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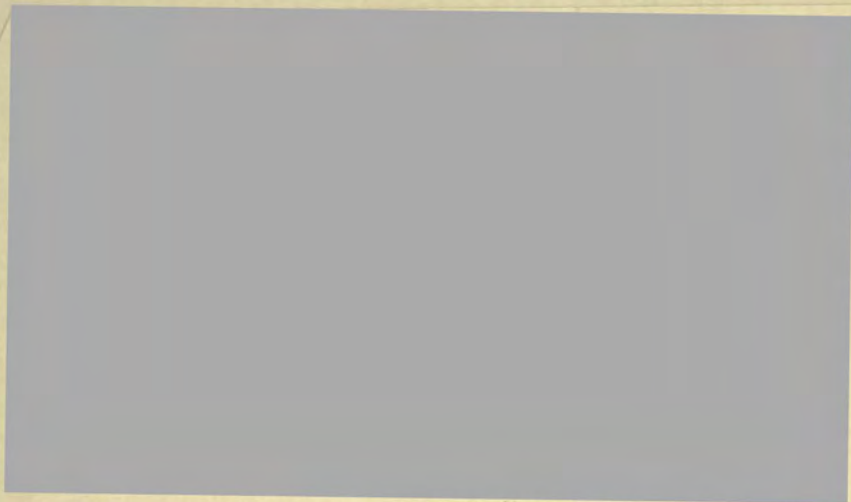
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Hollis B. Chenery papers - McNamara papers - 1975 (Aug-Dec.)



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Hollis B. Chenery Papers - McNamara discussions / notebooks / memoranda - 1975  
(August - December)



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: December 31, 1975

FROM: Hollis B. Chenery *HBC*SUBJECT: Work Program on External Debt

1. In our recent discussions of topics for policy studies, we agreed that a special effort should be made to analyze the external indebtedness and debt management of our borrowing countries. Since external debt evaluation is an integral part of the Bank's country analytical work, an overall study can best be carried out through judicious use of the CPP projections. It will be scheduled in such a way as to make full use of the findings from our Annual Review of Development Prospects. The following proposal has been discussed with John Adler and reflects his comments.

2. A comprehensive debt study should serve the following purposes:

- assess the indebtedness and debt service implications of alternative international policies concerning aid, trade and capital markets;
- improve the quality of country analysis, which provides the background for lending to countries;
- inform management about the debt management policies of developing countries and of other actions by their governments which bear on their borrowing requirements;
- provide a basis for the Bank's contribution to the international discussion on the debt of the developing countries.

3. Scope. At present the analysis of external debt is carried out for each borrowing country as part of the CPP preparation. The study will carry the country analysis further, to a comparative assessment of selected countries and groups of countries under alternative assumptions of international and internal policies.

4. The main topics covered by the analysis would be:

- (i) The major changes in the composition of capital committed to developing countries and in the indebtedness of selected countries and groups of countries;
- (ii) The balance of payments and debt management policies of selected countries and the effects on their future development and creditworthiness.

5. The principal change from our present procedures will be to integrate (a) the country projections of the Annual Review, (b) the analysis of debt and creditworthiness in selected countries, and (c) the assessment of development prospects, into one analytical framework. The country projections will be based initially on the same assumptions concerning growth, inflation and world trade as underlie the projections to be presented in the Annual Review. The debt analysis for selected countries will begin with the same assumptions and then examine the implications of alternative assumptions at the country level.

6. Nature of the Results. The results of the program of work will be embodied in two separate papers over the course of the next twelve months. Part II will be produced only for management. Part I can be distributed to the Board if desired.

Part I. CAPITAL FLOWS AND EXTERNAL DEBT

The conclusions of the Annual Review of Development Prospects will be the starting point for this part of the debt study. It will be presented for management's consideration in September 1976. 1/

A. Retrospective analysis focused on the major changes which have taken place in the institutional framework of capital flows to developing countries since the late 'sixties. (It will provide the analysis which is entirely lacking in a recent UNCTAD report on debt, 2/ notwithstanding its rather sweeping conclusions.)

B. Prospective analysis, by groups of countries taking account of recent developments and extending to the year 1985 under alternative assumptions of international economic developments. Identification of differences in prospects between country groups; policy implications for different categories of creditors.

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1/ As the data base, the projections and much of the analysis will be complete by early April, an input for the Annual Address to Governors will be available at that time.

2/ Report of the Ad Hoc Group of Governmental Experts on the "Debt Problems of Developing Countries" (ID/B/545, March 11, 1975).



Part II. PROBLEMS OF DEBT MANAGEMENT

In addition to a review of country projections for major borrowers, a detailed, candid assessment of the general problems of debt management and of the specific problems of major debtor countries will be completed in November 1976. It will be based on the country projections made for the Annual Review and alternatives for selected countries, as well as a review of the institutions and policies in each country. In this part the assessment by the Loan Portfolio Analysis Unit of the likelihood of default will be taken into account.

7. Detailed outlines for each part are attached.

## Attachments

cc: Mr. John Adler  
Mr. Karaosmanoglu  
Mr. Tims

HBChenery:WTims:di

PART ICAPITAL FLOWS AND DEBT OF DEVELOPING COUNTRIES  
PROSPECTS FOR THE 1980sSection A: Retrospective Analysis

1. External debt of the developing countries in 1967: amount, type, distribution among debtors and creditors.
2. Changes in the origin and composition of capital flows with particular attention to private lending, international (Euro-currency) lending and other new forms of capital flows, 1967-1973.
3. Changes in the geographical distribution of capital flows, with particular attention to the differentiation of flows to recipients -- the reservation of ODA to lower income countries as a result of lenders' policies and of private flows to middle and higher income countries.
4. External borrowing in the context of development policy: project finance, trade finance, balance of payments finance and monetary management.
5. The experience of selected debtor countries, with changing sources and kinds of external capital.
6. The situation in 1973: amount, type, distribution among debtors and creditors; prospects for the future.



Section B: Recent and Prospective Capital Flow and Debt Developments, 1974-85

1. Developments in 1974 and 1975

- (a) The creditor side: flows from traditional sources (DAC, multi-lateral), and from new sources (OPEC, new arrangements like the Oil Facility); flows from private (national and international) capital markets. Role of reserves, short-term capital.
- (b) The debtor side: based on data prepared for Prospects-1976, emphasizing selected major developing countries, but also regions and income groups.
- (c) Assessment of the new characteristics of the debt situation by end 1975.

2. Prospects and Alternatives, 1976-1985

- (a) The "base case" projection of Prospects-1976 and its indebtedness implications. Country (income or regional) groupings as basis for analysis.
- (b) Alternative levels of capital flows, their implications for creditworthiness and growth.
- (c) Alternative terms and sources of capital flows and implications for creditworthiness.
- (d) Alternative inflation and terms of trade developments and their implications.
- (e) The capacity of countries to withstand external shocks; trade-offs between growth and debt.
- (f) Policy conclusions: summary of findings particularly with respect to role of official creditors and of recipient countries in maintaining creditworthiness.

PART IICAPITAL FLOWS AND DEBT MANAGEMENT IN SELECTED COUNTRIES

(paper for management and staff use only)

1. A comparison of country-projections for a selected group of borrowing countries in terms of:
  - (a) alternative export projections based on variations around the central projection of commodity trade prices;
  - (b) alternative capital flow projections (official) based on variations around a central projection of available amounts and terms;
  - (c) alternative levels of private borrowing under assumptions as specified under (a) and (b) and combined with policies to maintain growth or to remain within predetermined limits of creditworthiness.
2. The findings of the analysis by country groups and for the selected countries analysed individually under (1) will be linked, with emphasis on:
  - (a) Relative sensitivity of selected countries or country groups to alternative assumptions;
  - (b) The policy instruments available to them, which can be applied to maintain their creditworthiness and standing in capital markets.
3. Institutional framework for the practices of debt management of major borrowers.



Capital Requirements and Debt Analysis in CPPs

A serious difficulty in the effective use of country economic projections in CPPs is the varying blend of realism and optimism that goes into the projection assumptions. The CPP review process (e.g., identifying main economic relationships in the projections, comparing them with the corresponding historical relationships, and reviewing the textual discussion of why the future will be different from the past) is a partial solution. Some coherence is achieved through the specification, by the DPS, of standard assumptions about future growth and inflation rates in the industrial countries and about commodity prices. However, these are not sufficient. The analytical work done with the 40 country Sample Panel and SIMLINK for Report 802 indicated that one of the serious problems was the tendency for country projections to be optimistic about export prospects; in effect, almost every country economist implicitly assumes that "his" country will get a larger share of the LDC export market. While this may be true in any individual case, it is obviously impossible overall; country projections thus tend to systematically overstate export earnings and underestimate both the capital requirements and the debt management difficulties associated with given growth objectives. To get at this problem, EPD is expanding its commodity projections work to provide the country programs department with country-by-country "guidelines projections" of export volumes for the main commodities. ECD/DPS is being asked to undertake a parallel effort for exports of manufactures. Country economists will be free to depart from these guidelines whenever they find reason to do so, but the guidelines will assist both country economists and the review process.

- 2 -

There is a parallel problem of country economist optimism with respect to the volume and terms of capital flows which are assumed in the CPP projections. In the case of flows from banks and other private sources, the level of lending to a particular country is best analyzed by looking at the requirements and creditworthiness of the individual country rather than by trying to allocate an assumed total pool of resources among prospective borrowers. However, in the case of flows from official sources, especially concessionary flows, it would be desirable to project probable supply and then allocate this among the potential borrowers. There are difficulties in doing this; there is a lack of information in the case of flows from OPEC sources and there are some serious statistical difficulties (arising from differences between creditor and debtor reporting systems) in the case of flows from DAC sources. EPD plans to expand its work in international financial flows to make the necessary projections of official assistance from DAC countries, convert them to the DRS concepts normally used in country projections, and allocate these flows among countries on the basis of historical shares and other information. Appropriate terms assumptions for official flows will be specified at the same time. As in the case of exports, these projections will be guidelines for work on specific countries. Terms of borrowing from private sources, which are another source of our uneasiness in the country projections, need to be dealt with, as well.

The work on country shares in both exports and official aid flows will begin with the countries in the Sample Panel. It should thus improve the quality of the next aggregations exercise ("Prospects...1976") as well as the CPP projections. To ensure that priority is given to the Bank's most important borrowers, the Sample Panel is being revised so it will be based upon the 37 "Group A" countries for which annual reviews of regular CPPs are scheduled.



EPD is also revising its approach to preparing projections for Sample Panel countries. In the past, when a Sample Panel aggregation was needed, the procedure was to take recent CPP projections and update and adjust them as necessary to conform to current information and assumptions. In the future EPD plans to maintain its own current projection for each of the Sample Panel countries; these projections will, in all cases, be reviewed with the country economists concerned but the assumptions used will be the responsibility of EPD. These projections can serve as starting points for the country program department projections prepared for CPPs and will, in any event, provide an input into the CPP review process.

Taken together, these measures should significantly improve the realism and usefulness of CPP economic projections. The country economist's knowledge of "his" country may lead to frequent revisions in the guideline projections prepared by EPD, but this will form part of a desirable iterative process which blends and makes consistent the Bank's country specific and more aggregate knowledge.

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: December 29, 1975

FROM: Hollis B. Chenery *HBC*SUBJECT: Issues Papers on (a) Employment and Urban Poverty  
and (b) Rural Non-Farm Employment

1. You requested that the outline of the issues paper on Employment and Urban Poverty, together with the proposed work program on this topic, be submitted to you and scheduled for completion in May. The attached memoranda by the Employment and Rural Development Division of the Economics Department respond to this request. Since this work is closely related to that on non-farm rural employment (for which an issues paper is scheduled for next fall), work on the two will proceed in tandem. In order to meet the earlier deadline of May 3, it will be necessary to draw on basic material and analyses which can be completed within that period. The May paper on urban employment will therefore focus on central policy issues and seek to formulate a basic approach to employment-related aspects of urban poverty.

2. The May issues paper constitutes the first phase of a continuing program of work on the closely related areas of urban and rural non-farm employment. Outlines and work programs in both areas are attached. While the first paper will address most of the issues indicated in the outline, it will not be able to do so in the depth and comprehensiveness which more extended work will permit. The central tasks of this program of work are:

- (a) to provide an analysis of the relationships between poverty and the structure of production, productivity and employment;
- (b) to formulate those policy elements and instruments through which employment and poverty considerations can be incorporated into Bank operational programs and projects.

This work is an essential complement to our continuing analysis of employment and poverty in the context of rural development.

3. The partitioning of non-agricultural employment between rural and urban is bound to be somewhat arbitrary. For working purposes, the urban paper will focus on policy approaches relevant to the larger urban centers. The rural paper will be concerned not only with the non-farm activities of farm households but also the wide range of activities located in the villages, towns and minor urban centers of primarily agricultural regions. The main consideration in drawing the rural-urban distinction in this fashion is the character of the links between non-agricultural employment and agricultural production and incomes.

*1/5 To Dr. Chenery*  
*The outlines include sections on "opportunities for the Bank". Please place particular emphasis on this-*  
*i.e. what can we do to improve living opportunities*  
*Lucas*



Mr. Robert S. McNamara

- 2 -

December 29, 1975

4. The outlines and work programs have been developed in consultation with Kim Jaycox, head of the Urban Poverty Task Group, and David Turnham of the Agriculture and Rural Development Department.

HBC:nff

Attachments

cc: Messrs. Baum  
Jaycox  
Yudelman  
  
Avramovic  
Leiserson  
Webb

*Copy of first page w/ MCH  
notes given to Linda and AR*

*1/6*

Issues Paper on Employment and Urban Poverty

Outline

I. Introduction

Scope of the paper - the relation between agricultural, rural non-farm, and urban employment issues. The basic approach of this paper - an emphasis on the income aspects of employment and on the specific nature of several different employment-related problems. A brief review of the premises and policy issues specific to the following problems: reducing open unemployment, making the modern-sector more labor-intensive, raising productivity in small enterprises, training the unskilled, raising earnings by increasing the demand for less-skilled labor and by speeding the shift of labor from low-income to higher-income jobs. How might differences between countries in levels of development, urbanization, structure of output, and other basic characteristics affect the approach to each of these problems?

II. A Review of the Employment Situation: Trends and Structure

A review of the evidence, since the OECD (Turnham/Jaeger) exercise for 1970, on the level and trends in open unemployment, on the age, sex, and education profiles of the employed, unemployed, and the poor. In particular, is unemployment growing? Is low-income employment growing?

### III. The Supply of Labor to Urban Areas

Most employment policy attempts to influence the demand for labor: this section is to serve as a guide to the size of the required effort and to the targeting of that effort with respect to locations and labor types. Determinants of future labor supply to urban areas: the projected natural rate of increase, participation rates, and the rate of migration. In particular: what types and size urban areas are migrants going to? What type of labor is migrating? How sensitive are participation rates to employment opportunities? What are the trends regarding the major skill and educational differences such as literacy rates, and secondary school graduates?

### IV. Poverty and the Structure of Output and Employment

What changes in the structure of output and employment will reduce poverty? One set of policies has to do with the poor as producers. Therefore, what do the poor produce? How is the market for their output linked to the rest of the economy? In particular, what kinds of output will not be constrained by price-inelastic demand? And, what changes in the mix of aggregate output are most likely to benefit the poor as producers? Other policies aim at helping the poor as wage-earners. Thus, how will changes in the mix of output and types of producer (especially size of firm) affect the level and structure of wages, and which changes will do most to increase the demand for less-skilled labor? This question should distinguish major skill or occupational groups. Are there significant trade-offs over time with respect to the impact on the demand for labor?



