95] "Africa" in this section means all of the countries on the continent with which the Bank had an active lending relationship over the 1970s (this was not the case for South Africa for example), excluding Morocco, Algeria, Tunisia, Libya and Egypt which for the World Bank belonged to a different world region and were included in the Bank's Europe, Middle East and North Africa Department. The rest of the countries were grouped together in two Bank departments one for East and another one for West Africa. The Bank itself sometimes speaks of them together by using the term "Sub-Saharan Africa". This term, however, usually includes countries such as Mali and Sudan which are geographically not south of the Sahara.

[96] World Bank, Operations Evaluation Department, "Rural Development Projects: A Retrospective View of Bank Experience in Sub-Saharan Africa," October 12, 1978, WB D&R, 4, 6.

[97] Ibid., 6.

[98] Operations Evaluation Department, *Rural Development. World Bank Experience, 1965-86* (Washington D.C.: World Bank, 1988), WB D&R, xvi, see also page 25.

But the Bank's own assessment revealed serious flaws in project design and major deficiencies in institutional set-up. The interesting question from our perspective on the Bank as an organization is how the World Bank analyzed and explained this failure of its rural development projects in Africa and which kind of lessons the Bank took from these analyses. As a first step in understanding the failure of the Bank's rural development projects in Africa it is important to point out that the form rural development took in the Bank differed significantly between different world regions.

One reason for the disillusionment with rural development projects in Africa was that the Bank was experimenting much more with complex area development projects it had little experience with in Africa than in some other world regions. In the Bank's lending to Europe, the Middle East and North Africa (ENEMA) and to Asia, the most frequent form rural development took were irrigation projects and the investment portion that went into infrastructure in these regions was in general comparatively high.[99] The Bank was already quite familiar with these type of investments and had conducted similar projects before rural development was established as a new category of lending. Now the same projects were labeled as rural development, as long as the Bank's appraisal reports estimated that 50 per cent of the beneficiaries were poor people in rural areas. In its own evaluation the Bank noticed that "there was clearly a degree of tokenism in relabeling the conventional project pipeline to conform with the RD [rural development] project definition."[100] This tokenism was most visible in the projects prepared and conducted by the Bank's regional departments for Asia and for ENEMA.

In East and West Africa as well as in Latin America the dominant form rural development took were area development projects.[101] These area development projects as a whole had worse performance rates than other rural development projects in all regions according to Bank assessments and standards.[102] But the record was particularly bad in East and Southern Africa where according to Bank analysis twelve out of fifteen area development projects in the region had failed.[103] In comparison with irrigation projects area development projects usually attempted to

[99] Ibid., 19, 119-121.
[100] Ibid., xiv.
[101] Area development projects accounted for roughly 58 per cent of all rural development projects in East and West Africa and for 68 per cent in Latin America and the Caribbean between 1974 and 1979. In comparison they only made up 25 per cent of all rural development projects in the two Asian regions combined and 30 per cent in the ENEMA region. The percentage shares are based on my own calculations from the tables in ibid., 116-121.
[102] Ibid., 25.
[103] Ibid.

reach a larger group of beneficiaries in a specific area at a low cost per person.[104] The agricultural component usually consisted of a mixture of extension work, the distribution of fertilizers and agricultural credit that were less expensive than the construction of irrigation infrastructure per beneficiary. Area development projects were more specifically designed for implementing the broad vision of fighting rural poverty that was announced in the Nairobi address. They often included a mix of productive components focused on agricultural productivity and social elements like building rural schools or health clinics.[105]

The first example of a Bank area development project in Africa that was often mentioned and discussed by the Bank was the Lilongwe project in Malawi that was approved in February of 1968.[106] As discussed in chapter two, the Lilongwe project had very clear links to the British colonial land settlement schemes in Kenya, both in its design and in continuities in personnel preparing the project.[107] Many Bank area development projects would follow the basic principles of project design started in Lilongwe that enabled colonial continuities in postcolonial agricultural development projects. In many area development projects in Africa a large portion of project costs were used for expatriate staff and foreign advisors and a lot of the projects were implemented by a semi-autonomous project unit that was not part of the regular government structure.[108] Similarly to the Lilongwe project many other area development projects in Africa would actually struggle or completely fail to achieve their central objective of increasing agricultural production.[109]

For the remainder of the chapter I will analyze how the Bank discussed the problems and failures of its rural development projects in Africa at the end of the 1970s. There were two dominant themes and issues in the Bank's discussion: (i) the difficulty of finding a viable agricultural package to increase production and (ii) institutional deficiencies and a lack of contribution to long-term institution building. It is important to point out that the Bank itself was implicated in the analysis

[104] Ibid., 25.
[105] Ibid., 22, 25.
[106] For the Bank discussing it as a central example for an area development project see for example ibid., 22-23; World Bank, "Rural Development Sector Policy Paper," February 1975, WB D&R, 47.
[107] See also Traugh, "Building a Nation of Farmers," 14; Hodge, "British Colonial Expertise," 39-40.
[108] In the case of Lilongwe one third of the project costs were for financing mainly foreign extension staff, IDA, "Report and Recommendation of the President to the Executive Directors on a Proposed Development Credit to the Republic of Malawi for the Lilongwe Agricultural Development Project," January 22, 1968, WB D&R, 3.
[109] For the Lilongwe project and Malawi more generally the Bank's evaluation report noticed that "the record of project performance as measured in the light of long-term impact has been disappointing. The high agricultural growth in Malawi has been almost entirely due to the estate sector […] where the Bank until recently had not been involved," World Bank, Operations Evaluation Department, *Rural Development. World Bank Experience, 1965-86* (Washington D.C.: World Bank, 1988), WB D&R, 83.

of the failure of rural development projects at the end of the 1970s. It was only at the beginning of the 1980s, as analyzed in the next chapter, that the World Bank started to advance a narrative that almost exclusively blamed African states and governments themselves for the failure of rural development projects.[110]

One of the main difficulties of the rural development projects in Africa (but also elsewhere) was that the Bank in many cases did not have viable and locally tested agricultural technologies and packages at hand which would produce the increases in agricultural productivity around which the projects were designed.[111] The Bank compensated this through a leap of faith in coming up with a viable package during project implementation which in most cases was not successful. The Bank's own evaluation reports were quite clear that the focus on increasing agricultural production had proven to be unsuccessful in areas without irrigation in which the Green Revolution package was not an easy answer.[112] The evaluation report of 1988 observed in this regard that "the experience from audited projects suggests that in general there was a pattern of overoptimism and sometimes even plain error with regard to agricultural technology. Only in a few rare cases was there sufficient caution on the technology issue."[113]

The Bank's evaluation of African rural development projects from 1978 also observed that there was usually no risk analysis of the new agricultural package in the appraisal of the project and that they were presented with "unwarranted confidence."[114] The packages that were designed also disregarded the main constraints and motivations of African farmers by focusing on maximizing yield per hectare, whereas farmers that were confronted with labor shortages during peak seasons were more interested in maximizing their return per workday.[115] The World Bank's disillusioned

[110] This was most clearly expressed in the discussion of agricultural policy in the Bank's ominous so-called Berg report of 1981, named after its principal author Elliot Berg, see World Bank, *Accelerated Development in Sub-Saharan Africa. An Agenda for Action* (Washington D.C.: World Bank, 1981), WB D&R. The report will be discussed in more detail in the next chapter.
[111] "A technical package that would raise productivity was an essential component of most rural development projects. If for no other reason, this was required at appraisal to justify the benefits projected for the rate of return calculation. Such a package was identified or sometimes assumed for every project, although it was not always clearly defined and frequently had not been tested in the project's environment," World Bank, Operations Evaluation Department, *Rural Development. World Bank Experience, 1965-86* (Washington D.C.: World Bank, 1988), WB D&R, 30.
[112] Ibid., 30; World Bank, Operations Evaluation Department, "Rural Development Projects: A Retrospective View of Bank Experience in Sub-Saharan Africa," October 12, 1978, WB D&R, 14-20.
[113] World Bank, Operations Evaluation Department, *Rural Development. World Bank Experience, 1965-86* (Washington D.C.: World Bank, 1988), WB D&R, 29.
[114] World Bank, Operations Evaluation Department, "Rural Development Projects: A Retrospective View of Bank Experience in Sub-Saharan Africa," October 12, 1978, WB D&R, 17.
[115] Ibid., 19.

summary concluded that "project experiences indicate that the profitable and reliable technologies suitable for diffusion to small farmers were often not available, especially in areas with lower natural potential. As a result of this situation, uptake rates by farmers were lower than envisaged at appraisal and project impact was correspondingly reduced."[116]

Another problem and source of failure of rural development projects was rooted in the lack of attention that was paid to institution building and in the complexity of area development projects that overburdened the existing administrative capacity in many borrowing countries. The two basic forms of rural development administration were already discussed and analyzed in a Bank internal study of 1975. The Bank either created (semi-) autonomous project units that were separated from the political and administrative apparatus in the borrowing countries or it relied on existent national administration structures.[117]

In the eyes of the Bank autonomous project units promised a quick implementation of projects by helping to bypass inefficiencies and a lack of trained staff in the existing government administrations. At the same time they helped to exacerbate problems of a low administrative capacity by building separate administrations with different interests and wage policies.[118] Separate project units also posed major challenges for the long-term success of projects after their initial funding period because they had to be integrated back into the existing administrative structures.[119] In many African area development projects the hindrance of autonomous project units for long-term institution building was exacerbated by the fact that they made extensive use of "foreign experts", as a form of "technical assistance."[120] In the Bank's evaluation of its area development projects in Nigeria and of the Lilongwe project in Malawi the Bank discussed the negative effect of using an autonomous project unit with many foreign experts on local institution building.[121] With regards to the Lilongwe project that was the model for this type of project design the Bank noticed that "from Malawi's point of view, it would have been worthwhile to sacrifice some degree

[116] World Bank, Operations Evaluation Department, *Rural Development. World Bank Experience, 1965-86* (Washington D.C.: World Bank, 1988), WB D&R, 30.
[117] Uma Lele, *The Design of Rural Development. Lessons from Africa* (Baltimore and London: The John Hopkins University Press, Published for the World Bank, 1975), WB D&R, chapter 8 and 9.
[118] Ibid., 182-183.
[119] World Bank, Operations Evaluation Department, *Rural Development. World Bank Experience, 1965-86* (Washington D.C.: World Bank, 1988), WB D&R, 33.
[120] Ibid., 33-34.
[121] Ibid., for Nigeria see pages 74-79, for Malawi see page 85.

of efficiency in the physical and timely implementation of the program as a price for building a local capability and local institutions to conceive and implement future development programs."[122]

In both East and West Africa the Bank was strongly relying on ex-colonial civil servants from the United Kingdom, France and the Netherlands for staffing these autonomous project units because they constituted the "'traditional' market for expatriate agricultural expertise."[123] This model of implementing rural development projects was criticized on many occasions and from different angles as a costly endeavor that kept countries in a dependent position and disregarded the view of local administrators.[124] In a discussion about high costs and long employment times for expatriate staff in a project on rice cultivation in Cameroon, for example, one Executive Director noticed that the project "seemed to have an uncomfortable air of paternalism."[125]

Several factors played a role for this organizational set-up of rural development: One was the interest and good connections of ex-colonial civil servants for selling their expertise. There was also a prevalent continuity of a colonial perception of Africa in the Bank, in which any lack of qualified staff needed to be compensated by outside 'experts'. The Bank's goals and imperatives as a financial institution to quickly channel large amount of loans and to implement these without delays were another important aspect that contributed to the Bank's inclination for autonomous project units.

There were also other cases in which the Bank relied on existing government administrative structures to implement rural development projects. In many cases the very ambitious design of area development projects overburdened the existing local government capabilities, however.[126] Area development projects included the task of coordinating agricultural activities and the construction of social infrastructure which involved different ministries, coming up with a viable agricultural package, and organizing viable extension services. Bank reports of the middle of the 1970s had already warned that area development projects "tend to suffer from a program design

---

[122] Ibid., 85.
[123] See J.B. Hendry and F. van Gigch to Willy Wapenhans and W.P. Thalwitz, "Technical Assistance for Agriculture in Sub-Saharan Africa," March 28, 1980, West Africa Agricultural Record, WBGA, folder 1420256, page 1.
[124] See Statement of Mwai Kibaki, Minister of Finance and Governor of the Fund and Bank for Kenya, Annual Meeting 1970, cited in World Bank, Operation Evaluation Department, "Project Performance Audit Report. Kenya First Livestock Development Project," October 19, 1976, 6; Lele, *The Design of Rural Development*, 176-178.
[125] IBRD/IDA/IFC, "Summaries of Discussions at Meeting of the Executive Directors of the Bank and IDA," January 19, 1978, RA, S-1387 G Ga L0043, folder 28, page 6.
[126] World Bank, Operations Evaluation Department, *Rural Development. World Bank Experience, 1965-86* (Washington D.C.: World Bank, 1988), WB D&R, 26.

that is too ambitious and complex, calling for exceptional leadership that cannot always be made available on a sustained basis."[127] One example for an overambitious project design that failed because it overburdened existing local government capabilities was the Kigoma rural development project in Tanzania that was approved in 1974.[128] The Bank's review of the project concluded that one of the lessons to take from its failure was that the project design should have been simpler, should have focused on some core aspects, and that more emphasis should have been given to strengthening local and regional government capacity.[129]

Conclusion

The chapter analyzed the difficulties and contradictions that were entailed in the World Bank's attempt to actually implement a focus on rural development in its operations and to translate the Nairobi agenda into bankable projects. While the Bank was flexible in working through numerous different government programs for rural development, it also tried to make rural development fit into the operational logic of the World Bank as a financial institution. Furthermore, rural development also had to fit into the management and programming logic of the Bank under McNamara that heavily focused on quantitative indicators.

The sense of mission that came with rural development as a conservative renewal of the development belief in the World Bank got into a quick demise already at the end of the 1970s. By that time, it was clear that it had been impossible to really integrate rural development into the operational logic of the World Bank as a financial organization. The crisis of the operational approach of the World Bank was characterized by a profound contradiction between an emphasis on quantity and on quality and between the idea of a development and a financial institution. The crisis was certainly larger than the lending program for rural development but with rural development representing the main qualitative innovation in the Bank's lending portfolio of the 1970s, the problems associated with it were a powerful indicator for the overall problem.

[127] World Bank, "Rural Development Sector Policy Paper," February 1975, 47; see also Lele, *The Design of Rural Development*.
[128] See World Bank, Operations Evaluation Department, "Project Performance Audit Report. Tanzania Kigoma Rural Development Project," December 28, 1983, WB D&R, 5-7.
[129] Ibid., 7, 11.

By the end of the 1970s, it was also clear that a lot of the most innovative and ambitious rural development projects were having major problems and there was a profound disillusionment particularly with rural development projects in Africa. The World Bank itself and its project design were implicated in the Bank's analysis of the failure of rural development projects at the end of the 1970s.

When the economic crisis in the form of the second oil price 'shock' and the recession in OECD countries arrived in 1979, the World Bank's new believe in a vigorous program for rural development was already in demise. The next chapter will analyze the Bank's turn to structural adjustment. On the one hand, it will focus on the entanglement of the Bank's discussion about program lending that transformed into structural adjustment lending with the larger North-South conflict of the 1970s. On the other hand, the next chapter will also point to the new analysis the Bank adopted at the beginning of the 1980s, in which it mostly blamed African states and governments for the failure of rural and other development.

Chapter 6

The Bank's Turn to Structural Adjustment Lending

In May of 1980, a little bit more than one year before Robert McNamara stepped down from the presidency of the World Bank, the Bank's Board of Executive Directors adopted a new instrument of Bank lending, so-called structural adjustment lending (SAL).[1] SAL was a reformulation of the World Bank's program lending against the backdrop of the economic crisis at the end of the 1970s. SAL would become an important and the most controversial lending tool of the World Bank over the next decades. It provided the Bank with the necessary leverage to put pressure on borrowing countries to make wide-ranging economic policy changes. It was especially through this type of loan that the Bank participated in what has come to be called the "Washington Consensus"[2] of the 1980s and 1990s, putting pressure on many borrowing countries to liberalize and deregulate their economies, to cut government spending (which often meant social spending), and to privatize social infrastructure and publicly owned businesses.

The introduction of SAL symbolically highlights the fundamental break that happened between the 1970s and 1980s. In the World Bank this can be analyzed as the change from a rhetoric of poverty alleviation, experiments with integrated rural development and theoretical discussions around basic needs to an emphasis on macroeconomic policies and of working closely together with the IMF in the Washington Consensus. Even in a larger perspective that is not primarily concerned with the World Bank, SAL can be seen as a symbol marking the rupture and change from heated political discussions about a NIEO in international forums during the 1970s, to the hegemony and power of a model of financial globalization that emphasized the role of markets, exports, and of multinational

[1] Some parts and arguments of this chapter have already been published in a similar version in the *Rivista italiana di storia internazionale*, see Verena Kröss, "The North-South Conflict in the World Bank. Understanding the Bank's Turn to Structural Adjustment Lending," *Rivista italiana di storia internazionale*, 3:2 (2020): 247-268 (DOI: 10.30461/99714).

[2] The term "Washington Consensus" was coined by the economist John Williamson to describe a set of ten policy prescriptions for countries experiencing economic crisis that were promoted over the 1980s by the three Washington-based actors the World Bank, the IMF and the U.S. Treasury. The policy prescriptions focused on fiscal discipline, the liberalization and deregulation of economic activity and privatization of state enterprises among other things, see Williamson, "What Washington Means by Policy Reform."

companies starting in the 1980s, which one scholar has aptly labeled as the rise of the "real new international economic order."[3]

While there have been many studies on the effect, the lack of effectiveness, and the destructiveness of the World Bank's SAL[4], much less attention has thus far been paid to analyzing the Bank's turn to SAL historically. In most cases the World Bank's turn to SAL is simply subsumed under the wider economic and political policy shifts at the beginning of the 1980s, most importantly the election of Ronald Reagan as the new president of the United States at the end of 1980 and the handling of the Latin American debt crises starting in Mexico in 1982.[5] Yet it has to be pointed out that the introduction of SAL in the World Bank in May of 1980 happened before Ronald Reagan was elected at the end of the same year.

