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DPA World Development Report 1978/80
Vol III

FORM NO. 635
(6–77)

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For further correspondence, please see 1981/83.

RECORDS MANAGEMENT SECTION

DPA. WDR

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Files

DATE: December 15, 1980

FROM: Robert Cassen and Robert Liebenthal

SUBJECT: Meeting to Discuss WDR IV Background Paper: Food Policy Issues in Low Income Countries

1. Who are the Hungry?

Discussion centered on the India paper which had most to say on the subject. Its definition distinguishing between 'harmful versus non-harmful adaptation' to total deficiency days was recognized as the most appropriate. Many measures which purported to be measures of hunger or malnutrition were really measures of poverty. For malnutrition, anthropometric measures were the most reliable. Though it was noted that a paper by Scandizzo et. al. has come to conclusions similar to Lipton's: 25 percent malnourished in India by FAO standards, or 15 percent at 80 percent of the FAO standard. It was observed that recent research showed weight for height and height for age were not correlated. Intervention could not raise height after age 3, but could improve weight. The question of protein need among children should not get lost in general enhusiasm for the new calorie and protein proportion orthodoxy.

The India paper distinguished between the poor and the very poor; but the discussants felt it had not adequately shown what followed from the distinction in terms of interventions directed at either group specifically. (The Sussex papers tended to omit the urban poor.) In general, for the poorest, income and food intake are highly correlated. But the distribution of nutritional status over time, location, occupational and other groupings, or within the family, is rarely well identified, and, to the extent it is known, highly variable from country to country.

2. Price Policy and Public Intervention

Some interesting generalizations were suggested. The poor may be hurt less by some higher grain prices than one might expect.

-- The ration price is not necessarily the price paid by the poor, especially if the ration does not reach them but other groups. Arbitrage and other market responses may in fact force the poor to pay higher prices.

-- Typically it is mainly urban consumers that benefit from rationing systems.

-- Market instability may be dumped onto the poor.

-- Higher prices may stimulate output and on-farm employment. There are also long-term effects.

-- If food subsidies become very large, and form a large proportion of the government budget, they contribute to general inflation from which the poor may suffer most.

For example, In Sri Lanka, increases in employment appeared to have offset the effects of the removal of food subsidies, and it is now inflation that is eroding the incomes of the poor.

Distribution and storage programs may have been more successful in reducing seasonal fluctuations. Any large poor country must have food grain stocks, and it may be immaterial whether these are held by the private or the public sector. It would be generally agreed that high producer prices are a necessary but not a sufficient condition for increased food production (assuming this is the main argument for high food prices), and would need to be seen in the broader context of sectoral policy. In the same way that consumers do not necessarily pay publicly determined ration prices, farmers do not necessarily react to publicly determined procurement prices either. The problem of high price needed for output, low for poor consumers, remains a key one. The seminar discussed some options without resolving the issue. It was suggested, however, that it is genrally desirable (if difficult) to raise incomes of the rural poor rather than hold down prices. Rural work programs may be the best nutrition programs. Means could also be examined to vary the system of procurement and rationing -- open market sales could be used instead of the latter. And domestic price stabilization measures could help; also the promotion of 'self targetting' (i.e., poor-consumed) crops. In general public intervention seemed to 'work' in Asia, but not in Africa. (A passing regret was expressed that the India paper had not discussed procurement and rationing policy. And a participant said the Zambia paper was oversimplified: price policy had benefited urban consumers; but the funds came from taxes which were levied on urban rather than rural incomes. Farmers also benefited from the policies.)

Price policy had to be discussed in its full context: not just simple demand and supply responses, but factors lying behind supply curves -- investment, available resources, technology, extension . . . The economics of marketing were also important.

3. International Aspects

The papers generally supported a view that international food trade and other conditions were important for the balance of payments and overall food supplies in the macro-economy; but they did not much affect the plight of the undernourished. However, the Bangladesh paper (Ed Clay) clearly showed that Bangladesh has been extremely vulnerable to increases in international food prices. There was discussion of whether this was a foreign exchange problem or a food problem. There was no consensus, but some agreement that even if it was primarily a foreign exchange problem, the food management aspects of it were paramount. Some discussion took place of whether, in addition to the conventional range of issues that are raised in this context -- international stocks, insurance facilities, the IMF food facility -- there was scope for greater use of forward markets for food, with the suggestion that some international arrangements might be appropriate for dealing with this, and allowing the developing countries to benefit from some consequential stabilizing effects. More generally, it appeared that arrangements were needed to guarantee low income countries some priority in international food purchases at times of scarcity, perhaps on a fixed price basis. Poor countries had to take unreasonable risks in international markets.

List of Participants

Name	Department
G. Brown	ASA
R.H. Cassen	WDR
J. M. Finger	WDR
R. Gusten	WAP/WANSY
Jim Harrison	ASP
Jon Hitchings	ASA
Charles Humphreys	WA1
C.M. Lewis	AGR
Bob Liebenthal	WDR
O. Nijhawan	ASA
P. Pinstrup-Andersen	IFPRI
David Pyle	PHN
P. L. Scandizzo	AGR
G. Schreiber	ASA
Roy Southworth	AGR
B.K. Zegge	EAP

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

file

NRIC

TO: Mr. Basil Kavalsky, Acting Chief Economist, EMENA

DATE: December 8, 1980

DPA - WDR

FROM: Javad Khalilzadeh-Shirazi, EMNVP JK-S

SUBJECT: WDR IV Background Paper: "The Capital Surplus Oil Exporting Countries: Iraq, Kuwait, Libya, Qatar, Saudi Arabia, UAE"

1. The paper provides an interesting and impressive analysis of a difficult and somewhat speculative subject. Its conclusion regarding the size and permanence of the capital surplus of the six countries is broadly plausible. The size of the surplus depends on not only to the assumptions made concerning "domestic absorption," but also on the volume of crude production and future oil price increases. (One might also underline the importance of largely unknown political parameters.) Two scenarios of price increases are assumed, 10 percent and 15 percent (in nominal terms) annually during 1980-85 -- the projection period. With a given set of projections of absorption (a cumulative figure of $1049 billion during the six years 1980-1985), the total capital surplus would amount to $687 billion and $935 billion, depending on which of the two assumptions on oil price increases is used.

2. The paper views the projections for domestic absorption as the "absolute maximum" which "will in all likelihood not be achieved." This is by no means so unequivocal. It is true that given the limits to absorptive capacity for domestic investment, affected by, among others, the concern for the social and political repercussions of a growing and relatively massive expatriate labor force in nearly all the six countries and the inflationary pressures of very high levels of public expenditures, the governments would exercise restraint in expanding investment outlays at a rapid pace. However, the outlays on defense spending, which are noted only in a qualitative sense and en passant, may emerge to be the most significant component in the growth of expenditures over the next several years, particularly for Saudi Arabia and Iraq. Admittedly, this is a treacherous area for conjecture, but the recent conflict between two major OPEC members is likely to put great pressure for a colossal arms race, especially among the more populated countries in the area. This tendency could only be curbed by restraint on the part of arms suppliers; but it may be wishful thinking to count on that. Therefore, the projections on absorption need not, in my view, be considered as the upper bound.

3. Furthermore, it is questionable that the absorption projections can be delinked, as they are in the paper, from the size of the oil export revenues. In the 10 percent price increase scenario, Saudi Arabia is projected to have a deficit (excluding investment income) of $13 billion in 1984 and $34 billion in 1985. Even with investment income, Saudi Arabia is projected to face a small overall deficit ($3 billion) in 1985. A more likely scenario would be that in which Saudi Arabia would not utilize the income from its portfolio investments--an income which is after all, according to the paper's projections, barely sufficient to keep the real value of those investments intact--

to finance the gap between oil export revenues and annual expenditures. Rather, geopolitical considerations permitting, it would be likely to "go along" with the ever-present pressures to increase prices. Failing this, it may opt for not reducing output to the 8.5 million b/d in 1981, as assumed in the projections. It might be worthwhile to explore the impact of these alternative behavioral assumptions for Saudi Arabia on the size of the capital surplus as a whole.

4. Finally, a minor point. Some of the sociological observations in the paper are either unnecessary to support the argument and/or debatable. For example, the "autocratic" nature of the regimes like those of Saudi Arabia or the UAE has hardly anything to do with those country's legitimate desire not to be flooded with expatriates (p.36). Surely, many Western domocracies are gravely concerned with the social, and ultimately political, consequences of a large expatriate labor force, particularly if accompanied by family members! In a similar vein, the reference that "for people of Islamic faith, past and future generations loom larger in the lives of the living than for the people of the West" (p.5) is not a valid observation or germane in the context of the argument that a "30 or even 70 year life-time of oil reserves was seen by many as a short period in history."

cc: Mr. Dubey (o/r)
Mr. Fitchett

:11

DPA. WDR

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Files

DATE: December 4, 1980

FROM: J. Chassard JC

SUBJECT: December 3 Meeting with the External Debt Division

The External Debt division will provide the WDR IV group with three papers:

1. On developing country debt in general (very preliminary paper).
   Author: N. Hope.
   Due date: December 12.

2. On variable interest rate lending, and probably on currency composition of LDC external debt.
   Author: T. Klein.
   Due date: end of January or first week of February.

3. On debt service ratio.
   Author: G. Beharry.
   Due date: End of January or first week of February.

The paper by N. Hope will look at developing country debt according to the following outline:

Introduction: comparison of the 1970s vs. the 1950s and 1960s.

I. LDC Country debt in aggregate terms.

Changes in volumes (stocks, composition, growth rates, etc.).

Flows (commitments, disbursements, amortization, interest payments, net transfers, etc.).

Relation of LDC external debt to macroeconomic indicators.

II. Individual Countries' External Debt.

Principal borrowers (in terms of debt outstanding).

Oil-exporting countries.

Low-income oil-importing countries.

Middle-income oil-importing countries.

Newly-industrialized countries.

III Prospects for developing country debt and for principal borrowers' debt especially.

While Mr. Hope is on leave, the following persons will be our contacts in EPD External Debt division:

Thomas Klein
Austin Hu
Ginna Beharry.

cc: Mr. Cassen, Mr. Yenal

S- Env.
✓DPA- WDR

Mr. R. Cassen, WDR

November 26, 1980

James A. Lee, Office of Environmental Affairs, PAS

WORLD DEVELOPMENT REPORT IV (& V)

1. Following on your memorandum of November 12 to Mr. Zachariah, I believe Mr. Overby of my staff sent you materials which he and I both thought would be of interest to you.

2. Since then, the United Nations Environment Programme (UNEP) has repeatedly expressed to me its interest in how WDR IV (and, perhaps, more important, V) can be made to harmonize with its own efforts to arouse concern for the future of development in the light of accelerating degradation of environmental systems and resources globally. In 1982, UNEP is coming out with a voluminous report, Ten Years After Stockholm, (Stockholm meaning the 1972 UN Conference on the Human Environment) detailing what has (and is) happened to the environment in the intervening years. UNEP is utely aware that the international economic situation in the coming decade could further exascerbate the trend of environmental degradation and seriously threaten the sustainability of development in certain countries.

3. I would like very much to discuss this matter with you and, specifically, how the Bank through the WDR series could usefully serve to highlight the growing threat to the very underpinnings of development and its implications for the future.

cc: Messrs. V. Rajagopalan, PAS
R. Overby, OEA/PAS

JALee:on

OFFICIAL FILE COPY

File #338

I - Energy

Mr. P. Pollak, EPD

November 24, 1980

DPA - WDR

Mathew Mitchell, EGY

WDR 81 Energy Projections/Energy Sector Reports

1. As you requested, I am sending a copy of the brief memo I prepared on WDR 81 global energy supply projections and a list of energy sector reports which have either been completed or are in preparation. We may circulate outside the Department any report which has reached the "yellow cover" stage or beyond. In addition to the energy sector reports listed, I have also found chapters on the energy sector in various country economic reports and some outside energy reports i.e. U.S. Department of Energy developing country energy assessments. I will send you copies of what is available.

2. Attached is a revised forecast of 1990 gas projections for oil exporting developing countries. These represent low case production possibilities obtained from the BEICIP study on the Utilization of Gas in the Developing Countries, which Mr. P. Bourcier has recommended we use for the present time.

MMitchell:bm

cc: Messrs. Sadove, Bourcier, Bharier and Ms. Julius (EGY)

Attachment:

VDPA World Dev. Rep
CC. S. Energy.

Mr. P. Bourcier, Assistant Director, EGY

November 20, 1980

M. Mitchell, EGY

WDR 81 Gas Production Forecast for Developing Countries

1. This is a revised version of my November 6 draft memo to you on the above subject requesting your recommendations concerning WDR 81 Gas production projections. As we discussed, it appears that the discrepancy between the 1990 gas production projections for oil exporting developing countries shown in the Energy Paper and those in the WDR 80 forecast, 2.7 million barrels per day of oil equivalent (mbdoe) and 5.5 mbdoe, respectively, is the exclusion or inclusion of gas production for export. Apparently the Energy Paper excludes gas exports from its gas production projections for developing countries but the 1990 forecast which we provided EPD for WDR 81 includes them. I have explained the difference to Peter Pollak (EPD), who is handling WDR 81 energy projections, and we agree that a global energy forecast should include gas production for export.

2. Attached are copies of the high and low range 1990 gas production forecasts for developing countries (prepared by BEICIP) disaggregated into production for domestic use and for export. The tentative forecast we gave EPD in September was an average of the high and low cases for all countries. In our meeting, you recommended that we use the low forecast for net oil exporting countries. I plan to send Peter Pollak a copy of this forecast. Although there are production forecasts available from EGY staff for a few countries, I believe that in order to maintain some consistency in the projections, we should use the BEICIP forecast for all countries until we have time to evaluate other forecasts and their underlying assumptions in detail.

3. Concerning the oil importing developing countries (OIDCs) the use of the BEICIP low case will result in a discrepancy with the Energy Paper's forecast. The BEICIP low case projects about 1.1 mbdoe of gas to be produced by OIDCs in 1990; if you add Romania's current production of .5 mbdoe and assume it will remain constant, you arrive at a total OIDC production figure of 1.6 mbdoe 1/ reflecting the Energy Paper's country composition. The Energy Paper's projection of 2.5 mbdoe for these countries appears to be an upper limit reflecting BEICIP's high case production projection of 1.9 mbdoe plus constant production from Romania at its 1978 level of about 0.58 mbdoe. (Romania's 1979 production was about .5 mbdoe and it is expected to decline during the 1980). I would appreciate it if you would take a look at the attached forecasts and give me your recommendation as soon as possible. EPD will be finalizing its projections soon.

1/ This is close to the projected 1980 level of 1.5 mbdoe in the Energy Paper which may be a bit high since actual 1979 production for OIDCs, (including Romania) is only about 1.1 mbdoe.

cc: Messrs. R. Sadove o/r (CPSVP), J. Bharier, D. Julius

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WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Files

DATE: November 14, 1980

FROM: R.H. Cassen

SUBJECT: The Low Case in the Global Model

1. At a meeting on 11/12/80 Messrs. Baneth, Cassen, Hicks, Miovic, Mitra and Yenal discussed the 'philosophy' of the Low Case to be adopted for the Global Model.