## V. Policy Implications

Draw conclusions from above for basic policy approaches, particularly, the respective roles of general economic policies and of potential Bank projects. Implications for the composition and design of Bank lending programs, especially with regard to sectors of activity, size of establishment, and location. How do these differ in different types of economy?

## VI. Policy Instruments

This section will assess the possible contribution of different policy instruments to specific employment-related problems. In what conditions will each of the general policies, especially those relating to the cost of capital and labor, and to export and import incentives, be most relevant? How can earnings of the working poor be influenced more directly by strengthening linkages through policy measures and project design? The principal direct measures to be reviewed relate to the supply of credit, research and development, education and training, government procurement, and direct migration controls. To what extent is the small enterprise a useful focus for helping the poor, either as producers or wage-earners? What special approaches are available for reaching the small firm?

Work Program

February 23: Completion of assignments for background material  
March 8: First draft  
March 22: Revised draft for discussion with Urban Poverty  
Task Group  
April 1: Distribution of draft to PRC staff  
May 3: Submission of final draft to Mr. McNamara

The preparation of a paper by May 3 will be the responsibility of ECDER, and will involve the full-time assignment of Richard Webb, working with Mark Leiserson. Some of the background material for the paper will be contributed by other members of the Department. The special assignments to be completed by Feb. 23 are the following:

1. Review of population and labor force projections (ECDPH).
2. Review of urban employment developments and trends (ECDER).
3. Selection of available data on employment-poverty profiles in urban areas (ECDRB).
4. Structural role of small enterprises in selected industries (DFC/ECDND).
5. Rural-urban migration (ECDER/ECDRB).

Other material which will be available before March include:

1. a review of the Bank's urban research program,
2. the papers and discussion of the ECDER conference on migration,

3. a background paper on policy interventions affecting technological choices,
4. a first report on the set of ILO urban employment studies.

Subsequent to the completion of the May 3 paper work will proceed on the above outline, under the responsibility of ECDER, towards a better understanding of the relation between employment and urban poverty.

This phase will draw on the following material:

1. Issues Paper on Rural Non-Farm Employment (ECDER)
2. Issues Paper on Technical Assistance and Credit to Small Enterprise (DFC)
3. Research on Urban Labor Markets and Linkages (ECDER)
4. Research generated by Migration Conference
5. Research generated by Urban Poverty Action Program
6. Results of World Employment Conference
7. Work on trade and employment (ECDND/NBER)
8. Study of structural role of small enterprises in selected industries (ECDND).



## Issues Paper on Rural Non-Farm Employment

### Outline

#### I Quantitative and Analytical Framework:

This section will provide a quantitative description and analysis of rural non-farm activities in developing countries, including scale, growth and production characteristics related to levels of development, structure of output, incomes and employment.

#### II Policies and Programs

If, as seems likely, there is scope for providing development assistance in support of rural non-farm activities the next questions relate to policies and programs through which development is to be promoted. The programs concern mainly credit, extension and training and infrastructure. These together with fiscal and pricing policies, will be examined in this section, using selected case studies and examples. The findings will be brought together in an assessment of program effectiveness, target group, regional objectives and financing problems to indicate appropriate program and policy directions.

#### III Implications for the Bank

The analysis of Section II will be related to Bank lending and policy, to assess what more should and could be done, both in terms of lending, sector work and research studies. This section would thus include an analysis of on-going lending, with special

reference to rural development projects, rural infrastructure projects and small industry projects; it would examine recent sector studies; and it would address the content of the research program.

#### Work Program

- May 31 - Completion of mission work on eight country studies.
- Aug. 31 - Report on country reviews and special studies.
- Sept. 20 - Draft for working level review.
- Oct. 13 - Revised draft for PRC staff level review.
- Nov. 17 - Final draft to President.

(a) Case studies are planned in eight countries - three in Asia, three Africa and two in Latin America. Four man-missions are planned specifically for this purpose, averaging 2 x 3 man weeks per country; the other four are to be extensions of about 1 x 3 man weeks to operational missions already scheduled. Mission work is to be completed by May 31.

(b) Special Studies are also to be initiated and completed by the end of August. These include: (i) a review of related existing empirical material and research; (ii) a study of the growth of villages, towns and minor urban centres in rural development areas and of employment patterns within them; (iii) an analytical study of the relationships between non-farm employment and agricultural

growth; (iv) techniques of forecasting, economic analysis and of designing cost-effective support; (v) a study of income distribution and migration issues (in relation to rural non-farm employment); and (vi) a study of levels of technology and skills required in non-farm activities.

(c) Staff and Consultants 15 man months of time (including mission work) has been allocated from DPS (Employment and Rural Development Division); 10 man months from CPS (DFC and Agriculture and Rural Development); and 6 man months of consultants' time.





OFFICE OF THE PRESIDENT

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
WASHINGTON, D. C. 20433, U.S.A.

*Mc N Stahel*

DEC 19 1975

December 19, 1975

MEMORANDUM FOR MR. CHENERY

Some time ago I asked whether it would be possible for one of your people to stand back from our work in the educational sector and comment upon the effectiveness of our educational program. What, if anything, has come of our discussion?

*R. S. McNamara*

R. S. McNamara

cc: Mr. Baum

*Sumner Report submitted in March.*

*McN returned  
Aug. 12/18 w/no  
comment. HBC  
sent original to  
Haq*

*1. McN forwarded  
2. Nicaragua  
country file*

Mr. Robert S. McNamara

December 16, 1975

Hollis B. Chenery, VP, Development Policy

NICARAGUA: Economic Memorandum

1. Your two comments are undoubtedly correct. Paragraph 1 of the Summary and Conclusions and Annex 1 of the Economic Memorandum (Report No. 914-NI) indicate that income distribution in Nicaragua is quite skewed. So far, the Government's efforts to modify the distribution pattern have been extremely modest. One initiative is the creation of a new institution (INVIerno) to provide credit facilities and technical assistance to about 20,000 rural poor families. A second is a program to expand foodgrain production. Since small farmers are the major producers of foodgrains, it will presumably help reduce the enormous income differentials prevailing in the rural sector.
2. I agree with you that all economic reports (apart from updating memoranda) should attempt to comment on government policies affecting income distribution. (Annex 1 of the Nicaragua Economic Memorandum is attached; it briefly examines the question of land tenure and income distribution. Unfortunately, it was not adequately treated in the Summary and Conclusions.) However, the scarcity of reliable income distribution data usually means that, in many cases, comments are likely to be purely impressionistic.
3. You may recall that in your 1972 Annual Speech you recommended that "...the developing countries address this task of gathering income data, and that as a practical matter they set a target date of 1975 for a greatly expanded program of censuses, sample surveys, and specific studies. The international agencies - our own included - can assist technically and financially, and provide a multilateral forum for this effort." It is fair to say that this has had some effect on efforts in many parts of the world to compile income distribution data as a basis for policy formulation. I am asking the Program Review and the Income Distribution Divisions to prepare a summary report on the present status of income distribution data among member countries and comment on the extent to which they are being used in our economic work. We shall also make some proposals on how the analysis of income distribution can be better used in the Bank's country economic reports.

Attachment

HBCChenery/MHaq/SChernick:ag

cc: Messrs. Haq, Chernick, Ahluwalia

LAND TENURE AND INCOME DISTRIBUTION

1. The results of recent censuses and surveys carried out in Nicaragua tend to support the basic conclusions of the 1973 Economic Report of Nicaragua (No.197a - NI, November 30, 1973): that in recent years no basic changes have taken place in either the structure of land tenure or agricultural production, credit or marketing facilities. 1/

2. The 1963 and 1971 agricultural censuses define an agricultural holding in terms of a single management. The high proportion of rented land, in particular among small size farms, which may be part of larger holdings, would indicate that farm size distribution in terms of ownership has a much higher degree of concentration than the distribution in terms of management units.

Table 1 : FARM SIZE DISTRIBUTION 1963, 1971

Size Group (ha)	1963				1971			
	Farms		Area		Farms		Area	
	Nº	Percent	(000 ha)	Percent	Nº	Percent	(000 ha)	Percent
Less than 0.7	2,188	2.5	0.9	*	5,164	5.9	1.9	*
0.7 - 7.0	40,648	46.0	132.1	3.5	33,253	38.3	88.9	2.1
7.0 - 35.0	24,428	27.7	429.9	11.2	27,315	31.5	452.8	10.9
35.0 - 350.0	9,573	22.2	1,686.1	44.1	19,435	22.4	1,627.6	39.3
350.0 and over	1,386	1.6	1,573.8	41.2	1,651	1.9	1,970.4	47.6
Total	88,223	100.0	3,822.8	100.0	86,818	100.0	4,141.6	100.0

1/ Excludes farms for which area is not identified

\* less than 0.1 percent

Source: 1963 and 1971 Agricultural Censuses.

1/ The 1971 population census results and partial information from the agricultural census are now available. Moreover, UNASEC (Agricultural Planning Unit of the National Agricultural Council) has more recently carried out a number of socio-economic surveys in the rural areas the results of which are also available.



3. Between 1963 and 1971 farm land has increased by about eight percent, mainly through the opening up of state owned land. The data in the preceding table would indicate that the new land has contributed almost exclusively to increasing the average size of the larger farms. However, this situation may only be apparent because a change in the definition of what constitutes one management unit between the two censuses tends to give a higher degree of concentration of holdings in 1971 than in 1963.<sup>1/</sup> On the other hand, at the small farm size level it is evident that the number of farms of less than 0.7 ha. has increased considerably and the average size declined.

4. The problem of land titling, in relative terms, has become more serious in the inter-census period. The share of titled farms in the total has declined from 62.5 percent in 1963 to 51.4 percent in 1971, while the share of rented farms has increased from 14.6 percent in 1963 to 22.2 percent in 1971. The problem has been particularly acute among holdings between 0.7 and 35.0 hectares, the farm size bracket which comprises a considerable portion of the farms in the colonization and land settlement scheme of the IAN (Agrarian Institute of Nicaragua). This slowness in resolving the legal situation of the farmers appears to have led small farmers to clear public lands and subsequently charge the ultimate title applicants for these land improvements. The larger farmers apply for and obtain legal title to these properties, thus increasing the size of their holdings.

Table 2 : NUMBER OF LANDHOLDINGS BY SIZE AND TYPE OF TENURE, 1963, 1971  
(percentages)

Size Group (ha)	Year	Total	Titled	Untitled	Rented	Other
Less than 0.7	1963	100.0	57.0	4.3	27.7	11.0
	1971	100.0	57.3	14.2	24.0	4.5
0.7 - 7.0	1963	100.0	56.1	9.4	26.8	7.7
	1971	100.0	42.5	15.5	37.4	4.6
7.0 - 35.0	1963	100.0	73.8	19.5	4.2	2.5
	1971	100.0	54.7	23.0	13.5	8.8
35.0 - 350.0	1963	100.0	60.5	36.9	1.8	0.8
	1971	100.0	58.1	23.8	9.3	8.8
350.0 and over	1963	100.0	90.3	9.2	0.4	0.1
	1971	100.0	81.3	6.7	8.5	3.5
Total	1963	100.0	62.5	18.2	14.6	4.7
	1971	100.0	51.4	19.5	22.2	6.9

Source: 1963 and 1971 Agricultural Censuses.

<sup>1/</sup> In 1963 one farm unit constituted one or more plots in adjacent comarcas under one management, in 1971 plots in adjacent municipios.

5. No data are available for 1963 on income per farm size. For 1971, UNASEC has estimated that the average income for farms of less than 0.7 hectares was only ₡637 (US\$91), increasing rapidly for larger farms and attaining an average level of over one million Cordobas (about US\$143,000) for farms exceeding 1,750 hectares. The average rural family in 1971 was estimated at 6.1 members. If we assume that in 1971 the minimum per capita income required for an acceptable living standard was ₡1,400 (US\$200), the average family would require about ₡8,500, close to the average income of farms between 7 and 14 hectares, and more than twice as high as the average income of the 3.5 - 7 hectares bracket.

Table 3 : AVERAGE INCOME PER FARM SIZE, 1971  
(in ₡)

Size Group (ha)	Income/Farm	Income/ha
Less than 0.7	637	1,814
0.7 - 3.5	2,058	1,211
3.5 - 7.0	3,900	829
7.0 - 14.0	8,732	929
14.0 - 35.0	13,961	646
35.0 - 70.0	21,195	471
70.0 - 140.0	41,369	464
140.0 - 350.0	95,772	482
350.0 - 700.0	177,023	384
700.0 - 1,750.0	305,254	300
1,750.0 and over	1,000,119	186

Source: UNASEC

6. Income per hectare declined almost steadily with increases in the size of farms. This inverse relation basically reflects the more extensive nature of the exploitation of larger farms. Although for 1971, data on type of land tenure and land use are available only in broad farm size categories which do not allow for the establishment of a one to one correspondence between income per hectare and land tenure and use, the increase in average income per hectare between farms in the 3.5 - 7.0 and 7.0 - 14.0 size brackets may be tentatively explained by the better opportunity this group has for producing some commercial livestock <sup>1/</sup> for which prices have been more attractive than for basic grains and the marketing facilities more efficient.

<sup>1/</sup> According to the census farms below 7.0 hectares did not market livestock products.

7. The fairly depressed economic condition of the small farmers and landless families, <sup>1/</sup> which has probably not improved in any significant manner between the two censuses, coupled with the considerably more attractive cash income prospects and better social infrastructure of urban areas has induced a massive urban migration. While total population between the 1963 and 1971 censuses increased at an estimated rate of 2.5 percent per year, urban population grew at 4.6 percent per year while rural population grew at only one percent annually. Moreover, while active population in agriculture declined by a crudely estimated rate of 0.7 percent per year, <sup>2/</sup> that in other sectors increased by over 5 percent annually. Although migration to urban areas has undoubtedly helped to reduce somewhat potential increases in rural underemployment, the problem persists and cannot be resolved without the adoption of more intensive and efficient systems of farm exploitation and substantial changes in the land tenure pattern.

8. The income differentials between urban and rural areas are so wide that they are undoubtedly the major propellant for urban migration. In 1972, average income per family in Managua was 3.5 times that in rural areas. Furthermore, average income of Managuan families in the lowest 50 percent income bracket was more than 5.5 times higher than that of the corresponding group in the rural areas, indicating a greater degree of skewness in income distribution in rural areas as compared with Managua. No information is available for income levels or distribution for urban areas other than Managua but they probably rank between these two extremes.

Table 1: FAMILY INCOME DISTRIBUTION, 1972 <sup>\*/</sup>

	Poorest quint.	2 nd quint.	3 rd quint.	4 th quint.	Richest quint.	50/o richest	Gini Coefficient
Rural (Percent income)	3.1	5.6	10.0	15.9	65.4	(42.4)	0.5396
Managua (Percent income)	4.2	9.3	15.3	21.2	50.0	(27.1)	0.4140

<sup>\*/</sup> Data obtained from free hand fitted Lorenz curves based on information collected by the Central Bank and UNASEC.