Most scholars working more closely on the history of the World Bank have paid attention to these differences in chronology. Their analysis instead focused on the bureaucratic and internal organizational logic of the World Bank. In these analyses the introduction of SAL is mainly analyzed as a reform project of the Bank's management.[6] This is also the case for Patrick Sharma's recent analysis. Sharma emphasizes the importance of SAL for solving the operational crisis of the World Bank at the end of the 1970s. His analysis thus focuses on the bureaucratic character of the World Bank as an international organization.[7]

This chapter instead analyzes the introduction of SAL in the World Bank against the backdrop of the larger political and economic situation at the end of the 1970s. The Bank was leaving the 1970s and was on the cusp of a new era of the 1980s. Structural adjustment lending stands as a bridge between the two decades still carrying some characteristics of both at the moment of its inception.

The chapter makes two arguments for a better historical understanding of the introduction of SAL in the World Bank. First, it demonstrates that SAL cannot be reduced to being a "bureaucratic imperative" and a reform proposal of the Bank's management.[8] Newly declassified records from

[3] Mark Mazower, *Governing the World. The History of an Idea* (London: Penguin Book, 2013), chapter 12; see also Gilman, "The New International Economic Order," 1.
[4] See for example Mosley et al., *Aid and Power. Vol. 1 and 2*; van de Walle, *African Economies*; Babb, "The Social Consequences of Structural Adjustment".
[5] See for example Mazower, *Governing the World*, 353, 366.
[6] Kapur et al., *The World Bank. Vol.1*; 506-510; Mosley et al., *Aid and Power. Vol. 1*, 34.
[7] See especially Sharma, "Bureaucratic Imperatives" but also Sharma, *McNamara's Other War*, chapter 7.
[8] Sharma, "Bureaucratic Imperatives".

the Bank's Board of Executive Directors demonstrate that political debates and economic struggles were involved in the discussion about SAL at the moment of its inception.

The debate about program loans that transformed into the conception of SAL was in fact the central issue around which the larger North-South conflict of the 1970s took place within the World Bank. In the Bank this conflict was about the access to international financial resources, the conditions that were attached to them, and about the question of who controlled the access to these resources.

Second, the chapter will point to the role the disillusionment with past development projects, in particular with rural development projects in Africa, played in the Bank's turn to SAL. It is important to understand that the turn to SAL in 1980 was not motivated by a clear-cut ideological shift.[9] The neoliberal "counter-revolution" in development economics[10] only established itself ideologically in the World Bank, with the change in presidency from Robert S. McNamara to Alden W. Clausen in July 1981 and the change in chief economist from Hollis Chenery to Anne Krueger in 1982.[11] But when the wider ideological changes started to take root in the World Bank at the beginning of the 1980s, they hit on fertile ground in a Bank that was deeply frustrated with African governments and with its own experiments with rural development of the 1970s. The focus on macroeconomic policies and the morally charged analysis of an "urban bias" of policy makers that the Bank adopted at the beginning of the 1980s provided a way out of the intricacies of the failure of rural development projects that were analyzed in the last chapter.

Sidestepping the Economic Crisis and the NIEO

During the middle of the 1970s, the World Bank was quite successful at sidestepping both a direct engagement with the economic crisis after the first oil price 'shock' and with the demands of the countries of the South that culminated in the declaration of the NIEO in May of 1974.[12] The World Bank transformed into the powerful and influential development finance organization that we know today by staying at arms-length from providing direct economic assistance to alleviate the

[9] Kapur et al., *The World Bank. Vol.1*, 511.
[10] See John Toye, *Dilemmas of Development. Reflections on the Counter-Revolution in Development Theory and Policy* (Oxford: Basil Blackwell, 1987)
[11] On these changes see Kapur et al., *The World Bank. Vol 1*, 339, 511.
[12] On the latter see also Sharma, "Between North and South", 6.

economic crisis of the middle of the 1970s and from debates about wide-ranging economic reforms in the UN and other international forums. Both points shall be elaborated in some more detail here.

As described in chapter four, the economic crisis during the middle of the 1970s was a combination of a food crisis and a rapid increase of the price of oil which was combined with a high inflation rate and recession in the countries of the North.[13] Many developing countries were also struggling with a high volatility of international prices for commodities which implied the unpredictability of export earnings.

The World Bank analyzed the difficult situation the economic crisis had created for a lot of its borrowing countries and noted that the poorest countries only had limited means of adjusting to this crisis.[14] However, the Bank did not come up with any systematic approach of how to react to and tackle the difficult economic situation many of its borrowing countries were facing since the middle of the 1970s. During the decade, the World Bank, as well as the IMF, were sidelined in their importance as financial institutions by Western commercial banks which "recycled" the oil surpluses by investing them in developing countries and elsewhere.[15]

Even though World Bank lending multiplied, private bank holdings of all developing country debt increased rapidly from 12 percent in 1970 to 43 percent in 1980.[16] The new availability of commercial bank funds that came with little immediate strings attached was a crucial factor in the rise of developing country debt over the course of the decade. Total external debt of all developing countries rose from about $66 billion in 1970 to $482 billion in 1980.[17] However, access to these commercial funds was highly unequal for different developing countries and was largely confined to a handful of middle-income countries. In the middle of 1979, five countries (Brazil, Mexico,

---

[13] For a more general overview on different elements of economic crisis and changes in the international political economy of the 1970s see Sargent, "The Cold War."
[14] See the discussion in chapter four and World Bank, "Prospects for the Developing Countries," July 8, 1974, WB D&R.
[15] On the rise of commercial bank lending in the wake of the first oil price 'shock' see for example Carlo Edoardo Altamura, *European Banks and the Rise of International Finance. The post-Bretton Woods era* (London, New York: Routledge, 2017), chapter 3.
[16] World Bank, *World Development Report 1981* (Washington D.C.: The World Bank, August 1981), WB D&R, 57.
[17] World Bank International Debt Statistics, https://data.worldbank.org/indicator/DT.DOD.DECT.CD (last accessed October 16, 2020)

Venezuela, Spain, and Argentina) accounted for roughly 47 percent of all the claims of commercial banks to developing countries.[18]

Throughout the 1970s, low-income states were still to a large degree dependent on official development resources such as the ones from the World Bank. While the Bank continued to increase its general lending level, this lending was mostly for new development projects that took several years to implement. Expanded levels of project lending were not a quick reaction to the economic crisis. When the economic crisis arrived at the middle of the 1970s, the World Bank's policy focus was on designing new lending strategies for complex multi-sectoral rural development projects and not on quick and easy to use program loans. On average program loans only accounted for five per cent of all the lending commitments the World Bank made over the course of the 1970s.[19] Notwithstanding the Bank's analyses of crisis and of financing needs of developing countries, program lending remained even lower than the share of seven to ten per cent that McNamara had estimated for this type of lending in 1970.[20] All in all, the World Bank's role in financing balance of payment deficits and in providing financial resources in the form of program loans to react to the immediate economic crisis of the middle of the 1970s remained very limited and confined to a handful of special country cases.[21]

The World Bank was also quite successful at sidestepping the demand for structural economic reforms and the proposal for a New International Economic Order during the middle of the 1970s. We have already seen in chapter four that the Bank's new emphasis on absolute poverty *within* countries and the focus on rural development stood in direct tension with the NIEO's focus on tackling the inequalities *between* states.[22]

---

[18] See table 3.4 in World Bank, *World Development Report 1980* (Washington D.C.: The World Bank, August 1980), WB D&R, 27.

[19] See World Bank, Staff Study, "The Bank's Recent Experience with Program Lending," February 29, 1980, WB D&R, Table 2 on page 8. The average percentage share of program lending for IBRD (2.7%) and IDA (11.2%) are quite different which can mainly be explained by the fact that Bangladesh and India received their program loans from IDA. For the World Bank it was also more convenient to use IDA funds for program loans because it circumvented a potential critique of financial analysts who usually preferred loans for specific investment projects but were mainly concerned with IBRD.

[20] World Bank, Memorandum to the Executive Directors, "Pearson Commission Recommendations Concerning the Financing of Local Currency Expenditures and Program Lending," December 15, 1970, WB D&R, 17.

[21] World Bank, "A Review of Program Lending Policy and Practice," August 10, 1976, WB D&R, 10-11.

[22] See also Lorenzini, *Global Development*, 156-157.

It is important to understand that although many of the demands of the NIEO were aimed at steering international economic regulations towards UN forums in which the countries of the South held a majority, the IMF and the World Bank were still addressed by the NIEO agenda.[23] The agenda called for a redistribution of power in these two organizations and wanted to make resource flows from them more automatic.

The countries of the South were well aware of the fact that any "right to development"[24] was worth nothing if there were no resources available to finance it. The NIEO thus also was about the right to an access to international financial resources and about the question who was controlling the access to them. The NIEO Programme of Action called for a better representation of developing countries in the Bank and the Fund and for increasing the net flow of resources to developing countries.[25] It also demanded that the "international financing institutions should effectively play their role as development financing banks without discrimination on account of the political or economic system of any member country, assistance being untied."[26] A lot of the proposals of the South that addressed the IMF and the Bank aimed at curtailing the legitimacy and ability of these two institutions to effectively 'discriminate' between states based on political and economic considerations. The goal was to make resource flows to developing countries more automatic and without conditions attached to them. The clearest proposal for this was aimed at the IMF. It was the demand to establish a "link" between development needs and the allocation of special drawing rights (SDR) in the reform discussions of the IMF.[27]

The creation of SDRs were intended to increase international liquidity and to provide additional resources for the growing world economy of the 1960s. From the beginning the debate about the introduction of SDRs was accompanied by proposals to link their allocation to development needs.[28] But by the end of the 1960s, 'the link' had been rejected upon the introduction of SDRs.

[23] This is implied in ibid., point l and o. The Bank and the IMF are more explicitly addressed in the Programme of Action that supplemented the Declaration on the Establishment of the NIEO, see United Nations, General Assembly, "Programme of Action on the Establishment of a New International Economic Order," 3202 (S-VI), May 1, 1974, http://www.un-documents.net/s6r3202.htm (last accessed December 03, 2020). See also James, *International Monetary Cooperation*, 315.
[24] See Whelan, "'Under the Aegis of Man'."
[25] United Nations, General Assembly, "Programme of Action on the Establishment of a New International Economic Order," 3202 (S-VI), May 1, 1974, Section II.
[26] Ibid.
[27] On the discussion of "the link" proposal see Garritsen de Vries, *The International Monetary Fund. Vol.1*, chapter 11.
[28] Ibid., 201-202; James, *International Monetary Cooperation*, 315.

In the end SDRs were allocated according to IMF quotas, even though the countries of the South had demanded a multiple of their quotas.[29] After U.S. President Nixon's announcement to suspend the convertibility of the U.S. dollar into gold in August of 1971, which ended the Bretton Woods monetary system, the link proposal was back on the agenda in the negotiations about a new international monetary system.[30] It was particularly through the proposal for 'the link' that the debate about a reform of the international monetary system was connected with the demand for a NIEO:[31]

> The link provided the most concrete instance of a measure that might push the international monetary system in the direction of the New International Economic Order. To its advocates, it appeared as a means of bypassing the uncertainty and instability of private capital markets and also the conditionality of traditional IMF assistance. Did not one of the functions of the IMF lie in the provision of a mechanism to guarantee additional reserves in the case of need? It was clearly those countries that failed to obtain access to the newly dynamic capital markets that now experienced a reserve problem.[32]

'The link' between development needs and the allocation of SDRs was never established but continued as a proposal that was brought up in international discussions, for example in the report of the Brandt Commission.[33] It also contributed to the politicization of SDRs and their discussion in the IMF.[34] The countries of the South that organized in the IMF as the Group of 24 continued to argue in favor of a link.[35] The United States and Germany in particular blocked any new creation of SDRs until 1978 because they argued that additional SDRs would increase the inflation of the 1970s.[36]

While the World Bank was implicated in the demand for reforms it was quite successful at sidestepping the NIEO agenda. Both the IMF and the Bank largely ignored the international

[29] Stephen Krasner, *Structural Conflict. The Third World against Global Liberalism* (Berkeley, Los Angeles, London: University of California Press, 1985), 138.
[30] Garritsen de Vries, *The International Monetary Fund. Vol.1*, 201-208.
[31] It appeared in the following formulation in the Declaration on the Establishment of a NIEO: "One of the main aims of the reformed international monetary system shall be the promotion of the development of the developing countries and the adequate flow of resources to them;" United Nations, General Assembly, "Declaration on the Establishment of a New International Economic Order," 3201 (S-VI), May 1, 1974, point l.
[32] James, *International Monetary Cooperation*, 315.
[33] Ibid.
[34] Ibid., 316.
[35] The Group of 24 was set up in 1971 in the IMF and was similar to the Group of 77 in the UN in its attempt to coordinate and organize the countries of the South as a block in order to speak with one voice, see Margaret Garritsen de Vries, *The International Monetary Fund. 1972-1978. Cooperation on Trial. Vol.2: Narrative and Analysis* (Washington D.C.: International Monetary Fund, 1985), 976-980.
[36] James, *International Monetary Cooperation*, 316.

platform that had been established in 1974 on demand of the Group of 24 to deal with and negotiate the access and transfer of financial resources for development, the so-called Development Committee. The Committee was a parallel committee to the IMF's Interim Committee which dealt with monetary issues. The difference of the Development Committee was that it was comprised of the Governors of the IMF and the World Bank together.[37] For the IMF the Development Committee was mainly the business of the Bank and it was more concerned with the Interim Committee.[38] The World Bank was largely uninterested in the Committee and disagreed with its working structure which was based on an independent secretariat that organized the meetings and reports in order to make the Committee more independent from the Bank and the IMF.[39] The disinterest of the IMF and the Bank in actually discussing and negotiating financial flows to developing countries in such a committee was mirrored by the countries from the North.[40]

In McNamara's perception, the demands of the South in the NIEO were inherently political (and not economic) demands and he tried to guard what he saw as the non-political nature of the World Bank as an organization[41]. The World Bank only started to get more engaged in the official negotiations between the North and South when its deliberations were stalling elsewhere. The official North-South dialogue that started as a round of negotiations in Paris at the end of 1975, broke down and ended in the summer of 1977.[42] The most visible engagement of the World Bank with the North-South dialogue was that it financed the work of the Brandt Commission starting in 1977. The commission under the leadership of Willy Brandt, former social-democratic Chancellor of the Federal Republic of Germany, also included commissioners from the South that were sympathetic to the NIEO.[43] Retrospectively, the commissioning of the Brandt Report can also be seen as a decision that sidestepped a more direct engagement of the Bank with the demands of the

[37] On this formal set-up of the Development Committee see Garritsen de Vries, *The International Monetary Fund. Vol.1*, 255; Garritsen de Vries, *The International Monetary Fund. Vol.2*, 972-973. The official name of the Development Committee was Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries.
[38] Garritsen de Vries, *The International Monetary Fund. Vol.2*, 973.
[39] Ibid., 973; Robert McNamara, "Talking Points re the Future of the Development Committee," November 22, 1978, Federal Archives of Germany herein after BArch, B213, 16188, pages 13-14. Sir Richard King to Eberhard Kurth, "Development Committee," November 27, 1978, BArch, B213, 16188
[40] Sir Richard King to Eberhard Kurth, "Development Committee," November 27, 1978, BArch, B213, 16188; Robert McNamara, "Talking Points re the Future of the Development Committee," November 22, 1978, BArch, B213, 16188, 8.
[41] See also Sharma, "Between North and South," 193.
[42] These North-South dialogue rounds were called the Conference for International Economic Cooperation at the time. On the dialogue and its end see Garavini, *After Empires*, 220-229.
[43] Prashad, *The Poorer Nations*, 66-67.

NIEO. When the Brandt report came out in 1980, its emphasis on global interdependence and cooperation and the (global) Keynesian proposals it contained were not really up for debate anymore neither in the World Bank itself which had already passed SAL as a new lending program, nor in other international forums.[44]

But the World Bank did not manage to stay away from the larger North-South conflict. The conflict arrived in the Bank in the form of an old but reanimated debate about so-called program loans. The Bank's Board of Executive Directors was divided on this issue along the line of the North-South conflict.

The North-South Conflict in the World Bank

As discussed in chapter one, the question of the form World Bank loans could take was a controversial one since its founding. The Articles of Agreement of the World Bank stated from the beginning in 1944 that "loans made or guaranteed by the Bank shall, *except in special circumstances*, be for the purpose of specific projects of reconstruction or development".[45] There was, however, no definition of these "special circumstances". The Bank's management interpreted them on a case by case basis which was open for political and economic judgements.

As we have seen in previous chapter, the share of program lending was high over the 1950s but was almost exclusively reserved for comparatively high-income countries in Western Europe and Australia[46]. During the 1960s, India and Pakistan were the only countries receiving program loans which was challenged by Executive Directors from Africa and Latin America which tried to obtain access to this form of lending.[47] Over the course of the 1970s, the debate about program lending in the World Bank's Board became entangled with the larger North-South conflict.

Many of the Executive Directors representing countries of the South criticized the low percentage of program lending and the fact that there were no general rules under which countries had access

[44] For the Brandt Report see Independent Commission on International Development Issues, *North-South: A Program for Survival* (Cambridge, Mass.: MIT Press, 1980). See also Prashad, *The Poorer Nations*, 66-76.
[45] Article III, section 4, point vii IBRD, "Articles of Agreement," https://www.worldbank.org/en/about/articles-of-agreement (last accessed December 3, 2020), emphasis added.
[46] See the discussion in chapter one and World Bank, President Memorandum to the Executive Directors, "A Review of Program Lending Policy and Practice," August 10, 1976, WB D&R, annex I-1.
[47] World Bank, "Memorandum of Discussion on Program Lending at Meeting of the Executive Directors," December 3, 1968, PA AA, B 58, Bd. 538 page 2-3, 12.

to this type of loan. Instead program lending depended on the case by case and thus arbitrary decision of Bank management. The demand for an expansion of 'free' program lending was a claim on international financial resources and on an easy access to them. Several Executive Directors representing countries of the North, criticized program lending, however, because it called into question the distinction between the Bank and the IMF.