2. It was agreed that a consistent story could be told around the numbers adopted in the Draft Guidelines of 11/3/80, presenting the same assumptions for oil price and volume as in the High Case. The energy consumption growth in EPD's energy balance table is 1.8% for 1978-90. This yields an "elasticity" of .48 energy/GDP in the High Case, .64 in the Low Case. Thus part of the story to be told will be the High Case's getting more growth than the Low Case at the same imported energy -- a story which can be told in more than one way. The "elasticities" at least appear to be consistent with optimism and pessimism in that regard, and relate plausibly to recent empirical values.

3. The 2.8% OECD growth assumption for 1980-85 requires relatively little 'story-telling', since it need only presume a somewhat longer continuation of the present recession and a slower recovery from it than is anticipated in the High Case. But this account, especially when carried forward into the 1985-90 period, will have to be supplemented by assumptions concerning secular declines in productivity growth, limitations on ability to cope with inflation (and monetary expansion), high cost of energy-substituting investment, uncertainty and the like.

4. The lower trade flows in the Guidelines can be explained partly as low-growth, partly as (related) protectionist phenomena. The lower capital flow assumption need not be related to the OECD growth assumption and its effect on the demand for capital, but rather to worsening ldc debt/export ratios with slower export growth, to dc monetary restraint curbing banks' liquidity, and other restraints on capital supply to ldcs. ODA will of course fall automatically even though we shall assume constant ratios to donors' GNP.

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5. Mrs. Hughes observed to me in discussion subsequent to the meeting that these assumptions may not yield significantly worse growth rates for ldcs than the High case. The point is a good and important one. I think more discussion is required of how to handle

this issue. But it need not be presumed that the above Low Case assumptions have to be changed -- there is a variety of possible alternatives, including varying other parts of the model in Low or High Cases, and in particular making ldc adjustment less effective in the Low than in the High case.

6. We agreed that it would be helpful for setting out the global model Low Case if some runs of the Waelbroeck model could test out variations of assumptions for the Low Case. I expressed my anxiety at the prospect of not seeing the global model Low Case before the end of February. Mrs. Hughes suggested that she could explore with her staff the possibility, with those runs to assist, of accelerating the production of the Low Case, and that in the meantime the Waelbroeck runs would give us a feel for the results.

cc: Messrs. Baneth
Chenery
Colaco
Hicks
Miovic
Schwartz
Yenal
WDR Core Team

Mrs. Hughes (o/r)

RHCassen:rbc

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

WA files

OFFICE MEMORANDUM

DPA - WDR

TO: Mr. Luis de Azcarate, Chief Economist, WAI

DATE: November 13, 1980

FROM: N. Ramachandran, WAIB

SUBJECT: Board Discussion of November 12, 1980 on the Outline for the 1981 World Development Report

1. Per your request, I attended for the West Africa Region the Board discussion yesterday of the proposed 1981 World Development Report. Here are my notes on the proceedings.

2. Mr. Chenery (Chairman) said the objective of this meeting was to consult with the Board on the outline and strategy for the 1981 WDR. Mr. Cassen then spoke briefly of the main topics that would be covered in the 1981 WDR. It would deal essentially with the world economy and its impact on the LDCs. The section on capital flows would examine the balance of payments performance and prospects of LDCs. On trade, the report would compare the behavior of world trade in the 1960's with that in the 1970's and also deal with the impact of China on world trade. However, the main emphasis would be on country analysis, structural adjustment, prospects and policy issues for the 1980's. A variety of country experiences will be used to illustrate the main themes of the report. More extensive sensitivity analysis will also be undertaken, particularly to explore the potential impact of different growth rates in OECD countries. The second part of the report will take up specific topics like energy, food, and poverty, with emphasis on the near-term. The adjustment problems of the developed countries will also be considered.

3. The first Executive Director who spoke said that he had already discussed the outline of the report with the staff. He thought it was essential that WDR should retain its present character of being a staff paper, and should not involve the Executive Directors or their governments. This point should be emphasized in WDR 1981. The involvement of the EDs should be restricted to suggesting guidelines and correcting factual errors. There was no lack of learned dissertations on theoretical problems of economic development, but a big gap existed between the theoretical analysis and practice. The WDR should aim at bridging that gap by concentrating on issues of operational significance. As capital flows to oil-importing LDCs is likely to fall short of needs, WDR 1981 ought to highlight the need to improve the development impact of the limited capital that does flow in. Mr. Chenery responded that the objective of WDR would indeed be to narrow the gap between theory and practice.

4. The next speaker said there was no paper to discuss, and any discussion by the Board at this stage would not be very meaningful. He wondered whether a staff paper could not first be distributed and the substantive discussion be held on another date. Several EDs supported this position, and called for a paper that could be an expanded version of Mr. Cassen's introductory remarks as a basis for discussion. Some also added that they were new in the Board and could not make a useful contribution without some background documentation. Mr. Chenery said this suggestion could be considered, but as the Board had already convened, he would appreciate suggestions at this stage as well as on the plan for WDR 1981.

5. A speaker then enquired whether there would be any duplication of the work of the FAO, U.S., etc. who were engaged in similar long-term studies. He was also concerned that Mr. Cassen's presentation had made no reference to the Brandt Commission Report. Mr. Cassen responded that the FAO and U.S. studies will be useful, but we have to see whether we share their conclusions. Another speaker asked whether in the sensitivity analysis, there would also be a "catastrophe case". For example, what would happen if there was no growth in OECD countries? Mr. Chenery replied that such a scenario would be explored, without attaching any probabilities to this happening.

6. The next speaker supported the view that a low-growth (pessimistic) scenario should be developed in WDR 1981. The report should be sober and realistic. Though not meant to serve as shock therapy, the report should start from realistic (unfavorable) assumptions. It should also emphasize the interdependence of LDCs and developed nations, concentrate on the recycling problem and highlight the importance of private capital inflows and direct investment for LDCs. Here, the report should bring out the special responsibility of OPEC countries. Finally, WDR 1981 might provide data on military expenditures as a means of demonstrating the imbalance between such expenditures and those on social and economic development.

7. At this stage, an earlier speaker remarked that although several Board members had offered comments on the framework of WDR 1981, a written statement ought perhaps to be issued by the staff if the Board is to make a fuller contribution. As this view found general support in the Board, it was finally agreed that:

(a) a staff statement would be issued on the proposed outline of WDR 1981;

(b) consultations will be held with Board members informally on this statement; and

(c) a further Board discussion would be scheduled if so desired by Board members.

cc: Messrs. Sonmez
Isenman
Clift

NRamachandran:awd

DPA - WDR

Mr. Nicholas C. Hope, Chief, EPDED

November 10, 1980

Austin Hu, EPDED

Debt Data for WDR-IV

We have completed the creation of frozen debt files for the WDR-IV. We have also furnished the International Trade and Capital Flows Division with various reports in the standard WDR format (request attached). Within the next few days, I shall prepare a set of specifications of the new files and distribute them to all the OSS users.

cc: Mr. Antoine Schwartz, EPDIT
Mr. Jeffrey Katz, EPDIT
Mr. Hugh Dowsett, EPDED (o/r)
Mr. Oguzhan Alicli, EPDED
Mr. Marcos Sugar, EPDED

AHu:dbl
ah

DPA - WDR

Mr. Enzo Grilli, Chief, EPDCE

November 7, 1980

Kenji Takeuchi, Senior Economist, EPDCE

WDR IV - Export Volume Projections for Metals and Minerals

There were three "problems" identified on the export volume projections for nonfuel mineral commodities that were used for the draft guidelines of WDR IV:

(a) The annual growth rate for all developing countries (Regions 1-15) was to rise from 3.3% in 1961-78 to 4.4% in 1980-90.

(b) The annual growth rate for Regions 1-15 was to jump from 3.6% in 1980-85 to 5.1% in 1985-90.

(c) The annual growth rate for the industrialized countries (Region 17) was projected to jump from 4.5% in 1980-85 to 5.8% in 1985-90.

To take care of the problems (a) and (b), we have reviewed the projections and decided to adjust volume projections slightly downward for bauxite, copper and tin, for some developing countries. However, we have not adjusted the projections for the industrialized countries (Region 17). Thus, the key growth rates now look like those shown in the attached table (ANNEX I).

As for the problem (c), it is largely explained by the projections for aluminum, whose weight in the total metals/minerals export index is 34%. Aluminum exports of industrialized countries are projected to grow first at 5.4% in 1980-85 and then at 11.0% in 1985-90. Because of the changing energy availability and pricing situation, aluminum exports from Australia and Canada are expected to pick up after 1985, following a few years of gestation period required by the aluminum smelting projects currently planned. It should be noted that these expanding exports are destined to other industrialized countries where aluminum production is expected to stagnate.

cc: Messrs.: Dammert, Duncan, Hashimoto, Hilmy, Thigpen (EBDCE)
Mrs. Chhabra, Mrs. Bothwell (EPDCE)

ANNEX I

WDR IV: Commodity Export Projections - Revised Minerals and Metals Growth Rates
(% per annum)

	Regions	1961-78	1980-85	1985-90	1980-90
All developing countries	1-15	3.3	3.9	3.9	3.9
oil importing	1-9	(4.6)	(3.7)	(4.1)	(3.9)
oil exporting	10-15	(0.8)	(4.4)	(3.5)	(3.9)
Capital surplus OPEC	16	-	0.0	0.0	0.0
Industrialized countries	17	5.0	4.5	5.8	5.1
CPEs	18-19	4.8	3.4	2.6	3.0
World	1-19	4.1	NA	NA	NA

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

Mr. Baddink

OFFICE MEMORANDUM

NRIC

TO: Chief Economists

DATE: October 31, 1980

FROM: Helen Hughes, Director, EPD

DPA - WDR

SUBJECT: WDR IV COUNTRY PROJECTIONS

As I indicated in my memo of August 29, 1980 on this subject, the preparation of WDR IV will be making more use of individual country projections. I appreciate the comments and suggestions made by many of you on the model proposed in my memo. We have taken your comments into account as far as possible in revising and improving our basic projection model. We have now begun running the models and would like to discuss our preliminary projections with the relevant programs staff before proceeding further. Our objectives are to compare the aggregated country projections with the results given by the regional components of the WDR global model, so as to be able to analyze the country implications of the regional model results.

We do not pretend that our projections will exactly duplicate your country projections because of different model structures and some differences in global assumptions. But we do want to be sure in the first instance that our projections are consistent with your analysis of a country's prospects, given our global assumptions about price movements, etc. We also want to discuss your expectations about the most likely adjustment reactions of your countries to changes in external factors such as capital availability or OECD import prospects. This will be useful in adjusting models if the aggregate of the country projections exceeds expected availabilities or if sensitivity tests are conducted. I want to emphasize that these models are to be used only as part of aggregation exercises, not as alternative country projections.

To facilitate these discussions, I propose that Mr. Shilling contact senior economists to arrange joint meetings with his staff and country economists on several countries in the same region simultaneously. The first group of countries we have prepared are the oil exporting developing countries: Indonesia, Malaysia, Nigeria, Mexico, Venezuela, Ecuador, Algeria, Egypt and Tunisia, and the East Asian countries: Korea, Thailand and Philippines. We would like to begin discussions of them next week. The next group of countries: Kenya, Tanzania, India, Pakistan, Ivory Coast, Chile, Colombia, Argentina, Brazil, Turkey, Yugoslavia and Morocco will be ready in late November, the next 12 in December, and the remainder in January. We will try to provide analytic and explanatory material to the country economists prior to the meetings.

We very much appreciate your cooperation in this matter.

cc: Senior Economists and Program Directors
Messrs. Chenery and Waide.
EPD Division Chiefs and Front Office
WDR Core Team

HH/JS/cl

NOV 03 REC'D

DPA - WDR

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Files

DATE: October 31, 1980

FROM: R. H. Cassen

SUBJECT: WDR Production

I had a discussion with Messrs. Winterbottom and Svikhart regarding production questions about WDR IV. The one issue which might need clarification before November 12 is whether the text should go to the Board on June 25 in print or in typescript. I set out below the main advantages of each, as they appear to me:

Print

- Board can see what final product looks like.
- Typescript would be about three times longer and charts not in place.
- Report more likely to have been read and understood, therefore better discussion.
- More time for staff to check physical product.
- [?] Discouragement of excessive alteration to text.

Typescript

- Saving in cost and staff time. (Additional cost of Board seeing printed version was $75,000 in 1980.)
- Avoid two editions of printed report, with dual proofreading, etc.
- [?] Avoid presenting Board with 'fait accompli' of apparently final text.

The decision appears very finely balanced; typescript would be easier from a working point of view, both for production and writing staff.

Other points which arose included:

Type-size. Considerable improvements in convenience, computer-compatibility (i.e. avoidance of manual override) and therefore cost would follow from the use of 9 pt. instead of 10 pt. type, if the 3-column format is to be kept. Choice of type-size would also permit a wider 'gutter' or margin, which would assist binding.

Binding. Reasons for poor durability of binding of paperbound WDR in past years have not yet been precisely ascertained, apart from narrowness of gutter. This should be improved next year.

Charts. The cost of altering a column chart once ready is almost $500 per occasion of alteration. This has obvious implications.

Printing. Possible new printing arrangements are being explored. There are some questions about the tendering process, in view of the considerable differences which can arise between the initial estimates and the final costs, among other issues.

cc: Messrs. Chenery/Waide
Svikhart/Winterbottom

RHCassen:rbc

Yellow
DPA - WDR

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Enzo Grilli, Chief, EPDCE

DATE: Oct. 29, 1980

FROM: E. Thigpen and T. Pee

SUBJECT: WDR IV, NON-FOOD EXPORT GROWTH RATES OF DEVELOPING COUNTRIES

1. In the table on non-fuel primary commodity export growth (1978 constant $), historical and projected export growth rates of a group of non-food primary commodities (comprising cotton, jute, logs, rubber, sawnwood and tobacco) exported by developing countries are shown. A comparison of export growth rates between 1961-78 and 1985-90 indicates that exports of these commodities by developing countries in 1985-90 will grow twice as fast as the historical period, i.e. from 2.1% in 1961-78 to 4.2% in 1985-90.

2. To have a clearer picture of the sources of export growth, it is necessary to look at growth prospects of each commodity over time. The figures in the table below suggest that between 1961-78 and 1985-90, the commodities exhibiting the greatest potential for export growth are tobacco (from 2.8% to 4.1%), and cotton (from 0.7% to 2.0%) while rubber is expected to register a smaller increase (from 3.2% to 3.5%). (In the case of cotton, exports reached a cyclical peak in 1980 and, at the same time, the industrialized countries' share of exports are thought to have reached an unsustainable level. The recovery in developing countries' cotton export market share particularly amplifies their growth rate in the 1985-90 period when projected global exports are also rising.)

3. In contrast, exports of logs are projected to decline sharply (from 7.8% to 1.8%). Over the same period a smaller decline (from 8.0% to 7.3%) in sawnwood exports is also projected while the rate of decline in jute exports is expected to slow down considerable (from -2.4% to -1.2%).

4. It can be concluded from this examination of trends in export growth rates that the projected increase in the rate of export growth will come principally from increased exports of tobacco, cotton and rubber, in that order.