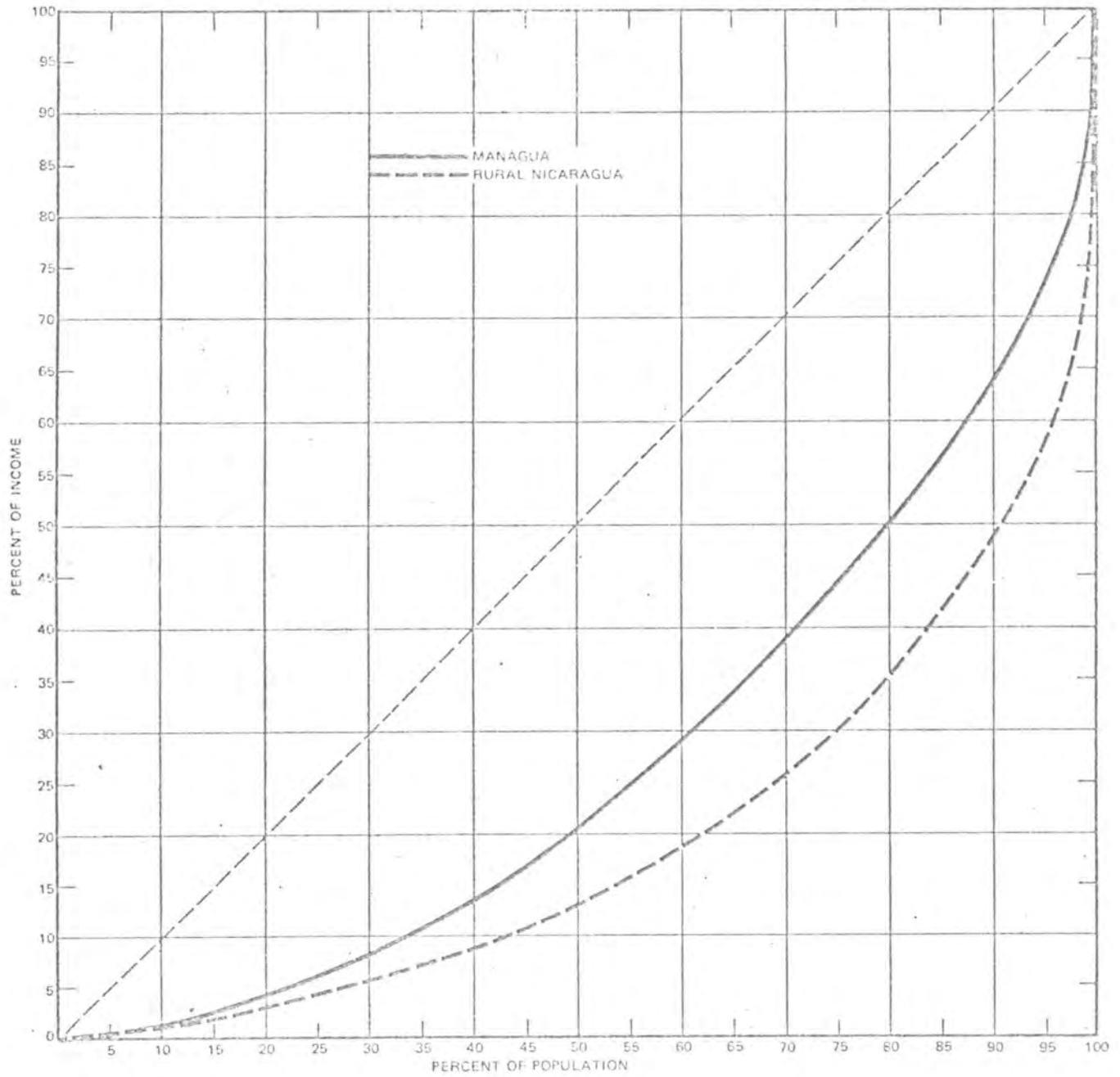
<sup>1/</sup> Landless families are estimated to have increased from about 26 thousand in 1963 to 37 thousand in 1971.

<sup>2/</sup> This rate may overestimate the reduction in the labor force and should be evaluated accordingly. However, the higher dependency ratio in the rural population (1.19) as compared with the urban population (1.06) would tend to confirm that migration to the cities has been more important among the active age groups.



9. The extremely high concentration of income in the hands of the richest five percent in the rural sector is attributable not only to land concentration but probably to a no lesser degree to the credit and marketing facilities available to larger farmers engaged in production for export. The Government program for the expansion of basic grains production, which contemplates increased credit facilities and improvement of marketing channels will undoubtedly help the small farmers, the main producers of basic grains, and thus tend to reduce the sharp income differentials prevailing in the rural sector. Moreover, other government projects included in the investment program submitted to the international agencies in October 1974 are specifically addressed to the improvement of the socio-economic conditions of the rural poor and are discussed in another section of this report.

NICARAGUA  
FAMILY INCOME DISTRIBUTION, 1972  
MANAGUA AND RURAL NICARAGUA  
Lorenz Curves



12/3

To Dr. Chedoke

Is it not true that:

1. Income distribution in Nicaragua highly skewed
2. Little is being done to improve the distribution

If so, should not our Report  
comment on these points.

L. M. W.



SUMMARY AND CONCLUSIONS OF NICARAGUA ECONOMIC MEMORANDUM, DATED 11/5/75,  
BASED ON MISSION JANUARY 1975.

1. As a result of the earthquake reconstruction process and world wide external market disruptions, the economy of Nicaragua has undergone substantial changes in the past two years. Most but not all of these changes can be considered of a temporary nature. The strongest effect has been felt on the country's import bill. In 1974, the value of imports was 2.3 times higher than in 1972, while exports had increased by only about 50 percent. A small resource surplus in 1972 turned into a deficit in 1973 which widened to 13 percent of GDP in 1974. In spite of the earthquake, GDP grew by over two percent in 1973. The process of reconstruction appears to have given new dynamism to the economy and in 1974 GDP is estimated to have increased by more than 11 percent, while the unemployment rate moved down to the pre-earthquake level. Per capita GNP in 1974 has been estimated at about US\$630, which compares favorably with that of a number of countries in the area. However, a very high portion of the population still lives at very low income levels, and income distribution is very skewed. The situation is particularly serious in the rural areas where average family income is less than one-third of that in Managua and where income distribution is particularly uneven.

2. Considerable external resources have been obtained since early 1973 for the reconstruction of Managua. These commitments and the proceeds from the emergency taxes enacted following the earthquake amount to over US\$350.0 million. In addition, an important share of reconstruction, in particular in the housing sector, has been financed by resources other than those mentioned above. Some additional external financing for the construction of municipal markets and urban infrastructure is expected in the near future. Together, these resources, the proceeds from new taxes which replaced emergency taxes, and the normal resources of specialized financial institutions should be sufficient to complete the bulk of reconstruction before the end of the decade.

3. Price stability which had prevailed in the country for more than 10 years came to an end in 1973. This was mainly due to increases in international prices for food products which are both exported and consumed domestically and to the increase in internal demand related to reconstruction. In 1974, higher import prices also contributed to inflation. The unprecedented credit expansion which took place in the last two years fostered excess demand in particular sectors. Domestic prices for construction materials e.g., increased considerably faster than the general price index -- about 45 percent as compared with an increase of 14.4 percent of the GDP deflator -- notwithstanding substantial imports of construction materials. Thus, part of the reconstruction resources were absorbed by price increases.

4. Public finances were considerably strengthened after the earthquake. The emergency taxes -- 10 percent tax on exports and one month's salary of government employees -- increased the ratio of government revenues

to GDP from about 10 percent in the early 1970's to 12 and 13 percent in 1973 and 1974, respectively. When the emergency taxes were abolished a new tax law was approved which, in addition to replacing revenues from the emergency taxes, is expected to add progressivity to the tax system. The tax changes, which were in full effect in mid-1975, affect the income, property, consumption and sales taxes. With current expenditures growing at a slower pace than revenues, savings of the central government grew from less than two percent of GDP in 1972 to about four percent in 1973 and 1974. The rise in total public savings from about 3.5 percent of GDP in 1972 to about 5.5 in 1973-74 can be fully attributed to the improved savings performance of the central government, since the savings rate of the rest of the public sector changed little after 1972. Because of the reconstruction effort, public fixed investment also grew very fast during the period -- from four percent of GDP in 1972 to five and seven percent in 1973 and 1974, respectively.

5. Cotton, beef and coffee have continued to be the leading exports of Nicaragua during the 1970's. Their expansion has been fostered by abundant credit from the public financial institutions. The three products have consistently accounted for over one half of merchandise export proceeds. Among non-agricultural based exports chemical products have experienced significant growth since the mid-1960's -- an integration industry, enjoying full protection within the CACM <sup>1/</sup>. On the other hand, import substitution of some food products, which could be efficiently produced domestically has not received sufficient attention. Credit facilities and extension services for basic grains, which are mainly grown by small farmers, have been limited. The new government program for grain development seems to be helping to correct this imbalance. Imports' share in GDP since the late 1960's and up to 1972, had been fairly stable at slightly below 30 percent of GDP. Because of the reconstruction process, rapid credit expansion and higher import prices, the share of imports in GDP increased to almost 40 percent in 1973, and to an all-time high of 44 percent in 1974. The huge deficits of the last two years were almost entirely financed from disbursements on medium and long-term loans, a considerable share of which had been contracted with private financial institutions on hard terms. In 1973, net foreign exchange reserves increased by about US\$30.0 million, while in 1974 they fell by approximately US\$40.0 million. In December 1974, reserves were at a level of about one month's imports.

6. The prospects for the Nicaraguan economy will basically depend on the success of policies addressed to : (a) promotion of resource-based exports. (Nicaraguan wood products, fruits and vegetables and some basic grains have good prospects in external markets); (b) substitution of imports which can be efficiently produced domestically: e.g., corn and some processed

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<sup>1/</sup> Central American Common Market.



food products could be produced domestically; (c) curbing of imports, which can be achieved through appropriate credit management, and possibly by increasing import duties on non-essential goods originating outside the CACM; (d) improvement in external debt management. The efforts required lie within the country's possibilities.

7. During the 1970's the terms of Nicaragua's external public debt have steadily deteriorated. This is the result of increased borrowing from private financial institutions, the share of which increased from 32 percent of total debt outstanding in 1970 to over 50 percent in 1973. In 1974, it is estimated that about two-thirds of the new commitments were contracted with private sources. A considerable portion of these hard-term loans was contracted by public financial institutions, such as the Housing Bank (BAVINIC), the lending terms of which are considerably softer than commercial terms. The use of this type of foreign financing which has resulted in a negative spread, besides placing a heavy burden on the external debt servicing of the country, endangers the financial institutions. The servicing of external debt contracted up to the end of 1974 alone, even under the most favorable export assumptions, is expected to result in a debt service ratio reaching 12.2 percent in 1976, up from 10 percent during the past few years. During 1975, commercial borrowing appears to have been maintained at relatively low levels. In order to maintain a sufficient flow of external assistance while reducing recourse to private financial institutions, the preparation of projects to which financing by international institutions and governments can be attached needs to be stepped up considerably. New projects would be most beneficial if they addressed export expansion and efficient import substitution, ensuring that the benefits of economic growth accrue to a wider segment of the population.

8. If these policies are successful, the economy might grow at about six percent per year during the rest of the decade. The strict implementation of the new tax law and the maintenance of public rates and tariff at levels which result in reasonable rates of return should allow the public sector to generate counterpart funds necessary for carrying out the public investment plan for 1975-79 recently prepared by the Government. The implementation of this plan, which assigns priority to integrated rural development programs, is expected to result in agricultural production expansion and better health, education and housing facilities for the rural poor. Recent efforts to improve the planning mechanism in agriculture, health and urban development represent a step in the right direction. A major effort is still required, however, at the overall planning level, notably to make a rational ranking of public investment priorities. The urgency for such effort is highlighted by the fact that the levels of external financing required by the five-year investment plan exceed relatively optimistic projections of external capital inflows for the period.



9. A determined effort towards export expansion, an efficient import substitution, the curbing of imports of non-essentials, and the improvement of the terms of the country's external debt will be required if Nicaragua's economic growth and/or its creditworthiness is not to be impaired. A continuation of heavy borrowing from private financial institutions for the financing of balance of payments deficits would raise debt service payments to unduly high levels in relation to export earnings by the mid-1980's. On the other hand, if the policies outlined above are successful, Nicaragua will be able to continue growing at a rapid rate while keeping its debt service below cautious limits.

## OFFICE MEMORANDUM

*Policy*  
*Lila*  
*Original*  
*there*

TO: Mr. Robert S. McNamara

DATE: December 11, 1975

FROM: Hollis B. Chenery *HBC*SUBJECT: Analysis of the Bank Group's Lending Program

1. The growing scarcity of IDA and IBRD resources and hence the need to ration their use makes it increasingly important to develop a comparative framework within which consistent allocations criteria can be applied. To respond to this problem, the Policy Planning and Program Review Department has prepared the attached analysis in the context of the Bank Group Lending Program for FY75-79. This is a broader study than that prepared by the DPS in 1972, which focussed on the allocation criteria for IDA only. The results of an earlier version have been used in arriving at the proposed country allocations from the Third Window.

12/12  
2. I believe that this study provides a useful background for comparative analysis of country allocations. Although it identifies deviations and anomalies in Bank Group allocations for individual countries, its main object is to stimulate discussion of our lending criteria and related analytical tools. The identification of some of the apparent departures in country allocations from the Bank Group's general criteria and implicit norms is intended to raise the question of whether these departures were by accident or by design, and if by design, whether the factors influencing those decisions are still valid.

3. I am circulating this preliminary version to the Regional Vice Presidents for their comments.

Attachment

cc: Messrs. Knapp  
Baum  
Cargill  
J. Adler  
Regional Vice Presidents  
Program Directors  
Regional Chief Economists

MHaq:HBChenery:gss:di



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara, President

DATE: December 8, 1975

FROM: Hollis B. Chenery, VP, Development Policy

SUBJECT: Social Science Research in Population and  
Development: International Review Group

1. Following the inter-agency meeting on Social Science Research on Population and Development held at the Ford Foundation in October 1974, several agencies led by Ford, Rockefeller and the IDRC, proposed a more extensive review of the whole field than could be accomplished by such meetings, or within any one agency. After a good deal of further discussion in which the Bank has participated, the attached prospectus was prepared. The purpose of this memorandum is to ask whether you would be prepared to make available contingency funds to enable the Bank to join the other agencies in sponsoring the Group.

2. Scope. The general consensus emerging from the inter-agency discussions was that the most useful approach would be the commissioning of a small group to take a broad look at all the stages in the production and utilization of policy-oriented research on population and development. For each of a number of questions--e.g. fertility determinants, the economic impact of population growth, etc.--the Group could review the existing stock of knowledge, the resources going to expand the stock, and whether the existing stock was being well utilized in policy.

--For some questions it might find that what was lacking was basic research.

--For other subjects, there may be scattered findings but no attempt has been made to pull these coherently together.

--For a third group, there may have been ample research and a professional consensus on the value of the results and yet dissemination to policy-makers has been lacking.

The implications for the future direction and financing of research and its dissemination would be considered.

3. The attached note was prepared a few months ago. At that time it was expected that Berelson would chair such a group and that he would put half to two-thirds of his time over the following 18 months into this review. It was proposed that the Group be given funds to organize local meetings of

1710 To Dr. Chenery

I agree the  
work should be  
undertaken, but  
believe the Bank's  
share should be  
financed by the  
Research  
Budget  
Fund



both policy-makers and researchers and to commission a variety of small state-of-the art papers. Unfortunately, Berelson had to withdraw as Chairman on medical advice, although it is expected that he will remain a member of the Group.

4. Carmen Miro, a demographer and head of the Latin American Demographic Center in Santiago, has now agreed to chair the Group, and it will be based in El Colegio de Mexico. Ms. Miro is Panamanian with a very distinguished international reputation, both in her field and as an administrator. She also has a good political touch and practical common sense. She is currently President of the International Union for the Scientific Study of Population. The detailed proposals and new budget still have to be worked out, but they are expected to be of the same order as the \$235,000 originally budgeted for the original proposal. Details of the budget and membership will be determined after a preparatory meeting, now proposed for January 1976.