Both points, the arbitrariness of the decision of the Bank's management about which countries were receiving program loans, as well as the question about the distinction between the Bank and the IMF were producing heated discussions in the Bank's Board of Executive Directors. This can be illustrated well with regards to the Board discussion about a program loan to South Korea in 1976.[48] Most of the Bank's borrowing countries were pressing for an expansion of program lending in general. They criticized the arbitrariness of the Bank management's decision to extend a program loan to South Korea with a view to the "shock" it had experienced due to a sharp increase in import prices but not to other countries that had experienced similar "economic shocks."[49] The Executive Director from Syria went furthest by pointing out that the high lending to South Korea was a "case of political bias."[50] The Bank's management tried to defend their decision as a non-political one arguing that the decision was not based in political considerations but that "Korea had been upgraded for good performance as [the] bank believed 'dedication to development' should be rewarded."[51]

The statement clearly revealed the logic with which the Bank's management was handling program lending in general, as a privileged type of loan that could be extended as a special "reward" at the Bank's will. There were no clear criteria for receiving program loans. Ultimately, they depended on the judgement of the Bank's management that a country was entitled to such a "reward". In the case of South Korea the U.S. Executive Director explicitly endorsed the reward logic of program lending to the country and he took a pragmatic position on program lending as a useful tool to be

[48] See IBRD/IDA/IFC, "Summaries of Discussions at Meetings of the Executive Directors of the Bank and IDA and the Board of Directors of IFC," March 9, 1976, RA, S-1387 G Ga L0042, folder 2; Nordic cable on the Board Meeting, March 9, 1976, RA, S-1387 G Ga L0042, folder 1. The two documents should be read together. The summary provides a good overview of what has been discussed and said at the meeting but it does not specify which Executive Director raised which point or concern. This can often be inferred from the Nordic cable which usually summarizes the different country positions.

[49] IBRD/IDA/IFC, "Summaries of Discussions at Meetings of the Executive Directors of the Bank and IDA and the Board of Directors of IFC," March 9, 1976, RA, S-1387 G Ga L0042, folder 2, 10-11.

[50] Nordic cable on the Board Meeting, March 9, 1976, RA, S-1387 G Ga L0042, folder 1, 3.

[51] Ibid.

handled carefully but flexibly.[52] For the U.S. Executive Director program lending by the World Bank was a political issue that depended on the country in question, endorsing it in South Korea and criticizing it in the case of Tanzania in 1975.[53] There was clearly a continuity of thinking about aid as a specific foreign policy tool involved here that the U.S. Executive Director extended to the World Bank. In contrast to this U.S. position, the Executive Directors of a lot of the European member countries and the one from Japan raised more general concerns about program lending by the Bank. They criticized that in many cases the World Bank was in fact taking over the role of the IMF by financing temporary balance of payment needs through program lending which was the task and responsibility of the IMF.[54]

The World Bank's management was dragging their feet with having a general policy discussion about Bank program lending in the Bank's Board of Executive Directors, likely trying to prevent the political dispute and discussion involved in it. It were some of the Bank's Executive Directors from North and South that demanded a more general policy discussion in the Bank's Board in 1976.[55]

The Bank's policy paper in preparation of this general discussion summarized the management's view of the relationship between the Bank's program lending and IMF lending facilities. It argued that "the two institutions should be conceived as complementary rather than competitive."[56] The Bank's management defended the difference between the short and medium-term focus of the IMF and the long-term focus of the Bank as one of policy and not just of loan maturities.[57]

---

[52] Ibid., 4.
[53] Nordic cable – Report of Board Meeting held October 28, 1975, Ministry of Trade, RA, S-1387 G Ga L0042, folder 1, page 2.
[54] They raised this critique with regards to the program loan to South Koreas, see IBRD/IDA/IFC, "Summaries of Discussions at Meetings of the Executive Directors of the Bank and IDA and the Board of Directors of IFC," March 9, 1976, RA, S-1387 G Ga L0042, folder 2; Nordic cable on the Board Meeting, March 9, 1976, RA, S-1387 G Ga L0042, folder 1. The same critique was also raised by the Executive Directors from France and New Zealand in the discussion of a program loan for Zambia, see IBRD/IDA/IFC, "Summary of Discussions at the Meetings of the Executive Directors," September 7, 1976, RA, S-1387 G Ga L0042, folder 3, page 7-8; Nordic cable – Report of Board Meeting, September 7, 1976, RA, S-1387 G Ga L0042, folder 3, page 2.
[55] During the heated discussion about the program loan to Korea the Executive Director from Syria, supported by the Canadian and the German Executive Director, requested a paper from the Bank's management on the criteria for program lending to have a discussion about a more consistent policy towards program lending. The paper was prepared afterwards in August of 1976, see World Bank, Memorandum to the Executive Directors, "A Review of Program Lending Policy and Practice," August 10, 1976, WB D&R. It took the Bank's management another six month, however, to schedule a general discussion of the paper in the Bank's Board.
[56] Ibid., 16.
[57] "The policy content of the program in IMF assistance is directed at correcting balance of payments disequilibria through adjustments principally of monetary, fiscal and exchange policies to achieve viability of the balance of

The majority of the Bank's rich member states of the 'North' clearly disagreed with the Bank management's opinion that the Bank and the IMF were complementary and not competitive. They argued that the Bank had to seek much closer coordination with the IMF because there was a danger that Bank program lending was used to evade drawings from the second tranche of the IMF which came with strict conditions.[58] In the eyes of the Bank's rich member states the World Bank was a weak organization in enforcing conditions and policy reforms through program loans. The French Executive Director observed in this regard that the program loans of the Bank had only "fictitious conditions, not only are they inaccurate and imprecise, but they are particularly vague in certain cases, but if these conditions are not complied with, nothing happens."[59] The conceptual differentiation between short and long-term policy concerns of balance of payment problems was disregarded and refuted as an "illusion."[60] What mattered to most of the Bank's richer member states was their perception and rejection of Bank program loans as basically free general purpose money. The U.S. and Australian Executive Directors openly advertised that program loans in the future should be used much more by the Bank for seeking policy reforms.[61] It was the Australian Executive Director who mapped out the way towards SAL most clearly for the Bank's management by observing:

> I feel that if the Bank's program lending is made dependent upon a package of domestic policy actions designed to achieve important structural changes, then the program lending by the Bank may help towards internal policy improvements which are being stressed continually in the Development Committee and elsewhere as an essential part of the North-South dialogue. And I would therefore welcome the staff making their case along these lines.[62]

The Bank's borrowing countries strongly disagreed with the low level of program lending but they supported the Bank's management in the assessment that current levels of cooperation between the Bank and the IMF were sufficient and argued against any formal link with the IMF.[63] Program lending by the World Bank was clearly addressed by the countries of the South as a possible

---

payments in the medium term. In program lending by the Bank Group, on the other hand, policy discussions are aimed at the correction of longer term disequilibria in the context of the development needs of the country; particular emphasis is placed on designing investment strategies and supporting policies designed to improve the long-run balance of payments position," ibid.

[58] IBRD/IDA, "Transcript of Board Meeting," April 21, 1977, WB D&R, 30-38, 40-45, 69, 84, 88, 110. Several of them thought that this is what had happened in the program loan to Tanzania in 1977.

[59] Ibid., 30.

[60] Ibid., 32.

[61] Ibid., 93, 45.

[62] Ibid., 45.

[63] Ibid., 18, 23, 58, 74-75, 104-105, 113, 114-115,

alternative channel to the IMF to obtain financial resources with less conditions attached to them. The Indian and Egyptian Executive Directors for example emphasized that the IMF's conditionality was too harsh and too difficult to comply with and that this was the reason why so few developing countries were using the Fund's resources.[64] For most of the Bank's borrowing countries the problems with the IMF were not confined to the regular Fund lending and the drawings from the second tranche. They also criticized the strict conditions of the Extended Fund Facility that had been explicitly set-up to accommodate developing countries as borrowers in the IMF.[65]

Behind these different views of Bank program lending also lay different interpretations of the difficulties developing countries were experiencing economically. While the emphasis of the Bank member states from the North on policy reform and strict conditions implied that there were in fact domestic policies within countries that needed to be reformed, most of the countries from the South pointed to external developments on world markets that were beyond their control but had caused economic hardship and instability. Responding to the Australian Executive Director's demand for policy change through program loans the Egyptian Executive Director asked: "What kind of policy changes are you going to introduce if it is for reconstruction and rehabilitation? And what kind of changes are you going to introduce if it is because of adverse movement in the terms of trade for reasons beyond the control of the country concerned, as happened in 1975?"[66]

This first general policy negotiations at the end of the 1970s on program lending demonstrated that the Bank's Board of Executive Directors was clearly divided along the line of the North-South conflict about the question of program lending by the World Bank. While the countries of the South demanded more program loans without conditions as an easy access to international financial resources, the countries of the North focused on the question of conditionality and worried about the relationship between the Bank and the IMF. The discussion did not lead to any immediate change in policies but McNamara indicated at the end of the meeting that he had understood the concerns of the member states of the North and that it would be more important in the future "to

[64] Ibid., 19, 58. In a lot of the Board discussions in the Bank on program lending changing Indian Executive Directors and Said El-Naggar, the long-term Egyptian Executive Director representing most of the Middle Eastern countries and Pakistan, were often the most outspoken ones in formulating the views and demands of the Bank's borrowing countries. A lot of the other Executive Directors from the South often simply referred to their statements and expressed their agreement. This was likely based in different degrees of vulnerabilities and exposure to the World Bank.
[65] IBRD/IDA, "Transcript of Board Meeting – Stabilization of Export Earnings," July 18, 1978, WB D&R, 16, 72.
[66] IBRD/IDA, "Transcript of Board Meeting," April 21, 1977, WB D&R, 55.

assure close coordination" with the Fund and to have "a clearer statement of the conditions attached to the program loan and a statement of those conditions."[67]

From Program Lending to Structural Adjustment Lending

The first official announcement of the World Bank that it was considering some form of extended program lending in order to assist a 'structural adjustment' of the economy of developing countries was made at UNCTAD in May of 1979.[68] But at the time of this first announcement the context and political framing of program lending for adjustment still differed quite substantially from the adoption of the new instrument one year later. First, the necessary 'structural adjustment' addressed in the speech only referred to a bigger export focus of developing countries which was something that was regularly advertised by the World Bank. It did not yet refer to cutting deficits. Second, McNamara brought up the issue in a speech that was otherwise largely dedicated to criticizing the growing trade protectionism of the countries of the North. McNamara was clearly portraying an image of the World Bank as a mediator between the hard conflict lines of the North and South in this speech.

Most of the speech urged the countries of the North to open up their markets for the exports of developing countries and to not choose protectionism as an answer to their own economic crisis of unemployment, inflation and low growth rates. The speech emphasized the need for adjustment in the industrialized countries and that they should not try to listen to the concerns of certain organized groups of workers to save inefficient industries like the textile industry for example.[69] The announcement that the Bank was considering to extend program loans for adjustment only came at the end of the speech under the heading of a "program of action":

> I would urge that the international community consider sympathetically the possibility of additional assistance to developing countries that undertake the needed structural adjustments for export promotion in line with their long-term comparative advantage. I am prepared to recommend to the Executive Directors that the World Bank consider such requests for assistance, and that it make available program lending in appropriate cases.[70]

[67] Ibid., 123.
[68] Robert McNamara, "To the United Nations Conference on Trade and Development. Manila, May 10, 1979," in *The McNamara Years*, 521-550, here 549.
[69] Ibid., 526-527, 531, 537, 546.
[70] Ibid., 549.

The draft for the speech had been discussed extensively in the Bank's senior management.[71] Against Mahub ul-Haq's original draft of the speech that had only focused on a critical analysis of the trade situation and of growing protectionism in the countries of the North, several members of the Bank's high management urged McNamara to include a program of Bank action in the speech.[72]

One week after the speech Ernest Stern, the Bank's new Vice President of Operations since 1978, wrote a memorandum to McNamara that made it very clear in which direction that Bank action would be going for him.[73] The memorandum started with the clear statement: "Some time ago we discussed briefly whether the Bank could better condition its country lending programs by linking them, more explicitly, to the macro-economic policies of our member governments. As you know, I consider this a principal issue for the evolution of the Bank in the years ahead."[74] It is worth analyzing the memorandum in some more detail because it illustrates the motivation of Ernest Stern for wanting to shift the World Bank towards a bigger "macroeconomic conditioning" and also illustrates that he and the rest of the management were well aware about the fact that this would be a radical and controversial step to take.

The main motivation for focusing on negotiations about macroeconomic and sector policies in exchange for program loans was that the Bank could not gain a lot of influence anymore through project lending.[75] This was particularly true in middle-income countries which had access to loans with little immediate conditions from commercial banks. The Bank was not able to influence these countries' policies through the promise of financing a certain development project.[76] Another reason, and likely one that applied more to low-income countries, according to Stern was that macroeconomic policies and the question of how to respond to the international economy had

[71] "Meeting on UNCTAD Speech, March 23, 1979," Memoranda for the record, RPRM, WBGA, folder 1771505; "Meeting on UNCTAD Speech, March 27, 1979," Memoranda for the record, RPRM, WBGA, folder 1771505.
[72] "Meeting on UNCTAD Speech, March 27, 1979," Memoranda for the record, RPRM, WBGA, folder 1771505; Attila Karaosmanoglu, "Transcript of Interview with Jochen Kraske and William Becker, on November 17, 1994 and January 10 and 18, 1995." WBGA OH, 16-17.
[73] The official historians of the World Bank have pointed out that Ernest Stern had already been in favor of a bigger influence of the Bank on macroeconomic policies a decade earlier, when he was still working as an assistant administrator for USAID, Kapur et al., *The World Bank. Vol.1*, 506 footnote 99.
[74] Memorandum of Ernest Stern to Robert McNamara, "Macro-Economic Conditioning," May 16, 1979, Library of Congress herein after LoC, Papers of Robert McNamara, Part I Box 28, folder1.
[75] Ibid., 1-2.
[76] Ibid.

become more important than in the past and were something a lot of countries were trying to deal with anyways which provided an opportunity for the Bank to step in.[77]

But Stern also knew that a bigger influence of the Bank on macroeconomic policies would be a controversial step to take: "Broadening our dialogue and making it an integral part of our decisions on the lending volume is a highly political action and will in most countries be strongly resisted."[78] He further observed that adopting such a policy "may appear attractive" to the Bank's richer member states but it would make the discussions in the Bank's Board more divisive and political "since policy conclusions inevitably involve a large element of judgement."[79]

It is important to keep these statements in mind because in many of the subsequent Board discussions leading up to the adoption of SAL at the beginning of 1980 the Bank's management often presented SAL as a technical solution that needed to be adopted in response to the economic crisis at the end of the 1970s. The Bank's management certainly tried to play down the political element involved in the decision that it was the Bank's new official role now to decide about the right macroeconomic and sectoral policies. This emphasis on SAL as a technical solution and as a lending tool that was created to assist the Bank's borrowing countries seems to have been much closer to McNamara's own self-deception and ideology about the turn to SAL than Stern's open embracement of the fact that it was a "highly political action."

Stern's memorandum and the discussions about McNamara's UNCTAD speech in the Bank's senior management clearly indicated that there were forces within the World Bank that were prepared and ready for a turn of the Bank towards a new form of lending like SAL that would combine more program loans with an increased influence of the World Bank in defining and negotiating macroeconomic and sectoral policy reforms. At the same time the announcement McNamara made at UNCTAD was also partly inspired by the fact that there were alternative proposals that were being raised for discussion in the Development Committee for the creation of new facilities that would assist developing countries financially in the adjustment process.[80]

[77] Ibid., 2.
[78] Ibid., 1.
[79] Ibid., 3.
[80] See "Provisional Agenda for the Development Committee Meeting September 1979," May 4, 1979, BArch, B213, 16188.

While the World Bank had not paid a lot of attention to the Development Committee meetings in general, the year 1979 was different. McNamara named the Committee's meeting as the most important issue at that year's annual meeting and mentioned that it was "absurd" that some were talking about establishing new institutions."[81] The World Bank and IMF had prepared themselves for the meeting. In June of 1979, the staff of the IMF and of the World Bank prepared a joint paper addressed to the Executive Directors of the Fund and the Bank and to the members of the Development Committee on adjustment and financial flows to developing countries.[82] The paper argued that both institutions could work well together in helping to finance economic reform with the Fund continuing to focus on medium-term adjustment processes and the Bank on long-term programs.[83] The paper warned that action towards adjustment as well as the provision of new increased financial flows would be necessary in order to finance the balance of payment deficits of non-oil developing countries that had been steadily rising since 1977.[84]

In the fall of 1979, at the time of the annual meeting and the meeting of the Development Committee the World Bank's bleak economic outlook for non-oil developing countries and the need for adjustment measures had increased further. The Bank's new analysis of the impact of the second oil price 'shock' in conjunction with the ongoing economic recession in the countries of the North now estimated that the current account deficits of developing countries that were importing oil would double from the level of $23 billion in 1978 to $50 billion in 1980.[85] In addition McNamara expressed "considerable uncertainty" that commercial banks could again 'recycle' the surpluses of oil countries in order to finance these deficits because they were already holding a substantial amount of debt in developing countries.[86]

But McNamara's annual meeting speech in 1979 did not announce the dawn of a new era in which the World Bank would be mainly concerned with macroeconomics and with cutting deficits. In most of the speech McNamara simply reiterated the importance of the core development problems he had identified in the 1970s also for the decade of the 1980s: a fight against absolute poverty, the

[81] PC, September 24, 1979, RPRM, WBGA, folder 1770832.
[82] See IMF/World Bank, "Financial Flows to Developing Countries and the Adjustment Process," June 29, 1979, obtained from the International Monetary Fund Digital Archive, https://archivescatalog.imf.org/ (last accessed December 11, 2019).
[83] Ibid., 32-35
[84] Ibid., 5-7.
[85] Robert McNamara, „To the Board of Governors. Belgrade, Yugoslavia. October 2, 1979," in *The McNamara Years*, 563- 610, here 603.
[86] Ibid., 604.

necessity of economic growth for that, the relevance of providing employment and fighting population growth which "short of nuclear war itself […] is the gravest issue that the world faces over the decades immediately ahead."[87] McNamara expansively used the rhetoric of a growing 'interdependence' of the world that was also used by others in the North-South dialogue in order to emphasize the mutual interests of Northern and Southern countries in achieving important agreements. Some of McNamara's remarks went in a similar direction than the global Keynesian conclusions the Brandt Report would suggest in 1981 and seemed to support some of the Southern demands for a redistribution of global resource flows. He observed for example that

> There is obviously no global planning system, no world treasury based on international taxation, and no central budgeting machinery to allocate governmental financial resources. It is possible--even likely-that some of these institutions will eventually evolve. Certainly the realities of our increasing interdependence ought to move us all towards less arbitrary and hopefully more rational management of global resources.[88]

I would not read McNamara's statement as a deliberate Machiavellian act of deceiving the countries of the South about the Bank's position and rather as an expression of hubris of a managerial thinking that was unrealistic in its assessment of the future. He was blind to the fact that even the theoretical discussion about a 'rational management of global resources' would be over soon.