Non-Food Export Growth Rates of Developing Countries

	1961-78	1978-80	1980-85	1985-90	1980-1990
Cotton	+0.7	-1.0	-1.5	+2.0	+0.5
Jute	-2.4	+6.9	-1.1	-1.2	-1.1
Logs	+7.8	-6.2	+1.2	+1.8	+1.6
Rubber	+3.2	+2.4	+3.4	+3.5	+3.4
Sawnwood	+8.0	+6.4	+5.5	+7.3	+6.4
Tobacco	+2.8	+4.8	+4.8	+4.1	+4.5

TYPee:ji

DPA WDR

Enzo Grilli, Chief, EPDCE October 29, 1980

Ronald Duncan, EPDCE

Food Exports Projections for WDR IV

Two areas of the summary statistics of food exports projections appear out of the ordinary with respect to past performance: first, the large increase (almost double) in the projected rate of growth of food exports by the oil-importing developing countries in the periods 1980-85 and 1985-90 by comparison with growth in the period 1961-78; second, the much lower projected growth for the industrial countries by comparison with the historical period.

The following comments are offered in support of these particular projections.

Food Export Projections for Oil-Importing Developing Countries

By far the most important factor contributing to the faster projected growth of food exports by the oil-importing developing countries is the very fast projected growth of soybean product exports from Region 7--in particular from Brazil. Soybean products are the major food export item from this region. In the period 1980-90 soybean exports from Region 7 are projected to grow at about 7.5% per annum while soybean meal exports are projected to increase at about 11.5% per annum. Sugar, the second major food export item from Region 7, is also projected to increase at a fast rate--3.7% per annum for the period 1980-90.

These projections seem justifiable for the following reasons. Feedstuffs for livestock production has been the most important area of growth in grains and high-protein meals. It is expected that this growth will continue, though at a slower rate. The major exporters of soybean meal are Brazil and the United States. It is believed that Brazil will be able more easily to expand soybean production than the US because its land use in Brazil will not be so competitive with other crops as in the US. For comparative purposes it should be noted that the projected growth in soybean meal exports from Region 7 is much lower than the historical rates of 39.4% per annum for the period 1961-77 and 28.4% per annum for the period 1977-80.

Sugar exports from Region 7 are also dominated by Brazilian exports. Brazil is the largest sugar exporting country in the developing world. For the period 1980-90 it is expected to experience the fastest rate of growth in exports among the world's leading sugar exporting countries and by 1990 become the world's leading exporter after Cuba.

Brazil's agricultural endowment appears to offer ample scope for increased production of sugar. It is believed that sugar acreage will increase as a result of the current high price. Further, sugar prices are expected to move upwards in the latter half of this decade after a downswing following the present cyclical peak.

Industrial Countries

Food exports by the industrial countries are dominated by wheat, coarse grains and soybeans. In the 1970s exports of coarse grains trebled while exports of soybeans doubled. These trends reflect the derived demand for livestock products--meat, dairy products and eggs--the demand for which in turn is largely a function of income.

With the expected slow growth of incomes in the industrial countries throughout much of the 1980s--the countries which are the main consumers of livestock products--the derived demand for livestock feedstuffs is expected to grow at a slower rate than during the 1960s and 1970s.

RDuncan:bt

WORLD BANK / INTERNATIONAL FINANCE CORPORATION DPA - WDR

OFFICE MEMORANDUM

TO: Files

DATE: October 27, 1980

FROM: R. Liebenthal

SUBJECT: Workshop on Agriculture and Food Issues for WDR IV -- October 1, 1980

1. This memorandum records the discussion and main implications of the workshop.

World Food Supply and Trade

2. The consensus appeared to be that instability in world food supplies and prices, rather than the prospect of a long-term shortage, should be the focus of attention. In addition, of course, particular country and regional situations were problematic. Contrary to expectations in 1973 and 1974, the world food situation has not deteriorated; real food prices fell in the latter part of the '70s and per capita food production increased. Food/fertilizer price ratios have not deteriorated; arable land has increased; and countries like India which were expected to be net importers have been exporting grain. The satisfaction of international requirements would probably add only 10-20 million tons p.a. to global demand. although this makes no allowance for China which may be suffering from serious food problems.1/ The source of increased world imports during the seventies was not the low income countries, but the Soviet Union, Eastern Europe and China. Although the supply picture in the U.S. might now be less sanguine (due to energy prices and the slowing growth in productivity), other regions still have significant potential. There was considerable caution over the outlook for world food prices; perhaps the fairest summary would be that real prices would probably rise, but not as rapidly as suggested by Global 2000 (a doubling by 2000) and with a fairly flat probability distribution. Much would in any case depend on the choice of deflator.

3. Production instability would continue to be a growing problem, given the historical correlation of bad weather on the Steppes with a poor monsoon and the potential effect of political upheavals. On the other hand, the livestock industry may provide at least a potential cushion preventing excessive fluctuation in grain supplies and prices. The IMF is currently considering the introduction of a food facility to take account of additional food import costs, but there did appear to be scope for considering what international arrangements, including assistance, were appropriate.

4. The question of import dependence by LDCs was discussed, in particular the proposition that some LDCs should plan to import food rather than produce it. On the one hand it was suggested that the Brandt Response Paper's view that the foreign exchange burden of food imports would be limited by food aid overlooked the political uses to which food aid was put and the tendency for food aid to decline when food prices rise. On the other hand, the breakdown of food aid is a "worst case scenario", and the

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1/ The workshop took place before press discussion of a proposal from China to place a 3-year contract for 9 million tons of foodgrain per year with the U.S.

focus on import dependence understates the importance of complementary needs -- early warning systems, foreign exchange management (including use of food aid markets), procurement, storage, demurrage, transportation, etc.

Country Adjustment

5. Little, it appears, is known at present about agriculture as either a user or a producer of energy. Regarding the former, a considerable amount is known about the US (and other developed agricultural systems?), but agriculture is a relatively small user of energy (15% of US energy consumption and fertilizer represents about 23% of the cost of agricultural production in the U.S.). In the mid-seventies, there was doubt in some quarters whether LDCs should expand agricultural production on an energy-intensive basis (i.e., using fertilizer). But these doubts had since proven largely unfounded: fertilizer accounts for only about 10% of LDC farming costs; output fertilizer price ratios had in no case deteriorated; fertilizer consumption had increased 50 percent; no biological (organic) alternatives appeared likely to do more than supplement inorganic nitrogen fixation; and the prospects through the mid-eighties were for an easing in world fertilizer supply though complicated by the role of the socialist countries as residual suppliers. However, there remained the issue of foreign exchange, since LDCs currently import virtually half their needs. This could usefully be explored.

6. Only Brazil had so far developed a major program for energy production from biomass. Food/energy competition might well be an issue in the future (many believe it is in the Brazilian case) but most of the discussion on this point was hypothetical.

Conclusion

7. On world food supply and trade, it was suggested that we should emphasize the limited importance of the long-term global problem and focus instead on: (a) the regional and country-level problems (which the Donaldson paper will cover), (b) the instability problem and its implications for assistance, (c) the implication of import dependence for certain countries. On the last point, we should try to put the matter in a more operational perspective (can good food-supply management offset many, if not most, of the supposed ills of import dependency?). Another question we might consider (though not covered at the workshop) is the role of developed country protectionism in world food trade, especially the effects of the CAP and other such systems on world food price instability. We should draw out the implications of the world fertilizer situation.

8. If this focus is agreeable, we are presently generating all the material needed through background papers, except for some kind of review or note on the food projections. On the instability problem, Shlomo Reutlinger's June 1980 paper (Towards Food Security: The Role of Buffer States, Trade and Fiscal Policies in Preventing Temporary Food Shortages), supplemented by notes on other proposals should cover the ground.

9. On <u>country adjustment</u>, the Donaldson and IDS background papers appear to complement each other satisfactorily, both as to emphasis (production/ consumption) and countries. We should ensure that the staple food question is satisfactorily addressed.

10. On <u>food and energy</u>, it does not appear from this preliminary overview that much can be said. The consensus appears to be that the influence of higher energy prices on agriculture was less than expected in the seventies. Such questions as the impact on fertilizer prices, transportation and the location of production should be taken up in the country studies. Food/energy competition (for land, etc.) appears to be a potential problem in some countries (Brazil, Philippines), but there is little hard information.

11. Subject to the additional material suggested above being available, we should be able to "write a story." One problem, however, is exactly how we should divide up "Part I" and "Part II" issues -- both of which will emerge (we hope) from the two background papers. Perhaps this cannot be finally decided until we have seen more precisely what the thrust of their arguments will be; but in Part I the main emphasis will be on the role of agriculture in structural adjustment.

BLiebenthal/jf

OFFICE MEMORANDUM

TO: Files

DATE: October 23, 1980

FROM: Fred Z. Jaspersen FZJ.

SUBJECT: WDR - Meeting with U.N. Economic and Social Affairs Secretariat

1. On Friday, October 17 a meeting was held with Jean Ripert, Under Secretary General for International Economic and Social Affairs at the UN in New York to discuss the Bank's World Development Report. Members of Mr. Ripert's staff (Messrs. Baudot, Brown, Conner, Gomez and Lawrence) attended the meeting. Present for the Bank were Messrs. Waide and Jaspersen.

2. Mr. Waide opened the meeting by explaining that work on WDR IV and planning for future WDR's is now getting underway. It would be useful at this early stage to receive the views of Mr. Ripert and his staff on both of these matters.

3. Mr. Waide explained that the next WDR will explore the impact of alternative petroleum price, OECD growth and trade/capital flow scenarios on global and country adjustment, and would contain more than previous reports on the time path of adjustment. Mr. Lawrence noted that in contrast to their World Economic Survey and the Fund's WEO, the WDR takes a longer term perspective. It is in this context that a number of the more interesting questions such as the impact of increased south/south trade on developing country growth can be explored. He felt that it would be particularly useful to move away from the assertion that growth of the developing countries depends upon OECD growth.

4. Mr. Ripert inquired whether it would not be possible to say something about adjustment in the developed countries as well as in the developing countries. From the point of view of the developing countries it would appear to be preferable for OECD countries not to attempt to reduce their deficits too abruptly since this would have an adverse impact on growth and adjustment of the developing countries. Would the report explore this question? In response, it was noted that this type of issue would be treated in next year's report. The analytical work currently being carried out would make it possible to test the sensitivity of growth in the developing countries to growth and the time path of adjustment in OECD. In addition, trade adjustment to changing international comparative advantage, protectionism and industrial policy in developed countries would be addressed. Mr. Ripert observed that the growth prospects of the developing countries would be quite different (less favorable) in a world in which there was little technological progress, stagnation of investment, and decline in per capita output in developed countries from one in which there is rapid technological change, investment and growth in these countries.

5. Mr. Gomez noted that in part two of the outline for WDR IV progress made in alleviating absolute poverty would be treated. He wondered whether next year's Report would also explore the relationship between poverty alleviation, adjustment, and growth as suggested in WDR III In response it was noted that while it is of course quite difficult to quantify this relationship, its importance would be dealt with explicitly.

6. Mr. Brown questioned whether we would test the sensitivity of growth to different levels of ODA, and specifically to the 0.7 percent target? Mr. Waide replied that of equal importance was the distribution of ODA between low and middle income countries. WDR III had been criticized by the US, the UK and others for its explicit treatment of the shortfall in ODA from the targetted level. The level of ODA is of course critical for the lowest income developing countries. The report would deal with the serious problems faced by the lowest income developing countries. The discussion of different levels of ODA was clearly linked to the issue of aid effectiveness. Doubling ODA from the current level implied change in both the way aid is used and the way it is given. This issue would be dealt with in the second part of the report.

7. Mr. Ripert observed that the WDR IV outline suggested that energy would not be treated in depth. He urged the Bank to give this greater attention in the report even though the report entitled Energy in the Developing Countries had recently been completed. He felt that even if there is nothing new to say, the Bank should treat it at some length given the importance of the subject and the broad audience to whom the World Development Report is directed.

8. It was agreed that next Spring, when the work of WDR IV is more advanced, it would be desirable to have a second meeting to discuss the preliminary findings and conclusions of the report.

9. Mr. Ripert closed the meeting by inquiring whether the Bank would be interested in presenting WDR material to future meetings of the ACC task force which he heads. Mr. Waide replied that he would give consideration to this point over the next two weeks.

cc. and cleared with Mr. Waide

cc: Messrs. Cassen, Chenery, Haq, Mdmes. Boskey and Hughes
Core Team

JZJaspersen:bd

WORLD BANK / INTERNATIONAL FINANCE CORPORATION DPA - WDR

OFFICE MEMORANDUM

TO: Files

DATE: October 22, 1980

FROM: Bob Liebenthal

SUBJECT: Country Modelling of Adjustment -- Kenya and Tanzania

Of the country economic models which have been designed for low income African countries over the past few years, the only ones which appear to be usable for the modelling of adjustment are those for Kenya and Tanzania. Both were prepared by Jan Gunning (currently a member of Jan Waelbroeck's team working on the global model), who originally developed them at the Bank for the basic economic reports on the two countries concerned (Tanzania in 1977 and Kenya currently under preparation), and who subsequently used them for his D.Phil. thesis at Oxford. The models use a general equilibrium framework to examine the effects of various policies on incomes, employment and output in the rural and urban sectors, and on flows of goods and factors of production between those sectors.

I have discussed with Jan Gunning the possibility of using his models for the purpose of modelling adjustment in those two countries. His reaction was: (a) Most of the computer work for the models was done at Oxford, and there would be some complications involved in either moving the tapes presently at Oxford to the computer facilities he has available in Brussels or to using facilities that the Bank might be able to make available; (b) Some data updating would be required, though not necessarily a great deal. The data for the Tanzania model are as of late 1976 except for commodity price data which he updated for his D. Phil.; the Kenya data were frozen as of late 1978. He did not, however, see insuperable difficulties in carrying this out; (c) It would be virtually impossible to complete the work by mid December -- the deadline for the first draft of the comparative analysis of adjustment background paper. However, it might be possible to have something by the middle of January. My own feeling is that if something could be done by that time, we could still make use of it, even if it were not to appear in the background paper as such. However, if the results of the modelling runs were not to come available until after that date, it would be very difficult to make use of them.

We agreed that Mr. Gunning would consider the question further during the period before he comes to Washington in the week beginning November 10, and that we would discuss it further when he came. In the meantime Mr. Mitra and I will consider what hypotheses might be tested using these two models.

cc: David Greene
WDR Core Group

BLiebenthal/jf

ERLO - OECD/DAC
DPA - WDR

Mrs. Helen Hughes/Jean Baneth - EPDDR

October 16, 1980

Nicholas Hope - EPDED

Mrs. Boskey's Memo to Mr. Waide: ODA Projections

1. As Mrs. Boskey states (see attached) the ODA projections periodically attract attention from our member countries. The last major complaint was in 1976/77 when Germany made its displeasure known to the Development Committee, as a result of which PAB and the DAC Secretariat met to try to resolve differences in their published projections. Partly as a result, projections for the Annual Speech in 1977 were more optimistic than in 1976; unfortunately, subsequent performance has been much closer to levels projected by the Bank in 1976 than in 1977. Since 1977, projections have tended to be revised consistently downwards.