5. In the absence of a precise budget and firm commitments by other agencies it is not possible to calculate precisely the size of a full share for each sponsor. Ford, Rockefeller and the IDRC had firmly agreed to provide finance for the earlier proposal. SIDA and UNFPA seemed virtually certain to contribute and AID seemed likely. The original proposal had been to locate the Group in New York. The British said they could not support a group based there, but this might not be true if the group is based in Mexico. With six to eight agencies involved it appears likely that a proportionate share would be between \$30,000 and \$40,000. This would be required over an 18 month period to begin early in 1976.

6. We believe, and Dr. Kanagratnam concurs, that an exercise of this nature could be of considerable use to the Bank, particularly if we participate in the preparatory meetings. For this reason we would like to obtain a decision as to our participation in advance of the January meeting. About a third of any Bank contribution would be required in this fiscal year and the rest in FY77.

7. I therefore request that you authorize up to \$15,000, from contingency funds for FY76 and up to \$25,000 in the budget for FY77.

cc: Messrs. J. Adler  
A. Karaosmanoglu  
R. Gulhati  
D. Avramovic  
Dr. K. Kanagratnam

HBChenery:TKing:kg:gss

SOCIAL SCIENCE RESEARCH IN POPULATION AND DEVELOPMENT:  
INTERNATIONAL REVIEW GROUP

There has been a rapid growth in social science research on population and development during the past 20 years. Though much of this work has furthered our understanding of the inter-relationships, there remain major gaps in knowledge. Moreover, there has been no systematic, interdisciplinary look at the state of knowledge, and the applicability of research findings for policy remains to be determined. The World Population Conference Plan of Action stressed the importance of assessing and increasing existing knowledge regarding population and development. Among other meetings, the Bellagio Conference on Social Science Research and Development in February 1974 identified population as a priority need for interagency discussion and a follow-up meeting was called to address this issue in October 1974 at the Ford Foundation. At further meetings in January and February 1975, the need for a broad review of social science activities in population and development was discussed and reemphasized. It was felt that while there are many independent surveys on parts of the field, there was a need to obtain a broader perspective of current activities and trends, and the overall allocation of research resources. In summary it was felt that the state of knowledge and research should be reviewed with particular reference to its usefulness to development policy.

It was agreed that advice and analysis from a small group of widely respected international experts would best fill these needs. This international review group should have a great deal of latitude to define and identify the questions to be addressed, with a broad mandate to ask: where does the population field stand; what areas are not receiving the priority that they should; where can additional resources be absorbed? The review group would

not attempt a thorough documentation of the state of the art on each individual issue, but a wide overview of the major trends in social science research in population and development and its impact on population policy during the past quarter century. The group would be innovative and identify the issues that are not being addressed, suggest new research areas and priorities, and translate into program terms the existing social science knowledge on population issues. It is therefore proposed to set up an international review group along the following lines:

Objectives

General: to develop a more rational determination of public policy in population with major emphasis on developing countries; and to recommend more effective directions for research and for resource allocation in research. These findings would be directed to the concerns and interests of developing country policy-makers, international agencies and to the social science research community throughout the world.

Specific:

1. to review the present state of social science knowledge on the important subjects/issues/problems/policies on population and development; and to identify the critical gaps in knowledge on which further work is particularly needed;
2. to evaluate the current institutional capacities for social science research in population and development in major nations and/or regions of the developing world and to propose constructive actions to strengthen them;
3. to appraise the utilization of social science findings in policy-making on population and development and to suggest positive ways of improving the present situation.



### The Substance

In principle, anything within the domain of the social sciences as related to population and development is fair game. But the twin boundaries of policy-relevance and resource-allocation (not to mention time and effort of the Group itself) will make for sharp selection.

The Group will have to reach an early consensus on the overall shape of the field and the priorities within, partly to guide its own activity and partly to allow for an appropriate "summing up." The following broad population policy issues have been identified in earlier discussion as priority areas for consideration by the Group, and more detail on differing interpretations of the nature of the issues is provided in Appendix A. The list is intended to be considered only illustrative and not in any way binding.

1. Consequences of population change
2. Socioeconomic determinants of fertility
  - a. Appraisal of policy interventions with intended effects on fertility (family planning programs, incentive schemes, demand creation).
  - b. Appraisal of traceable fertility effects of manipulable socioeconomic variables: including education, female employment, income distribution, child mortality, community and family, evaluation of policy options, and social experiments.
3. Internal Migration: Where is it a major policy issue; what is known regarding the interaction of development policy and distribution of people.

It should be noted that the underlying basis for research in the above areas rests on two other essential elements:

1. Research and training institutions
2. Data collection and analysis

### The Organization

The International Review Group would be an ad hoc body of six members asked to serve in their personal capacities, for an eighteen-month period starting now. The Group would include a chairman (who would give approximately 50% of her or his time to the endeavor, plus or minus 15%), plus five members, who would commit about six weeks of their time over that period. The Group would have an appropriate geographic balance amongst developing and developed regions. Members would be chosen on the basis of internationally recognized expertise in social demography, population economics, or other social science fields related to population. At least one should be a development planner rather than a student of population as such. The Group would have a small professional secretariat and support staff; and it could set up small subsidiary groups on special topics if a need is identified.

The Group would be an independent, autonomous body with no formal affiliation to existing institutions. Its sponsors would be interested governmental, inter-governmental and non-governmental agencies, and its "legitimacy" derives therefrom. Its findings will carry the weight of their own merit; that is, no agency need be bound to any conclusion or recommendation of the Group.

The Group will proceed through (1) consultations in developing countries; (2) its own meetings and staff work; (3) commissioning of papers by leading experts (including the members themselves) and their review; and (4) seminars on particular topics. This process will permit a dynamic interaction between the Group and developing country planners, the social science community, and agencies concerned with international development.

Throughout the period of review there will be an ongoing process of review and discussion with the three interested audiences, mentioned above, facilitated by (1) published reports; (2) presentation of findings to appropriate

international meetings or conferences; (3) reports to interested agencies and to policy-makers in developing regions, including brief summaries of the scholarly documents translated into appropriate language for decision makers, (4) periodic meetings on its findings with interested agencies and individuals. Consideration would be given to follow-up activities at the end of the eighteen-month period.



The Budget

The following budget items are approximate but seem to range closer to \$250,000 than to \$200,000. The budgetary period is assumed to be 18 months.

Group compensation		\$110,000
Chairman ( $\frac{1}{2}$ time)	\$40,000 <sup>a</sup>	
(5) Members @ \$5,000 ea.	25,000	
Staff	30-35,000 <sup>a</sup>	
Secretary	15,000 <sup>a</sup>	
Travel		40,000 <sup>b</sup>
Commissions and Consultants		60,000
Contingency and Miscellaneous		<u>25,000</u>
	TOTAL	\$235,000

a. Estimate includes fringe benefits.

b. Includes travel and per diem costs for Review Group meetings, and field trips for Group members.

...As to Subjects/Issues

The impact of population growth (consequences): Perhaps a general review plus a few "impact reports" for major countries and/or regions analyzed for social subgroups and sectors therein; both economic and social impact.

The conditions of fertility decline ("thresholds," "determinants of fertility"): A summary statement might be solicited plus subsequent comments from regional experts. The Ridker Symposium can be reviewed here as well. Perhaps a few reviews focused on particular factors of presumed centrality: status of women, infant/child mortality, popular education, income distribution/equalization.

Evaluation of current "action" efforts, in substance and methodology, and specifically family planning programs: The Group might encourage, even commission, a review of "the case for family planning" currently being considered.

"Creation of demand" for smaller family size: Review of efforts and proposals, recognizing that this crosscuts with the two preceeding ones.

Socio-economic experiments and their fertility effects: Inventory, evaluation, and proposals for further study and exploration of alternatives. Also potentially crosscutting, though not wastefully so.

Policy options on fertility reduction: Again a partial overlap but critical evaluation of alternative proposals (strategies of intervention) against demographic, political, ethical, and financial considerations.

Ethnic differentials in fertility and their political implications: A review paper, for both developed and developing worlds, with further consideration based on the outcome.

The community and family levels: Exploration of micro-level externalities of fertility behavior and possibilities of reducing them through policy intervention.

Fertility trends and direct influences thereon: What is happening to them and, e.g., age at marriage. Ties into data collection for better information thereon.

Internal migration: Summary/inventory of current trends and their impact, and evaluation of possible policy measures.

### ...As to Institutions/Procedures

Institutional capacity: Review of the Population Council Report, and its implications for feasible expansion of trained personnel in qualified institutions within a realistic time frame.

Data collection and analysis: Review of the Linder Report with a view to improved rationalization of such systems and the role of donor agencies therein.

Resource allocation: A general analysis together with specialists outside the population field of resource allocation by the donor community, and perhaps by the entire system. Search for more/most rational approach(es) at all three levels: population within development, categories within population, subcategories within categories--all as compared with present allocations.

Policy determination: Review of some recent national policy decisions on a case study basis (how did they get that way?), plus focussed inquiry among decision people (planning boards, economic ministries, etc.) of their perceptions and needs on policy matters related to population.

### ...As to Nations/Regions

There is a natural tension between country-comparative (generalization) and country-specific (national) considerations. Partly the latter will emerge quite naturally (e.g., in institutional capacity); partly it can best be handled through identifying categories (e.g., in data collection, by state of readiness or capacity); partly it may be desirable to commission papers directly on major (large) countries and regions: where they stand.

### ...As to Discipline

Included here because mentioned as possibility. On the whole, carries lower priority. Disciplinary considerations should be incorporated in substantive reviews, but there could be a special case for the less central disciplines of which anthropology is probably the major and perhaps the only example: what do such studies tell us about fertility determinants and the leverage thereon? (Perhaps political science as well.)



RM No. 75  
(2-60)

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE  
CORPORATION

INTERNATIONAL DEVELOPMENT  
ASSOCIATION

HBC's  
copy

ROUTING SLIP

Date

Dec. 3, 1975

NAME

ROOM NO.

Mr. Knapp

Mr. W. Clark

Mr. Avramovic

~~CC: Tims~~

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

REMARKS

"12/2 To Dr. Chenery

1. Hollis, unless you feel strongly otherwise, I am inclined to say the Bank representative should not make a statement at the Dec. UNCTAD meeting.

2. I would prefer to retain the option of speaking at the Nairobi meeting but do not wish to decide now."

(Robert S. McNamara)

cc: Mr. Karaosmanoglu

From

Hollis Chenery

# OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: November 24, 1975

FROM: Hollis B. Chenery *HBC*

SUBJECT: Trade Issues and Bank Policy

1. Attached is a paper on major trade policy issues for the Bank that arise in connection with the forthcoming UNCTAD meeting at Nairobi. It was prepared by Drag Avramovic as a background for the formulation of Bank positions on the questions likely to dominate the negotiations between the developing and the developed countries in the near future. The major topics for Bank action concern commodity stocks and diversification programs.

2. Commodity Stocks. I suggest that at the December 1975 session of the UNCTAD Committee on Commodities the Bank representative

--reaffirm our readiness to finance commodity stocks under appropriate conditions;

--state that the Bank is prepared to consider extending assistance to a common fund for the financing of stocks if the member countries decide to establish such a fund.

In support of this position, please note that (i) a common fund would result in a considerable saving in financial requirements compared to the aggregate of individually financed stocks; (ii) the safety of the lenders to the common fund would be greater, as the risks would be pooled and reduced; and (iii) the issue of an adequate contribution to stock financing by developed consuming countries would be resolved satisfactorily across the board (you may recall that this has been one of our concerns in the contemplated financing of the International Tin Stock).

3. Diversification. I suggest that we explore the feasibility of a comprehensive action plan for alleviating the special problems of instability, excessive supply and declining real prices and wages in the weakest commodities produced in the poorest regions of the world economy. Included are jute (major producers Bangladesh and West Bengal in India), hard fibers (East Africa, particularly Tanzania, North-East Brazil, the Philippines, the poorest region of Mexico), tea (India, Sri Lanka, Bangladesh, East Africa), bananas (Central America, Ecuador, Caribbean, Somalia, Ivory Coast, the Philippines). For these cases, a multi-dimensional approach is needed, combining price stabilization, income stabilization,

*17/2 To Dr Chenery Noted*  
*1. HBC, unless you feel strongly otherwise, I am inclined to say the Bank representative should not make a statement at the Dec UNCTAD meeting. r. I would refer to return to option speaking at the Nairobi meeting but do not want to decide now.*

*1/24*

productivity improvement in traditional occupations, and a shift of resources to other uses, such as labor-intensive manufacturing and food crops. The development of a comprehensive program of stabilization, adjustment and diversification, with defined targets to be accomplished in stages over defined periods, would be a major undertaking. As a first step, the DPS is undertaking a reconnaissance of the scope of the task. I will keep you informed as the work progresses.

4. I also recommend that you plan to address UNCTAD IV in Nairobi in May 1976. This will be an important occasion, and the Bank's statement of its policies and initiatives should constitute a significant contribution to a satisfactory outcome of the ongoing debate on trade and development.

5. The attached paper handles the most important trade issues. There are others, affecting mainly manufactures, which I shall report on in the future.

Attachment

cc: Mr. Knapp  
Mr. W. Clark

DAvramovic:HBChenery:di



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Hollis B. Chenery *HBC*

SUBJECT: A report on Computing Activities in the Bank

I thought you might like to see the attached report recently prepared by Mervin Muller. It summarizes how the Bank now uses its internal computing resources, the management philosophy of the Computing Activities Department, and the current direction of work in computing.

The report briefly touches on new capabilities that have enabled significant sharing-of-information among different parts of the Bank's operations and have fostered better working relationships among these units. These improvements have also reduced unnecessary administrative efforts, provided more timely and accurate data, and enabled financial and administrative departments to handle a larger volume of work without requiring increases in staff. New computing applications have also provided better procedures and data which would be unrealistic to expect without computers, e.g. Phase I of the New Loan Disbursement System. The Controller's Department has indicated this will result in 63 staff-years being saved (a \$1.3 million savings) for the period FY76-FY80. This system also offers the opportunity for large annual savings in currency holdings as well as expediting the processing of disbursement payments.

The new Modular Financial Forecasting package has already been used by P&B for analyzing future and actual loans and credits; it provides for the first time a currency revaluation analysis capability. The new External Debt System, Phase I, will assist the External Debt Division and the Regional staffs concerned with debt data by being able to maintain and analyze for the first time all debt data in local currencies as well as dollars.

The Bank now has produced an effective capability to retrieve and analyze any data which are in computer readable form. This approach yields a 3 to 1 savings in staff time when compared with other approaches to prepare computer programs to retrieve data and generate reports. Finally, the Bank for the first time has a strong foundation in computing and can begin to focus on data requirements and analytical work without risk that major staff resources will be diverted to cope with crises resulting from old data processing systems.

Although it is not mentioned in the report, you may be interested in knowing that: 1) throughout the period of conversion to the new computing facility all standard production deadlines were met, 2) the new Bank/Fund Computing Center is providing six times the computing power, 9.3 times the amount of auxiliary storage of four years ago, and new services at an increase in equipment rental costs of only 27% (\$14,000 per month) and without any increase in the number of staff required to operate the equipment, and 3) in FY75 the data preparation unit prepared almost twice the number of cards as in FY72 (4,285,134 compared with 2,199,652) while the staff was increased by only 33% (3 lower level positions).

Muller is prepared to provide you further details.

Attachment

## COMPUTING ACTIVITIES IN

### THE WORLD BANK

by Mervin E. Muller, Director, Computing Activities

How does the Bank Group use its computing resources? How do computing activities contribute to the work of the Bank? The role of computing in support of the Bank Group's work has changed greatly in the last few years. Many of the Bank's traditional objectives are now facilitated by computing. The Bank's use of computers may be of interest to others as a case study, as well as an aid in understanding some aspects of the Bank Group's work. Installing a computer is like hanging a mirror in front of an organization. It reflects many of the unnoticed details of what is taking place within that organization.