In the discussion of the Development Committee in October of 1979 about increased financial flows from the IMF and the Bank McNamara proposed the two proposals for Bank actions from the joint staff paper: that the Bank would help with increased program lending to assist countries with balance of payments problems and that the Bank would start designing special programs that would support countries that wanted to achieve structural adjustments with program lending even before they got into balance of payments difficulties.[89] Again maintaining the image and role of the Bank as an intermediator in the dividing lines between the North and South, he emphasized on the one hand that developing countries would have to adjust to new international price relationships, to new competitive pressures, and to higher energy costs."[90] On the other hand, McNamara also demanded that there needed to be *additional* resources for long-term adjustment

[87] Ibid., for the citation see page 571.
[88] Ibid., 595.
[89] Development Committee, „Provisional Record of Discussion of the Twelfth Meeting of the Development Committee, Belgrade, Yugoslavia, September 30, 1979," December 28, 1979, BArch, B213, 16191, 4-5.
[90] Ibid., 5.

programs and that they should not be financed at the expense of project lending.[91] While there were different emphases and points of critique mostly along the lines of North and South, the meeting concluded with an expression of support for the propositions of the World Bank/IMF staff paper and referred them back to the Boards of these two institutions for further decision-making.[92]

The proposal to introduce SAL as a new tool of Bank lending was presented in March of 1980 to the Bank's Board. In the discussions of the World Bank's senior management it was clear that SAL would mean a crucial shift in Bank practices and this shift was not uncontested. Bernard Chadenet, clearly aware of his minority position, raised fundamental concerns about the Bank's shift towards this new type of lending. Observing that it was not an attractive role to be Cassandra he pointed out that:

> The Bank had obviously made mistakes in the past in dealing with simple projects and sector level matters. It was prone to making more serious mistakes in imposing conditions for structural adjustment lending based on macroeconomic models developed by the 'dismal science'. Moreover, the Bank staff was ill-prepared to deal with the complex cultural and political factors impacting the political decision of LDC [less developed country] governments to the same extent as the findings of economic science.[93]

Hollis Chenery, the Bank's Vice President for Development Policy, however, responded that while "economics was indeed an incomplete and imperfect science, […] this was no justification for 'leaving the Africans alone'."[94] Others also defended the new approach and observed that "there was no alternative" because without SAL the World Bank would also be unable to finance new projects in a lot of countries.[95]

To the Bank's Board structural adjustment loans were presented by the Bank's management as a new special type of program loan designed for the "specific objective of helping countries to reduce the current account deficits to more manageable proportions in a three to five-year period."[96] In the argument of the Bank's management it was the economic crisis and the growing account deficits of the non-oil developing countries that made structural adjustment policies necessary. In the Bank's analyses the level of deficits was untenable for the future and something needed to be done

[91] Ibid.
[92] Ibid., 34.
[93] PC, February 4, 1980, RPRM, WBGA, folder 1770833, page 2. Two more management officials raised similar concerns, see ibid., page 3.
[94] Ibid., 2.
[95] Ibid., 4.
[96] Ernest Stern, "Statement by Mr. Stern on Lending for Structural Adjustment at the Board," March 30, 1980, WB D&R, 1.

"if the debt problems of many of the countries are not to assume serious dimensions."[97] The paper for the Board discussion on SAL was only five pages long and explicitly vague about the exact design of SAL.[98] The Bank's lending estimates for the new tentative program for SAL were rather modest with $600 to $800 million in 1981.[99]

But the heated discussion the short and vague Bank paper produced in the Bank's Board made it clear that the Executive Directors knew that a fundamental change in Bank policy was at stake here.[100] The West German Executive Director, mirroring similar opinions by other countries from the North, warned that the change in practice might seem small but that in his view "a tremendous potential change in the longer run" was involved in the proposal which is why he wanted to have more specific guidelines for SAL and for the exact coordination with the IMF.[101] Several Executive Directors that represented the Bank's borrowing countries from the South criticized that the Bank proposal was not what they and others had had in mind when they had demanded an increase of program lending by the World Bank.[102] They argued against attaching any formal conditions to program loans including to this new form of SAL and argued against a too formal cooperation and coordination with the IMF.[103] The Egyptian Executive Director criticized that SAL was focused on reducing deficits in the balance of payments and alluded to the developmental role the World Bank was given at the Bretton Woods conference: "The business of the Fund is to reduce the gap or [sic] that this gap is a savings gap or a foreign exchange gap. The business of the Bank is to mobilize resources, to fill this gap."[104]

He also clearly framed the differences in the Bank's Board as an issue of the North-South dialogue and conflict within the Bank by observing that the richer countries of the Bank "have the majority of votes and they can put it down our throat but I don't think that this is what they want."[105] His solution for the concrete proposal at hand was, however, to not continue the struggle in the Bank's

[97] World Bank, Memorandum to the Executive Directors, "Lending for 'Structural Adjustment'," February 5, 1980, Vinod Dubey Correspondence, WBGA, folder 1085609, 2.
[98] Ibid.
[99] Ernest Stern, "Statement by Mr. Stern on Lending for Structural Adjustment at the Board," March 30, 1980, WB D&R, 3.
[100] IBRD/IDA, "Transcript of Board Meeting," March 18, 1980, WB D&R.
[101] Ibid., 11-14, for similar statements by the Canadian and U.S. Executive Director see, 108-109, 90-93.
[102] Ibid., 33. They explicitly referred to the demands and proposals that had been made by the Brandt Commission, the Group of 77 and the Group of 24 in the Development Committee.
[103] Ibid., 36-39, 127-128, 142.
[104] Ibid., 146.
[105] Ibid., 149.

Board and to "trust the management" that it "will exercise its judgement and will come up with the kind of conditionality in the modality which meets the specific situation that the country is faced with."[106]

This 'trust in the Bank's management' would become the general solution for avoiding the North-South conflict in the Bank's Board about the issue of program lending and SAL. The proposal for SAL was further discussed at a meeting of the Development Committee in April in Hamburg.[107] When the proposal for SAL was brought back to the Bank's Board in May, the World Bank's management had produced an even more vague paper on SAL.[108] This time the paper was praised by most of the Executive Directors from both North and South as a good compromise between their positions that provided the Bank's management with flexibility for experiments and action, even though they reiterated their points of contention.[109] There were no strict guidelines about the exact content of SAL, only that it was intended to cut deficits. The stalemate between the Executive Directors from the North and South in the Bank's Board was not resolved but a temporary solution was found by handing it back to the Bank's management to handle SAL flexibly and to start designing programs which would then be reviewed.

The "trust" borrowing countries had put into the Bank management necessarily was a precarious one from the outset. The further course of events in 1980 and 1981 left little hope for the Bank's borrowing countries that the management would indeed use the new lending instrument flexibly and generously in their interest. McNamara himself seems to have become convinced at the beginning of 1980 that the focus on absolute poverty he had helped to promote had to take a step back to deal with the current account deficits of developing countries as the «fundamental issue» of the decade of the Eighties[110].

In November of 1980, Ronald Reagan was elected as the new president of the United States. The new administration was discussing severe cuts in the contributions to the World Bank[111]. The Bank's management clearly perceived these discussions as a threat and McNamara internally

---

[106] Ibid., 152.
[107] Development Committee, "Draft Record of Discussion of the Thirteenth Meeting of the Development Committee, Hamburg, Fed. Rep. of Germany," April 24, 1980, BArch, B213, 16192.
[108] Ernest Stern, Memorandum to the Executive Directors, "Structural Adjustment Lending," May 9, 1980, WB D&R.
[109] IBRD/IDA, "Transcript of Board Meeting," May 22, 1980, WB D&R, 13, 22, 33, 41, 46.
[110] PC, February 11, 1980, RPRM, WBGA, folder 1770833, page 2.
[111] Babb, *Behind the Development Banks*, 72-76. For a contemporary account of the critique of the World Bank that was coming from U.S. conservatives see Robert Ayres, "Breaking the Bank," *Foreign Policy*, 43 (1981): 104-120.

criticized Reagan's election as a vote of "selfishness"[112]. While the large cuts to the funding of the World Bank did not materialize, it was clear that any discussion about an additionality of the funds for SAL and a loose handling of these loans, which were one of the last demands of the countries of the South, would be off the table.

So far, the chapter mainly analyzed the birth of SAL as a powerful new lending instrument in May of 1980. At the time of its birth, it was already clear in which direction the new lending instrument was headed as it was explicitly created to help countries to cut their deficits, leading away from the classic focus of a development bank to fill investment gaps. The wider ideological shifts and changes in economic policy orientation that would be associated with the World Bank's SAL over the 1980s were not yet fully established in the Bank in 1980, however. The Washington Consensus as a policy consensus[113] was not yet readily formed but it was in the making. The next section will discuss some aspects of the formation of a new policy consensus in the World Bank by returning to the Bank's disillusionment with rural development and other development projects in Africa.

Macroeconomics, Urban Bias, and the Failure of Rural Development

The wider changes in political and economic policy orientation of the 1980s that many have described as 'neoliberal' only really established themselves ideologically in the World Bank with the change in presidency from Robert S. McNamara to Alden W. Clausen in July 1981 and the change in chief economist from Hollis Chenery to Anne Krueger in 1982.[114] Some of the high-level staff such as Mahub ul-Haq that had joined the World Bank under McNamara and was deeply committed to the new poverty agenda left soon after McNamara.[115]

However, when these ideological changes and the "counter-revolution" in development economics[116] started to take root in the World Bank at the beginning of the 1980s, they hit on fertile ground in a Bank that was deeply frustrated by its past development efforts particularly in Africa.[117]

---

[112] PC, November 10, 1980, RPRM, WBGA, folder 1770834.
[113] Williamson, "What Washington Means by Policy Reform."
[114] On these changes see Kapur et al., *The World Bank. Vol 1*, 339, 511.
[115] On his decision to leave the Bank and his disagreements with Clausen see Mahub ul-Haq "Transcript, Oral History Interview with Robert Asher held on December 3, 1982," WBGA OH, 15-19.
[116] Toye, *Dilemmas of Development.*
[117] For a similar analysis that specifically focuses on the Bank's disillusionment with rural development and 'ujamaa' in Tanzania see Sean Delehanty, "From Modernization to Villagization: The World Bank and Ujamaa," *Diplomatic History*, 44:2 (2020): 289-314.

This section shows how the World Bank's analysis of the failure of rural development in Africa changed fundamentally at the beginning of the 1980s – from an analysis in which the Bank itself was deeply implicated in the failure of its projects to one that almost exclusively blamed African governments themselves for the failure of rural and other development.

We have seen in the last chapter that the Bank implicated itself in its analysis of the failure of rural development at the end of the 1970s. On the one hand, all projects were built around the increase of production, but many projects failed to come up with viable agricultural project components and technologies that would raise production. On the other hand, a lot of projects especially in Africa lacked a good institutional design: they were either overambitious and overburdened existing administrative government capacities or they were executed by autonomous project units preventing long-term institution building.

The influence of macroeconomic policies and of pricing and marketing arrangements on the failure of rural development projects was not yet an accepted explanation at the end of the 1970s in the World Bank. It was a contested issue. This is clear, for example, from the policy discussion of a paper on agricultural prices and subsidies in the summer of 1978. The paper provided an analysis that would later also be contained in the ominous Berg Report. The central points were that the pricing structure in developing countries "discriminated" against agriculture, that low agricultural prices were a main cause for low production, and that subsidies of the state for food or for agricultural inputs were inefficient.[118]

But the analysis of the paper was contested by several speakers in the Bank's policy review committee. One speaker criticized that "the paper was too free-market oriented" and staff from the West Africa regional department pointed out that the analysis did not adequately reflect recent experience and that it "oversimplified the situation in West Africa."[119] On a different occasion Willi Wapenhans, Vice President of the East Africa regional department, also observed that price incentives for farmers were not enough to increase production. In his opinion it was the link with

[118] Mahub ul Haq to Herman van der Tak, "Policy Paper on Agricultural Prices and Subsidies," July 14 1978, Policy Review Committee, WBGA, folder 30124892.
[119] IBRD/IDA, Policy Review Committee, "Policy Paper on Agricultural Prices and Subsidies," August 1, 1978, Policy Review Committee, WBGA, folder 30124892, 2-3.

industries that created an effective demand and consumer goods for farmers that was actually crucial at least for food production.[120]

It was only with the beginning of the 1980s that the World Bank advanced a narrative that almost exclusively blamed the larger macroeconomic policy framework, pricing arrangements and thus the policies of African governments for the failure of rural development projects. At the same time, the Bank forgot about its own implication in the other aspects of the failure of rural development.

This was most clearly expressed in the Bank's ominous so-called Berg Report, named after its principal author Elliot Berg, from 1981.[121] It is important to note, that the Berg Report was largely still prepared under the presidency of Robert McNamara in the Bank even if it was published when he had already left. The genesis of the Berg report is revealing of the fact that it were not just rural development projects which were failing in Africa according to Bank analysis but that there was a widespread sense of frustration with African governments and a disillusionment with development more generally among the senior management of the World Bank at the end of the 1970s.[122]

In July of 1979, the World Bank had cut the percentage share of expected Bank lending for East Africa in the presentation of the next five-year lending program of the Bank. This was criticized by many Executive Directors particularly from the countries of the South but also from France and Canada for example.[123] McNamara simply observed that "our East African program is less than would be justified were some of the country problems to disappear."[124] Other Bank management discussions revealed that it were not small problems they were having in mind. In the Bank management's perception "many African countries were unwilling to face important policy issues."[125] For Ernest Stern, the Bank's Vice President of Operations, many African countries were

[120] Peter Hansen to Files, "Meeting with Mr. Pierre Uri (EEC)," December 22, 1978, East Africa Agricultural Record, WBGA, folder 30339855.
[121] World Bank, *Accelerated Development in Sub-Saharan Africa. An Agenda for Action* (Washington D.C.: World Bank, 1981).
[122] A particularly big frustration and disillusionment of the Bank seems to have happened in the case of Tanzania. The Bank was heavily involved in the countries rural development strategy and had participated in a lot of policies that it would later criticize such as the building of parastatal and state marketing boards. For a short description of this disillusionment with Tanzania see Kapur et al., *The World Bank. Vol. 1*, 712-715; Delehanty, "The World Bank and Ujamaa".
[123] IBRD/IDA/IFC, "Transcript of Board Meeting," July 3, 1979, WB D&R, 63, 78, 113, 169.
[124] Ibid., 88.
[125] PC, September 24, 1979, RPRM, WBGA, folder 1770832.

"hopeless cases" that had not come to grips with the changing international economic environment and necessary policy adjustments from five years ago.[126]

In light of these hard judgements and the cuts in the share of Bank lending allocations for the upcoming five-year program the African Governors requested an extensive Bank study on Africa and a special action program to support them at the annual meeting of 1979. What they got was the Berg Report. The report largely blamed the crisis of development in Africa on African government themselves and advertised a broad policy shift towards economic liberalization and a reduced direct role of the state in the economy. But it also argued for increased aid flows to the region.[127]

With regards to the failure of rural and agricultural development projects the report noted three "domestic policy inadequacies" that contributed to the slow growth in Africa: trade and exchange-policies that worked against agriculture vis-á-vis industry, an "overextended" public sector in combination with low management and planning capabilities, and as a third factor "a consistent bias against agriculture in price, tax, and exchange-rate policies."[128] This focus on the importance of macroeconomic policies also opened up room for including agricultural development in structural adjustment programs.[129] In part this analysis was based in a similar analysis and critique of the ISI model and of the prominent role of the state in it that the World Bank had already put forward in India in the middle of the 1960s.[130] The difference was that ISI was not only criticized for economic inefficiency but its critique was now also informed by a forceful and morally charged critique of "urban bias" involved in it.

The analysis of "urban bias" was widely spread in academic circles and also in discussions of other actors in the development field at the time.[131] In the same year of publication of the World Bank's Berg report Robert Bates' influential book *Markets and States in Tropical Africa* extended the

[126] Ibid.
[127] World Bank, *Accelerated Development in Sub-Saharan Africa. An Agenda for Action* (Washington D.C.: World Bank, 1981), WB D&R, chapter 9.
[128] Ibid., 4.
[129] On the theory of agricultural adjustment see for example Peter Gibbon, Kjell Havnevik, Kenneth Hermele, *A Blighted Harvest. The World Bank and African Agriculture in the 1980s* (London: James Currey, 1993), chapter 2.
[130] See the discussion in chapter three. For the Berg report's critique of policies associated with the ISI model see World Bank, *Accelerated Development in Sub-Saharan Africa. An Agenda for Action* (Washington D.C.: World Bank, 1981), WB D&R, 25-29.
[131] The Berg report also pointed to the larger background of the debate, see ibid., 57.

analysis of an "urban bias" of policy makers to the African context.[132] The analysis of "urban bias" focused on the effect of an alliance of (organized) interest groups of urban consumers, city workers in the protected ISI industries, and government politicians that were oriented towards the urban electorate. This alliance of interest groups produced economic policies that were detrimental to the rural poor.[133] The critique of such an "urban bias" was grounded in arguments about economic efficiency as well as in equity concerns with varying emphasis between authors.[134] I cannot delve here into the complex discussion about which elements of the critique of economic policies of African states in general and of "urban bias" in particular applied in which country cases and in which not. Such an analysis is impossible at the level of abstraction of talking about 'Africa' in general and would require detailed studies that are informed by concrete country case studies.