2. My own view (strongly expressed to whoever has shown any interest in it) is that it was a mistake to revise ODA projections for WDI (in May) when the 1979 Speech projections actually served as the base for the global model runs in WDRIII. Mr. McNamara's insistance on the "latest" figures in Table 16 of WDI has the unfortunate result that:

(a) WDR and WDI are inconsistent; and

(b) PAB can be committed to "final projections" for the Speech at much too early a stage.

3. DAC figures for the previous year normally are not firm even in July; preliminary submissions for all DAC members rarely are available before early May after which a minimum of two months work is required to produce a set of projections that can be justified in the face of intensive scrutiny by our (DAC) member countries.

N.Hope:dg.

WORLD BANK / INTERNATIONAL FINANCE CORPORATION DPA - WDR

OFFICE MEMORANDUM

TO: Files DATE: October 15, 1980

FROM: Pradeep K. Mitra PKM

SUBJECT: The Waelbroeck Model

1. Mr. Jean Waelbroeck visited the Bank during the week of October 6 to initiate the process of transferring his model from Brussels to the Bank and calibrating it with a view to performing sensitivity analysis for WDR IV.

2. The model has, in the first instance, been calibrated on the WDR III data base and the 1979 guidelines. It has been agreed that some preliminary sensitivity analysis will be performed with respect to the assumptions on (a) the oil price, (b) the rate of growth of OECD countries and (c) the growth of net capital inflows to developing countries. The results should be available during the Waelbroeck team's next visit in the second week of November. Subsequent sensitivity analysis will include varying some of the key structural parameters of the model.

3. Further to Mr. Waelbroeck's memo to Files dated June 20, 1980, it was also agreed that the model should be used to explore issues arising from a strategy of delinking in a potentially hostile environment.

4. The preliminary results, together with some of the methodological problems posed by sensitivity analysis, would be discussed at the DPS Workshop on Economywide Modelling during the team's next visit in November.

cc: Messrs. Chenery
Waelbroeck
Hicks
Meeraus

Mrs. Hughes

WDR Core Group

PKMitra:bd

DPA-WDR

Mr. Nicholas C. Hope, Chief, EPDED

October 15, 1980

Austin Hu, EPDED

Comments on Revised External Capital and Debt Tables

1. As you requested, I have reviewed the attached samples of the revised External Capital and Debt Tables (Table 5, 5a and 5b) and also discussed the subject with Anne Culver.

2. Most of the input data elements to the revised tables are available in the EPD Data Bank on a country by country basis. The only exception is the input to "Average Maturity - Private Non-Guaranteed Debt" (Page 2, Table 5), there is no data available.

3. A routine in the Capital Flow Global Model read the EPD data files and produced the old Table 5 (External Capital and Debt Table). Since the output requirements in the old and revised tables are very similar, I believe that the best alternative to produce the revised tables is to modify the existing routine in the Capital Flow Model. The Systems Division developed and is maintaining the model, I think they will be the best candidate to undertake the modification task.

4. I have expressed my view informally to Mr. Shilling and suggested that this subject be discussed with other related staff in the next WDR meeting.

cc: Mr. John Shilling, EPD
Mr. Jean-Paul Dailly, EPD
Ms. Anne Culver, EPD

AHu:dbl

WORLD BANK / INTERNATIONAL FINANCE CORPORATION ERIO - OECD/DAC

OFFICE MEMORANDUM DPA - WDR

TO: Mr. E. Bevan Waide, Director, Development Policy DATE: October 9, 1980

FROM: Shirley Boskey, Director, IRD SB

SUBJECT: DAC Meetings

1. Thank you for your note of October 7, reporting on your conversation with Helmut Fuhrer. (Mine was unfortunately confined pretty much to an attempt to placate OECD's annoyance--and most particularly Mr. van Lennep's--at not being allowed to attend plenary sessions at the Annual Meeting.) I am not surprised at either of the two points you mention, for they are not new grounds for OECD comment.

2. The first, concerning the ODA table in WDR III, might equally have been addressed, as it has been in the past, to the table customarily annexed to the Annual Meeting speech. OECD has said for years that it does not agree with, or perhaps has no basis for agreeing or disagreeing with, what appears there for future years. In partial response to the comments, the table began, in 1976, to state in a footnote that the figures were projections, rather than predictions, of what would happen unless certain action "not now planned" is taken. The technical notes to WDR Table 16 also refer to "projections" rather than "predictions", but the notes are physically so far removed from the table itself that they can be overlooked; this presumably only compounds the problem. Perhaps, if agreement to drop the projections cannot be reached, the caveat might be brought into closer association with the table.

3. As for Bank representation at DAC meetings, this too has been the subject of comment for a long time. As Mr. Fuhrer knows (and, to do him justice, quite understands), it used to be extremely difficult to persuade headquarters staff to attend DAC meetings because a few trials convinced them that it was a waste of time to do so. Since Fuhrer has been in charge, he has tried, with quite some success, to pull up the quality of the documentation and the timeliness of the topics. He takes the reasonable position that our sending staff who are both informed and prepared to impart information would help very much to elevate the quality of discussion... also one of his objectives. So we do try to send specialist and higher level staff when we can. Now that the European Office has a Deputy Director whose responsibilities include OECD/DAC matters, coverage by the European Office is likely to be more authoritative. The meeting on multilateral aid to which Fuhrer referred was a working party meeting and was not handled by the Deputy Director. It happens that a few months ago we had a note from the European Office saying that at that meeting the Bank was not expected to speak (information presumably derived from the DAC Secretariat), since the topics to be discussed were to be taken up again at two subsequent meetings, including the High Level Meeting. Of course, the fact that we were "not expected" to speak does not mean that we could not, but I think the note had the effect of dampening any enthusiasm for looking for higher level representation either in Paris or here (and normally working party meetings are not covered from Washington). But I take Fuhrer's point, and I would have responded to him as you did.

cc: Mr. Benjenk, VPE, for information (with copy of incoming).

SEBoskey:di

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

Yellow

TO: Helen Hughes, Director, EPDDR

DATE: October 6, 1980

VDPA WDR

P - CPP

FROM: Ronald Duncan, EPDCE

SUBJECT: Use of UN Trade Data System for WDR and CPP Work

1. The following is a partial report on the development of the UN trade data system for use in WDR and CPP work (see note to files July 18, 1980).

2. Import data for the 44 CPP countries have been taken from the tapes for the years 1965 and 1970 through 1977. The import data are listed by the 6 major categories (Food and Beverages, Non-Food Agriculture, Metals and Minerals, Fuels, Machinery, Transport and Equipment and Other Manufactures).

3. Of the 44 countries 21 showed missing data. There is no data for Bangladesh, and of the remainder 10 countries were missing 1976 and 1977 data, while 17 countries were missing 1977 data.

4. A run was then made for the World's (i.e., the rest of the countries on the tape) exports to these CPP countries to compare these data with each country's imports.

5. Of the 23 countries with complete reporting for the period the World's exports were greater than the individual's imports in all years in one case (Mexico); were greater for most years in one case; were greater for a few years in seven cases; and were less for all years in 14 cases.

6. Of the 20 countries showing incomplete data for the period the World's exports were greater than the individual's imports in all years in no case (except for Bangladesh where there is no data); were greater for most years in 4 cases; were greater for a few years in 6 cases; and less for all years in 10 cases.

7. While the differences in the data were in the majority of cases not very large, these comparisons show that use of Rest-of-the-World runs where there are missing data should be made with care.

cc: Mr. Baneth, EPD Advisers and Division Chiefs, Messrs. Blazic-Metzner, Hee, Grdjic, Mathieu, Ms. Dacumos

RDuncan:dk

DPA - WDR

Helen Hughes, Director, EPDDR
through: Enzo Grilli, Chief, EPDCE
Ronald Duncan, EPDCE

October ~~3~~ 6, 1980

WDR IV - Workshop on Agriculture and Food Issues

1. I attended the above meeting on October 1 at Mr. Grilli's request. Those in attendance are shown on the attached sheet. The set of documents circulated to those attending is also attached.

2. Robert Cassen opened the discussion by noting the significant role that discussions of food supply would have in WDR IV, especially the relationships between food and energy. He drew attention to the Bank's response to the Brandt Commission's recommendations on food and agriculture and pointed out that the Brandt Commission talked mostly about future food deficit problems in low-income countries and the role of aid, or more broadly, resource transfer on a large scale. The WDR discussion will cover this topic but also other areas.

3. Shlomo Reutlinger was then asked to talk generally about long-term projections of food supply and demand. He reviewed briefly D. Gale Johnson's paper on the world food situation in the 1970s and 1980s (summary attached). He drew attention to Johnson's assessment of the fears held of world-wide food scarcity, following the high food prices of 1973-74 and energy price increases of 1974. Johnson saw no support for the argument that the energy price rise caused a change in the real price of food, either directly or indirectly (through the price of fertilizer). The impact of the rise in costs being offset by productivity increases. The question is whether the same will be true of the 1979-80 oil price rise.

4. Reutlinger said that it seems reasonable to go along with the Bank's reply to Brandt--i.e., projected rate of growth of GNP/head and population are both declining, therefore the competition for food supplies will be lessened and it will be easier to cope with food deficits in low-income LDCs by increased supplies [sic]. He also put forward the point that if countries take extraordinary measures to hold up domestic consumption (through subsidies) then the effects of supply-side instability could be increased.

5. In discussion, George Michalopoulos drew attention to a recent USAID publication "Food Problems and Prospects in Sub-Saharan Africa: the Decade of the 1980s" and suggested the kind of regional disaggregation approach used may be useful for the WDR IV work. Robert Cassen suggested categorising countries in terms of those which are moving towards more food imports because: (1) Comparative advantage dictates that they do; and (2) "Neglect" of their agricultural sector.

6. The discussion continued about how to organize the work for WDR IV and Peter Timmer argued that there were 4 kinds of food demand being talked about.

yellow

(1) Food imports for urban populations.
(2) Feed for livestock has been growing very fast. Also a source of direct foodstuff if bid away from livestock sector.
(3) Chronic food defects in very poor countries.
(4) Occasional demands due to supply fluctuations--best met by imports.

7. Graham Donaldson suggested that what needed to be done, though it could not be done for WDR IV, was an aetiology (means "assignment of a cause" --Donaldson's agricultural science background makes him prone to use of Greek derivations) of malnutrition in LDCs--i.e., is it due to random fluctuations, is it chronic, or is it due to structural changes going on in the economy?

8. In discussing the future price trends Timmer made the point that the price deflator should be chosen with respect to the question. For instance, if we are looking at food prices in LDCs and how they impact on the poor, the appropriate deflator would be the incomes of the poor.

9. Graham Donaldson introduced the second major area of work. This will be done in his area and covers the question of the shifts in developing countries' agricultural policies and their impact on food policies. It is intended to look at the behavior of major food producing and consuming LDCs so as to have an idea of what their behavior may be in the future under various conditions.

10. The discussion concentrated largely on the choice of countries (see Donaldson's selection in attached papers). Some argued for covering "awkward and difficult" cases, others supported Donaldson on grounds that if the major LDCs can handle their own problems then the problems of smaller LDCs can be more easily handled by the international community.

11. Ed Clay outlined the scope of the third WDR paper in preparation, which is concerned with easing the conflict over welfare and efficiency, i.e., how to feed the poor without playing havoc with the production sector. This work will also involve case studies of 4 countries, looking at how these countries have coped with this problem. The discussion concentrated on the difficulties of resolving this conflict satisfactorily. There was a widespread and fervent feeling that there is a way. None was suggested.

12. Gunwant Desai opened discussion on food and energy inter-relationships--the last item on the agenda. He said that though fertilizer prices had gone up in relation to output prices since 1974, fertilizer consumption had gone up by 50%. He saw the explanation as being constraints on supply prior to 1974 and increased availability since then. He commented that biological nitrogen fixation is unlikely to replace artificial nitrogen

fertilizer use. His concern was focussed on the fact that half of the consumption of fertilizers in LDCs is supplied through imports. Exports from western industrialized countries are drying up, but exports from CPEs are increasing. He saw some reason for concern about the adjustment involved in these developments.

13. There was some argument over the future role of systems using biologically-fixed nitrogen. T~~r~~immer saw it as being very energy intensive, i.e., if used in corn production, output goes down one-third. Donaldson saw scope for increased use of biologically-fixed nitrogen systems.

Attachments
cc: Mr. Baneth
RDuncan:bt

DPH WDK
yellow

Helen Hughes, Director EPDDR — October 3, 1980

Ronald Duncan, EPDCE

WDR IV - Regional Groupings

1. At the September 4 meeting of the EPD WDR IV team you asked EPDCE to do some regression analysis to test the (unlikely) assumption that energy self sufficiency was closely related to GNP growth. This memo reports the results of this exercise.

2. The energy self-sufficiency ratios were taken from a paper by Adrian Lambertini (CE) ("Energy Prospects for the Developing Countries") and cover over 100 countries. The ratio is calculated as primary energy production to total energy consumption as at 1977.

3. Three sets of GNP growth rate estimates were drawn from the EPD data bank: 1978 GNP growth rates; average annual growth rates for the period 1973 to 1978; and average annual growth rates for the period 1970 to 1978.

4. The following regression estimates were obtained.

(a) $$RGNP(78) = 4.0 + \underset{(1.4)}{0.0013}\ ESS, \quad R^2 = 0.016$$

(b) $$RGNP(73\text{-}78) = 3.7 + \underset{(3.0)^{**}}{0.0016}\ ESS, \quad R^2 = 0.08$$

(c) $$RGNP(70\text{-}78) = 4.5 + \underset{(1.8)^{*}}{0.0008}\ ESS, \quad R^2 = 0.03$$

* significant at 5% level
** significant at 1% level

5. From these results we can say (i) the degree of energy self-sufficiency does vary to some extent with long-term average GNP growth rates across countries [(the ESS coefficient is significant in equations (b) and (c)], but (ii) it is unlikely that energy self-sufficiency is an important explanator of cross-country variation in GNP growth rates (the R^2 is near zero).

cc: Mr. Baneth, EPD Division Chiefs, Messrs. Elsaas, Lutz, Miovic, Schwartz, Shaw, EPDIT; Ms. Dacumos, Messrs. Hwa, Mathiew, Nolan, Wen, EPDCA; Messrs. Blazic-Metzner, Farivari, Grdjic, Panoutsopoulos, EPDES; Mr. Sugar, EPDED; Ms. Bothwell, Mr. Pollak, EPDCE; Ms. Culver, Messrs. Badiee, McFadyen, Roustayi, EPDSM; Messrs. Jaspersen, Liebenthal, WDR IV Core Group; Mr. Jean Waelbroeck, Brussels; Mr. Hicks, PPRPP; Mr. Kreuser, CAD

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

yellow
DPA - WDR

TO: Files

DATE: September 29, 1980

FROM: Helen Bothwell, EPDCE HB

SUBJECT: WDR IV: Minutes of September 25 Meeting

Mrs. Hughes chaired the meeting. She asked that all recipients of Mehdi Roustayi's September 22 memorandum on "Proposed WDR Production Equation" carefully check the attached tables and promptly return their copies with appropriate action noted.