#### INTRODUCTION

This is a particularly appropriate time to describe developments in computing in the Bank. In recent years the Bank has greatly increased its use of computing to perform administrative and financial tasks, economic analyses, and to a lesser extent to support management decision-making.

The Bank did not install a computer until 1968. In the use of its first computer, the Bank was typical of many organizations that go from either punched card or manual procedures to a computer, without reformulating the flow and processing of information. Without such reformulation, some of the potential effectiveness to be gained from a computer is lost. Since 1971, the building of a foundation for effective computing in the Bank has been taking place by reformulating information flows and by following an evolutionary approach in developing techniques to support the Bank's management and analysis functions.



The benefit of this development effort is now being realized with the completion of a major part of the foundation for future development. These activities have also benefited from the recent replacement of the original computing facilities by a more powerful and economical computer.

#### GUIDING PRINCIPLES

Four principles have guided the building of the Bank's basic computing capability:

- . Serving people
- . Contributing to staff productivity
- . Ensuring the integrity of data
- . Providing techniques of analysis for better insight

Serving People. It is essential that a computer be a tool in the service of people and not a source of technical constraint on their activity. As a tool, computing is an aid to, not a substitute for, human activity. New techniques developed in the Bank have been designed to increase the level of service while holding to a minimum the constraints sometimes associated with a computer system.

Contributing to Productivity. The doubling of Bank operations in the past five years puts a premium on increasing the productivity of the Bank staff. In addition, management decisions have become more complex. Many of the previous means of collecting and processing information are no longer adequate for handling the current volume and complexity of Bank activities. Productivity is being increased by computer techniques designed to cope with the larger workload, and by provision of new capabilities that permit greater depth of analysis and management information than obtainable in the past.



Data Integrity. There are three aspects of the computer's role in data integrity:

- . It carries out calculations to assist in validating the correctness of the data.
- . It is used to ensure that the computer programs are in fact performing the data validation techniques correctly.
- . It permits development of controls which will ensure that both programs and equipment are used in such a way as to safeguard the correctness of the data in case of a malfunction of either programs or equipment.

Few would quarrel with the principle of having valid data; for example, accounting transactions must balance. In this realm the computer has made a clear and recognized contribution within the Bank. More troublesome is the question of how to maintain economic and operational data from diverse sources, often on a very large scale, in such a way that users are assured of an acknowledged standard of accuracy and reliability.

Better Insights. Computing can increase the insight of decision-makers if it encourages a more probing approach to work by reducing arbitrary barriers in the flow and analysis of information. In turn this can stimulate the creativity of the Bank staff who perform the analysis and make the decisions. Clearly this is the most challenging area in the use of computers, and potentially the most rewarding.

#### WHAT USING A COMPUTER CAN OFFER

Notwithstanding the familiar advantages of using a computer for repetitive activities to gain speed, reliability, and cost-savings, it is in the areas of management support and data analysis that computing can contribute most to the

productivity of Bank staff. By being able to cope with a more detailed level of operational and socio-economic data than was previously possible, computing can contribute significantly to:

- . Establishing meaningful lending objectives and associated work plans
- . Performing analyses needed in project appraisals
- . Analyzing the social and economic background of lending and borrowing decisions
- . Making projections under varying assumptions
- . Gaining a better understanding of how current Bank activities are progressing toward intended objectives.

Through computationally advanced statistical techniques, computing offers the means to cope with problems at a level of analytical complexity which would otherwise be completely impractical. These advantages, as they are now being realized in the Bank, are discussed below in greater detail.

#### INFORMATION FLOW - ALTERNATIVES

Information flow that may be best for a computer should not be imposed arbitrarily on the organization of people that it is intended to serve. It should be tailored and designed to meet people's needs and accommodate to the way in which information flows -- formally and informally. This is the approach being taken within the Bank.

With the introduction of large scale computers, it is tempting to view the information processing needs of an organization as a completely integrated set of activities. Although widely touted in promotional literature, this completely integrated view is overly simplistic and misleading because there may be technical and cost constraints as well as hidden difficulties of

information flow. It assumes, in essence, that all the information required by an organization is in one computer-based master file at the same time, with as many different indexes and cross-referencing indicators to the file as needed. In the real world the collection, analysis, and interpretation of information take place among interdependent organizational units according to their needs and work schedules; information flow takes place both vertically and horizontally within an organization according to various time schedules rather than through a single central fully integrated information hub.

A more practical alternative to a fully integrated view is a partly integrated approach that enables the efficient sharing of information among interdependent activities without requiring a fully centralized information file. This is the approach now being taken within the Bank. This approach avoids unnecessary duplication in the collection, processing and maintenance of information and associated computer programs without requiring full centralization of files. It also increases the availability of information.

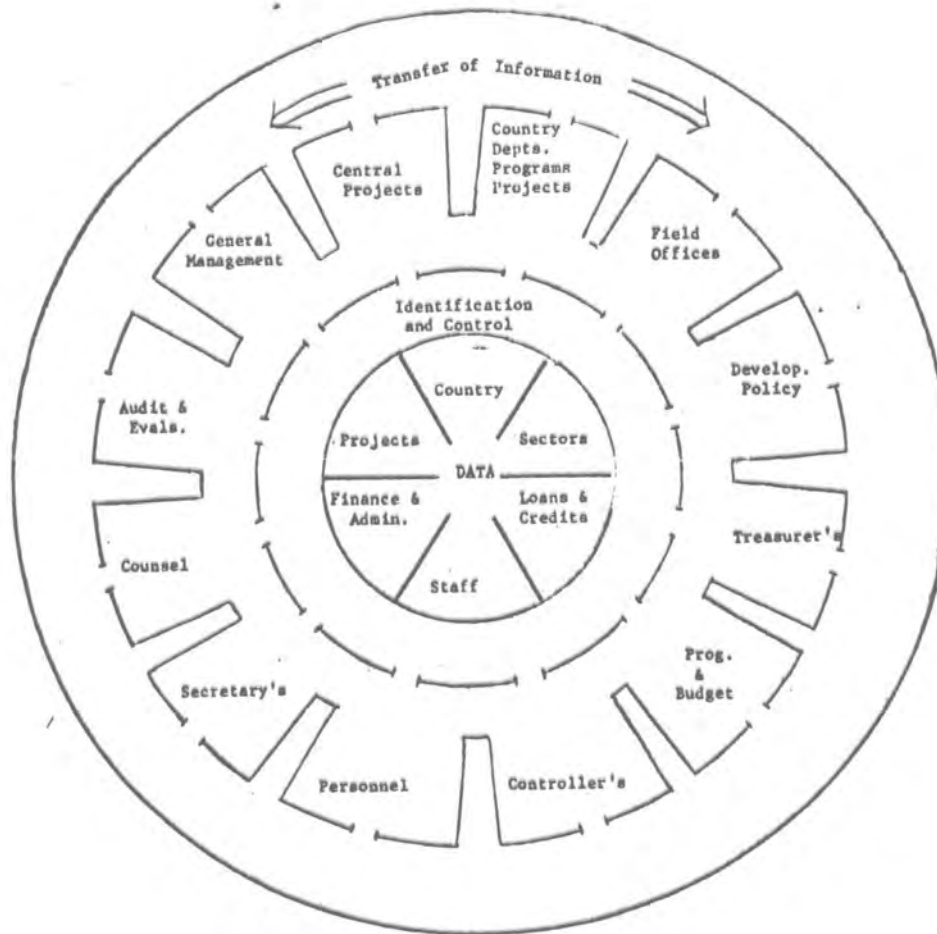
Enabling various people of the Bank Group to share readily in the use of data maintained by means of a computer requires specific techniques for identifying and controlling data according to sources, quality, and the period during which the data are effective. This sharing-of-information approach also is predicated upon a rational discipline in the design and use of computer-based information files and the use of computer program tools for the collection, maintenance, analysis, and presentation of data. Such computer-based techniques help the persons responsible for the basic data to identify and control the data, providing a degree of data integrity and consistency far beyond that possible with manual or punched card methods or with the earlier uses of computers.



The Bank Group, with the use of such computer-based data controls, is now treated as an interdependent set of activities rather than as isolated departments and functions. This approach is compatible with existing organizational responsibilities for control of data content and computer program use. All recent computer applications have been designed to handle shared data, and some old computer applications are being modified to do so. Thus, validated data will be available for sharing among Bank staff as required for regular Bank operations, analyses, and special reports. Figure 1 depicts a conceptual view of sharable information for various units of the Bank. (For simplicity of presentation, IFC is not shown.) The figure shows that the creation and maintenance of the information resides within the unit responsible for the identification and control of the data, that information can flow between or among organizational units when they are entitled to have access to the data, and that instead of a single central file of information, there are multiple data files with adequate functional classifications so that information is more readily and consistently available to those who need it. Thus it is possible for different Bank units to use information without the penalty of constantly proliferating data files.

Figure 1

A CONCEPTUAL VIEW OF SHARING INFORMATION  
AMONG INTERDEPENDENT WORLD BANK ACTIVITIES



#### SHARING INFORMATION ABOUT STAFF ACTIVITIES

One of the first priorities for creating sharable information was to provide more complete and accurate staff information to assist Bank functions ranging from payroll and personnel to establishing meaningful lending objectives, realistic work plans, and planning decisions. Since the earliest introduction of computers, many organizations have used them for payroll and personnel functions with varying degrees of success. In the Bank these functions were examined in a broader context. Their information flows were reformulated as part of building an information foundation to foster through the use of computers the sharing of information among these and other related Bank activities. By developing computer applications which share the use of such information, the Bank has achieved savings and improved quality and availability of information. This has included the elimination of much unnecessary and redundant effort to collect and maintain information (such as "who", "doing what", "when", and "where"), and the reduction of the number of computer programs to be maintained. Figure 2, Box A illustrates some of the applications where sharable staff information is now used.

The need to share staff information among personnel and payroll applications may seem obvious. However, to achieve even this level of sharability required cooperation among a large number of persons in Personnel, Controller's, Computing Activities, and Programming and Budgeting Departments, as well as a sophisticated level of program design. The sharing of information among applications does more than avoid unnecessary duplication of the same data; it also contributes directly to improving the integrity and consistency of the data and to the coordination of related activities. Without a concerted effort to share information, the introduction of computer applications might reduce rather than enhance the quality and effective uses of information.



Beginning with the benefits from sharing staff information in one or two specific activities, one very soon is led to the opportunity for wider sharing of information among other activities which traditionally have been separate. For example, the Bank's Lending Program System is a computer application which keeps track of information for management by Region, Country, and Sector or lending plans, completion targets, work schedules, and key staff assignments. The Time Reporting System is used to maintain basic data on how staff time is spent, furnish information necessary to validate project status as reported in the Lending Program System, and supply summary data to the Budget System to forecast staff requirements and costs for future lending plans. The use of shared information in these applications also increases the opportunities for different operating units of the Bank to improve the coordination of their activities.

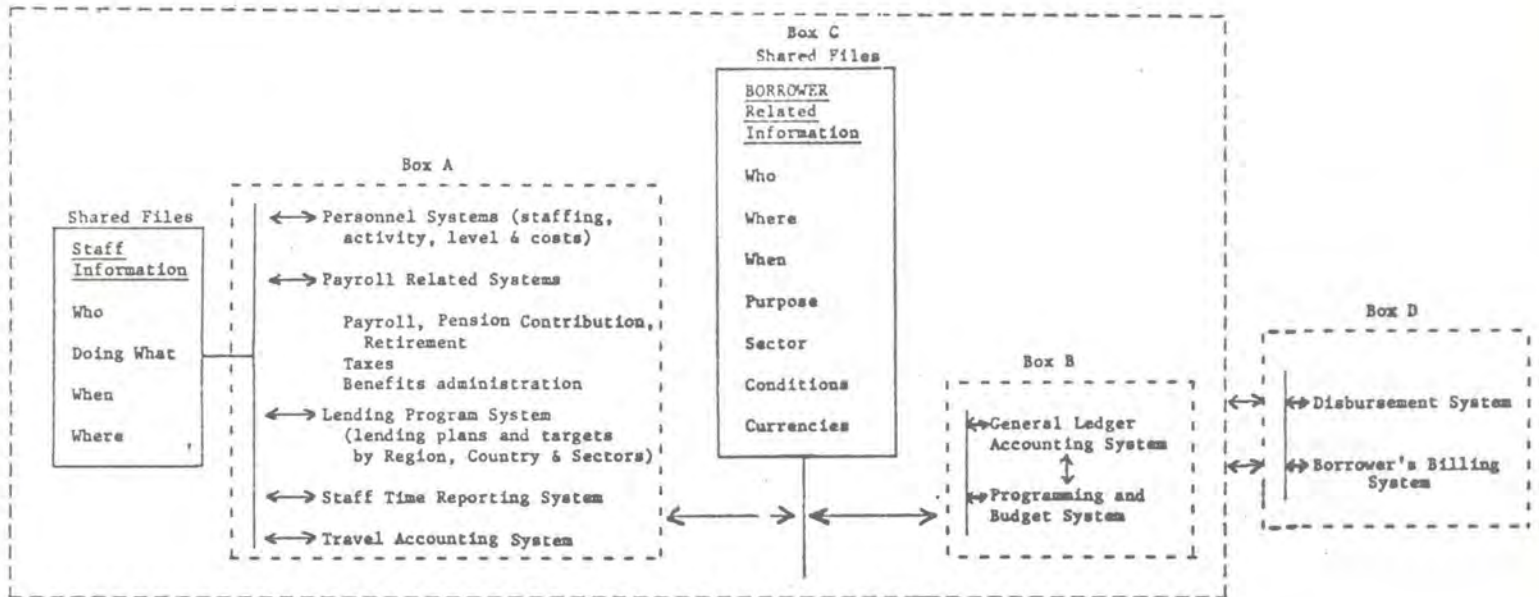
#### SHARING BORROWER-RELATED INFORMATION

The new General Ledger Accounting System of the Controller's Department and Budget System of the Programming and Budgeting Department also use the information already mentioned, as shown in Figure 2, Box B. In support of these two systems, additional shared file capabilities have been developed involving such borrower-related information as the items shown in Box C of the same figure.

With advanced computer-based techniques, it is now both realistic and economical to maintain information on the date of duration of applicability of data which we call the time dimension. By adding the time dimension to sharable information, it has been possible to simplify and eliminate many steps in the entry and manual validation of data.

Figure 2

SHARING OF INFORMATION AMONG SEVERAL APPLICATIONS



Disbursements of IBRD and IFC Loans and IDA Credits requires intricate procedures and information processing involving both the borrower and Bank staff. The Bank staff is responsible for ensuring that the conditions of disbursements have been met and for managing currencies and disbursing funds. The billing and collection for loans and credits by computer (identified here as Borrower's Billing System) is also a complex process.

In both disbursement and billing activities, the time dimension of data has special significance to ensure that the correct currency conversion rates are used, and that those contractual conditions which are time dependent have been met. In addition, the newly installed computer system for loan disbursement performs a "pipeline" analysis (analysis of work in process within and between the Controller's and Treasurer's Departments). Thus the Bank has an opportunity for impressive savings through better management of currencies, as a result of having more timely information about currencies and their planned use. Inclusion of the Disbursement System and Borrower's Billing System with those information-sharing systems already discussed is shown in Figure 2, Box D.

#### THE MAILBOX

The feature identified here as the "mailbox" illustrates how specially tailored computing capabilities can be developed to provide the appropriate balance between people's needs and the effective use of computers.