For our sake of analysis, it is important to point out that the strong focus on the policy failures of African states and on 'wrong' macroeconomic policies that were rooted in an "urban bias" provided an easy way out for the World Bank in its analysis of the failure of rural and agricultural development in Africa. Analyses that emphasized the intricacy of rural development and that implicated the Bank in the failure of rural development through severe problems in its project design receded into the background. The World Bank was the main agency that helped to lift and transform the theoretical debates about "urban bias" into a forceful program for macroeconomic policy reform.[135]

The Bank's technocratic solution to rural poverty that was already analyzed in the previous chapter was scaled up at the beginning of the 1980s. It was the (overly) optimistic technocratic belief in finding an agricultural technology package to increase production, which was at the center of the Bank's rural development projects in the 1970s. With the 1980s, the new focus was on finding the right technocratic solutions at the macroeconomic policy level, at which devaluation and economic liberalization were supposed to create the right price incentives for farmers that would respond

[132] Robert H. Bates, *Markets and States in Tropical Africa. The Political Basis of Agricultural Policies* (Berkeley: University of California Press, 1881). The classic formulation of the urban bias thesis came from Michael Lipton in 1977 whose analysis had a stronger focus on India, Lipton, *Why Poor People Stay Poor*.
[133] For a critique of this focus on the influence of organized urban interest groups with a focus on Africa see for example van de Walle, *Politics of Permanent Crisis*, 23-34.
[134] See Mosley et al., *The Price of Aid. Vol.1*, 11-12.
[135] It is interesting to point out that Michael Lipton the most prominent originator of the urban bias thesis worked as Senior Economic Advisor at the World Bank between 1981 and 1983. From the sources at my disposal, I cannot say anything about his influence in the Bank's adoption of the "urban bias" thesis, however. Lipton who followed a more populist policy towards the rural poor quickly was disillusioned with the Bank's technocratic focus on macroeconomic policies.

with increased production. If only the larger economic framework would be brought in order, the rest of Bank policies could more or less stay the same.

The internal debates of the failure and crisis of the Bank's own rural development approach from the end of the 1970s were not taken into consideration at a higher level of policy formulation in the World Bank anymore. The Berg report advertised a "focus on smallholders" and on "a growth-oriented rural development strategy" with an unbroken authority as if this had not actually been what the World Bank had been trying to do over the entire 1970s without much success and with numerous contradictions involved in its approach and project design.[136]

Conclusion

The chapter set out to analyze the World Bank's turn to SAL in May of 1980 against the backdrop of the larger political and economic situation at the end of the 1970s. Retrospectively, SAL symbolizes and marks the profound break and rupture that happened between the decade of the 1970s and the one of the 1980s, within the World Bank but also going beyond it. At the moment of its inception, however, SAL was a bridge between the two decades for the World Bank. The chapter argued that the birth of SAL cannot be understood as a sudden break with the 1970s. Rather, the emergence of SAL in the World Bank was closely entangled with political and economic debates of the 1970s such as the North-South conflict and with the Bank's frustration and disillusionment with its own development agenda of the 1970s, particularly with rural development projects in Africa.

The chapter analyzed the birth of SAL as a new lending tool through a focus on the North-South conflict that was taking place in the Bank's Board of Executive Directors at the end of the 1970s. While the countries of the South tried to argue for an expansion of World Bank program lending as an easy access to international financial resources, the countries of the North criticized that 'free' money and general-purpose loans by the World Bank would undermine the role of the IMF and its conditionality. It was the economic crisis at the end of the 1970s and the Bank's forecast of a doubling of the deficits of developing countries that made the debate about SAL a pressing issue

[136] World Bank, *Accelerated Development in Sub-Saharan Africa. An Agenda for Action* (Washington D.C.: World Bank, 1981), WB D&R, 50.

on the policy agenda of the Bank's management but also on the agenda of the countries of the North and South in 1979.

The fulfillment of the demand of the South for 'free' program loans by the World Bank was probably never realistic, given the type of institution the Bank was, its resource dependency on its major donor countries and their dominance in the Bank's Board. But the focus on the entanglement of SAL with the North-South conflict clearly demonstrates that the history of the birth of SAL involved struggles and contestations. SAL was not simply a technical response to the second oil price 'shock', nor was it primarily a "bureaucratic imperative".[137] It was the outcome and result of a struggle over the access to international financial resources and about the conditions under which access to them was possible.

Furthermore, the chapter argued that the Bank's disillusionment with rural development projects in Africa played an important role in preparing the ground for the wider ideological changes in economic policy orientation that established themselves in the World Bank at the beginning of the 1980s. The chapter demonstrated how the World Bank changed its own analysis of the failure of rural development projects: from an analysis of the flaws of the Bank's project design to an analysis that focused on macroeconomic policies and the mistakes of African governments. The focus on macroeconomic policies and the morally charged analysis of an "urban bias" of policy makers were an easy way out of an analysis that stressed the complexities of rural development and the Bank's own implication in the failure of its rural development mission.

[137] Sharma, "Bureaucratic Imperatives".

Conclusion

The dissertation set out with the goal of contributing to a better historical understanding of how the World Bank became the kind of influential and powerful development finance organization that we know today. The proposition was that we must analyze the history of the World Bank in the 1960s and 1970s for that and that a focus on the Bank's 'discovery' and adoption of agricultural and rural development can provide us with important insights into the history of the organization.

Agricultural and rural development were crucial new lending fields that confronted the Bank with new policy questions and with complex problems of development. The adoption of agricultural lending created new possibilities for World Bank policy discussions and interventions as well as new lending opportunities for its financial expansion in the 1960s and 1970s. During the 1970s, the World Bank's embrace of the poverty theme that was connected to its rural development mission, under the leadership of Robert McNamara, had a crucial influence on the shift towards the emphasis on 'basic needs' of the wider development discourse and debate. Rural development confronted the World Bank with intricate development problems that could not be solved through more capital investments alone. It created a new sense of responsibility for policy interventions into fields that had been understood as being 'domestic' policy issues before the 1970s.

One of the aims of the dissertation was to analyze the Bank from an international history perspective and to approach development as a contested field at the World Bank. In this perspective development necessarily involved debates about its meaning and over priorities and it implied a struggle over the access to international financial resources. The dissertation showed that the Bank's history was profoundly affected by the discussions and struggles over development within the Bank itself and by those that were taking place in a larger international context.

We have seen at the end of the first chapter that the institutional character of the World Bank as a special investment bank that was mainly reliant on Wall Street was opened up by the establishment of IDA in 1960. Over the course of the 1950s, several countries of the South had demanded the establishment of a fund for development financing on better terms than the ones of the IBRD and through a more democratic UN system. This demand was deflected towards the creation of a new 'soft loan' affiliate within the World Bank. It was with IDA that the World Bank moved to consider new lending fields such as education and more agricultural lending. The political question of how to allocate these grant-like funds between countries and the political negotiations with the rich donor countries of the Bank about the replenishment of IDA funds introduced new concerns and questions in the World Bank that notably differed from the requirement of raising funds from Wall Street.

The two chapters on the 1960s focused on the World Bank's slow 'discovery' of the importance of agricultural development with a focus on East Africa and India. We have seen that the Bank's management developed an understanding of a need for 'agrarian reform' that on the level of analysis encompassed wide-ranging social, economic, and political reforms. This understanding of 'agrarian reform' notably differed from past Bank engagement with agricultural development that had mostly funded either rather small imports of agricultural machinery or investments in large irrigation schemes.

The account in chapter two and three highlighted two facts: First that the World Bank heavily relied on the ideas and experiences with 'agrarian reform' that were developed by others. Second, the analysis demonstrated that the World Bank's idea of an 'agrarian reform' in East Africa diverged significantly from the one the Bank pursued in India.

In the case of East Africa, British late colonial land settlement schemes had a lasting influence on the way in which the World Bank approached agricultural development problems in the region in a postcolonial setting. This influence of British late colonial agricultural development experiences was rooted in the Bank's own participation in funding British land settlement schemes, in the continuance of colonial personnel that was hired as agricultural 'experts', and in close working relationships and conversations the Bank maintained with the British CDC. As a result, it was in East African countries that the Bank started to experiment with a type of agricultural development project that was new to the World Bank.

In these projects the World Bank's usual focus on making productive investments and capital transfers was sidelined in favor of modernizing aspirations that were clearly influenced by colonial remnants of a "civilizing mission" that aimed at transforming the fundamental ways in which people lived and worked. The projects in East Africa relied to a large degree on so-called technical assistance from foreign 'experts' that was untypical for World Bank projects at the time. The projects were often executed through special project units that created a parallel structure to the regular government and administrative systems. The projects were aimed at making rather small investments into smallholder agriculture and to integrate subsistence agriculture into a monetary economy. This pattern of project implementation and design would continue to be employed in many of the area rural development projects in East and West Africa during McNamara's time at the World Bank.

In the case of India, the envisioned 'agrarian reform' in contrast approached agriculture as a specific sector of the economy which entailed that sectoral policies and linkages to industry were perceived as crucial. The negotiations about agricultural sector policy changes between the Bank and the Indian government were bound up in a policy reform package that also contained a demand for population control and macroeconomic policy reforms concerning import liberalization and devaluation. In the case of India in the middle of the 1960s, the World Bank was largely relying on the ideas for an 'agrarian reform' that were pursued by the United States government in India but that were also widely spread within India itself and in the discussions of American philanthropic foundations. In India, the World Bank analyzed agricultural development as a problem of making capital investments, of providing enough industrial inputs to agriculture, and of setting the right price incentives.

We have seen in India but also in East Africa that the World Bank's emphasis on agricultural development in the 1960s was bound up with a rejection of a model of industrialization that relied on publicly owned industries and on a large role of state planning in the economy. While this Bank rejection of development models that were inspired by the idea of import substitution industrialization was universal during the 1960s, the approach to an 'agrarian reform' and to agricultural development the Bank developed was not. The World Bank clearly perceived India as more 'developed' and more 'modern' than the countries in East Africa which influenced the idea for an 'agrarian reform' the Bank pursued in both regions. Racial thinking and other legacies from colonial times, left visible traces in the World Bank's agricultural lending practices in East Africa. These are visible in the Bank's emphasis on 'technical assistance' by foreign 'experts' instead of on capital investments and in the focus on creating parallel administrative structures for project implementation in the region.

It was over the course of the 1970s, under the presidency of Robert McNamara that the World Bank really became the (financially) large and influential development finance organization as we know it today. This was based on the one hand in a rapid expansion and multiplication of the Bank's borrowing and lending volume and with that its staff.[1] On the other hand, the Bank also substantially widened the policy topics it was engaged in and the range of its lending activities to new fields.

The World Bank's embrace of a concern for 'absolute poverty' over the course of the 1970s helped to institutionalize a (rhetorical) focus on poverty within the Bank itself and in the broader development discourse that reverberates in discussions about development until today. During the middle of the 1970s, rural development was at the heart of the Bank's embrace of 'absolute poverty'. Chapter four demonstrated that the embrace of rural development at the World Bank should be interpreted as a response to the wide-spread sense of crisis with established models of development and modernization at the beginning of the 1970s. It was the Bank's answer to a specific analysis of this crisis that focused on the nexus between poverty, unemployment, urbanization, and population growth.

The new focus on rural development constituted a conservative renewal of the development belief at the World Bank. It argued for keeping people on the land and for letting go of optimistic hopes to 'close the gap'. Instead, rural development was an attempt to focus on the alleviation of 'absolute poverty' through a strategy of investing into the poor and integrating them in the economic growth process. The focus on poverty strengthened the legitimacy of the World Bank to intervene in borrowing country policies that previously had been understood as domestic policy measures, in the name of poverty alleviation. Furthermore, by shifting the primary concern of economic development away from the problem of inequalities *between* countries to a concern with poverty *within* countries, rural development at the World Bank was in opposition to the main political and economic agenda of the countries of the South as formulated in the call for a NIEO, for example.

The fifth chapter moved beyond the level of policy announcements and the rhetorical concern for absolute poverty and embrace of rural development that was analyzed in chapter four. It focused on the difficulties and contradictions the World Bank confronted in its attempt to translate the new focus on rural development into bankable projects. While most Bank staff were aware of the complexities involved in rural development, they were impossible to account for them in project design. The complexities of rural development stood in direct tension with the institutional logic of the World Bank as a highly centralized financial institution and with the quantitative emphasis

[1] For details on this see Sharma, *McNamara's Other War*, chapter 2.

and management style of the Bank under McNamara. Taken together, the analysis of chapter four and five demonstrates the enormous gap between rhetoric and practice at the World Bank with regards to its poverty focused lending of the 1970s.

Chapter five focused on analyzing the procedures of abstraction and quantification with which the World Bank tried to operationalize rural development into bankable projects. These procedures were the Bank's attempt to make rural development fit into the logic of a financial institution. The chapter argued that as an operational approach rural development at the World Bank can be understood as being rooted in a "high modernist vision" of development following James Scott's account.[2] All of the Bank's projects were built around overly optimistic expectations of agricultural productivity increases which were the basis for the Bank's calculation of economic rate of returns for the projects. Project design followed a top-down approach and was inspired by a technocratic confidence in the ability to rebuild the countryside and in finding technological solutions for agricultural productivity increases along the way of project implementation.

The renewal of faith in development that had come with the new rural development agenda at the World Bank did not last very long. By the end of the 1970s, the Bank already faced a profound disillusionment with its own rural development projects that was analyzed at the end of chapter five. On the one hand, the difficulties rural development posed for the World Bank were an illustrative example of the general crisis of the Bank's operational approach at the end of the 1970s. This crisis can be described as a tension and contradiction between the institutional requirements of the Bank as a financial institution and the ones of a development organization. On the other hand, by the end of the 1970s, it was also clear that a lot of the most innovative and ambitious rural development projects were having major problems and the Bank experienced a profound disillusionment with rural development projects particularly in African countries.

The last chapter of the dissertation analyzed the Bank's adoption of structural adjustment lending in May 1980. The analysis focused on the entanglement of the birth of SAL with the larger North-South conflict of the 1970s. In the World Bank this conflict was largely taking place through the debate on so-called program lending on which the Bank's Board of Executive Directors was deeply divided along the lines of North and South. It was a conflict about the access to official international financial resources, about the conditions that were attached to them and about who was controlling

[2] Scott, *Seeing Like a State.*

access to these resources. Against the backdrop of the economic crisis at the end of the 1970s, the debate about program lending transformed into the conception of SAL. The chapter demonstrated that the birth of SAL as a new lending instrument cannot be told as a simple technical response to the second oil price ‘shock’ or as the management’s bureaucratic solution for channeling more capital. Instead, SAL was the result of a complicated history that involved political disputes and economic struggles between the Bank’s richer member states and its borrowing countries which was linked to the wider North-South conflict.

The chapter emphasized that the introduction of SAL as a new lending instrument took place before the neoliberal “counter-revolution” in development economics[3] had really established itself ideologically in the World Bank and before a new policy orientation along the lines of the “Washington Consensus”[4] had been formed within the Bank. However, the analysis also pointed to the relevance of the disillusionment with rural development projects and to the Bank management’s frustration with African governments in preparing a fertile ground for these larger policy shifts to take root in the World Bank. The chapter illustrated that the Bank’s analysis of the failure of its rural development agenda and projects changed fundamentally at the beginning of the 1980s. While the World Bank itself had been deeply implicated in the assessment of failure at the end of the 1970s, the analysis shifted to one that almost exclusively blamed African governments and wrong macroeconomic policies at the beginning of the 1980s. The focus on macroeconomic policies and on a morally charged critique of “urban bias” constituted an easy solution to and way out of analyses that emphasized the intricacy of rural development and the Bank’s involvement in the failure of its rural development agenda.

At the moment of its inception, the exact content of SAL was left vague and open. However, it was clear in which direction the new instrument was headed because it was created to cut deficits and was thus leading away from the classic focus of a development bank to fill investment gaps. The ‘compromise’ in the Bank’s Board had been that the Bank’s management should start to interpret SAL flexibly and to start experimenting with the new instrument. When SAL was introduced in May 1980, Robert McNamara and the management he had selected only had one more year in office. Under the new president Alden W. Clausen there was no ambiguity anymore about the ideological orientation Bank-supported policy reforms would have. Under Clausen the World Bank

[3] Toye, *Dilemmas of Development. Reflections on the Counter-Revolution.*
[4] Williamson, “What Washington Means by Policy Reform.”

was firmly back on track of a solid belief in liberal capitalism, the superiority of market mechanisms and in the virtue of private ownership that it had started out with in the 1950s and 1960s. But the World Bank was a different kind of bank and organization now.

The close analysis of the history of the World Bank that this thesis provided complicates the picture of change and of clear-cut temporalities in the discussion and history of development. With a view to the World Bank's rejection of the Keynesian mainstream of development economics and of state planning in the 1950s and 1960s, one could question the presumed novelty of development paradigms that focused on private investments and on a limited role of the state in the 1980s. In addition to that the dissertation showed how the belief in development as a more wide-ranging modernization process only really arrived at the World Bank with the presidency of Robert McNamara when it was already in demise elsewhere.

Patrick Sharma has observed that "the structural adjustment era was a fitting postscript to Robert McNamara's presidency of the World Bank."[5] From the analysis of this thesis that focused on the trajectory of the World Bank in the 1960s and 1970s one could also observe that with regards to policy content SAL was in fact a return to the middle of the 1960s and to some of the reform attempts the Bank had made in India. A close analysis of the reform package in India and of some of the structural adjustment programs of the 1980s would, of course, reveal significant differences. But there was a similarity between these time periods with regards to the explicit attempt of reducing a direct planning role of the state and to the conviction about the benefits of market and price mechanisms.

Nevertheless, it is hard to disagree with Sharma's statement that the SAL period of the 1980s was indeed a "fitting postscript" to the McNamara era at the World Bank. It was under the presidency of Robert McNamara that the World Bank hugely expanded its role and understanding as an organization that would not only lend money but that would also advise its borrowers on all sorts of policy questions, that would hire leading economists of development, prepare increasing numbers of reports, and shape the wider discourse about development. Furthermore, it was the financial expansion of the World Bank under McNamara that had made a wide-ranging program of SAL a thinkable proposal. The Bank did not need the financial backing of a consortium anymore, as it did in India in the 1960s, to negotiate policy reforms. The adoption of the new tasks that came

[5] Sharma, *McNamara's Other War*, 164.

with SAL clearly demonstrated the confidence, power, and sense of responsibility for world economic problems that the Bank's management attached to its own institution at the end of the 1970s. The fact that program loans were such a contested issue in the Bank's Board between the countries of the North and South also revealed that it was not just the Bank management that attached a leading role to the World Bank as an organization and to its potential financial influence.