Mrs. Hughes reported that (a) some "troubles" appear in the 1981 IDA assumptions which Nicholas Hope will explore; (b) the Antoine Schwartz note on "Discrepancies Revisited" had been noted and agreed upon, and (c) that several timetables (see attachments 1/) have been proposed which may present problems; this situation will be discussed with Jed Shilling upon his return to office.

Boris Blazic-Metzner stated that the last of BOP data would be provided Y.K. Wen today; Y.K. can therefore begin testing next week as Jerry Kreuser promised that supporting software for SEAsia will also be available then. Y.K. Wen took the opportunity to remind that eventually BOP data would also be needed for at least 6 additional countries (Brazil, Colombia, India, Kenya, Sudan, Yugoslavia). Messrs. Blazic-Metzner and Panoutsopoulos mentioned incidentally that they are constructing additional regional accounts data for intervening years 1971-74. Mrs. Hughes recommended that both Boris and Vasilis be involved in the analyses of the data they construct as well.

Mrs. Hughes stated that (a) work on the first draft of the guidelines would be done the week of September 26 - October 4; (b) during the two weeks (October 5-18) writeups would be prepared and discussed with the WDR Core team; (c) the assumptions and projections are to be completed during the period October - December.

Several participants related their experiences with available graphing software; it was decided that further investigation into Bank plotting capabilities would be required.

Mrs. Hughes asked Peter Miovic to discuss national income accounts data at the regional and individual country level with Martin Wolf to determine the relationship between DCs and LDCs growth and also the relationship between LDCs imports and their growth.

Branko Grdjic reported that Colin McFadyen's most recent GATT tape acquisition contains 1978 trade data for only 76 countries; consequently Branko will be obliged to estimate data for 55 countries. Mrs. Hughes

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1/ World Development Report 1981 - Global Analysis Timetable; WDR IV: Regional Models; WDR IV: Country Projections; Timetable of WDR IV Trade Inputs for the Regional Models; WDR IV: Capital Flows Models.

recommended using inverted data where available from the GATT tapes and ultimately consulting with the country economists to fill data gaps. Branko is to provide a list designating which countries' data are estimated or actual. Also a meeting will be set-up on how best to compute the estimates.

Prof. Waelbroeck is due to arrive Sunday, October 5. Shaida will "dump" all necessary data for his work by Monday, October 6.

Ms. Rosalinda Dacumos will take notes at next Thursday's (October 2) meeting.

Copies to:

EPD	EPD Division Chiefs	EPDIT	EPDCA	EPDES
Helen Hughes		Lutz	Dacumos	Blazic-Metzner
Jean Baneth		Miovic	Hwa	Farivari
		Schwartz	Mathieu	Grdjic
		Shaw	Nolan	Panoutsopoulos
		Elsaas	Wen	

EPDED	EPDCE	EPDSM	WDR IV Core Group	CAD	Other
Sugar	Bothwell	Badiee	Jaspersen	Kreuser	Jean Waelbroeck
	Pollak	Culver			
		McFadyen			
		Roustayi			

HBothwell/jkg

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: September 15, 1980

TO: See Distribution

FROM: Helen Hughes, EPDDR

SUBJECT: World Development Report 1981 - Global Analysis Timetable

	Schedule
1. Update of Global Accounts to 1978	Sept. 30

A first approximation of the global accounts for the years 1960, 1965, 1970, 1975-78 will be made. Not all the details will be available for all years (for example, trade from 1965 only, and balance of payments from 1970 only), and for all regions. These gaps, and also information for 1979 and 1980, will be developed over time using CPPs and other sources. An up-date of these accounts will be made at the end of November when additional trade and debt data become available.

2. Guidelines for Global Analysis

Draft	Sept. 30
Final	Oct. 17

These guidelines will update key assumptions for the Low and High Cases for: the growth of OECD countries; world trade; energy; capital flows; inflation and terms of trade. Core Group members will be involved from the outset in the development of the guidelines. The two main scenarios will effectively be defined when the final version of the guidelines is issued on October 17.

3. Projections of Exogenous Variables — Nov. 14

A period of approximately one month is required to translate the guidelines into specific assumption for each of the 19 regions included in the global framework.

4. Draft High Case Projections — Dec. 19

The regional models will be run in November/December and a first set of the High Case Projections should be available by December 19. A period of about 3 weeks (up to January 9, 1981) is provided for a review of the High Case Projections by the Core Group. This period could also be utilized by the Core Group to specify in greater detail (possibly on a region-by-region basis) the High and Low Cases and to indicate sensitivity analyses to be undertaken with the Waelbroeck model.

5. Draft Projections: Low Case — Jan. 30

6. Final Versions of Low and High Cases — Feb. 27

5. Iteration with regional models

   - first iteration and discussion with EPD Divisions — November 21
   - second iteration with new global model assumptions — November 28

6. Issues:

   Are country models calibrated on High Case?

   Who does Region 15 (Iran)?

   How are regional totals for Regions 10, 13 and 14 derived?3/

   When do discussions with Regional economists take place?

B. Six oil importing countries project4/ (2 new economists, one new R.A.) one new R.A.)

1. Data Collection — October 31

   SAM calibration

   assumptions for exogenous variables

   tuning the model (Technical feasibility test)

C. 24 Remaining Countries

(4 economists with 6 countries each - 3 R.As. with 8 countries each)

Changes in CPP projections or manual projections — December 19

3/ Indonesia (Region 11); Malaysia (Region 12); Nigeria (Region 10 includes Gabon, Angola, Congo PR); Algeria, Egypt, Tunisia (Region 14, includes Bahrain, Oman). Mexico, Venezuela, Ecuador (Region 13 includes Bolivia, Peru, Trinidad and Tobago).

4/ Brazil, India, Sudan, Kenya, Columbia, Yugoslavia.

September 22, 1980

WDR IV REGIONAL MODELS

1. <u>Preliminary 1978 data for 10 regions</u> — **Schedule:** September 19

   : 10 regions: 1 to 9 (non-oil developing countries) and 16 (capital-surplus OPEC)

2. <u>Completion of balancing of 1978 SAM and input file of 10 regions</u> — Oct. 3

   : each region's (starting with East Asia) data will be balanced and computer files created.

   : parameters will be based on Gupta estimates with adjustments when additional information available

3. <u>Technical tests of 10 regional models completed</u> — Oct. 24

   : technical tests are required because of changes in model specifications and new staff

   : East Asia region to be run first and other regions sequentially.

   : <u>Issue</u>: who does <u>Iran region</u>?

4. <u>Re-balance final 1978 SAMs of 10 regions</u> — Nov. 14

   : will include final 1978 trade data

   : all national accounts and trade data files frozen

5. <u>Produce High Case (Tables 1-5) for all 19 regions</u> — Dec. 19

DRAFT
NMathieu:rcs
9/22/80

WDR IV: COUNTRY PROJECTIONS

Schedule

A. 12 countries project[1] (3 economists, 2 R.As)

1. Data collection N.A., B.O.P., Trade, Commodities, Debt, public finance.	September 19
2. Equilibrating SAM and making assumptions for exogenous variables (based on CPP or other information)	September 26
3. Setting up model and tuning the projection for a "base" case[2] (one week per country)	October 31
- Statistical Tables 1 to 5	
- Historical (1 person full time in SM)	October 31
- Projection (1 person part time in CA, 1 part time in SM)	October 31
- Changes in country model specification (1 person part time)	
- Adjustments from comments of regional economists	October 17
- Developing trade data categories in oil exporting country models to facilitate global integration.	October 31
4. Revision of base year and exogenous assumptions	November 14
- new country assumptions consistent with preliminary WDR IV assumptions	
- new 1978 trade data	
- re-equilibrating SAMs	

1/ Korea, Thailand, Philippines, Indonesia, Malaysia, Nigeria, Mexico, Venezuela, Algeria, Egypt, Tunisia and Ecuador.

2/ High case or low case?

D R A F T
ASchwartz:ga
9/16/80

TIME-TABLE OF WDR IV TRADE INPUTS FOR THE REGIONAL MODELS

Updating 1978 Data Base	Completed by:
1. GATT trade system updated (McFadyen)	9/28
2. Country aggregation by region and sector (Grdjic)	10/3
3. Adjustments, coding, etc. (Lutz)	10/10
4. BOP & national accounts adjustments (Blazic)	10/14
5. Balance SAMs on updated 1978 base (Wen)	10/28

Preparation of Guidelines	Completed by:
1. Preliminary EPDCE inputs to global guidelines	9/23 5
2. First draft global guidelines (Schwartz)	9/30
3. Final EPDCE inputs to global guidelines	10/7
4. Final global guidelines (Schwartz)	10/17
5. EPDCE inputs to regionalized guidelines	10/24
6. Final regional guidelines (Schwartz)	11/5
7. Processing of regional guidelines (Lutz)	11/7
8. Input into regional models (Wen)	11/14

September 22, 1980

WDR IV: CAPITAL FLOWS MODELS

		Schedule
1.	Preliminary capital flows models results for Regions 1-15	Nov. 14
	: data requested from Finance Department	
	: guidelines regionalized	
	: commitments/disbursements program run	
	: capital flows models run	
2.	Draft High Case capital flows projections (Regions 1-15)	Dec. 19
	: incorporation of final debt data	
	: adjustments of capital flows for regional and country models requirements	
	: calibration of Tables 3 and 4	
	: production of Tables 4 and 5	

DPA - WDR

Mr. Graham Donaldson, Chief, AGREP

September 26, 1980

Clifford M. Lewis, AGREP

WDR IV Background Paper: Status of Work Program

1. Work on the WDR background paper can be divided into five components: (i) indicators of institutional effectiveness in agricultural production and food distribution (ag-food) sectors (ii) sixteen country case studies of 1971-1980 adjustments in ag-food sectors; (iii) statistical overview of food situation based on EPD data; (iv) prospective ag-food production resource base and supply/demand situation through 1990; and (v) an integrated briefing paper drawing an the above materials. Status of work is as follows:

(i) Institutional: indicators: The paper written by Edmund Ricketts (consultant) has been edited and finalized. It will be put into final draft and be available as background information.

(ii) Cases studies: Case studies are being prepared with roughly a week of staff time devoted to drafting each one. They will include: (a) a chronology of important changes in the ag-food sector (b) assesment of changes in the capacity for meeting sector objectives (producer prices, consumer prices, institutional effectiveness, public/private sector balance, planning and project implementation capability); (c) analysis is based on staff judgements (to the collected by interviews) and sector or project documents already available; (d) numerical summary of ag-food sector condiments based on FAO/EPD data base USDA information. Responsibilities and deadlines for case studies are as follows:

C.M. Lewis	E. Ricketts (by 10/27)	B.J. Curling (by 10/30)
Bangladesh (by 10/15)	Argentina	Ghana (completed)
Egypt (by 11/5)	Brazil	Kenya (completed)
India (by 10/5)	Mexico	Nigeria
Pakistan (by 11/5)	Philipppines (completed)	Sudan
		Zambia
		Indonesia

(iii) Statistical Overview: Once the 1979 FAO production and trade data tape has been integrated into the EPD system the following information will be prepared for the 1960-79 period: (a) food production, per capita food production and agricultural (non food) production indexes for WDR country categories; (b) cereal supply/demand, trade, yield and area data for WDR country categories and selected countries; (c) agricultural production inputs for 20 WDR country categories and selected countries; (d) agricultural export earnings for WDR groups relected countries.

(iv) 1990 Prospective situation: Future ag-food situations as they could apply to the case study countries and WDR country groups would be projected on the basis of: (a) 1979-90 population projections (total, urban and rural); (b) per capita income growth 1979-1990; (c) balance of payment position and export earnings (total, food and non food agriculture); (d) possible "advanced input use/management yields" (AIMY) for food crops derived by FAO for Agriculture Towards 2000 (material available on country basis and would be collected for case study countries); (e) land, water and input requirements related to FAO AIMY estimates; (f) land, water and input scenarios for 1990 ag-food projections of AT 2000 for case study countries and WDR categories and; (g) review other projections available (including Brookings, IFPRI, Amsterdam Univ., Michigan State Univ. and USDA). This work would be completed by November 15 and depends on the cooperation of FAO and EPD.

(v) Integrated briefing paper: An integrated paper will be prepared on the basis of the above materials. It will provide a disaggregated review of current and future ag-food trends in the developing countries based on the WDR country categories. It will be designed as as an internal briefing note, not a draft staff working paper. The following questions will be analyzed:

(a) Were macro economic responses to adjustment problems consistent with the needs of the ag-food sectors?

(b) Were important sector policy changes intentional consequences of sector planning, macro economic decisions or ad hoc responses to ephemeral weather and political problems?

(c) Has the "global adjustment process" since 1973 had a significant affect on the sector?

(d) How will the increasing presures on subsidized food programs and agricultural production systems be handled in the 1980's?

(e) Will the management of food distribution sectors become an increasingly public sector responsibility with internal prices isolated from global markets conditions?

(f) What are the prospects for increased productivity in the post harvest system of including developing countries?

cc: Messrs Casson, Liebenthal, Ricketts o/r, Scandizzo and Ms. Curling o/r Yudelman, Pickering.

CL: nc

ANNEX I

Country Typology

A. WDR Country Categories:

Same as WDR IV except Peoples Republic of China is separate category.

B. Case Study Countries:

LAC (Argentina, Brazil and Mexico); South Asia (Bangladesh, India and Pakistan); East Asia and Pac. (Philippines and Indonesia); East Africa (Kenya, Sudan and Zambia); West Africa (Ghana, Nigeria and Senegal); EMENA (Egypt).

C. Selected Countries

Some as case study countries with following additions: Australia, Canada, Thailand, USA and USSR.