In spite of the speed of computers, it may not be cost-effective to enter individual transactions one at a time into a computer-based file. Instead it may be more economical to collect the transactions into a batch for processing at a later time. If the transactions being processed as a batch must be validated before being used to update files and if data validation and file updating must be accomplished within a tight time schedule, then one is tempted to avoid batch processing and use a more expensive individual transaction approach. An alternative between individual transaction file updating and large batch processing is to preprocess the items in small convenient groups to determine their validity before the file updating is



performed. This can avoid many of the delays encountered with conventional batch processing since the invalid data can be returned immediately to the submitter. The preprocessing facility to permit groups of data to be validated and temporarily stored is identified as the "mailbox". Invalid items are excluded from the "mailbox" and are returned immediately to the submitter to be corrected. At scheduled times or upon special request by the user, the validated information within the "mailbox" is released automatically to update the affected files and to perform additional data validation, processing, and report preparation. The "mailbox" is a vehicle that permits users to enter new data both economically and conveniently while being the basis for providing automatic transfer of information among applications and maintaining data integrity among them.

The recently completed new General Ledger and Disbursement Systems, and the Borrower's Billing System now form a compatible set of systems because of their ability to share information and because they also share the use of a "mailbox", as shown in Figure 3. The "mailbox" improves the flow and control of data as illustrated by the simplification of the flow in Figure 3 when compared with Figure 2.

#### SHARABLE INFORMATION IN FORECASTING

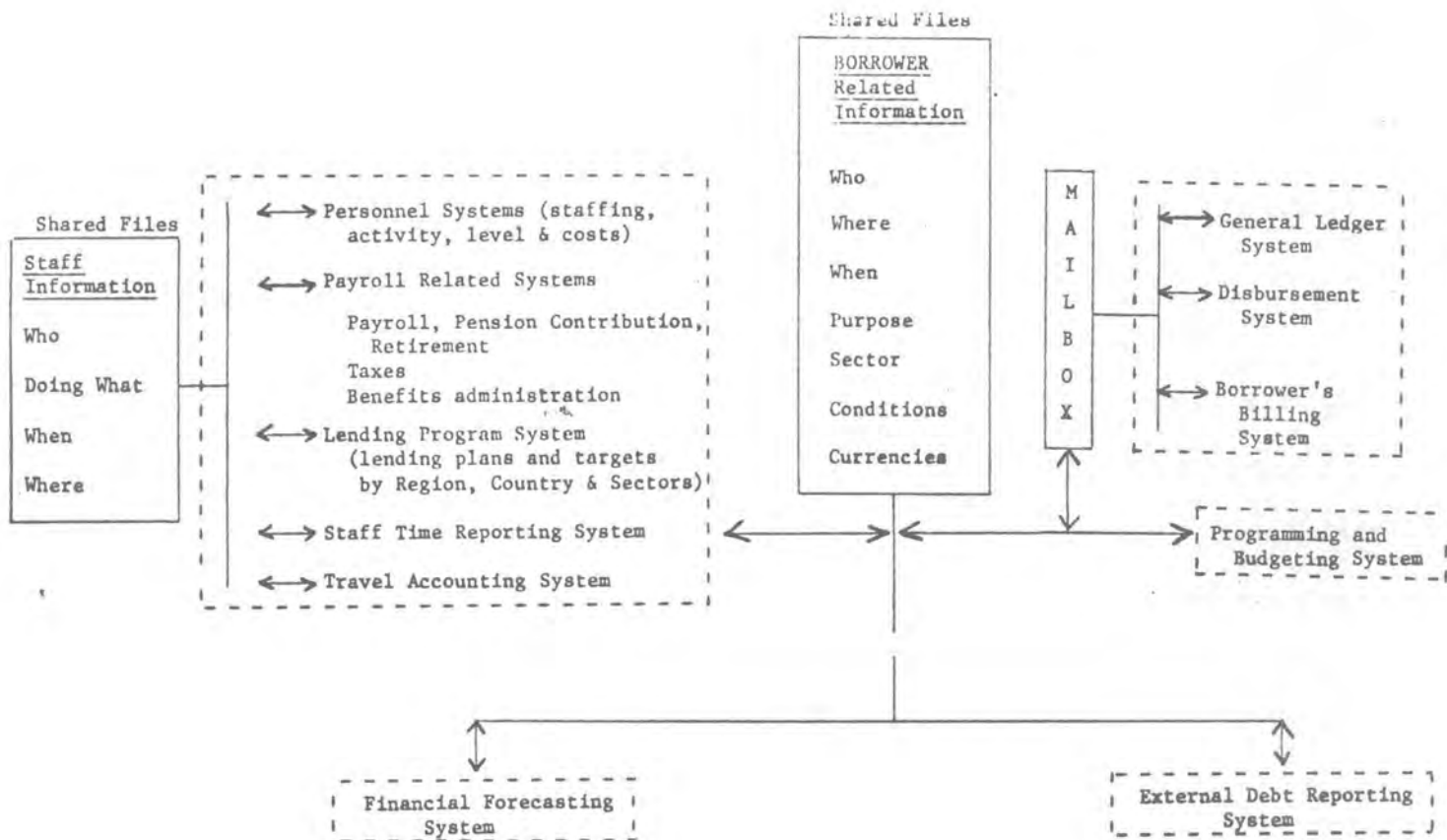
Several major management and analysis functions benefit from the improved availability and consistency of data. One is financial forecasting. A family of models, identified as Modular Financial Forecasting Models (MFF), is being developed. The MFF model for the Programming and Budgeting Department will make direct use of Bank operational information and will generate both estimates and analysis of events according to varying assumptions, i.e.,

sensitivity analysis. In the performance of sensitivity analysis, we see one of the best illustrations of the comparative advantage of using a computer-based model. Without a computer it usually is too costly and time consuming to use the model to explore the implications of various conditions. The use of MFF models will facilitate understanding of the implications of different forecast events for new loans and credits and for existing loans and credits. The model also will provide projected financial reports and indicators consistent with various assumptions about development objectives, sources of funds, work plans, and staff availability.

Figure 3 illustrates how this type of financial forecasting activity relates to the application systems previously displayed. In addition, it illustrates the interface between the new External Debt Reporting System and the application systems already described--for example, the shared use of information involving the identification of country and currency, and shared use of data about existing and projected Bank Group loans and credits. The External Debt System also uses this and other information to forecast future debt service conditions of Bank Group borrowers.

Figure 3

A MORE EXTENSIVE SHARING OF INFORMATION





The Economic Analysis and Projections Department is responsible for collecting and maintaining debt and debt service information and is responsible for reconciling data discrepancies that are caused by differences in terminology, use, and time of data collection. The data reconciliation process and the forecasting of debt service conditions will benefit from the data validation capabilities in the first phase of the new External Debt Reporting System, expected to be in use soon. In addition, it will directly employ shared files of the types already noted in Figure 3.

This new system for external debt reporting is the first of a series of systems that will maintain and use social and economic data in multiple currencies and provide the ability to maintain related information from various sources of varying quality on the same subject.

#### INCREASED PRODUCTIVITY IN INVESTMENT ANALYSIS

The Investment and Analysis System, developed for IFC, is an example of a system that directly supports both management and analysis functions by performing financial analysis that is otherwise extraordinarily time-consuming. This system enables IFC to collect and maintain information about the financial accounts of all companies in which it invests. Each company's entries are updated for each reporting period (usually four times a year). Data are checked extensively for consistency and validity. Significant financial ratios are calculated. Finally, for time periods specified by the IFC, the system prepares complete financial and income statements including source and application of funds. The system is designed so that a financial analyst can use terms familiar to him to specify how special analyses or computations are to be performed for a given company. The system accepts these specifications and generates the necessary programs

to do the computations. It is interesting to note that this system has improved staff productivity by more than 100-fold when compared with the cost of the approach it replaced. (Ordinarily, such a spectacular saving is not to be expected but is possible when the manual operation is extremely involved.)

#### GENERAL-PURPOSE TECHNIQUES - SHARING OF PROGRAMS

In addition to the advantages of sharing data, there are often advantages in sharing computer programs. This sharing is most effective with programs especially created to meet the requirements of several diverse applications. Such programs often are referred to in the computing literature as general-purpose programs and provide savings in design, development, and maintenance.

Various kinds of general-purpose programs have been developed at the World Bank. One such program is itself sharable and provides a capability to maintain files of descriptive and identifying information that can be shared among different organizational units of the Bank. An example of the application of this program is the maintenance of tables of identification information about country codes, loans, credits, and economic sectors, all of which are used in many Bank applications. The tables of sharable information can be maintained independently of the computer applications which use the information. As a result, codes, data, or descriptions can be changed without changing the internal parts of all the programs which use them.

Another important use of table maintenance programs is to maintain criteria for data validation as tables of information. With data validation tables and general-purpose programs to use them, the actual data validation can be performed without the need to write individual programs. This approach is attractive also because its structure enables the subject matter specialist



to focus directly on specifying validation criteria. Furthermore, by having these data validation conditions in the form of tables, as mentioned earlier in the case of identification codes, they can be changed easily without needing to change the underlying application programs.

Another example of a Bank-developed general-purpose program package is one for performing data retrieval and analysis. This package already is used extensively within many of the new application systems described earlier. It provides a general capability to retrieve data from a variety of data files, especially where the retrieval specifications may involve complex analytical or logical conditions. As the data are retrieved, data validation can be performed by very extensive calculations. At the same time, arrays of data, such as economic time series, can be created and manipulated. Finally, the package provides great flexibility in data display in the form of printed reports. Experience with it has indicated that users obtain a more rapid response to their requests and a saving of 3:1 in programming time compared with conventional programming approaches. It has a further advantage in being more self-documenting than conventional programming approaches.

Another significant category of general-purpose developments is the use of computer-based macro-economic country debt models. Economists have specified these models to study resource requirements for promoting economic growth in particular countries. New computing techniques to be available later this year can be used to explore the basic equations of a model to clarify the subtle relationships among the variables and to provide alternative solution methods.



The use of computer-based aids for the elucidation of macro-economic models is being introduced to increase the understanding of the basic structure of the relationships within the models by those developing or using the models. This task can be difficult or extremely time-consuming without such aids. The need for alternate solution methods is especially important when there can be unsuspected violations of assumptions (such as two supposedly independent variables being, in fact, highly correlated).

Another type of general-purpose facility is interactive time-sharing. It enables a user to gain access to the computer almost immediately by means of a console with a typewriter-like keyboard and a printing or cathode-ray tube device to display results. In some cases, this can be an extraordinarily effective way to use a computer; in others, it can be prohibitively expensive.

To gain the advantages of increased analyst productivity possible through interactive time-sharing, yet not sacrifice the advantages of the more conventional modes of computer use, the Bank is implementing an "Interactive Control Card Processor" (ICCP). It will enable users of conventional programs to enter control information or data for their programs by direct interaction with the computer. Under control of ICCP, the entries will be validated while the user is at the console, giving immediate feedback about correct assembly of the job. Once the job is assembled, it will be stored and scheduled by the computer system to be run as a standard job according to its priority class. Thus the user, without waiting at the console for the results, can be assured that the job has been accepted by the computer and will be processed.

PROJECT ANALYSES USING GENERAL-PURPOSE PROGRAMS

Several different types of computer-based models have been developed within the Bank or obtained from other organizations to aid in appraisal and analysis of Bank projects. To describe them fully would require a separate paper for each type of model. All these applications assist the analysts who perform project appraisals in several important ways:

- . Relieving them of tedious calculations and report preparation
- . Enabling comparative analyses to be performed for a much broader and more meaningful set of alternatives, i.e. sensitivity analysis
- . Employing solution methods which would be impractical without the use of a computer.

These general benefits are being obtained in the use of the specific applications listed in Table 1.

Table 1

A Few of the More Recently Converted or Developed  
Models for Project Appraisal

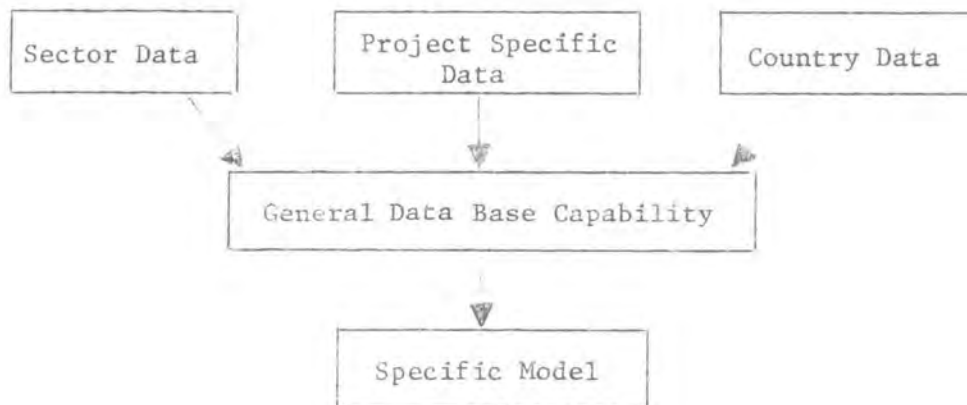
<u>Sector</u>	<u>Title of Model</u>	<u>Appraisal Function</u>
Agriculture	Herd Development	Cash flow/rate of return analysis for varying cattle herd development strategies.
Agriculture	Risk Analysis of an Irrigation Project	Benefits and costs for uses of land for various crops according to prices and water availability.
Development Finance Companies	Prototype Financial Forecasting Model	Financial Forecasting showing sources and applications of funds and financial reports and analyses.
Education	Enrollment/Costs (several models)	Capital, recurring, and teacher cost estimates for teacher/student ratios and other student based assumptions.
Population & Nutrition	Population Projections	Population projections by age and sex according to various demographic conditions.
Transportation	General Port Simulation	Service/cost performance of port facilities according to different demands and port technologies.
Transportation	Network Analysis	Capacity analysis for a transportation network.
Transportation	Highway Analysis	Economic return for appraising road improvements for road/vehicle alternatives.



The value of using models is limited by the quality of available data. Generally, analytical models depend upon having or using various types of data bases. One type is technical data for the specific sector, e.g. facilities design criteria and cost information. Another type is country-specific data, e.g. demand for the proposed facilities, and finally project-specific data needed for the project appraisal. Until now each project analyst usually had to build his own data bases. The building and maintaining of these analytical data bases can be expected to benefit from the developments described earlier for data creation and maintenance. The situation could be represented as shown in Figure 4 below:

Figure 4

DATA BASES AND ANALYTICAL MODEELLING



#### FUTURE EMPHASIS

In the computing field one has become accustomed to rapidly changing technology and equipment performance. The Bank has now built a basic foundation for future technical development of effective computing, both in terms of staff and computer applications. Rapid adaptability to changing requirements is now within reach from this foundation. Continued emphasis will be placed on increasing the sharability and availability of information for management and analysis, as well as the increased use of statistically based techniques.

#### ACKNOWLEDGMENT

I wish to express my appreciation to George W. Barclay, Wayne F. Rayfield, Alexander Stevenson, and Robert B. Tucker for their help while preparing this paper and to the members of the Computing Activities Department and users whose accomplishments made possible the developments described.

## OFFICE MEMORANDUM

TO: See list below

DATE: November 21, 1975

FROM: Hollis B. Chenery, *HBC* VP, Development Policy

SUBJECT: Completion of Economic Reports in  
October and November, 1975

1. I have received the following comment from Mr. McNamara on our monitoring of Economic Reports for October/November, 1975:

"The performance on Economic Reports appears unsatisfactory to me. Staff constraints are not an acceptable excuse for delay. The personnel required to produce the Reports were budgeted and authorized. Why were the Reports (which were not delayed by governments) not produced?"

2. Since the question he raises pertains to the use of your budget funds and the allocation of required personnel, I think only you can provide the answers to these questions.