Other emphases and changes of the McNamara time at the World Bank were to disappear quickly again from the Bank's main agenda. The emphasis on 'absolute poverty' and the discussions about 'basic needs' disappeared quickly again from the World Bank's main agenda with the aggressive pursuit of structural adjustment programs during the 1980s. The general idea of a 'basic needs' approach to development, however, hibernated in the realm of human rights' legal discussions, where it inspired the formulation of a "minimum core" of economic and social rights.[6] From these legal discussions which had transformed 'needs' into a language of minimum 'rights' and 'entitlements' social issues came back to the mainstream development discourse with the recognition of the crisis of structural adjustment policies by the World Bank and the emergence of a "post-Washington Consensus" in the Bank since the middle of the 1990s.[7] Thus, to a certain degree the way out of the 1980s and 1990s and out of the focus on SAL also brought the World Bank back to the 1970s.

To conclude this dissertation, I want to briefly point to some aspects and thoughts with which I am going out of this thesis. In general, the dissertation has left me convinced that there is a need for more historical accounts that combine a focus on understanding the history of development with an international history of the 1970s. From my perspective, one of the imperatives for such a history would be to go one step further in the rejection of an analysis of development as a discursive formation and to approach it with a stronger focus on the economic history involved. For the decade of the 1960s several aspects of the history of development can be analyzed through the lens of the competition of the superpowers in the Cold War and through foreign policy interests. The

[6] See Katharine G. Young, "The Minimum Core of Economic and Social Rights: A Concept in Search of Content," *Yale Journal of International Law*, 33 (2008): 113-175, here 131-132; Julia Dehm, "Highlighting Inequalities in the Histories of Human Rights: Contestations over Justice, Needs and Rights in the 1970s," *Leiden Journal of International Law*, 31 (2018): 871-895, here 894.
[7] On the World Bank's own disillusionment with structural adjustment policies see for example Ben Fine, "Neither the Washington nor the post-Washington consensus. An Introduction," in Ben Fine, Costas Lapavitsas and Jonathan Pincus, eds., *Development Policy in the Twenty-first Century. Beyond the post-Washington Consensus* (London, New York: Routledge, 2001): 1-27.

international history of development of the 1970s would have to pay closer attention to economic aspects, however, and would have to grapple with the fact that the economic upheavals and changes of the time were affecting the countries of both North and South though in different ways. The 1970s in such a history could be approached as a time of the demise of the belief in development and modernization, as a time of renewed struggle over development and the resources to finance it, and as the time of important structural economic changes.

In connection to this general observation, I would like to point to some specific aspects that this thesis has in parts touched upon but that were not at the center of analysis here. These aspects remain up for further in-depth research and could provide relevant lines of inquiry for future historical work concerned with the World Bank.

One aspect would be a closer analysis of the relationship between the history of the World Bank and the disputes between North and South in other international forums. At first sight different United Nation forums and conferences were the main stage at which these conflicts and debates about development and economic regulations were taking place. Nevertheless, this thesis has demonstrated that the World Bank also was a central institutional site for the debate and struggle over the access to international financial resources and that these disputes were relevant to the history of the organization. The dissertation particularly highlighted these points in chapter one and six with regards to the founding of IDA in the World Bank in 1960 and with regards to the debates about the access to Bank program lending as a privileged type of loan throughout the decades.

This analytical perspective on the North-South conflict helped to look beyond some of the technicalities of Bank lending practices to see the politics involved in regulating the access to and conditions for program lending for example. At the same time, it counterbalanced overly constructivist analyses of the World Bank as an international organization and helped to avoid the myopia of some accounts that primarily focus on the inner workings of the Bank.[8] A detailed history of the World Bank's relationship with the wider debates of the North-South conflict remains up for further research, however. Such a history could for example start by exploring in more detail how the World Bank navigated the discussions in other forums of the North-South conflict such as

[8] For a particularly bad example see Chwieroth, "Organizational change 'from within'" and my discussion in chapter one.

UNCTAD, how it positioned itself vis-à-vis these debates and whether they had an impact on the Bank as an organization.

A second aspect concerns the need to develop a more global understanding of the history of the emergence of the 'neoliberal' economic and political project of the 1980s. On the one hand, several scholars have already pointed out that important figures of the neoliberal "thought collective" in the United States and Western Europe were not only advancing their ideas in opposition to social and economic policies within their own societies but also in the analysis of developing countries such as India and as a response to the NIEO.[9] On the other hand, a more global analysis of the assertion of 'neoliberalism' would have to get passed this strong focus on the influence of Western intellectual figures and on ideology and pay closer attention to the level of practice.[10]

In the analysis of the World Bank's turn to SAL in 1980, this dissertation pointed to the relevance of the level of practice on two different levels. First, it emphasized that SAL was first born as a new lending instrument before a new policy consensus had been established in the Bank. It was the old but reanimated controversy about Bank program lending which against the backdrop of the economic crisis transformed into the conception of SAL. Furthermore, in 1980 the use of program lending in exchange for wide-ranging policy reforms was not a new theoretical concept for the World Bank. The Bank had already made its own practical experiences with it particularly through its involvement in India in the middle of the 1960s. While the Bank left this episode of interventionism in India deeply frustrated, the experiences with it reverberated for a long time in the institution and influenced the debate about program lending for several years to come. Future research could pay closer attention to the question of how the World Bank as an international organization changed its outlook and what shaped Bank debates. The level of practice and past lending experiences should receive close attention in such an account.

On a second level it is important to analyze in more detail the practical problems and economic challenges SAL and 'neoliberal' development models were perceived to be offering solutions for. With a focus on Latin America, Dados and Connell emphasized the importance of understanding

[9] See Nicole Sackley, "The road from serfdom: economic storytelling and narratives of India in the rise of neoliberalism," *History and Technology*, 31:4 (2015): 397-419; Jennifer Bair, "Taking Aim at the New International Economic Order," in Philip Mirowski and Dieter Plehwe, eds., *The Road from Mont Pèlerin. The Making of the Neoliberal Thought Collective* (Cambridge, Mass.: Harvard University Press, 2009), 347-385.

[10] See Raewyn Connell and Nour Dados, "Where in the world does neoliberalism come from? The market agenda in southern perspective," *Theory and Society* 43 (2014): 117-138.

neoliberalism as an alternative development strategy to grasp its institutional success: "An adequate understanding of market society on a world scale will pay close attention to the roots of neoliberalism in the dilemmas of post-colonial development and state power."[11] In such an understanding of neoliberalism as an alternative development strategy a reshaping of global trade and of agriculture occupy a central place.[12]

With regards to the World Bank the thesis has pointed to the Bank's disillusionment with its own rural development agenda and projects and to the management's frustration with African governments at the end of the 1970s. These were important factors that prepared the ground for the establishment of a new policy consensus. The Bank's new focus on macroeconomic policies and its morally charged critique of "urban bias" at the beginning of the 1980s provided a simplistic way out of analysis that emphasized the World Bank's own deep involvement in the failures of development in African countries (and elsewhere).

While there is a growing body of literature on African economic history[13] and of works that investigate the relationship between the World Bank and different African countries[14] there still is a need for more historical research into the complicated and problematic history the World Bank maintained with many of the countries on the continent. Many aspects were only briefly touched upon in this thesis and deserve further analysis, from the Bank's conservative stance towards decolonization and the legacies of colonial thinking in the Bank's attitude and development approach in several African states, to the structural flaws of Bank project design in the region. This type of research could add to recent important contributions which challenge and question the chronologies and the narrative of the 'failure of development' in Africa which the World Bank took a big part in helping to shape.[15]

[11] Ibid., 134.
[12] Ibid., 124-138.
[13] See for example Hopkins, A.G., "The New Economic History of Africa," *Journal of African History* 50:2 (2009): 155-177; see also Young, *Developing Sudan*, conclusion.
[14] See for example Young, *Developing Sudan*, Hodge, "British Colonial Expertise", Traugh, "Building a Nation of Farmers", Delehanty, "From Modernization to Villagization", Roes, "World Bank Survey Missions and the Politics of Decolonization".
[15] See Morten Jerven, *Africa. Why Economists Get It Wrong* (London: Zed Books, 2015).

Overview of Archives and Resources

List of Archives Cited

Archive of the Food and Agriculture Organization (FAO)

Library of Congress Manuscript Reading Room (LoC)

- Robert S. McNamara Papers

Federal Archives of Germany (BArch)

- B 213 – Federal Ministry for Economic Cooperation and Development

Politisches Archiv des Auswärtigen Amts (Political Archive - Federal Foreign Office, Germany) (PA AA)

- B 58 – Development Aid (Economic Department)

Riksarkivet, Oslo (National Archive of Norway, Oslo) (RA)

- Ministry of Trade, Department of Foreign Public Debt

World Bank Group Archives (WBGA)

- Bernard R. Bell files
- East Africa Agricultural Record
- India General Consortium Meetings
- Latin America Agricultural Record
- Policy Review Committee
- Records of President George Woods (RPGW)
    - Series – Chronological Outgoing Files (COF)
- Records of President Robert S. McNamara (RPRM)
    - Series – President’s Council minutes (PC)
    - Series – Chronological Files (outgoing)

Series – Memoranda for the Record

Vinod Dubey Correspondence

West Africa Agricultural Record

List of Online Archival Resources Consulted

International Monetary Fund Digital Archive (https://archivescatalog.imf.org/)

United Nations Documents (https://undocs.org/en)

U.S. Department of State, Office of the Historian, *Foreign Relations of the United States* (FRUS), various volumes (https://history.state.gov/historicaldocuments)

List of Online World Bank Resources Consulted

World Bank Group Archives Holdings (https://archivesholdings.worldbank.org/)

Some of the archival material of the World Bank Group Archive that has been digitized is available through this website.

World Bank Projects and Operations (https://projects.worldbank.org/)

The website contains data on all of the World Bank's loans. Most calculations I have conducted myself are based on the data of this website.

World Bank International Debt Statistics

(https://data.worldbank.org/indicator/DT.DOD.DECT.CD)

World Bank Group Archives Oral History Project (WBGA OH) (https://oralhistory.worldbank.org/)

Interviews cited from this website:

Bell, Bernard, "Transcript of Interview with Robert Oliver, November 13, 1985."

Black, Eugene, "Transcript of Interview with Robert Oliver, August 6th, 1961."

Chenery, Hollis, "Transcript of Interview with Robert Asher, January 27th, 1983."

Karaosmanoglu, Attila, "Transcript of Interview with Jochen Kraske and William Becker, on November 17, 1994 and January 10 and 18, 1995."

Knapp, Burke, "Transcript of Interview with Robert Oliver, July, 1961."

Knapp, Burke, "Transcript of Interview with John Lewis, Richard Webb, and Devesh Kapur, between October 22, 1990 and October 10, 1995."

McNamara, Robert, "Transcript of Interview with John Lewis, Richard Webb, and Devesh Kapur, between April 1 and October 3, 1991."

ul-Haq, Mahub, "Transcript, Oral History Interview with Robert Asher held on December 3, 1982."

Wapenhans, Willi, "Transcript of Interview with John Lewis and Devesh Kapur, September 6, 1991."

Yudelman, Montague, "Transcript of Interview with Robert Oliver, July 18, 1986."

Yudelman, Montague, "Transcript, Oral History Interview with John Lewis and Devesh Kapur, held on September 12, 1991."

World Bank Documents and Reports (WB D&R) (http://documents.worldbank.org)

Reports cited that were obtained from this website:[1]

Bell, Bernard, "Report to the President of the IBRD and the IDA on India's Economic Development Effort. Vol. 1. Main Report", October 1, 1965.

Bell Mission Report, "Report to the President of the IBRD and IDA on India's economic Development Effort. Vol. 4 Agricultural Policy, Appendixes 6 to 10," October 1, 1965.

Crawford, John, "Report to the President of the IBRD and IDA on India's economic Development Effort. Vol. 2 Agricultural Policy," October 1, 1965.

de Wilde, John C., *Experiences with Agricultural Development in Tropical Africa. Volume 1. The Synthesis* (Baltimore: The John Hopkins Press, published for the IBRD, 1967).

Ernest Stern, "Statement by Mr. Stern on Lending for Structural Adjustment at the Board," March 30, 1980.

Ernest Stern, Memorandum to the Executive Directors, "Structural Adjustment Lending," May 9, 1980.

Ernest Stern to Regional Vice Presidents, "Structural Adjustment Lending – Collaboration with the IMF," June 9, 1980.

IBRD, "Report and Recommendations of the President to the Executive Directors on the Three Proposed Loans to Thailand," October 23, 1950.

IBRD, "Report and Recommendations of the President to the Executive Directors concerning a Proposed Loan to India. For a Project of the Damodar Valley Corporation," December 16, 1953.

IBRD, "Report and Recommendations of the President to the Executive Directors on a Proposed Loan to the Commonwealth of Australia," March 11, 1955.

[1] The different denominations of the reports of either being from the IBRD alone, from IDA, from IBRD/IDA or from the World Bank are following the indications on the front page of the correspondent documents. Most of the reports were not published when they were written and have thus been cited in a form similar to archival material. Just a handful of reports were published by the World Bank at the time. They are cited in the form of a World Bank publication, see for example World Bank, *Focus on Poverty. A Report by a Task Force of the World Bank* (Washington D.C.: World Bank, 1983).

IBRD, “Report and Recommendations of the President to the Executive Directors on a Proposed Loan to the Republic of Peru for Quiroz-Piura Irrigation Project (Second Stage),” March 24, 1955.

IBRD, Department of Operations Asia and Middle East, “Current Economic Position and Prospects of India. Report of Bank Mission to India,” August 1956.

IBRD, “Current Economic Position and Prospects of India. Report of Bank Mission to India,” May 9, 1957.

IBRD, “Report and Recommendations of the President to the Executive Directors Concerning a Proposed Loan for Southern Italy Development Projects,” February 18, 1958.

IBRD, “Current Economic Position and Prospects of India,” July 28, 1958.

IBRD, “Recent Economic Developments and Current Prospects of India,” February 20, 1959.

IBRD, “Appraisal of the Belgian Congo Agricultural Project,” February 26, 1960.

IBRD, “Federation of Rhodesia and Nyasaland. Appraisal of a Project to Develop African Agriculture in Southern Rhodesia,” March 22, 1960.

IBRD, “The Economy of Kenya,” May 17, 1960.

IBRD, “Report and Recommendations of the President to the Executive Directors on a Proposed Loan to the Colony and Protectorate of Kenya,” May 17, 1960.

IBRD “India’s Third Five Year Plan. Report of Bank Mission to India. The Main Report” August 10, 1960.

IBRD, “Report and Recommendations of the President to the Executive Directors on a Proposed Loan to the Volta River Authority of the Republic of Ghana,” August 31, 1961.

IBRD, “Project for the Development and Settlement of Land in the Scheduled Areas. Kenya,” November 20, 1961.

IBRD, “Report and Recommendations of the President to the Executive Directors on a Proposed Loan to the Colony and Protectorate of Kenya,” November 20, 1961.

IBRD, Operations Evaluation Department, "Performance Audit of First Kenya Tea Project," March 5, 1974.

IBRD/IDA, "Progress of Economic Development in India. Report of a Bank Mission," April 16, 1963.

IBRD/IDA, Department of Technical Operations, "Smallholder Tea Development Project. Kenya," July 9, 1964.

IBRD/IDA, Asia Department, "Appraisal of a Third Industrial Imports Project. India," August 10, 1966.

IBRD/IDA, Projects Department, "Lilongwe Development Project. Malawi," January 3, 1968.

IBRD/IDA, "Report and Recommendations of the President to the Executive Directors on a Proposed Loan and a Proposed Credit to the Republic of Tunisia for a Cooperative Farm Project," February 6, 1967.

IBRD/IDA, "Transcript of Board Meeting," April 21, 1977.

IBRD/IDA, "Transcript of Board Meeting – Stabilization of Export Earnings," July 18, 1978.

IBRD/IDA, "Transcript of Board Meeting," March 18, 1980.

IBRD/IDA, "Transcript of Board Meeting," May 22, 1980.

IBRD/IDA/IFC, "Fertilizer Requirements of Developing Countries," May 15, 1974.

IBRD/IDA/IFC, "Transcript of Board Meeting," July 3, 1979.

IDA, "Report and Recommendations of the President to the Executive Directors on a Proposed Development Credit to Kenya for a Smallholder Tea Development," July 13, 1964.

IDA, "Report and Recommendation of the President to the Executive Directors on a Proposed Development Credit to the Republic of Malawi for the Lilongwe Agricultural Development Project," January 22, 1968.

IDA, "Report and Recommendation of the President to the Executive Directors on a Proposed Development Credit to the Republic of Kenya for a Livestock Development Project," August 1, 1968.

Kamanu, O.S., World Bank Memorandum, "India Consortium," July 10, 1968.

Lele, Uma, *The Design of Rural Development. Lessons from Africa* (Baltimore and London: The John Hopkins University Press, Published for the World Bank, 1975).

Tendler, Judith, World Bank Staff Working Papers, *Rural Projects through Urban Eyes. An Interpretation of the World Bank's New Style Rural Development Projects* (Washington D.C.: World Bank, 1982).

World Bank, "Annual Report," 1968.

World Bank, "Annual Report," 1970.

World Bank, Memorandum to the Executive Directors, "Pearson Commission Recommendations Concerning the Financing of Local Currency Expenditures and Program Lending," December 15, 1970.

World Bank, "Agriculture. Sector Working Paper," June 1972.

World Bank, "Annual Report," 1973.

World Bank, "Prospects for the Developing Countries," July 8, 1974.

World Bank, "Rural Development Sector Policy Paper," February 1975.

World Bank, President Memorandum to the Executive Directors, "A Review of Program Lending Policy and Practice," August 10, 1976.

World Bank, Operations Evaluation Department, "Project Performance Audit Report. Kenya First Livestock Development Project (Credit 129-KE)," October 19, 1976.

World Bank, Operations Evaluation Department, "Rural Development Projects: A Retrospective View of Bank Experience in Sub-Saharan Africa," October 12, 1978.

World Bank, Staff Study, "The Bank's Recent Experience with Program Lending," February 29, 1980.

World Bank, Operation Evaluation Department, "Project Performance Audit Report. Philippines – Upper Pampanga River Irrigation Project," June 30, 1980.

World Bank, *World Development Report 1980* (Washington D.C.: The World Bank, August 1980).

World Bank, "Report and Recommendation of the President of the International Development Association to the Executive Directors on a Proposed Credit to India for the Hazira Fertilizer Project," March 11, 1981.