Chart Formats

A. FAO Ag-Food Index: Table I

B. FAO Cereal Supply Utilization: Table II.

C. FAO Production Inputs: Table III.

D. USDA Cereal Supply and Disappearance Tables: Standard Foreign Agriculture Service Format.

TABLE I

Food Index

	Year	Food Production Total (Constant $)			Food Production Per Capita (Constant $)			Non Food Production (Constant $)		
		Actual	Trend	Residual	Actual	Trend	Residual	Actual	Trend	Residual
	1960									
	1961									
	1962									
	1963									
	1964									
	1965									
	1966									
	1967									
	1968									
	1969									
	1970									
	1971									
	1972									
	1973									
	1974									
	1975									
	1976									
	1977									
	1978									
	1979									
GROWTH Rates	1960-70									
	1970-79									
	1960-79									
Co-efficient Variant	1960-70									
	1970-79									
	1960-79									

Source: FAO

TABLE II

GRAIN SUPPLY AND UTILIZATION

	Year	Area Harvested ('000 ha)	Yield MT per ha	Production	Net Imports	Total Exports	Total Consumption
		Actual Trend Residual	Actual Trend Residual	Actual Trend Residual	Actual Trend Residual	Actual Trend Residual	Actual Trend Residual
	1960						
	1961						
	1962						
	1963						
	1964						
	1965						
	1966						
	1967						
	1968						
	1969						
	1970						
	1971						
	1972						
	1973						
	1974						
	1975						
	1976						
	1977						
	1978						
	1979						
	1980						
	)1960-70						
GROWTH Rates	)1970-80						
	)1960-80						
	)1960-70						
Coefficient	)1970-80						
Variants	)1960-80						

TABLE III

Ag. Production Inputs and Outputs

	Year	Rural Population [2]		Ag. Land [1] (000 Ha)			Irrigated Land[1] (000 HA)	99 % of Total Ag. Land	Fertilizers [1] (NPK 000 Mts)			Fertilizers [1] (NPK 109 per HA)			Ag Output [2]		
		(# 000,000)	(#/ha)	Actual	Trend	Residual			Actual	Trend	Residual	Actual	Trend	Residual	Value ($)	Per HA ($ Constant per HA)	Per Capita ($ per rural inhabitant)
	1960																
	1961																
	1962																
	1963																
	1964																
	1965																
	1966																
	1967																
	1968																
	1969																
	1970																
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	1976																
	1977																
	1978																
	1979																
GROWTH Rates	1960-70																
	1970-79																
	1960-79																
Co-efficient Variant	1960-70																
	1970-79																
	1960-79																

DPA - WDR F338

Mr. Attila Sonmez

September 18, 1980

Ishrat Husain

WDR IV Case Studies on Nigeria

In response to your memo dated September 4, 1980 I am attaching herewith a draft paper "Nigeria: The Structural Adjustment Process in the 1970s". This paper has borrowed heavily from the Bank's published and unpublished materials on Nigeria. The cooperation and assistance extended by Messrs. Haque, Koppen, Rouis and Ms. Ittah in preparation of this paper was commendable although they haven't yet seen the draft. I would appreciate if you could kindly circulate the draft to them for their comments. As the deadline for submission to Mr. Liebenthal is September 26 it would be helpful if I could receive their comments by September 23.

Attachment

cc: Mr. Clift

IHusain:gs

F 338
DPA - WDR

September 10, 1980

COMINCO Ltd.
200 Granville Square
Vancouver B.C.
Canada V6C2R2

Dear Mr. Pepper:

These tables give the US$ ~~GCP~~ GDP projections for OECD countries that underly the World Development Report 1980 (High Case).

As I indicated in our conversation, these figures are not forecasts of likely outcomes so much as part of a globally consistent scenario for the 1980s that forms the High Case projections. In addition, since these projections were prepared there have been revisions of actual and preliminary estimated data - especially for 1979-80. We are already preparing new estimates for next year's work.

Nevertheless, the figures should give you some guide for investment (or other) planning. If you need projections for developing countries, then, as I suggested, you might obtain acceptable results from placing individual countries within their regions (WDR 1980, page 99) and projecting their growth at the regional average.

Yours sincerely,

Nicholas Hope
Chief,
External Debt Division
Economic Analysis and Projections Department

Encl.

N.Hope:dg.

WORLD BANK / INTERNATIONAL FINANCE CORPORATION DPA - WDR

OFFICE MEMORANDUM

TO: Files DATE: September 8, 1980

FROM: Robert Liebenthal

SUBJECT: Background Paper on the Future Role of the CMEA Countries in the World Economy

Messrs. Colaco, Miovic, Elsaas, Schrenk, Liebenthal and Ms. Wallich met on September 4-5 to discuss the terms of reference for Mr. Paul Marer, the consultant identified by Mr. Schrenk to write a paper on this subject.

Discussion focused on the quantitative framework within which the consultant would work. If his work is to be an input into the global modelling exercise, his conclusions must be in a form which enables the Core Group to translate them into quantitative terms. To this end, it was suggested that he be given some quantitative framework, both as guidance and to react to. Unfortunately, the only Bank model available for the consultant to comment on is the one prepared by Mr. Elsaas, which lumps together the six East European countries, the Asian CPEs and Cuba. EPD has no other global model framework available for easy access and comment by the consultant. WEFA projections, which appear to be in a usable form, are not in the public domain and could not be made available to the consultant for comment unless the Bank decides to purchase the WEFA material (costing approximately $6,000). Therefore, further interaction will be needed between the Core Group/EPD staff and the consultant; and the manpower implications of this will have to be decided upon.

The final decision on Mr. Marer's appointment and who would be responsible for this interaction will have to be made on Mr. Cassen's return. Mr. Schrenk, who is proceeding on leave, has informed the consultant that Mr. Cassen would be contacting him about this on his return.

cc: Messrs. Cassen, Colaco, Elsaas, Liebenthal, Miovic, Schrenk (o/r)
Ms. Wallich
WDR Core Team

RL:bd

WORLD BANK / INTERNATIONAL FINANCE CORPORATION DPA-WDR

OFFICE MEMORANDUM

TO: Files

DATE: September 8, 1980

FROM: F. Z. Jaspersen FZJ

SUBJECT: WDR IV Country Case Studies: Sudan

Today I spoke to Sven Burmester about the possibility of doing a case study of adjustment in Sudan, along the lines indicated in Bevan Waide's memorandum of August 1. The choice of Sudan followed discussion which Bob Liebenthal and I had with regional economists. It was agreed that the Sudan adjustment experience is one of the more interesting in the Region and should be included in the country case studies for WDR IV especially, in light of the debt problems which the country faces.

It was agreed that the WDR Core Team would provide John Hansen with background material on the case studies and with one or two of the more interesting studies which have been prepared. The study would be completed by October 15.

cc: Messrs. Chenery
Cassen (o/r)
Burmester
Gulhati
Hansen
Maane
Maubouche

Mrs. Hughes

FZJaspersen:bd

DPA - WDR

EPD Database Users (Distribution Below)

August 22, 1980

Young S. Lee, EPDED YL

External Debt Files for WDR IV

1. External Public Debt Files (WF 39, WF 84) residing in EPD database have been revised and forzen for WDR IV preliminary exercise. The country status of the frozen files is attached.

File names are:

WF 39: (BEPDEX) D/WDR79ESTR ON PACK (Flows and average terms)
WF 84 (WDR IV Block): (BEAPDC) D/OSS/EDD/BLOCK/ONE79 (Flows)
WF 84 (COUNTRY): (BEAPDC) D/OSS/EDD/COUNTRY/ONE79 (Flows)
WF 84 (WDR IV BLOCK): (BEAPDC) D/OSS/EDD/BLOCK/ONE79T4 (average terms)
WF 84 (COUNTRY): (BEAPDC) D/OSS/EDD/COUNTRY/ONE79T4 (average terms)

2. Private Non-guaranteed Debt file will remain the same as the current file (WF 40: (BEPDEX) D/IXD/MAT/PRVT/END78R ON PACK).

3. Further update and revision are scheduled in October 1980.

Attachment

Mrs. Shaida Badiee, EPDSM

Mr. David Cieslikowski, EPDES

Ms. Anne Culver, EPDSM

Mr. Reza Farivari, EPDES

Mr. Michael Hee, EPDES

Mr. Peter Miovic, EPDIT

cc: Mr. Nicholas C. Hope, Chief, EPDED
Mr. Hugh Dowsett, EPDED
Mr. Ozughan Alicli, EPDED

YSLee:dbl

WDR IV COUNTRY STATUS 1979 (External Debt)

Actual	Preliminary	Estimate		In Progress	Not Updated
CAR	Colombia	Ivory Coast	Jamaica	Syria	Yemen, PDR
Congo	El Salvador	Madagascar	Mexico	Turkey	Gabon
Guinea	Guatemala	Nigeria	Nicaragua	Somalia	Rwanda
Liberia	Honduras	Egypt	Peru	Greece	Botswana
Mauritius	Ecuador	Mauritania	Afghanistan	Ethiopia	Chad
Jordan	Venezuela	Kenya	Burma		Gambia
Lebanon	Panama	Lesotho	India		Ghana
Oman		Malta	Nepal		EAC
South Africa		Mali			Algeria
Cyprus		Malawi			Togo
Morocco		Niger			Uganda
Bolivia		Sierra Leone			Iran
Chile		Cameroon			Bahrain
Costa Rica		Tanzania			Trinidad and Tobago
Guyana		Guinea-Bissau			Haiti
Paraguay		Comoros			
Uruguay		Zambia			
Barbados		Yugoslavia			
Singapore		Israel			
Taiwan		Spain			
Indonesia		Upper Volta			
Malaysia		Zaire			
Papua New Guinea		Senegal			
Sri Lanka		Tunisia			
Hong Kong		Sudan			
Fiji		Yemen, A.R.			
Maldives		Benin			
Philippines		Swaziland			
Bangladesh		Portugal			
Thailand		Burundi			
Pakistan		Argentina			
Western Samoa		Brazil			
Korea		Dominican Republic			

DPA - WDR

OFFICE MEMORANDUM

TO: Files

DATE: August 27, 1980

FROM: Fred Z. Jaspersen FZJ

SUBJECT: WDR IV Board Seminar

1. Today I was telephoned by Clifford Owens of the Secretary's Department. He inquired whether a date had been set for the Board seminar on WDR IV which had been promised by Mr. McNamara at the Board meeting of July 8. I replied that to my knowledge no date had been fixed. Mr. Owens suggested November 19 as a tentative date for the seminar. I replied that while this seemed appropriate, it should not be announced to the executive directors until Messrs. Chenery and Cassen had returned to the Bank in September. It was agreed that final decision on this would be left to when they returned.

2. Mr. Owens then informed me that the final WDR IV seminar and Board discussion were now shceduled for June 12 and 25, respectively. He pointed out that a number of EDs at the July 8 meeting had requested that next year's Report contain alternative trade, capital flow and growth projections based on different assumptions regarding petroleum prices. He inquired whether this would be done. I replied that the current expectation was that it would be possible to present the results of such sensitivity analysis in the report. I noted that work on this had already been incorporated in the WDR IV work program.

cc: Messrs. Chenery
Cassen
Owens
WDR Core Group

Mrs. Hughes
Mr. Baneth

FZJaspersen:bd

DPA - WDR

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Files

DATE: August 26, 1980

FROM: Fred Z. Jaspersen

SUBJECT: Case Study on Egypt for WDR IV

I received a telephone call on Thursday, August 21, 1980 from Mr. Kemal Dervis, country economist for Egypt. He noted that the Egyptian adjustment experience was different from that of most countries and that the outline of suggested topics to be covered did not seem to fit Egypt. I explained that the outline was intended only as a suggested way of approaching the subject. While we have been working on an analytical framework for evaluating adjustment, we wanted the first round of case studies from the regions to be based on the country economist's view as to how best to analyse the adjustment process for their particular countries. We agreed to get together next week to discuss this further. Upon return from mission in September Mr. Dervis said that he would prepare a case study for Egypt. This would be completed by October 5.

cc: Messrs. Chenery
Cassen
Dervis
Kavalsky
WDR Core Group

FZJaspersen:rbc

DPA - WDR

Mr. Robert Armstrong, ASADD

August 21, 1980

Christina Wallich, ASADB

INDIA: Structural Adjustment WDR IV Case Studies

Attached is the India Case Study of Adjustment for WDR IV, requested in Bevan Waide's memo of August 1, 1980, attached.

Attachments

cc: Mrs. Ann O. Hamilton (ASADB); Mr. John Holsen (ASNVP);
India Division Economists

CWallich:tw

Country Case Studies of Adjustment

I. The Initial Position - The Early 1970s (1 page)

a. What were the major structural characteristics of the economy leading up to 1974?

India is an economy dominated by agriculture, which employs over 2/3 of the labor force and generates 41% of GNP. India at the same time has a highly sophisticated and diverse industrial sector (24% GNP) with a strong orientation towards heavy industries with substantial manufacturing: capital and intermediate goods production makes up 70% of value added in industry.

b. What was the country's development strategy during this period?

Except during periods of balance of payments crisis, exports have received little emphasis in India. As a result, the volume growth of exports since 1950 has averaged only 3% per annum, and India's share in world trade has fallen considerably since 1950/1. Instead, India has primarily pushed a vigorous strategy of import substitution industrialization, a strategy implemented through a complicated network of import and licensing controls.

c. What were the major trends affecting the economy?

India's economic growth has largely been determined by the performance of the agricultural sector, which has grown slowly and erratically. In the past, performance was largely a function of the monsoon, although with the development of irrigation infrastructure, this is less and less true. Overall growth of the economy has therefore also been slow and erratic, not only because of the share of agriculture in GNP, but because foreign exchange has been required to import food. Growth of the industrial sector has been somewhat more rapid at 5.4% per annum, but this is not sufficient if the overall growth of the economy is to be accelerated. This slow growth has persisted despite high rates of domestic saving and investment, which in the recent period have reached 24% of GNP. In the external arena, India was faced, in the early 1970s, with a drastic reduction in the terms of trade, which spurred rapid export growth (about 10% p.a.) through the mid-1970s, and indicated that rapid, sustained export growth was possible.

d. Did the country's economic structure, development strategy and economic policy strengthen or weaken its capacity to adjust to the shocks of 1974-75 and beyond?

India's economic structure and development strategies were not especially suited to facilitate adjustment to the shocks of 1974. Export orientation was weak and the regulation of industry made it difficult for the sector to respond quickly to any export drive. By far the most important factor in India's ability to adjust to the impact of the shocks on the balance of payments was the generous increase in foreign assistance, including drawings on Fund facilities and food aid. Toward the end of the period, the boom in workers' remittances also became important.

I. e. What was the medium-term economic outlook at that time?

The outlook in the early 1970s for India's medium prospects was somewhat more restrained than the unchastened optimism which characterized the late 1960s. It was realized that,though the success of the green revolution had been tremendous in parts of the country, a formidable effort would be required to broaden its scope. The drought in 1972 was a clear reminder of the country's depandance on the weather. The tenacity of the population problem also proved disheartening. Industrial growth was slow in the opening year of the decade due to low level of investment in the private sector and the goal of achieving the 4th plan target of 5.5% growth was tacitly agreed to be unachievable. This period, in fact, was a very difficult one and is perhaps best seen in terms of obstacles overcome rather than progress made: the war in 1971 resulting in the creation of Bangladesh and the immigration to India of over 10 million refugees imposed a tremendous fiscal burden on the economy, which was financed with minimal inflationarr impact. In 1972/3 a major food crisis as the result of harvest failure was averted thanks to generous food aid, food imports, and low world grain prices. In sum, the medium term outlook in the early 1970s was one of cautious realism: challenges of war and drought had been successfully met, but the fragility of the economy was clear on longer run issies, such as agriculture, population growth and industrial growth whose improved performance would require sustained long run effort and careful planning.

II. The Shocks of 1974-75 (1page)

a. What was the nature and severity of the external shocks which the country experienced during this period? (barter terms of trade, export volume, capital flows)

The 1974/5 period was one of the most difficult periods for the Indian economy since independence. In the first year of the 5th plan, development and its implementation took a back seat to demands of short run exigencies and adjustment to short run difficulties in policy making. The increase in the price of imported oil by 247% in 1973/4 was the primary factor in the external shock administered through the drastic decline in India's terms of trade. However, skyrocketing world fertilizer and grain prices also played their part. India's terms of trade fell 30% between 1971/2 and 1974/5. Export volumes were not negatively affected at this time and in fact grew quite rapidly due to emergence of new items and large exportable surplus of manufactures due to contraction of domestic demand. Export values also rose by 22% although this was by no means sufficient to match the climb in import prices. Capital flows and workers' remittances provided the primary means of adjustment in the post OPEC shock era: there was a large increase, by about $1 billion, in external financing, made up of large drawings on the IMF, including the oil facility, large aid committments from the Consortium, including the Bank and IDA, oil purchases on credit, a million ton wheat loan from the USSR and additional food aid from other countries.