3. I would appreciate receiving any comments that you wish to make on this problem, which I will forward to Mr. McNamara; alternatively you may wish to address him directly with a copy to me. I will plan to make a fuller analysis in the progress report due on January 1, which can survey the experience of the first half of the fiscal year.

### Distribution

Messrs. S. Shahid Husain  
R. Chaufournier  
B. Bell  
E. Stern  
W. Wapenhans  
A. Krieger

cc: Messrs. R. McNamara  
J. Adler  
J.B. Knapp  
M. Haq

HBC:gss



## OFFICE MEMORANDUM

3985  
TO: Mr. Robert S. McNamara  
FROM: Hollis B. Chenery, VP, Development Policy  
SUBJECT: Monitoring of Economic Reports, October/November 1975

DATE: November 18, 1975

11/19/75 Mr. Chenery  
Hollis, the performance  
on Economic Reports  
appears somewhat satisfactory  
to me. "Staff constraints"  
are not an acceptable  
excuse for delay.

1. Our review of reports scheduled to be produced in October/November 1975 suggests that staff constraints in the program divisions have been a major factor in production delays. In some cases these have been staff shortages; in others, there have been movements of staff or changes in work programs to accommodate new priorities. We shall be following up these problems and hope to include an analysis of them in our Quarterly Progress Report, due on January 1, 1976.

October 1975

2. As Table 1 shows, the three grey cover economic reports due to be completed in October 1975 have all been delayed, one for reasons outside the control of the Bank, and the other two because of internal staff constraints. The report on Nicaragua has now been issued, while the report on Ecuador is expected in December. The report on Jamaica may not be produced in grey cover.

3. The green cover report for Lebanon was not produced since the mission has been delayed because of the civil war; that for Mexico is presently being discussed with the Government. Staff constraints led to a delay in production of the report on Oman, while similar constraints mean that the report on the Philippines may not now be produced under a single green cover.

November 1975

4. Table 2 shows that two of the three economic reports originally scheduled to be finalized in November 1975 are likely to be on time. The third report is likely to be delayed one month as a result of revised timing of discussions with the Government.

5. Of the two reports scheduled to be produced in green cover during this month, one, on Senegal, will be delayed by one month as a result of a new CPP schedule; the other, on Indonesia has been finalized in white cover.

The personnel required to produce  
the Reports were budgeted &  
authorized. Why weren't the  
Reports (which were not delayed  
by governments) not produced.  
L. Chenery

6. Five other reports are due in November 1975. All these have been subject to delays. In the two most serious cases this was the result of Government requests for delay of the mission. In the other cases, staff constraints were the main cause.

Relevant sections cleared in substance  
with Regional Chief Economists

Attachments

cc: Regional Vice Presidents  
Regional Chief Economists  
Messrs. Karaosmanoglu/Haq  
Blaxall, Feldstein  
PRD Staff

JBharier/SChernick/blm/ub

Economic Reports  
Scheduled and Produced in  
October 1975

[illegible]



Table 2

Economic Reports  
Scheduled for Completion in  
November 1975

<u>Country</u>	<u>Type of Report</u>	<u>Colour</u>	<u>Schedule at 7/1/75</u>	<u>Latest Schedule</u>	<u>Reason for Change</u>
<u>A. Reports originally scheduled for completion in November 1975</u>					
<u>I. Grey Cover or Final</u>					
Mexico	Updating Report	Grey	11/75	12/75	Report delayed due to timing of discussions with Government.
Portugal	Special Report (Policy Review)	White	11/75	11/75	Mission still in field but expects to meet schedule.
Zaire	C.E.M.	Green	11/75	11/75	-
<u>II. Green Cover</u>					
Senegal	Special Report (Migration)	Green	11/75	12/75	Schedule changed because economist reassigned to work on CPP which was not originally planned by the Regional Office.
Indonesia	C.E.M.	Green	11/75	11/75	No green cover now planned. Final white cover issued 11/75.
<u>B. Other reports now scheduled for completion in November 1975</u>					
Morocco	Updating Report	Grey	1/75 *	11/75	Mission delayed seven months at Government request. Remaining delay due to staff constraints in the program division as well as the fact that the mission carried out a completely new assessment because of a revision of the country's five-year plan.
Ecuador	C.E.M.	Grey	10/75	11/75	Delay because mission chief had to work on the CPP.
Jamaica	C.E.M.	Grey	10/75	11/75	Staff shortage in program division. Only three of five country economists on board.
Nicaragua	C.E.M.	Grey	10/75	11/75	Delay due to awaiting Government response to green cover.
Thailand	Updating	Grey	5/75 *	11/75	Four months delay due to change of Government. Two months delay due to postponement of C.G. meeting.

\* These dates, though reported in the Form 700 for July 1975, do not reflect the schedules expected at that time.

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: November 24, 1975

FROM: Hollis B. Chenery *HBC*SUBJECT: Trade Issues and Bank Policy*Trade folder on file cabinet*

1. Attached is a paper on major trade policy issues for the Bank that arise in connection with the forthcoming UNCTAD meeting at Nairobi. It was prepared by Drag Avramovic as a background for the formulation of Bank positions on the questions likely to dominate the negotiations between the developing and the developed countries in the near future. The major topics for Bank action concern commodity stocks and diversification programs.

2. Commodity Stocks. I suggest that at the December 1975 session of the UNCTAD Committee on Commodities the Bank representative

--reaffirm our readiness to finance commodity stocks under appropriate conditions;

--state that the Bank is prepared to consider extending assistance to a common fund for the financing of stocks if the member countries decide to establish such a fund.

In support of this position, please note that (i) a common fund would result in a considerable saving in financial requirements compared to the aggregate of individually financed stocks; (ii) the safety of the lenders to the common fund would be greater, as the risks would be pooled and reduced; and (iii) the issue of an adequate contribution to stock financing by developed consuming countries would be resolved satisfactorily across the board (you may recall that this has been one of our concerns in the contemplated financing of the International Tin Stock).

3. Diversification. I suggest that we explore the feasibility of a comprehensive action plan for alleviating the special problems of instability, excessive supply and declining real prices and wages in the weakest commodities produced in the poorest regions of the world economy. Included are jute (major producers Bangladesh and West Bengal in India), hard fibers (East Africa, particularly Tanzania, North-East Brazil, the Philippines, the poorest region of Mexico), tea (India, Sri Lanka, Bangladesh, East Africa), bananas (Central America, Ecuador, Caribbean, Somalia, Ivory Coast, the Philippines). For these cases, a multi-dimensional approach is needed, combining price stabilization, income stabilization,

productivity improvement in traditional occupations, and a shift of resources to other uses, such as labor-intensive manufacturing and food crops. The development of a comprehensive program of stabilization, adjustment and diversification, with defined targets to be accomplished in stages over defined periods, would be a major undertaking. As a first step, the DPS is undertaking a reconnaissance of the scope of the task. I will keep you informed as the work progresses.

4. I also recommend that you plan to address UNCTAD IV in Nairobi in May 1976. This will be an important occasion, and the Bank's statement of its policies and initiatives should constitute a significant contribution to a satisfactory outcome of the ongoing debate on trade and development.

5. The attached paper handles the most important trade issues. There are others, affecting mainly manufactures, which I shall report on in the future.

Attachment

cc: Mr. Knapp  
Mr. W. Clark

DAvramovic:HBChenery:di



TRADE ISSUES AND BANK POLICY

November 17, 1975/Rev.

Dragoslav Avramovic

Mr. Robert S. McNamara, President

November 20, 1975

Hollis B. Chenery, VP, Development Policy

IFC Proposal for an Export Credit Facility

1. In response to your request of November 12, 1975, I believe that the IFC proposal constitutes a useful initiative to explore further the possibility of establishing an export credit facility. It is also consistent with the previous studies undertaken in the DPS (particularly by Mr. Harvey in 1974). Our principal conclusion, conveyed to UNCTAD on previous occasions, was that the major role in providing finance for export credits should be played by the national export credit agencies and Regional Banks, with the Bank Group performing a catalytic role.

2. The difficulty with all previous proposals has been that they envisaged the use of World Bank funds or guarantee powers in one form or another; it was highly doubtful whether the diversion of scarce funds to an export credit facility was a high priority use of our resources compared to other alternatives. The present IFC proposal avoids this problem, since it does not involve any form of Bank guarantee. IFC's own participation would mainly serve a catalytic function. However, the IFC proposal still raises a number of issues for which there may not be easy solutions. For instance, it is doubtful whether the OPEC members, on whose contribution the proposal relies so heavily, will subscribe to a scheme where Israel is a major participant and beneficiary. Nor is it certain that the poorest LDCs will readily accept the commercial cost of refinancing their postponement of export earnings.

3. The idea of exploring a specific scheme further with LDC export agencies and a group of developed country bankers is a sound one. It constitutes the next logical stage in determining whether there is a real possibility of making a concrete advance on this front for once. I would, therefore, support the course of action suggested to you in Mr. von Hoffmann's memorandum of October 31, except for paragraph 2(c), since it would be premature to outline a scheme to UNCTAD at this stage.

cc: Messrs. J.B. Knapp  
I.P.M. Cargill  
P.P. Kuczynski  
E. Stern  
Ms. S. Boskey  
Messrs. A. Karaosmanoglu  
M. Haq  
S. Burki

Form No. 75  
(2-60)

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

*HBC's  
copy*

INTERNATIONAL FINANCE  
CORPORATION

INTERNATIONAL DEVELOPMENT  
ASSOCIATION

**ROUTING SLIP**

Date

Nov. 25, 1975

NAME

ROOM NO.

Mr. Avramovic

Mr. Haq

Mr. Tims

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

**REMARKS**

11/24 to Dr. Chenery  
Hollis, would it not be wise to under-  
take the work proposed in paras 24 and  
26a so that we could make the statement  
at UNCTAD if it later appeared desirable

Attachment

From

Hollis Chenery



NOV 25 1975

## OFFICE MEMORANDUM

TO: Mr. Hollis B. Chenery

DATE: November 18, 1975

FROM: Dragoslav Avramovic, DPS *DAW*SUBJECT: Trade Issues and Bank Policy

In response to your request at the meeting of November 10, 1975, attached please find a draft paper on the UNCTAD Integrated Programme, the trade policy issues facing the Bank, and the possible Bank statement at UNCTAD IV in May 1976.

Your comments and suggestions will be appreciated.

Attachment.

cc: Messrs. Karaosmanoglu  
Gulhati  
Haq  
Tims  
Balassa  
Holsen  
Takeuchi  
Westphal  
Keesing

*11/25 To Dr. Chenery  
H.B.'s would  
it not be well  
to undertake the  
work proposed in  
A's 24  
and 26a  
so that we  
could make  
the statement  
at Unctad if  
I later appeared  
desirable  
L Chen*

cc: D. Av., Haq, Tims

## TRADE ISSUES AND BANK POLICY

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November 17, 1975.

## TRADE ISSUES AND BANK POLICY

### I. Introduction

1. The debate at the Seventh Special Session of the U.N. General Assembly and the formulation of the UNCTAD Integrated Programme for Commodities have helped crystallize the major issues of trade policy that are likely to dominate the discussion between the developing and developed countries next year. This paper sets forth the major features of the UNCTAD programme and related matters, considers the ways they affect the Bank, reviews Bank policy, and makes suggestions concerning further work. It also discusses possible scope of the Bank statement at UNCTAD IV in Nairobi in May 1976.

### II. UNCTAD Integrated Programme

2. Three major elements of the UNCTAD Integrated Programme are:

- (a) Stabilization of prices at an adequate level of major commodities of export interest to developing countries. It is proposed to establish a system of internationally held and managed stocks as a major mechanism for this purpose, and to create a common fund for the financing of stocks specifically designed for this function. Supply management would also be applied where appropriate. Support of export prices of developing countries is considered the core of the Integrated Programme.
- (b) A substantial reform of the existing compensatory financing facility is suggested. The scope of the facility should be broadened to include partial reimbursement of the increases in import costs, in addition to export shortfalls; it is proposed that the drawings by the poorest countries take the form of grants; and it is suggested that the drawings of all developing countries be made partly convertible into grants if the exports in real terms fail to recover over a defined period.
- (c) A renewed effort should be made to increase the scope and degree of domestic processing of primary products in developing countries and to accelerate diversification of their production and export structure. While most of the effort would be of domestic nature, vigorous pursuit of the initiatives to eliminate obstacles to imports from developing countries would also be needed.



A. International Stocks and Their Financing

3. Lack of finance is considered a major obstacle to commodity stabilization on a broad basis, and it is expected that the availability of finance through a common fund would exercise a catalytic effect in stimulating new commodity arrangements. This view has been strongly supported by the Commonwealth Experts Group established following the Commonwealth Heads of Governments meeting in Kingston, Jamaica, in May 1975.<sup>1/</sup> Also, on the expectation that stock accumulation would be taking place for some commodities while other stocks are being released -- an expectation based on past experience -- a common fund would result in a considerable saving in financial requirements, compared to the aggregate of individually financed commodity stocks. Since risks would be pooled and reduced, the borrowing costs would also be smaller, and the safety of lenders correspondingly greater.

4. Based on an examination of the possible cost of acquisition of stocks of 10 products ("core" commodities) of major export interest to developing countries (coffee, cocoa, tea, sugar, cotton, rubber, jute, hard fibers, copper and tin) and an overall allowance for other export commodities of these countries (exclusive of grains), the UNCTAD secretariat has estimated that \$3 billion would be needed in the near future to provide support to those products recently experiencing depressed markets. Of this amount, it is suggested that \$1 billion be provided as paid-up capital, and \$2 billion as loans. An equivalent amount of both capital and borrowed funds (i.e., another \$3 billion) is proposed to be on call if and when needed.<sup>2/</sup>

5. It is proposed that the exporting, importing and petroleum producing countries be major suppliers of finance, in varying proportions depending on the capital ownership structure. In addition, considerable support would be sought from multilateral financial agencies in the form of loans (see para. 19 below). Borrowing from the capital market also is envisaged, and is assumed to grow over time. A tentative schedule of country contribution to capital has been worked out, in three alternatives: a tripartite capital structure (petroleum producing countries 25% of capital, and exporting and importing countries 37.5% each); exporting and importing countries only, at 50% of capital each; and exporting and importing countries only, with exporters having a majority.

6. The primary function of the common fund would be to lend to individual commodity organizations as they need resources for acquisition of commodities. These organizations would repay the loans as they acquire cash from selling the products in stock. It is these organizations that would trade in individual commodities by buying and selling, and which would own and dispose of the stocks. As an exception from this principle, the fund would have the authority to intervene directly, for a limited period and under proper safeguards, in markets of commodities for which commodity arrangements do not yet exist, so as to be able to provide emergency price support when needed. The ability

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1/ Towards a New International Economic Order, Report by a Commonwealth Experts Group, Commonwealth Secretariat, London, August 1975.

2/ If the recent strength of the world coffee market is sustained, the amount needed in the near future would be less than \$3 billion with a corresponding increase in the amount on call. It is suggested, however, that in any case the paid-up capital be fixed at \$1 billion.

of the fund to provide market support in critical situations would be of major importance for the catalytic role of the fund in stimulating new commodity arrangements.

7. Annex Table I shows the percentage shares of the major exporters and importers of the ten "core" commodities as a group; these countries would be the major prospective member countries of the common fund if it is established. Annex Table II shows the distribution of exports and imports by countries at different per capita income levels. The ten "core" commodities are imported mostly by high income countries, and exported by countries at medium and low incomes. It is the latter which would be the main beneficiaries of price stabilization over the short and medium term.

8. The UNCTAD scheme has attracted the attention of the financial community. A major New York investment firm considers that it contains potential for mobilizing a considerable amount of private funds under suitable conditions, including here government equity capital which would take the risk of price declines. The firm has submitted a proposal outlining a possible capital structure.