World Bank, "Annual Report," 1981.

World Bank, *Accelerated Development in Sub-Saharan Africa. An Agenda for Action* (Washington D.C.: World Bank, 1981).

World Bank, *World Development Report 1981* (Washington D.C.: The World Bank, August 1981).

World Bank, *Focus on Poverty. A Report by a Task Force of the World Bank* (Washington D.C.: World Bank, 1983).

World Bank, Operations Evaluation Department, "Project Performance Audit. Mexico – Integrated Rural Development Project (PIDER I)," June 30, 1983.

World Bank, Operations Evaluation Department, "Project Performance Audit Report. Tanzania Kigoma Rural Development Project," December 28, 1983.

World Bank, Operations Evaluation Department, *Rural Development. World Bank Experience, 1965-86* (Washington D.C.: World Bank, 1988).

World Bank, Operations Evaluation Department, "Indonesia Impact Evaluation Report. Transmigration I, II, III," March 22, 1994.

World Bank, Operations Evaluation Department, "ED Précis – Transmigration in Indonesia," September 1994.

Primary Literature

Ahluwalia, Montek and Hollis Chenery, "The Economic Framework," in Hollis Chenery et al., eds., *Redistribution with Growth* (Oxford: Oxford University Press, 1974), 38-51.

Ayres, Robert, "Breaking the Bank," *Foreign Policy*, 43 (1981): 104-120.

Bates, Robert H., *Markets and States in Tropical Africa. The Political Basis of Agricultural Policies* (Berkeley: University of California Press, 1881).

Boserup, Ester, *Woman's role in economic development* (London: George Allen & Unwin, 1970).

Chenery, Hollis, Montek Ahluwalia, C.L.G. Bell, John Duloy, and Richard Jolly, *Redistribution with Growth* (Oxford: Oxford University Press, 1974).

Chenery, Hollis, "Restructuring the World Economy," *Foreign Affairs*, January (1975): 242- 263.

Ford Foundation, Agricultural Production Team, *Report on India's Food Crisis & Steps to Meet it* (Delhi: issued by the Government of India, April 1959).

Harris, John R. and Michael P. Todaro, "Migration, Unemployment and Development: A Two-Sector Analysis," *The American Economic Review* 60:1 (1970): 126-142.

Howe, Russel, "Co-ops Are Poor Man's Capitalism in Africa," *Washington Post*, May 13, 1963.

IMF/World Bank, "Financial Flows to Developing Countries and the Adjustment Process," June 29, 1979, obtained from the International Monetary Fund Digital Archive, https://archivescatalog.imf.org/ (last accessed December 11, 2019).

Independent Commission on International Development Issues, *North-South: A Program for Survival* (Cambridge, Mass.: MIT Press, 1980).

Johnston, Bruce F. and John W. Mellor, "The Role of Agriculture in Economic Development," *American Economic Review* 51:4 (1961): 566–593.

Jones, William O., "Economic Man in Africa," *Food Research Institute Studies* 1, May (1960): 107-134.

Ladejinsky, Wolf, "The Green Revolution in Punjab: A Field Trip," *Economic and Political Weekly* 4:26 (1969): A73-A82.

Lewis, Arthur W., "Economic Development with Unlimited Supplies of Labor," *The Manchester School* 22:2 (1954): 139–91.

Lewis, John, *India's Political Economy. Governance and Reform* (Delhi: Oxford University Press, 1995).

Lipton, Michael, *Why Poor People Stay Poor. Urban Bias in World Development* (London: Temple Smith, 1977).

Little, Ian, Tibor Scitovsky, and Maurice Scott, *Industry and Trade in Some Developing Countries* (London: Oxford University Press, 1970).

McNamara, Robert, *The Essence of Security. Reflections in Office* (New York City: Harper and Row, 1968).

McNamara, Robert, *The McNamara Years at the World Bank. Major Policy Addresses of Robert S. McNamara 1968-1981* (Baltimore, London: John Hopkins University Press, 1981).

Newman, Barry, "Missing the Mark in Indonesia. Attempts by World Bank to Aid the Poor often go astray," *Wall Street Journal*, November 10, 1977.

Patel, Indraprasad G., *Glimpses of Indian Economic Policy. An Insider's View* (New Delhi: Oxford University Press, 2002).

Reid, Escott, "McNamara's World Bank," *Foreign Affairs*, 51:4 (1973): 794-810.

Rosenstein-Rodan, Paul, "Problems of Industrialization of Eastern and South-Eastern Europe," *Economic Journal* 53:210/211 (1943): 202-211.

Rostow, Walt, *Stages of Economic Growth: A Non-Communist Manifesto* (New York: Cambridge University Press, 1960).

Schultz, Theodore W., "Tensions between Economics and Politics in Dealing with Agriculture," in Gerald Meier, ed., *Pioneers in Development. Second Series* (New York: Oxford University Press, published for the World Bank, 1987), 17-38.

Schultz, Theodore W., *Transforming Traditional Agriculture* (New Haven and London: Yale University Press, 1964).

Seers, Dudley, "The Meaning of Development," *Institute of Development Studies Communication* 44 (1969): 1-26.

Singh, Ajit, "The 'Basic Needs' Approach to Development vs the New International Economic Order: The Significance of Third World Industrialization," *World Development* 7:6 (1979): 585–606.

Turnham, David, *The Employment Problem in Less Developed Countries: A Review of Evidence* (Paris: Development Centre Studies OECD, 1971).

United Nations, Department of Economic and Social Affairs, *Urbanization in the Second United Nations Development Decade* (New York: United Nations, 1970).

United Nations, General Assembly, "Declaration on the Establishment of a New International Economic Order," 3201 (S-VI), May 1, 1974, http://www.un-documents.net/s6r3201.htm (last accessed May 17, 2019).

United Nations, General Assembly, "Programme of Action on the Establishment of a New International Economic Order," 3202 (S-VI), May 1, 1974, http://www.un-documents.net/s6r3202.htm (last accessed December 03, 2020).

United Nations, General Assembly, "Transforming our world: the 2030 Agenda for Sustainable Development," September 25, 2015, A/RES/70/1, https://undocs.org/en/A/RES/70/1 (last accessed October 13, 2019).

Weaver, James, *The International Development Association: A New Approach to Foreign Aid* (Santa Barbara: Praeger, 1965).

Yudelman, Montague, "The Role of Agriculture in Integrated Rural Development Projects. The Experience of the World Bank," in Theodor Dams and Kenneth Hunt, eds., *Decision-making and Agriculture. Papers and Reports, 16th International Conference of Agricultural Economists* (Oxford: Agricultural Economics Institute, 1977), 444-464.

Secondary Literature

Adamson, Michael R., "'The Most Important Single Aspect of Our Foreign Policy'?: The Eisenhower Administration, Foreign Aid, and the Third World," in Kathryn Statler and Andrew Johns, eds., *The Eisenhower Administration, the Third World, and the Globalization of the Cold War* (Lanham, Boulder: Rowman & Littlefield Publishers, 2006), 47-66.

Ahlberg, Kristin, "'Machiavelli with a Heart': The Johnson Administration's Food for Peace Program in India, 1965–1966," *Diplomatic History* 31:4 (2007): 665-701.

Ahlman, Jeffrey, *Living with Nkrumahism. Nation, State, and Pan-Africanism* (Athens, Ohio: Ohio University Press, 2017).

Akita, Shigeru, "The Aid-India Consortium, the World Bank, and the International Order of Asia, 1958-1968", *Asian Review of World Histories* 2:2 (2014): 217-248.

Alacevich, Michele, "Not a Knowledge Bank: The Divided History of Development Economics and Development Organizations," *Social Science History* 40:4 (2016): 627–656.

Alacevich, Michele, *The Political Economy of the World Bank. The Early Years* (Stanford: Stanford University Press, 2009).

Altamura, Carlo Edoardo, *European Banks and the Rise of International Finance. The post-Bretton Woods era* (London, New York: Routledge, 2017).

Arndt, Heinz W., *Economic Development. The History of an Idea* (Chicago, London: The University of Chicago Press: 1987).

Ayres, Robert, *Banking on the Poor. The World Bank and World Poverty* (Cambridge: MIT University Press, 1983).

Babb, Sarah, *Behind the Development Banks. Washington Politics, World Poverty, and the Wealth of Nations* (Chicago, London: University of Chicago Press, 2009).

Babb, Sarah, "The Social Consequences of Structural Adjustment: Recent Evidence and Current Debates," *Annual Review of Sociology* 31 (2005): 199-222.

Bair, Jennifer, "Taking Aim at the New International Economic Order," in Philip Mirowski and Dieter Plehwe, eds., *The Road from Mont Pèlerin. The Making of the Neoliberal Thought Collective* (Cambridge, Mass.: Harvard University Press, 2009), 347-385.

Barnett, Michael and Martha Finnemore, *Rules for the World. International Organizations in Global Politics* (Ithaca and London: Cornell University Press, 2004).

Bearth, Marcel, *Weizen, Waffen und Kredite für den Indischen Subkontinent. Die amerikanische Südasienpolitik unter Präsident Johnson im Dilemma zwischen Indien und Pakistan, 1963-1969* (Stuttgart: Franz Steiner Verlag, 1990).

Borgwardt, Elizabeth, *A New Deal for the World. America's Vision for Human Rights* (Cambridge, Mass., London: Belknap Press of Harvard University Press, 2005).

Bowman, Andrew, "Mass Production or Production by the Masses? Tractors, Cooperatives, and the Politics of Rural Development in Post-Independence Zambia," *Journal of African History* 52:2 (2011): 201-221.

Branch, Daniel, *Defeating Mau Mau, Creating Kenya. Counterinsurgency, Civil War, and Decolonization* (Cambridge: Cambridge University Press, 2009).

Brecher, Michael, "India's Devaluation of 1966: Linkage Politics and Crisis Decision-Making," *British Journal of International Studies* 3:1 (1977): 1-25.

Byres, T.J., "Of neo-populist pipe-dreams: Daedalus in the Third World and the myth of urban bias," *Journal of Peasant Studies* 6:2 (1979): 210-244.

Cavanagh, John, Marcos Arruda, Daphne Wysham, eds., *Kein Grund zu Feiern. 50 Jahre Weltbank und IWF. Kritik und Alternativen* (Hamburg: Konkret Literatur Verlag, 1994).

Chibber, Vivek, *Locked in Place. State-Building and Late Industrialization in India* (Princeton: Princeton University Press, 2003).

Chwieroth, Jeffrey M., "Organizational change 'from within': Exploring the World Bank's early lending practices," *Review of International Political Economy* 15:4 (2008): 481-505.

Connell, Raewyn and Nour Dados, "Where in the world does neoliberalism come from? The market agenda in southern perspective," *Theory and Society* 43 (2014): 117-138.

Connelly, Matthew, *Fatal Misconceptions. The Struggle to Control World Population* (Cambridge, Mass., London: Belknap Press of Harvard University Press, 2008).

Connelly, Matthew, "LBJ and World Population. Planning the Greater Society One Family at a Time," in Francis J. Gavin and Mark Atwood Lawrence, eds., *Beyond the Cold War. Lyndon Johnson and the New Global Challenges of the 1960s* (New York: Oxford University Press, 2014), 141-164.

Cooper, Frederick and Randall Packard, "Introduction," in Cooper, Frederick and Randall Packard, eds., *International Development and the Social Sciences. Essays on the History and Politics of Knowledge* (Berkeley, Los Angeles, London: University of California Press, 1997), 1-41.

Cooper, Frederick, *Colonialism in Question. Theory, Knowledge, History* (Berkeley: University of California Press, 2005).

Cooper, Frederick, "Possibility and Constraint: African Independence in Historical Perspective," *The Journal of African History* 49:2 (2008): 167-196.

Cooper, Frederick, "Writing the History of Development," *Journal of Modern European History* 8:1 (2010): 5-21.

Coronil, Fernando, "Beyond Occidentalism: Toward Nonimperial Geohistorical Categories," *Cultural Anthropology*, 11:1 (1996): 51-87.

Craig, David and Douglas Porter, *Development beyond Neoliberalism? Governance, Poverty Reduction and Political Economy* (London: Routledge, 2006).

Cullather, Nick, "Research Note. Development? It's History," *Diplomatic History* 24:4 (2000): 641-653.

Cullather, Nick, *The Hungry World. America's Cold War Battle against Poverty in Asia* (Cambridge, London: Harvard University Press, 2010).

Dados, Nour and Raewyn Connell, "The Global South," *Contexts* 11:1 (2012): 12-13.

Das Gupta, Amit, "Development by Consortia: International Donors and the Development of India, Pakistan, Indonesia and Turkey in the 1960s", in Marc Frey, ed., *Asian Experiences of Development in the 20th Century, Comparativ* 19:4 (2009): 96-111.

Das Gupta, Amit, *Handel, Hilfe, Hallstein-Doktrin. Die deutsche Südostasienpolitik unter Adenauer und Erhard 1949-1966* (Husum: Matthiesen Verlag, 2004).

Dehm, Julia, "Highlighting Inequalities in the Histories of Human Rights: Contestations over Justice, Needs and Rights in the 1970s," *Leiden Journal of International Law*, 31 (2018): 871-895.

Delehanty, Sean, "From Modernization to Villagization: The World Bank and Ujamaa," *Diplomatic History*, 44:2 (2020): 289-314.

Denoon, David, *Devaluation und Pressure: India, Indonesia, and Ghana* (Cambridge: MIT Press, 1986).

Doering-Manteuffel, Anselm and Lutz Raphael, *Nach dem Boom. Perspektiven auf die Zeitgeschichte* (Göttingen: Vandenhoeck & Ruprecht GmbH, 2. Auflage, 2010).

Eckel, Jan and Samuel Moyn (eds.), *The Breakthrough: Human Rights in the 1970s* (Philadelphia: University of Pennsylvania Press, 2013).

Ekbladh, David, *The Great American Mission. Modernization and Construction of an American World Order* (Princeton: Princeton University Press, 2010).

Eichengreen, Barry, *Globalizing Capital. A History of the International Monetary System* (Princeton, Oxford: Princeton University Press, 2008).

Engerman, David and Corinna Unger, "Introduction: Towards a Global History of Modernization," *Diplomatic History* 33:3 (2009): 375–385.

Engerman, David, *The Price of Aid. The Economic Cold War in India* (Cambridge: Harvard University Press, 2018).

Escobar, Arturo, *Encountering Development. The Making and Unmaking of the Third World* (Princeton: Princeton University Press, 1994).

Ferguson, Niall, Charles Maier, Erez Manela, and Daniel Sargent, eds., *The Shock of the Global. The 1970s in Perspective* (Cambridge: Harvard University Press, 2010).

Fine, Ben, Costas Lapavitsas, and Jonathan Pincus, eds., *Development Policy in the Twenty-first Century. Beyond the post-Washington consensus* (London, New York: Routledge, 2001).

Fine, Ben, "Neither the Washington nor the post-Washington consensus. An Introduction," in Ben Fine, Costas Lapavitsas and Jonathan Pincus, eds., *Development Policy in the Twenty-first Century*. *Beyond the post-Washington Consensus* (London, New York: Routledge, 2001): 1-27.

Finnemore, Martha, "Redefining Development at the World Bank," in Frederick Cooper and Randall Packard, eds., *International Development and the Social Sciences. Essays on the History and Politics of Knowledge* (Berkeley, Los Angeles, London: University of California Press, 1997), 203-227.

Franczak, Michael, "'Asia' at Bretton Woods: India, China, and Australasia in Comparative Perspective," in Giles Scott-Smith and J. Simon Rofe, eds., *Global Perspectives on the Bretton Woods Conference and the Post-War World Order* (New York: Palgrave Macmillan, 2017), 111-127.

Frankel, Francine, *India's Political Economy, 1947-2004. The Gradual Revolution* (Delhi: Oxford University Press, 2010).

Frey, Marc, Sönke Kunkel, and Corinna Unger, *International Organizations and Development, 1945-1990* (Basingstoke: Palgrave Macmillan, 2014).

Frey, Marc, "Neo-Malthusianism and development: shifting interpretations of a contested paradigm," *Journal of Global History* 6:1 (2011): 75-97.

Frey, Marc and Sönke Kunkel, "Writing the History of Development: A Review of the Recent Literature," *Contemporary European History* 20:2 (2011): 215-232.

Garavini, Giuliano, *After Empires. European Integration, Decolonization, and the Challenge from the Global South 1957-1986* (Oxford: Oxford University Press, 2012).

Garavini, Giuliano, "Completing Decolonization: The 1973 'Oil Shock' and the Struggle for Economic Rights," *The International History Review*, 33:3 (2011): 473-487.

Garavini, Giuliano, "From Boumedienomics to Reaganomics: Algeria, OPEC, and the International Struggle for Economic Equality," *Humanity* 6:1 (2015): 79-92.

Garritsen de Vries, Margaret, *The International Monetary Fund. 1972-1978. Cooperation on Trial. Cooperation on Trial. Vol.1: Narrative and Analysis* (Washington D.C.: International Monetary Fund, 1985).

Garritsen de Vries, Margaret, *The International Monetary Fund. 1972-1978. Cooperation on Trial. Vol.2: Narrative and Analysis* (Washington D.C.: International Monetary Fund, 1985).

George, Susan and Fabrizio Sabelli, *Faith and Credit. The World Bank's Secular Empire* (London: Penguin Books, 1994).

Gibbon, Peter, Kjell Havnevik, Kenneth Hermele, *A Blighted Harvest. The World Bank and African Agriculture in the 1980s* (London: James Currey, 1993).

Gilman, Nils, *Mandarins of the Future. Modernization in Cold War America* (Baltimore, London: John Hopkins University Press, 2003).

Gilman, Nils, "The New International Economic Order: A Reintroduction," *Humanity* 6:1 (2015): 1-16.

Gilpin, Robert, *The Political Economy of International Relations* (Princeton: Princeton University Press, 1987).

Goldman, Michael, *Imperial Nature. The World Bank and Struggles for Social Justice in the Age of Globalization* (New Haven, London: Yale University Press, 2005).

Gosh, Jayati, "Liberalization Debates," in Terence J. Byres, ed., *The Indian Economy. Major Debates since Independence* (Delhi: Oxford University Press, 1998), 295-334.

Graf, Rüdiger, "Making Use of the 'Oil Weapon': Western Industrialized Countries and Arab Petropolitics in 1973–1974," *Diplomatic History*, 36:1 (2012), 185-208.