II. b. Were there internal shocks which occurred simultaneously - harvest failure, political?

In 1974/5, India experienced a poor harvest, and food imports of 6 million tons helped to avoid a real food crisis. However, these purchases, given the spiralling world prices of food, fertilizer, and fertilizer raw materials -- themselves also a shock of sorts -- implied unprecedentedly large BOP deficits: imports of these items accounted for 60% of imports in 1974/5 compared with 21% two years earlier.

c. What was the real resource/growth loss to the country - income terms of trade?

As a result of this combination of events: oil and other commodity price increases, monsoon failure, subsequent poor harvest, the economy grew at about 1% between 1973-1975 - or negatively if adjusted for the terms of trade. With populationcontinuing to grow at about 2.5% per annum, per capita incomes declined considerably.

III. <u>Adjustment and Policy Response Through 1979</u> (2-3 pages)

b. What measures were introduced to facilitate adjustment - short-term liquidity adjustments through demand management, longer-term solvency through structural change?

The severely adverse shift in the terms of trade and the resultant huge BOP deficits called for major and difficult domestic and BOP adjustments. Acceleration of agricultural growth and revitalization of a stagnant industrial sector while at the same time reducing India's dependence on petroleum imports through increased production of domestic substitutes and curbing of industrial energy consumption were all seen as essential measures. Short run measures, including price increases and administrative measures, did curb the growth of petroleum products consumption. Coal production was also increased, which helped to meet the energy requirements of railways, steel and power plants. Inflation was also fueled by the shocks, leading the government to a rigorous management of demand. Incomes policy was introduced with curbed cost-of-living adjustments and higher mandatory savings rates. Monetary controls, including allocation of credit, higher interest rates, and fiscal and budgetary measures were also used. Other measures, where short run results are not possible, -- oil exploration, opening new coal mines and expansion of hydro power generation capacity, -- India is well endowed with both -- were also taken. However, great urgency did not characterize public thinking at this time; given the Indian planning framework, at anytime, a significant proportion of funds are committed in ongoing projects, a dramatic switch in the investment was not thought possible: even changes at the margin would take time and come as the capital stock turned over. Export policy did not receive a boost, nor were these shocks sufficient to induce urgently needed changes in industrial policy, characterized by excessive regulation and licensing requirements.

III. c. Was the adjustment successful in strengthening the external position, maintaining output and employment, reducing inflation, bringing about structural change?

India adjusted successfully in 1973-79 in the sense that the difficulties were met without undue sacrifice of income growth after the 2 year decline. Growth between 1970/1-75/6 was a low 2.4%; during the second half of the decade, however, GDP grew at 5.6% p.a., substantially above the long-term trend, so that over the period as a whole, there was no fall from trend. Notwithstanding the likely long-term effect of OPEC policies on the balance of payments, few steps were taken to strengthen the external position. The country was "saved" in 1973/4 by the vigorous response of the aid community to the twin plights of balance of payments crisis and harvest failure. In more recent years salvation has come through the boom in remittances, leading to massive reserve accumulation of over $6 billion. Fortuitous rapid export growth between 1974/5-76/7 also contributed to this. However, past failures to deal adequately with underlying problems, i.e., trade and industrial policy, are likely to become more evident as BOP pressures on the economy increase.

On the domestic side, output growth increased by 1975/6, with the return of good harvests and industrial performance in line with past trends. Price stability was also remarkable throughout the period from 1975 on, thanks to low foodgrain prices and sluggish demand, even though the money supply grew rapidly. However, as a result of the drought-induced decrease in agricultural output and stagnating industrial growth, prices rose sharply in 1979/80, renewing inflationary pressures on the economy.

Nevertheless, with the exception of a continuing strong effort in the agricultural sector to develop irrigation capacity (the payoff of which was made clear in 1979/80) structural change, in the sense of a revamped industrial policy or export strategy (until very recently) has not really taken place. In the energy field, plan investments have been stepped up, and new strategies have been incoporated into the Plan. However, on the pricing side, especially in the power sector, more needs be done.

d. To what extent did changes in the external or internal environment enhance or retard adjustment?

In the 1973-75 period, India's adjustment was facilitated by the generous response of the aid community to its plight in the wake of the 1973 crisis, and more recently, has generally profited from the boom in the Middle East. Internal factors such as the two monsoon failures (1972/3, 1979/80) and the 1977-1978 series of political debacles -- the latter implied both a short term change of course, then a lacuna in decision-making -- unavoidably retarded smooth adjustment.

e. Did efficiency improve - ICORs?

There is no evidence that efficiency in the Indian economy improved as a result of adjustments to the new international situation.

III. f. Were the country's development objectives, including alleviation of poverty, expansion of economic infrastructure, investment in productive capacity, compromised?

Economic development marked time in the years immediately following the oil price shock, as international events (and the bad 1974/5 harvest), led to an almost complete revision of the 5th Plan between draft and final stages. Plan objectives were sidetracked by the urgency of short term adjustments, and in this period per capita income fell. The growth rate from 70-74/5 was 2.8% per annum. However, over the later period, 1975-79, growth averaged 5.6% per annum, so that overall growth for the decade as a whole was not below the trend growth of the Indian economy since Independence, of 3.7%, although expansion of infrastructure and investment in productive capacity were clearly reduced.

IV. Outlook 1980-85 (1-2 pages)

a. What is the nature and severity of the most recent shocks which the country is experiencing?

Once again, India has been hard hit by the recent round of increases in oil prices, and by monsoon and harvest failure in 1979/80. POL imports presently amount to over 36% of total imports compared to 23% in 77/8. This has not yet led to unmanageable pressure on the BOP because reserves are still adequate and likely to remain so for another year or so. Price stability has also come to an end with the shortfall in agricultural production in 1979/80.

b. What is the country's medium-term outlook?

As the new decade begins, the Indian economy is shifting from a situation of resource surplus which had been a temporary phenomenon of the late 70s to one of resource scarcity. Investment has overtaken domestic savings and the scope for increases in the latter will depend largely on enhanced profitability of the public sector. Resource scarcity is even more apparent in the foreign sector: particularly serious is the decline in the quantum of non-traditional exports, which had contributed so much to export growth in the first part of the decade. Causal factors here are a combination of strong domestic and slack international demand, exacerbated, until recently by lessened interest in export promotion. Imports, by contrast, have grown rapidly in volume terms and this, with the deterioration in the TOT, is generating some pressures on the BOP.

The experience of recent years indicates that India does have the capacity to grow and develop at a more rapid pace. The industrial sector is capable of manufacturing a wide range of consumer and capital goods. Basic infrastructure - ports, irrigation, railways, telecommunications and roads is extensive. India is well-endowed with human resources and institutions are well developed. Finally, the country has an extensive natural resource base in terms of land, water and minerals. With good economic policies, and sufficient access to foreign savings, India has the capability of accelerating its long-term growth. However, in the medium term, bottlenecks in the industrial sector -- the result of planning too close to the margin in past years and the difficulties of turning around trade/industries policy may continue to inhibit growth.

IV. c. What recent policy measures have been introduced to achieve adjustment and structural change?

The new Indian government installed in January 1980 is in the process of formulating its policies and programs. Priorities accorded to agriculture and to power will continue. Among the issues requiring attention, brought to the fore by developments in the world economy, are (1) the need to substitute less costly energy sources for imported petroleum, (2) the anticipated deterioration of the BOP in the near future, and (3) the need to reduce bottlenecks in infrastructure (railways and ports) and the production of several basic industrial inputs (steel, power, coal). With respect to (3), planning of capacity expansion and investment in modernization programs, will be necessary to provide adequate growth in the medium term. Greater short term reliance on imports may be necessary to alleviate slowdowns in new industries. With respect to (1), India's intention to minimize dependence on foreign oil (presently 50% of consumption) will be implemented by rapidly expanding its oil exploration programs, increasi[illegible] vast coal reserves and developing its considerable hydro potential. Conservation also has a role to play. However, recent shortages of coal and power are symptomatic of the problems inhibiting implementation of the longer term policy. Petroleum demand is a residual, contingent on the operation of many other secto[illegible]

(2) Vigorous export promotion policies have not yet been introduced, notwithstanding the fact that the cushion provided by foreign exchange reserves is likely to be short-lived.

d. What more needs to be done to facilitate adjustment?

.India's medium term development prospects are mixed. Progress has been made and continues to be made, particularly in agriculture. The twin objectives, investments to relieve short term supply constraints and longer term programs to accelerate growth, must be carefully balanced. The bottlenecks mentioned in (3) above are partly the result of past"close to the margin"planning

. . . .

In the industrial sector there are several adjustments that must be undertaken to accomodate India's changed current circumstances. The sector must adjust to higher energy prices and this may entail a contraction in certain energy-intensive sub-sectors. Domestic energy prices must reflect the high cost of imported oil and also provide incentives for the efficient expansion of coal and electricity production. As a result of changing energy prices, new patterns of comparative advantage have emerged and India can gain from specializing in those export and import substitutions industries where domestic resources are cheaper and from importing products where the opportunity cost of using domestic resources in short supply (cement, steel and power) is highest. Many industries require modernization of their capital stock and technology. In exports it is clear that current trade and industrial policy regime does not provide adequate incentive for investment in export capacity.

Incentives in those industries which offer scope for efficient import substitution (oilseeds, fertilizer, iron and steel) could make a significant difference in India's foreign exchange requirement, although meeting this objective is likely to require additional investment.

In energy, the Government's recent strategy to reduce the energy intensity of India's growth by 1/3 which would be achieved by evaluating energy requirements associated with all major investment decisions, needs to be closely monitored. The other energy policy measures already undertaken include increased efficiency of thermal generation, increased load factors, reduced losses and more rapid development of hydro-electric potential. Non-conventionals are also being developed but are expected to meet only a small proportion of India's needs even by the year 2000.

Appropriate trade, infrastructure and energy policies will be translated into a medium term investment policy in the next 5 year Plan, expected to be completed by mid-December 1980; this should provide the base outline of a medium-term program of structured adjustment for the Indian economy.

CWallich:tw
19/8/80

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

Shr. Adj

TO: Regional Chief Economists

DATE: August 1, 1980

(Rec'd Aug 6 pm)

FROM: E. Bevan Waide, VPD

SUBJECT: WDR IV Country Case Studies for Adjustment

1. Following Mr. Chenery's meeting on the analysis of country adjustment experience for next year's WDR, we would now like to request your assistance in preparing case studies that would provide insights into the experience of adjusting to the changes of the world economy during the 1973-78 and 79-80 periods. We would like to proceed as follows:

2. During August, we would be grateful if you could select one or more countries in your region and prepare short "pilot" studies of the adjustment process. We have prepared a list of countries from which such "pilot" countries might be chosen, and an outline (attached) of the questions which we think more relevant. You will see that the focus is on gaining insights from past experience for the adjustment problems facing developing countries in the future.

3. Christine Wallich and Fred Jasperson of the WDR IV Core Group will be contacting you during the next few days to discuss the selection of countries, and the relevance of the questions for your region. We would request that these initial studies be completed by September 10 so that they can serve as the basis for planning the more detailed case studies which will be the core of the "adjustment" component of WDR IV.

4. During August, EPD will also be preparing sets of standard tables which will be useful, both for the case studies and for the country modeling for WDR IV, to make sure that we have compatible and up-to-date information. EPD staff will be available to provide and discuss historical data so as to put as little burden as possible on the country economists concerned.

5. During September and October, the Core Team would work further on the country case studies in collaboration with your staff to put together an overall picture of the adjustment process.

Attachments

cc: Mrs. Hughes (EPD)
Ms. Wallich (WDR)
Mr. Jasperson (WDR)

FJ:HH:EBW:sjb

Country Case Studies of Adjustment

I. The Initial Position - The Early 1970s (1 page)

What were the major structural characteristics of the economy leading up to 1974?

What was the country's development strategy during this period?

What were the major trends affecting the economy?

Did the country's economic structure, development strategy and economic policy strengthen or weaken its capacity to adjust to the shocks of 1974-75 and beyond?

What was the medium-term economic outlook at that time?

II. The Shocks of 1974-75 (1 page)

What was the nature and severity of the external shocks which the country experienced during this period? (barter terms of trade, export volume, capital flows)

Were there internal shocks which occurred simultaneously - harvest failure, political?

What was the real resource/growth loss to the country - income terms of trade?

III. Adjustment and Policy Response Through 1979 (2-3 pages)

To what extent did market forces operate to bring about adjustment - change in relative prices, deflationary effects of balance of payments deficits, exchange rate movements?

What measures were introduced to facilitate adjustment - short-term liquidity adjustment through demand management, longer-term solvency through structural change?

Was the adjustment successful in strengthening the external position, maintaining output and employment, reducing inflation, bringing about structural change?

To what extent did changes in the external or internal environment enhance or retard adjustment?

Did efficiency improve - ICORs?

Were the country's development objectives, including alleviation of poverty, expansion of economic infrastructure, investment in productive capacity, compromised?

IV. Outlook 1980-85 (1-2 pages)

What is the nature and severity of the most recent shocks which the country is experiencing?

What is the country's medium-term outlook?

What recent policy measures have been introduced to achieve adjustment and structural change?

What more needs to be done to facilitate adjustment?

July 30, 1980

DPA - WDR

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Files

DATE: August 18, 1980

FROM: Frederick Z. Jaspersen FZJ

SUBJECT: Pakistan: Country Case Study of Adjustment for WDR IV

Today I received a call from Mr. Suriyaarachchi, who had been identified by South Asia as the author of the case study of adjustment for Pakistan (see Wallich/Jaspersen memo of August 15). He said that he would be on mission from August 19-September 16 and would not be able to prepare a paper on Pakistan by September 10. He noted that Mr. Caden would return from home leave in about two weeks and suggested that the study be initiated by him. I pointed out that we had sufficient flexibility that even if the study did not reach us until the end of September when he had returned from Pakistan, it would be a valuable input to WDR IV. He said that this timing should make it possible to provide us with a short paper on Pakistan.

cc: Messrs. Waide
Holsen
Cassen
Armstrong
Caden
WDR Core Team

Mrs. Hughes

cc and cleared with: Mr. Suriyaarachchi

FZJaspersen:rbc

DPA-WDR

Files

August 14, 1980

Nicholas C. Hope - EPDED

Reconciliation of Oil Import Projections:
WDR 1980 vs Energy in Developing Countries (R80-206)

1. On Friday, August 8th - at Ray Goodman's suggestion - Ed Fried rang me to inquire about apparent discrepancies in the oil import projections for developing countries as they appear in WDR 1980 and in R80-206.

2. Allowing for the difference in country coverage, Mr. Fried felt that an increase of only 1.6 mbd of net imports of petroleum for enrgy use by oil-importing developing countries during the 1980's (WDR Table 2.4) could not be consistent with the increase of 3.1 mbd shown in Table 24 of R80-206.

3. The reconciliation follows from Peter Pollak's memorandum of June 2nd (page attached) and Mr. Fried seemed satisfied with projected increases in total imports of petroleum (for the broader WDR country classification) of 2.7 mbd through the 1980's - See Table.

Projected Net Imports of Oil by Oil-Importing Developing Countries
(million b/d)

Net	1980	1985	1990
Net Imports of Oil			
WDR Classification:			
For Energy Use	5.3	5.8	6.9
For Other Uses	0.8	1.9	1.9
Total:	6.1	7.7	8.8
R80-206 Classification			
For All Uses	4.5	6.0	7.6

NCH:mms

cc: Mrs. H. Hughes
Mr. R. Goodman
WDR IV Core Group
Mr. R. Duncan
Mr. P. Pollak

OFFICIAL FILE COPY

PETROLEUM BALANCES OF NET OIL-IMPORTING DEVELOPING COUNTRIES

(million b/d)

	1977	1980	1985	1990
Petroleum Consumption WDR III	6.5	7.[illegible]	8.9	10.7
Non-Energy Petroleum WDR III	0.6	0.7	1.0	1.4
1. Total Consumption of Petroleum for all uses	7.1	7.8	9.9	12.1
2. Petroleum Production	1.2	1.7	2.2	3.3
3. Net Imports of Petroleum for all end-uses	5.9	6.1	7.7	8.8
Net Imports of Petroleum for Energy	5.3	5.3	5.8	6.9
Net Imports of Petroleum for Non-Energy	0.6	0.8	1.9	1.9
Low Income Countries				
Petroleum for Energy	0.4	0.3	0.3	0.4
Petroleum for Non-Energy	0.2	0.2	0.4	0.4
Petroleum for All Uses	0.6	0.5	0.7	0.8
Middle Income Countries				
Petroleum for Energy	4.8	5.0	5.5	6.5
Petroleum for Non-Energy	0.5	0.6	1.5	1.5
Petroleum for All Uses	5.3	5.6	7.0	8.0

PPollak:dk
June 2, 1980
EPDCE

DPA World Dev. Rep

Files

August 4, 1980

Marcos Sugar, EPDED

WDR Modeling - Minutes of July 31 Meeting

1. WDR IV Regional Classification

The proposed regional format for WDR IV as set forth in P. Miovic's draft of July 29 was discussed and agreed with only one modification. Peru should be region 13 instead of region 6. Although Peru's oil exports in 1977 did not reach the 10% minimum of total exports, it is known that the percentage has increased during 1978, 1979 and 1980.

Iran because of the lack of information was included in a region by itself.

Industrial Countries it was suggested that a logical regional format for this group should be divided in three regions 1) Europe, 2) North America and 3) Pacific. However, additional historical information on growth rates must be available if this regional breakdown is to be implemented, in the future. Final format of WDR IV Country Classification is attached.

2. Updates

- National Accounts, GDP and GNP proceeding well, no problems foreseen.

- Systems and Methods, work is moving OK, no problems.

- External Debt data should be ready by August, no problems.

- Balance of Payments. Anne Culver to finalize documentation by August 4 or 5. Reza will be responsible for the updates.

- Trade Y. K. Wen to discuss with Ron Duncan: a) the approach to use in the division of Food, Fuel, Non-Fuel, Manufactures etc. b) Non Factor Services growth rates historical series before 1970 (merchandise, non-merchandise).

- Assumptions of growth rate - Branco re. By the end of August, Mrs. Helen Hughes will have a session to discuss outstanding issues on Trade.

3. WDR IV

- Y. K. Wen to produce a historical chart on growth rates for the 40 major countries. This should be used during the review with the regions.

- Peter to produce a chart on Capital Flows trends, Historical and projections, by country and regions.

- Peter and Y. K. Wen will discuss with J. Kreuser CAD implications arising from changes to the Regional model and integration of how to distribute discrepancies.

- Y. K. Wen to prepare the specifications of the changes for regional model to be run in 1978 prices. He will also write a memo on a package of specifications and changes. By last week of August a program on country model should be ready.

4. WDR IV Tables

It was established that, inputs for country and Global Model should have data for 1978, 79, 80, 81, 85, and 90, although not all of those years will be printed.

5. WDR Core Team

Decisions on WDR IV Guidelines and changes affecting growth rates, Capital Flows, Capital Accounts deficits, Exports, Imports must be made by the first week of September. Structural Adjustments it was suggested that the Core Team should work in close cooperation with EPD staff (working with country model) and country economists.

Attachments

cc: Mrs. Helen Hughes, EPDDR
Division Chiefs

Messrs: M. Bale, B. Blazic-Metzner, P. Miovic, F. Jaspersen, Y. Wen, E. Hwa, Finger, B. Nolan, P. Pollak, V. Panautsopoulos

Ms. Badiee and Ms. Wallich

MSugar:aw

ATTACHMENT 1/1

Table 1: WDR IV REGIONAL FORMAT

(Correspondence with Current, WDR III, Format)

WDR III Regional Format \ WDR IV Regional format			Developing Countries: Oil Importers: Low Income: Africa S. of Sahara	Low Income: South Asia	Middle Income: Africa S.of Sahara/2 (L)	Middle Income: Africa S.of Sahara/2 (U)	Middle Income: E. Asia & Pacific	Middle Income: L.America & Carib. (L)	Middle Income: L.America & Caribbean (U)	Middle Income: Southern Europe	Middle Income: North Africa & Middle East	Oil Exporters: Africa S. of Sahara	Oil Exporters: E. Asia & Pacific (L)	E. Asia & Pacific (U)	L.America & Caribbean	N. Africa & Mid. East (I)	N. Africa & Mid. East (II)	Capital Surplus Oil Exporting Countries	Industrialized Countries	Centrally Planned Economies: Europe	Centrally Planned Economies: Asia
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Developing Countries: Low Income	AFRICA S. OF SAHARA	1	A/1																		
Developing Countries: Low Income	SOUTH ASIA	7		B									Indonesia								Kampuchea Lao, P.R. Viet Nam, S.R.
Developing Countries: Middle Income	AFRICA S.OF SAHARA/2 (L)	2			C							Angola Congo Nigeria									
Developing Countries: Middle Income	AFRICA S.OF SAHARA/2 (U)	3				D						Gabon									
Developing Countries: Middle Income	E. ASIA & PACIFIC (L)	8					E							Malaysia							
Developing Countries: Middle Income	ASIA & PACIFIC (U)	9												Brunei							
Developing Countries: Middle Income	L. AMERICA & CARIB. (L)	10						F							Bolivia Ecuador Peru						
Developing Countries: Middle Income	L. AMERICA & CARIB. (U)	11							G						Mexico Trinidad & Tobago Venezuela						
Developing Countries: Middle Income	SOUTHERN EUROPE	12								H											
Developing Countries: Middle Income	N. AFRICA & MIDDLE EAST (L)	4									I					Algeria Egypt Syria Tunisia					
Developing Countries: Middle Income	N. AFRICA & MIDDLE EAST (U)	5														Bahrain	Iran	Iraq			
	CAPITAL/3 SURPLUS OIL EXPORTERS	6														Oman		J			
Industrialized	WESTERN EUROPE	13																	K		
Industrialized	NORTH AMERICA JAPAN OCEANIA	14																			
	CENTRALLY PLANNED ECONOMIES	15																		L	China, P.R. Korea, DPR Mongolia

/1 Countries under A, B, ... etc are listed in Table 2.
/2 (L) - lower, (U) - upper, both within Middle Income category.
/3 WDR III included Region 5 in Capital Surplus Oil Exporters, as well as Region 6.

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PMiovic:ga
7/29/80

Table 2: WDR IV REGIONAL FORMAT

(List of Countries by Region)

Developing Countries															Capital Surplus Oil Exporting Countries	Industrialized Countries	Centrally Planned Economies	
Oil Importers									Oil Exporters									
Low Income		Middle Income																
Africa S.of Sahara	South Asia	Africa S.of Sahara/2 (L)	Africa S.of Sahara/2 (U)	East Asia & Pacific	L.America & Caribbean (L)	L.America & Caribbean (U)	Southern Europe	N.Africa & Mid-East	Africa S. of Sahara	E. Asia & Pacific (L)	E. Asia & Pacific (U)	L.America & Caribbean	N.Africa & Mid. East (I)	N.Africa & Mid. East (II)			Europe	Asia
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
									Angola Congo Gabon Nigeria	Indonesia	Brunei Malaysia	Bolivia Ecuador Mexico Peru Trinidad & Tobago Venezuela	Algeria Bahrain Egypt Oman Syria Tunisia	Iran	Iraq			China Kampuchea Korea, DPR Lao, PDR Mongolia Viet Nam, SR
A	B	C	D	E	F	G	H	I							J	K	L	
Benin Burundi Central African Rep. Chad Comoros Ethiopia Gambia, The Guinea Kenya Lesotho Madagascar Malawi Mali Niger Rwanda Sierra Leone Somalia Tanzania, UR Uganda Upper Volta Zaire	Afghanistan Bangladesh Bhutan Burma India Maldives Nepal Pakistan Sri Lanka	Botswana Cameroon, UR Cape Verde Equatorial Guinea Ghana Guinea-Bissau Ivory Coast Liberia Mauritania Mauritius Mozambique Namibia Sao Tome & Principe Senegal Seychelles Sudan Swaziland Togo Zambia Zimbabwe	Djibouti Reunion S. Africa	American Samoa Fiji French Polynesia Gilbert Islands Guam Korea, R. of Hong Kong Macao New Caledonia New Hebrides Pacific Is. TT Papua New Guinea Philippines Samoa Singapore Solomon Islands Taiwan Thailand Tonga	Antigua Belize Chile Colombia Costa Rica Dominica Dominican Rep. El Salvador Guatemala Guyana Grenada Haiti Honduras Jamaica Nicaragua, Paraguay St. Kitts-Nevis St. Lucia St. Vincent	Argentia Bahamas Barbados Bermuda Brazil French Guiana Guadeloupe Martinique Neth. Antilles Panama Puerto Rico Suriname Uruguay Virgin Is. (US)	Cyrus Gibraltar Greece Israel Malta Portugal Spain Turkey Yugoslavia	Jordan Lebanon Morocco Yemen, AR Yemen, PDR							Kuwait Libya Qatar Saudi Arabia United Arab Emirates	Australia Austria Belgium Canada Denmark Finland France Germany, FR Iceland Ireland Italy Japan Luxembourg Netherlands New Zealand Norway Sweden Switzerland United Kingdom United States	Albania Bulgaria Czechoslovakia Cuba Germany, DR Hungary Poland Romania USSR	

EPDII
8/1/80

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DPA - WDR

TO: Regional Chief Economists

DATE: August 1, 1980

FROM: E. Bevan Waide, VPD

SUBJECT: WDR IV Country Case Studies for Adjustment

1. Following Mr. Chenery's meeting on the analysis of country adjustment experience for next year's WDR, we would now like to request your assistance in preparing case studies that would provide insights into the experience of adjusting to the changes of the world economy during the 1973-78 and 79-80 periods. We would like to proceed as follows:

2. During August, we would be grateful if you could select one or more countries in your region and prepare short "pilot" studies of the adjustment process. We have prepared a list of countries from which such "pilot" countries might be chosen, and an outline (attached) of the questions which we think more relevant. You will see that the focus is on gaining insights from past experience for the adjustment problems facing developing countries in the future.

3. Christine Wallich and Fred Jasperson of the WDR IV Core Group will be contacting you during the next few days to discuss the selection of countries, and the relevance of the questions for your region. We would request that these initial studies be completed by September 10 so that they can serve as the basis for planning the more detailed case studies which will be the core of the "adjustment" component of WDR IV.

from Div. by 9/5.

4. During August, EPD will also be preparing sets of standard tables which will be useful, both for the case studies and for the country modeling for WDR IV, to make sure that we have compatible and up-to-date information. EPD staff will be available to provide and discuss historical data so as to put as little burden as possible on the country economists concerned.

5. During September and October, the Core Team would work further on the country case studies in collaboration with your staff to put together an overall picture of the adjustment process.

Attachments

cc: Mrs. Hughes (EPD)
Ms. Wallich (WDR)
Mr. Jasperson (WDR)

FJ:HH:EBW:sjb

Countries to be Covered

LAC

Argentina
Brazil
Chile
Mexico
Peru

South Asia

Bangladesh
India
Pakistan
Sri Lanka

E. Asia and Pacific

x Malaysia
✓ Philippines — use SAL doc'ts when avail. — BB to follow up.
✓ South Korea — EKH to talk to Kalim & Yusuf — Jaspersen
✓ Thailand — ch. III 6C rept., sent to
✓ Indonesia — EKH will talk to Squire, who'll do. — get together

E. Africa

Kenya
Madagascar
Tanzania
Zambia

W. Africa

Ivory Coast
Nigeria
Senegal

EMENA

Egypt
Tunisia
Turkey
Yugoslavia

July 30, 1980

Country Case Studies of Adjustment

I. The Initial Position - The Early 1970s (1 page)

What were the major structural characteristics of the economy leading up to 1974?

What was the country's development strategy during this period?

What were the major trends affecting the economy?

Did the country's economic structure, development strategy and economic policy strengthen or weaken its capacity to adjust to the shocks of 1974-75 and beyond?

What was the medium-term economic outlook at that time?

II. The Shocks of 1974-75 (1 page)

What was the nature and severity of the external shocks which the country experienced during this period? (barter terms of trade, export volume, capital flows)

2nd page L

Were there internal shocks which occurred simultaneously - harvest failure, political?

What was the real resource/growth loss to the country - income terms of trade?

III. Adjustment and Policy Response Through 1979 (2-3 pages)

To what extent did market forces operate to bring about adjustment - change in relative prices, deflationary effects of balance of payments deficits, exchange rate movements?

CPP

What measures were introduced to facilitate adjustment - short-term liquidity adjustment through demand management, longer-term solvency through structural change?

Was the adjustment successful in strengthening the external position, maintaining output and employment, reducing inflation, bringing about structural change?

To what extent did changes in the external or internal environment enhance or retard adjustment?

Did efficiency improve - ICORs?

Were the country's development objectives, including alleviation of poverty, expansion of economic infrastructure, investment in productive capacity, compromised?

IV. Outlook 1980-85 (1-2 pages)

Fok doe't expected.

What is the nature and severity of the most recent shocks which the country is experiencing?

What is the country's medium-term outlook?

What recent policy measures have been introduced to achieve adjustment and structural change?

What more needs to be done to facilitate adjustment?

July 30, 1980

DPA - WDR

Files

August 1, 1980

Adrian Lambertini, Economist, EPDCE

Total petroleum imports in WDRIV

The oil imports shown in WDRIII for the oil importing developing countries exclude the non-energy uses of petroleum. These amounted to some 700,000 b/d in 1978 and we forecast them to increase to about 1.5 million b/d in 1990 - at the WDRIII economic growth rates - or almost 20% of total petroleum imports. For this reason, it might be useful to show the total petroleum imports in WDRIV either as an aggregate item or broken down by what we estimate to be their energy and non-energy end uses.

cc: Mrs. Hughes
Mr. Singh
Messrs. Pollak and Choe.

ALambertini:jmca