Graves, Harold N., "The Bank as International Mediator: Three Episodes," in Edward Mason and Robert Asher, *The World Bank since Bretton Woods* (Washington D.C.: The Brookings Institution, 1973), 595-646.

Gwin, Catherine, "U.S. Relations with the World Bank, 1945-1992," in Devesh Kapur, John Lewis and Richard Webb, eds., *The World Bank: Its First Half Century. Vol II: Perspectives* (Washington D.C.: Brookings Institution Press, 1997), 195-274.

Haefele, Mark H., "Walt Rostow's Stages of Economic Growth: Ideas and Action," in David Engerman, Nils Gilman, Mark H. Haefele and Michael Latham, eds., *Staging Growth. Modernization, Development, and the Global Cold War* (Amherst and Boston: University of Massachusetts Press, 2003), 81-103.

Hammouda, Hakim, *The Political Economy of Post-Adjustment: Towards New Theories and Strategies of Development* (Adlershot: Ashgate, 2013).

Helleiner, Eric, *Forgotten Foundations of Bretton Woods. International Development and the Making of the Postwar Oder* (Ithaca and London: Cornell University Press, 2014).

Helleiner, Eric, "Southern Pioneers of International Development," *Global Governance* 20:3 (2014): 375-388.

Helleiner, Eric, *States and the Reemergence of Global Finance. From Bretton Woods to the 1990s* (Ithaca and London: Cornell University Press, 1994).

Hirshman, Albert O., “The Rise and Decline of Development Economics,” in Albert O. Hirshman, *Essays in Trespassing. Economics to Politics and Beyond* (Cambridge: Cambridge University Press, 1981), 1-24.

Hodge, Joseph M., “British Colonial Expertise: Post-Colonial Careering and the Early History of International Development,” *Journal of Modern European History* 8:1 (2010): 24–46.

Hodge, Joseph M., *Triumph of the Expert. Agrarian Doctrines of Development and the Legacies of British Colonialism* (Athens: Ohio University Press, 2007).

Hodge, Joseph M., “Writing the History of Development (Part 1: The First Wave),” *Humanity* 6:4 (2015): 429–463.

Hodge, Joseph M., “Writing the History of Development (Part 2: Longer, Deeper, Wider),” *Humanity* 7:1 (2016): 125–174.

Hopkins, A.G., “The New Economic History of Africa,” *Journal of African History* 50:2 (2009): 155-177.

Immerwahr, Daniel, *Thinking Small. The United States and the Lure of Community Development* (Cambridge, Mass.: Harvard University Press, 2015).

Jahanbani, Sheyda, “One Global War on Poverty: The Johnson Administration Fights Poverty at Home and Abroad, 1964-1968,” in Francis J. Gavin and Mark Atwood Lawrence, eds., *Beyond the Cold War. Lyndon Johnson and the New Global Challenges of the 1960s* (New York: Oxford University Press, 2014), 97-117.

James, Harold, *International Monetary Cooperation since Bretton Woods* (Washington D.C., New York, Oxford: International Monetary Fund & Oxford University Press, 1996).

James, Harold, “The Multiple Contexts of Bretton Woods,” *Oxford Review of Economic Policy* 28:3 (2012): 411-430.

Jerven, Morten, *Africa. Why Economists Get it Wrong* (London: Zed Books, 2015).

Jolly, Richard, Louis Emmerij, Dharam Ghai, and Frédéric Lapeyre, *UN Contributions to Development Thinking and Practice* (Bloomington: Indiana University Press, 2004).

Kaplan, Lawrence, Ronald Landa, and Edward Drea, *The McNamara Ascendancy 1961-1965* (Washington D.C.: Office of the Secretary of Defense, 2006).

Kapur, Devesh, John Lewis, and Richard Webb, *The World Bank: Its First Half Century. Vol I and Vol II* (Washington D.C.: Brookings Institution Press, 1997).

Kardam, Nüket, “The Adaptability of International Development Agencies: the Response of the World Bank to Women in Development,” in Kathleen Staudt, ed., *Women, International*

Development, and Politics: the Bureaucratic Mire (Philadelphia, Pennsylvania: Temple University Press, 1997), 136-150.

Kay, Cristóbal, "Raúl Prebisch," in David Simon, ed., *Fifty Key Thinkers on Development* (London and New York: Routledge, 2006), 199-204.

Keating, Michael, "The Evolution of Australian Macroeconomic Strategy since World War 2," in Simon Ville and Glenn Withers, eds., *The Cambridge Economic History of Australia* (Sydney: Cambridge University Press, 2014), 438-461.

Kirk, Jason A., *India and the World Bank. The Politics of Aid and Influence* (London: Anthem Press, 2012).

Krasner, Stephen, *Structural Conflict. The Third World against Global Liberalism* (Berkeley, Los Angeles, London: University of California Press, 1985).

Kröss, Verena, "The North-South Conflict in the World Bank. Understanding the Bank's Turn to Structural Adjustment Lending," *Rivista italiana di storia internazionale,* 3:2 (2020): 247-268 (DOI: 10.30461/99714).

Kumar, Prakash, Timothy Lorek, Tore C. Olsson, Nicole Sackley, Sigrid Schmalzer and Gabriela Soto Laveaga, "Roundtable: New Narratives of the Green Revolution," *Agricultural History* 91:3 (2017): 397-422.

Lal, Priya, *African Socialism in Postcolonial Tanzania. Between the Village and the World* (New York: Cambridge University Press, 2015).

Lancaster, Carol, *Foreign Aid. Diplomacy, Development, Domestic Politics* (Chicago, London: The University of Chicago Press, 2007).

Latham, Michael, *Modernization as Ideology. American Social Science and 'Nation Building' in the Kennedy Era* (Chapel Hill, London: The University of North Carolina Press, 2000).

Latham, Michael, "Modernization," in Theodore M. Porter and Dorothy Ross, eds., *The Modern Social Sciences* (Cambridge: Cambridge University Press, 2003), 721–734.

Latham, Michael, *The Right Kind of Revolution. Modernization, Development, and U.S. Foreign Policy from the Cold War to the Present* (Ithaca, London: Cornell University Press, 2011).

Leo, Christopher, "The Failure of the 'Progressive Farmer' in Kenya's Million-Acre Settlement Scheme," *The Journal of Modern African Studies,* 16:4 (1978): 619-638.

Lindheim, Daniel, *Regional Development and Deliberate Social Change: Integrated Rural Development in Mexico* (Ph.D. dissertation, University of California, Berkeley, 1986).

Lorenzini, Sara, *Global Development. A Cold War History* (Princeton, Oxford: Princeton University Press, 2019).

Macekura, Stephen, *Of Limits and Growth. The Rise of Global Sustainable Development in the Twentieth Century* (New York: Cambridge University Press, 2015).

Marshall, Katherine, *The World Bank. From Reconstruction to Development to Equity* (London and New York: Routledge, 2008).

Mason, Edward and Robert Asher, *The World Bank since Bretton Woods* (Washington D.C.: The Brookings Institution, 1973).

Maul, Daniel, *Menschenrechte, Sozialpolitik und Dekolonisation. Die Internationale Arbeitsorganisation (IAO) 1940-1970* (Essen: Klartext, 2007).

Maul, Daniel, *The International Labour Organization. 100 Years of Global Social Policy* (Berlin: De Gruyter Oldenbourg, 2019)

Mazower, Mark, *Governing the World. The History of an Idea* (London: Penguin Book, 2013).

McKenzie, Francine, "Where Was Trade at Bretton Woods?," in Giles Scott-Smith and J. Simon Rofe, eds., *Global Perspectives on the Bretton Woods Conference and the Post-War World Order* (New York: Palgrave Macmillan, 2017), 263-280.

McNaughton, Gillian, "Vertical inequalities: are the SDGs and human rights up to the challenges?," *The International Journal of Human Rights* 21:8 (2017): 1050-1072.

Merrill, Dennis, *Bread and the Ballot. The United States and India's Economic Development, 1947-1963* (Chapel Hill: University of North Carolina Press, 1990).

Migani, Guia, "Lomé and the North-South Relations (1975-1984): from the 'New International Economic Order' to a New Conditionality," in Claudia Hiepel, ed., *Europe in a Globalising World. Global Challenges and European Responses in the 'long' 1970s* (Baden-Baden: Nomos, 2014), 123-145.

Mosley, Paul, Jane Harrigan, and John Toye, *Aid and Power. The World Bank & Policy-based Lending. Volume 1* (London, New York: Routledge, 1991).

Mosley, Paul, Jane Harrigan, and John Toye, *Aid and Power. The World Bank & Policy-based Lending. Volume 2. Case Studies* (London, New York: Routledge, 1991).

Moyn, Samuel, *Not Enough. Human Rights in an Unequal World* (Cambridge, Mass., London: The Belknap Press of Harvard University Press, 2018).

Muirhead, Bruce, "Differing Perspectives: India, the World Bank and the 1963 Aid-India Negotiations," *India Review* 4:1 (2005): 1-22.

Murphey, Craig, *The United Nations Development Programme. A Better Way?* (Cambridge: Cambridge University Press, 2006).

Oliver, Robert, *George Woods and the World Bank* (Boulder: Lynne Rienner, 1995).

Pasour, E.C., "Theodore W. Schultz," *Econ Journal Watch* 10:3 (2013): 593-601.

Pernet, Corinne and Amalia Ribi Forclaz, "Revisiting the Food and Agriculture Organization (FAO): International Histories of Agriculture, Nutrition,and Development," *The International History Review* 41:2 (2019): 345-350.

Pincus, Jonathan, "The post-Washington Consensus and Lending Operations in Agriculture. New Rhetoric and Old Operational Realities", in Ben Fine, Costas Lapavitsas, and Jonathan Pincus, eds., *Development Policy in the Twenty-first Century. Beyond the post-Washington consensus* (London, New York: Routledge, 2001), 182-218.

Pogge, Thomas and Mitu Sengupta, "Assessing the sustainable development goals from a human rights perspective," *Journal of International and Comparative Social Policy* 32:2 (2016): 83-97.

Polak, Jacques, "The World Bank and the IMF: A Changing Relationship," in Devesh Kapur et al., eds., *The World Bank: Its First Half Century. Vol II: Perspectives* (Washington D.C.: Brookings Institution Press, 1997), 473-521.

Pomfret, Richard, "Reorientation of trade, investment and migration," in Simon Ville and Glenn Withers, eds., *The Cambridge Economic History of Australia* (Sydney: Cambridge University Press, 2014), 397-418.

Prabhu, Nagesh, *Reflective Shadows. Political Economy of World Bank Lending to India* (New Delhi: Oxford University Press, 2017).

Prah Ruger, Jennifer, "The Changing Role of the World Bank in Global Health," in *American Public Health Organization*, 95(1), 2005, 60–70.

Prashad, Vijay, *The Poorer Nations. A Possible History of the Global South* (London, New York: Verso, 2012).

Qayyum, Amna, "'Our Man at Comilla': Akhter Hameed Khan and Theories of Rural Development in Comilla, East Pakistan," unpublished paper presented at the Agricultural History Society Conference, Washington D.C., July 5th-8th, 2019.

Rich, Bruce, *Mortgaging the Earth. The World Bank, Environmental Impoverishment and the Crisis of Development* (London: Earthscan Publications, 1994).

Robertson, Thomas, *The Malthusian Moment. Global Population Growth and the Birth of American Environmentalism* (New Brunswick: Rutgers University Press. 2012).

Roes, Aldwin, "World Bank Survey Missions and the Politics of Decolonization in British East Africa," *International Journal of African Historical Studies* 42:1 (2009): 1-28.

Sackley, Nicole, "The road from serfdom: economic storytelling and narratives of India in the rise of neoliberalism," *History and Technology*, 31:4 (2015): 397-419.

Sackley, Nicole, "The Village as a Cold War Site: Experts, Development, and the History of Rural Reconstruction," *Journal of Global History*, 6:3 (2011): 481-504.

Sargent, Daniel, "The Cold War and the International Political Economy in the 1970s," *Cold War History* 13:3 (2013): 393-425.

Schmelzer, Matthias, "The crisis before the crisis: the 'problems of modern society' and the OECD, 1968–74," *European Review of History: Revue europeenne d'histoire*, 19:6 (2012): 999-1020.

Schmelzer, Matthias, *The Hegemony of Growth: The OECD and the Making of the Economic Growth Paradigm* (Cambridge: Cambridge University Press, 2016).

Scott, James, *Seeing Like a State. How Certain Schemes to Improve the Human Condition Have Failed* (New Haven, London: Yale University Press, 1998).

Scott-Smith, Giles and J. Simon Rofe, "Bretton Woods: A Global Perspective," in Giles Scott-Smith and J. Simon Rofe, eds., *Global Perspectives on the Bretton Woods Conference and the Post-War World Order* (New York: Palgrave Macmillan, 2017), 1-16.

Shapley, Deborah, *Promise and Power. The Life and Times of Robert McNamara* (Boston, Toronto, London: Little, Brown and Company, 1993).

Sharma, Patrick, "Between North and South: The World Bank and the New International Economic Order," *Humanity* 6:1 (2015): 189-200.

Sharma, Patrick, "Bureaucratic imperatives and policy outcomes: The Origins of World Bank Structural Adjustment Lending," *Review of International Political Economy* 20:4 (2013): 667-686.

Sharma, Patrick, *Robert McNamara's Other War. The World Bank and International Development* (Philadelphia: University of Pennsylvania Press, 2017).

Sharma, Patrick, "The United States, the World Bank, and the Challenges of International Development in the 1970s," *Diplomatic History* 37:3 (2013): 572-604.

Shaw, John, "Hans Wolfgang Singer," in David Simon, ed., *Fifty Key Thinkers on Development* (London and New York: Routledge, 2006), 242-247.

Shaw, John, *World Food Security. A History since 1945* (Basingstoke: Palgrave Macmillan, 2007).

Simpson, Brad, "Indonesia's 'Accelerated Modernization' and the Global Discourse of Development, 1960-1975," *Diplomatic History* 33:3 (2009): 467-486.

Singer, Hans W., "Poverty, Income Distribution, and Levels of Living: Thirty Years of Changing Thought on Development Problems," in Hanumantha Rao and P.C. Joshi, eds., *Reflections on Economic Development and Social Change. Essays in Honour of Professor V.K.R.V. Rao* (Oxford: Martin Robertson, 1979), 29-40.

Staples, Amy L., *The Birth of Development. How the World Bank, Food and Agriculture Organization and World Health Organization Changed the World, 1945-1965* (Kent: The Kent State University Press, 2006).

Steil, Benn, *The Battle of Bretton Woods. John Maynard Keynes, Harry Dexter White and the Making of a New World Order* (Princeton, Oxford: Princeton University Press, 2013).

Stern, Nicholas and Francisco Ferreira, "The World Bank as 'Intellectual Actor'," in Devesh Kapur, John Lewis, and Richard Webb, eds., *The World Bank: Its First Half Century. Vol II* (Washington D.C.: Brookings Institution Press, 1997): 523-609.

Taffet, Jeffrey F., *Foreign Aid as Foreign Policy. The Alliance for Progress in Latin America* (New York, London: Routledge, 2007).

Tischler, Julia, *Light and Power for a Multiracial Nation. The Kariba Dam Scheme in the Central African Federation* (New York: Palgrave Macmillan, 2013).

Toye, John, *Dilemmas of Development. Reflections on the Counter-Revolution in Development Theory and Policy* (Oxford: Basil Blackwell: 1987).

Toye, John, and Richard Toye, *The UN and Global Political Economy. Trade, Finance, and Development* (Bloomington: Indiana University Press, 2004).

Traugh, Geoffrey, "Building a Nation of Farmers: 'Economic Man' and Expectations of Development in Postcolonial Malawi," (unpublished original English-language version of the following published article in French: Geoffrey Traugh, "Construire une nation d'agriculteurs: l'« homme économique » et l'attente du développement dans le Malawi postcolonial," *Politique Africaine*, 145:1 (2017): 27-45).

Unger, Corinna, *Entwicklungspfade in Indien. Eine internationale Geschichte. 1947-1980* (Göttingen: Wallstein Verlag, 2015).

Unger, Corinna, *International Development. A Postwar History* (London: Bloomsbury Academic, 2018).

Van Beusekom, Monica, "Disjunctures in Theory and Practice: Making Sense of Change in Agricultural Development at the Office du Niger, 1920-60," *The Journal of African History* 41:1 (2000): 79-99.

Van de Walle, Nicolas, *African Economies and the Politics of Permanent Crisis, 1979-1999* (Cambridge: Cambridge University Press, 2001).

Van Horn, Rob and Philip Mirowksi, "The Rise of the Chicago School of Economics and the Birth of Neoliberalism," in Philip Mirowski and Dieter Plehwe, eds., *The Road from Mont Pèlerin. The Making of the Neoliberal Thought Collective* (Cambridge, Mass.: Harvard University Press, 2009), 139-180.

Varshney, Ashutosh, "Ideas, Interest and Institutions in Policy Change: Transformation of India's Agricultural Strategy in the Mid-1960s," *Policy Sciences* 22:3/4 (1989): 289-323.

Wade, Robert, “Greening the Bank: The Struggle over the Environment, 1970-1995,” in Devesh Kapur et al., eds., *The World Bank: Its First Half Century. Vol II: Perspectives* (Washington D.C.: Brookings Institution Press, 1997), 611-734.

Whelan, Daniel J., “’Under the Aegis of Man’: The Right to Development and the Origins of the New International Economic Order,” *Humanity* 6:1 (2015): 93-108.

Williamson, John, “What Washington Means by Policy Reform,” in John Williamson, ed., *Latin American Adjustment. How much has happened?* (Washington D.C.: Institute for International Economics, 1990), 7-38.

Wood, Robert E., *From Marshall Plan to Debt Crisis. Foreign Aid and Development Choices in the World Economy* (Berkeley, Los Angeles, London: University of California Press, 1986).

Woods, Ngaire, *The Globalizers. The IMF, the World Bank, and Their Borrowers* (Ithaca and London: Cornell University Press, 2006).

Young, Alden, *Transforming Sudan. Decolonization, Economic Development, and State Formation* (Cambridge: Cambridge University Press, 2018).

Young, Katharine G., “The Minimum Core of Economic and Social Rights: A Concept in Search of Content,” *Yale Journal of International Law*, 33 (2008): 113-175.