9. Assistance and cooperation of the Bank is envisaged in the operations of the common fund, in the UNCTAD programme:

- (a) It is hoped that the Bank would lend to the fund;
- (b) In some instances, there may be joint financing of commodity stocks;
- (c) A part of the fund's resources could be invested in Bank bonds of appropriate maturities;
- (d) The fund might use the Bank's technical advice and support in carrying out its lending and borrowing operations, particularly in the initial phase;
- (e) Close collaboration of the common fund and of the international lending agencies is proposed to ensure that development lending and commodity stabilization reinforce each other in their effects on production and investment. This refers to the need both to expand production of commodities in scarce supply and to stimulate diversification out of products in excess supply. "It was in the broad perspective of more investment and the right kind of investment, and thus faster and better balanced economic growth, that commodity stabilization, admittedly a complex and risky undertaking, found much of its justification." 1/

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1/ Working Group of the Committee on Commodities, Summary of the Issues Raised and the Replies and Comments by the Secretariat of UNCTAD, Para. 40., TD/B/C.1(VIII), Misc. 5.



10. The issues of price stabilization and of a common fund will be discussed at the meeting of the UNCTAD Committee on Commodities of December 8-19, 1975. It is on this occasion that governments are expected to give their reaction to the UNCTAD proposals. The next occasion will be at the Trade and Development Board in March 1976, and then in Nairobi in May 1976.

B. Reform of Compensatory Financing

11. As the programme of price stabilization cannot encompass all export commodities and as payments difficulties frequently arise because of declines in export volume rather than price and also because of the rise in import costs, UNCTAD proposes the continuation and radical improvement of the existing IMF compensatory financing facility. The most important proposed reforms are:

- (a) The norm against which shortfalls in a country's export value are calculated should be adjusted for the change in the prices of its imports, i.e., the countries should be reimbursed not only for a fraction of shortfalls in exports but also for a fraction of the rise in the price of imports;
- (b) Drawings by the 32 least developed and most seriously affected (MSA) countries would be in the form of outright grants; and
- (c) Drawings by the other developing countries would initially take the form of repayable loans bearing interest at the standard IMF rate; during a prescribed number of years (e.g. five), loans should be repayable out of any annual excess of exports over the corresponding norm for the year in question; any balance of a loan still outstanding at the end of this period should be converted into a grant.

12. Simulation studies for the period 1965-74 suggest that the total of loans and grants made each year under a reformed compensatory facility would have averaged \$700-850 million. Some \$150-200 million of this amount would be accounted for by grants to the least developed and most seriously affected countries and another \$100-150 million to other developing countries; the remainder would represent repayable loans. The annual level of loans and grants of \$700-850 million under a reformed facility compares with the actual drawings under the existing IMF facility of about \$125 million per year in the same period.

13. The recent statement by the representative of the United States of America at the Seventh Special Session of the UN General Assembly, calling for the establishment of a development security facility in the IMF to replace its present compensatory financing facility, also proposes a number of reforms, including special relief for the poorest countries. The proposal appears to relate only to the nominal value of the exports of countries, and not to their real value, as measured by their purchasing power over imports. This is important, as one of the chief concerns of developing countries, particularly the poorest, is the decline in purchasing power of their exports due to the rapid rise in prices of imports essential to their welfare and growth.



The attached Bank staff document "Compensatory Financing Arrangements" of October 23, 1975 (Annex A) discusses in detail the existing IMF facility and the U.S. proposal, as well as the EEC STABEX facility which applies to 46 African, Caribbean and Pacific countries and which covers compensation of only nominal shortfalls in exports of particular commodities.

14. The UNCTAD compensatory financing proposal as presently formulated does not call for financial support from the Bank. It argues that the IMF, using in part the resources of the proposed Trust Fund, could finance all the claims arising from the reformed facility; and also, that the IMF could extend the repayment periods following the precedent already established within the Extended Fund Facility. It should not be excluded, however, that at some stage of the discussion proposals for Bank Group support may be made. They may refer to the need to refinance the IMF compensatory drawings in cases of prolonged stagnation of exports or sustained rise in the cost of imports.

C. Removal of Obstacles to Trade, Increased Domestic Processing, Diversification, and Adjustment Assistance

15. For primary commodities produced under protection in developed countries, such as sugar, meat and cereals, improvements in access to markets are of decisive significance and, it is proposed, should be provided for within the framework of international arrangements concluded as a part of the Integrated Programme. Such arrangements should also provide for the reduction of barriers to imports of the processed forms of the commodities with which they are concerned.

16. A special problem arises with respect to commodities which have experienced prolonged periods of sluggish demand and stagnating or declining prices in real terms, whose demand and price prospects are pessimistic or uncertain, and which are produced in the poorest regions where alternatives have not been developed. These commodities are frequently over-produced, and real wages of large numbers of people engaged in their production are stagnating or declining. Included are: jute (major producers Bangladesh and West Bengal in India), hard fibers (East Africa, particularly Tanzania, North East Brazil, the Philippines, the poorest region of Mexico), tea (India, Sri Lanka, Bangladesh, East Africa), and bananas (Central America, Ecuador, Caribbean, Somalia, Ivory Coast, the Philippines).<sup>1/</sup> For these cases a multi-dimensional approach is needed, combining price stabilization (jute, hard fibers, tea), income stabilization (bananas), improvement in productivity in order to reduce costs (jute, hard fibers), a partial shift of land to other crops, particularly food, and a large-scale shift of labor to other occupations, especially into labor-intensive manufacturing in the rural and urban areas. To accomplish such shifts, special adjustment assistance may be needed during the period of transition, i.e. until diversification and productivity improvements have resulted in generating sufficiently large additional output and income.<sup>2/</sup> In many respects, the difficulties experienced by these regions

<sup>1/</sup> Also, there are special problems in the production, processing and marketing of vegetable oilseeds in the poorest regions of West Africa, although they are somewhat different than those in the other commodities listed.

<sup>2/</sup> UNCTAD, Measures for individual commodities, TD/B/C.1/194 of 1 October 1975; FAO, Some Possible Lines of Approach Towards a Comprehensive Strategy for Agricultural Commodities, C75/17, September 1975.

reflect the hardest part of the international commodity problem: the world's poorest regions producing the world's weakest commodities.

17. It has been known for some time that a major problem of adjustment exists in these regions, and a number of initiatives in diversification have been taken. It does not appear, however, that a systematic work has been undertaken on identifying the full magnitude of the needed adjustment, on exploring the entire range of possible new productive activities and their feasibility, and on estimating the costs. Also the likely inter-action of price and income stabilization, and of diversification and adjustment has not yet been explored.

### III. Bank Policy

#### A. Recent Developments

18. Bank policy on commodity stabilization and other trade issues has been reviewed several times in recent years. The review was particularly intensive during 1975, in the context of possible Bank support for the International Tin Agreement. The latest staff document "World Bank and Commodity Stabilization", of August 1, 1975 is attached (Annex B). It is currently under consideration. It recommends:

#### (a) In the Fields of Investment and Production

- (i) That the Bank continue to finance sound projects designed to increase production of commodities where market prospects are such that increased output offers a reasonable prospect of increased earnings. (Copper, palm oil, cotton, rubber, sugar, lead, zinc and timber may fall within this group.)
- (ii) Increase financing for diversification out of those commodities facing uncertain or declining market prospects (tea, jute, hard fibers and tin are listed as falling within this category), and consider the need for diversification explicitly in formulating country programs.
- (iii) Give increased attention in lending to economically viable projects which increase the degree of processing of commodities in their countries of origin so that a larger part of the final price accrues to the benefit of the producing country.

#### (b) In the Field of Price Stabilization

- (i) Provide financing direct to buffer stock agencies to help insure the financial viability of such agencies, provided the stock objectives benefit both producers and consumers and are efficiency-oriented.



- (ii) The size of the Bank's contribution should be influenced by the extent to which developing countries are the main producers of the commodity and whether the poorest countries are the main beneficiaries. Loans should be long term.
- (iii) Consider financing on a case-by-case basis, with emphasis on the objectives, management and other relevant criteria of the agency concerned. This would not preclude Bank support to a multi-commodity buffer stock arrangement, if such an arrangement were to be agreed on. If eventually a number of buffer stock agreements are concluded, the Bank's financial contribution may best be provided under a pooled line of credit.

19. The Bank staff has estimated that Bank lending for stock financing may amount to \$500 million over the next five years.<sup>1/</sup> This is quite close to the UNCTAD estimate of the common fund's borrowing needs from international agencies of \$500-600 million.<sup>2/</sup>

20. At the February 1975 session of the UNCTAD Committee on Commodities, the Bank representative stated that the Bank was ready to receive applications for financing of stocks and examine them in each case on their merits. He also stated that the Bank loans would require governmental guarantees. The Bank statement is attached as Annex C.

#### B. Recommendations

21. It is suggested that at the forthcoming December 1975 session of the UNCTAD Committee on Commodities the Bank representative reiterate the position taken in the February 1975 statement. It is further suggested that he state that the Bank is prepared to propose to extend assistance to a common fund for the financing of commodity stocks if the member countries decide to establish such a fund. Its existence would facilitate the conclusion of international arrangements on the weakest commodities produced by the poorest countries whose welfare and growth are of particular concern to the Bank. The establishment of the fund would in no way preclude the need for intensive investigation of specific features of particular commodities in order to find combinations of measures suitable for each in respective individual commodity arrangements.

22. An early statement of the Bank expressing its readiness to support a common fund would greatly facilitate its future cooperation with the fund if established. As the Bank would also state that it is the member countries which would decide whether the fund would be established, it could not be argued that the Bank had prejudiced the views of its membership.

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<sup>1/</sup> World Bank and Commodity Stabilization, page 4.

<sup>2/</sup> UNCTAD, A common fund for the financing of commodity stocks: amounts, terms and prospective sources of finance, TD/B/C.1/184, 24 June 1975, page 18.



23. With respect to compensatory financing, there is no need to consider possible involvement of the Bank in any detail at the present time. These possibilities are hypothetical. It might be useful to keep them in mind, however, as they may crop up in the course of the forthcoming international discussions.

24. The Bank would seem to be eminently suitable to play a major role, perhaps to take the lead, in organizing a multi-dimensional approach to the problems of the weakest commodities produced in the poorest regions, if feasible. As a first step, it is suggested that a reconnaissance of the problem area be undertaken, to be completed by mid-April 1976. It would be based on pulling together the knowledge existing in the various parts of the Bank (Commodities Division and other offices of the DPS, regional offices, appropriate offices of CPS); to be followed by canvassing other knowledgeable institutions, especially FAO and the Commonwealth Secretariat; and then perhaps by a preliminary field investigation in the major producing regions. Close consultation with UNCTAD would be necessary from the beginning. The purpose of the reconnaissance phase would be to arrive at the first outline of the scope of the adjustment, stabilization and diversification, and of the role which the international community may play.

25. If a comprehensive approach to the problem of the weakest commodities proves to be feasible and results in an action plan, it may command support of some of the major aid providing countries. They have shown great interest in the initiatives which promise to assist in solving the commodity problems of the poorest countries. A comprehensive action plan which would address itself simultaneously to the issues of price stabilization, income support, productivity improvement in the traditional occupations and a systematic shift of resources to other occupations, with clearly identified targets to be accomplished in stages over defined time periods, may elicit support which would be additional to the present aid programs.

#### IV. Bank Statement in Nairobi, May 1976

26. It is suggested that the Bank statement at UNCTAD IV include discussion of the following points:

- (a) The need to reduce, and eventually eliminate, trade barriers on the imports of primary products and manufactures originating in developing countries. Specific instances of Bank-financed projects which are facing or are likely to face market difficulties due to barriers to imports would be helpful to quote.
- (b) The need for improved compensatory financing, with particular emphasis on the desirability that such financing include reimbursement of increases in import costs and favorable repayment terms for the poorest countries.

- (c) The Bank's readiness to finance the expansion of production of scarce materials and foodstuffs, in cooperation with the governments in the developing countries and the interested private and public enterprises in the developed countries.
- (d) The Bank's readiness to continue and increase its assistance for domestic processing of primary products and for diversification in general.
- (e) The Bank's readiness to extend finance for commodity price stabilization.
- (f) Bank proposal for undertaking, together with governments and other international agencies, a comprehensive multi-dimensional approach to the problems of the weakest commodities produced in the poorest regions. This proposal would be made if the results of the reconnaissance phase lead to the conclusion that such a multi-dimensional approach is needed and feasible.

27. Substantial staff work would be needed for item 26(f). Limited staff work would be needed for item 26(a).

28. In addition to the items listed in paragraph 26, which deal with trade and related issues, the Bank statement also may have to cover the issues of debt and development assistance.

29. It is suggested that the above points be made against the background of the recent and prospective economic trends in the developing countries, with special emphasis on the need to alleviate the foreign exchange constraint to welfare, employment and growth.

Attachments.

Dragoslav Avramovic  
November 17, 1975

TOP FIFTEEN COUNTRY PERCENTAGE SHARES  
IN EXPORTS AND IMPORTS OF TEN "CORE"  
COMMODITIES,<sup>a/</sup> 1970-73 AVERAGE

Exports		Imports	
Country	Percentage Share	Country	Percentage Share
Brazil	9.4	United States	17.5
Malaysia	5.4	Japan	13.5
Zambia	5.0	Germany, F.R.	8.6
Chile	4.6	United Kingdom	7.7
Cuba	4.5	France	6.1
Canada	3.6	Italy	5.5
Zaire	3.5	U.S.S.R.	3.5
United States	3.5	China	2.5
India	3.3	Canada	2.0
Colombia	3.1	Spain	1.9
U.S.S.R.	2.9	Netherlands	1.9
Philippines	2.7	Germany, D.R.	1.5
Indonesia	2.6	Belgium	1.5
Egypt	2.4	Czechoslovakia	1.4
Peru	2.3	Sweden	1.3

<sup>a/</sup> Coffee, cocoa, tea, sugar, cotton, jute, hard fibers, rubber, copper and tin.

Source: UNCTAD, A common fund for the financing of commodity stocks: suitability for stocking of individual commodities, country contributions and burden sharing, and some operating principles, TD/B/C.1/196, 6 October 1975.



COUNTRY DISTRIBUTION BY INCOME LEVEL OF EXPORTS  
AND IMPORTS OF TEN "CORE" COMMODITIES

Country Group Based on per Capita GNP	Percentage Share in Exports	Percentage Share in Imports
Up to \$100 per capita GNP	9.4	0.8
From \$101 to \$200	14.3	5.1
From \$201 to \$300	10.4	1.3
From \$301 to \$400	15.0	3.2
From \$401 to \$500	13.4	1.2
From \$501 to \$700	12.2	1.0
From \$701 to \$800	7.5	1.6
From \$801 to \$900	2.0	2.3
From \$901 to \$1,200	0.7	0.7
From \$1,201 to \$1,300	0.6	2.9
From \$1,301 to \$1,500	0.5	2.2
From \$1,501 to \$2,000	3.1	10.4
From \$2,001 to \$2,500	0.1	17.2
From \$2,501 to \$3,000	2.2	11.5
From \$3,001 to \$4,000	1.9	18.5
Above \$4,000	7.1	21.1
Total	100.0	100.0

Source: UNCTAD, A common fund for the financing of commodity stocks: suitability for stocking of individual commodities, country contributions and burden sharing, and some operating principles, TD/B/C.1/196/Add.1, 7 October 1975.

*Notelook*

Mr. Robert S. McNamara, President

November 14, 1975

Hollis B. Chenery, VP, Development Policy

Paper for the January 1976 Meeting of the  
Development Committee

1. The Development Committee in its meeting of September 3-4, 1975 agreed to give special attention at its meetings during 1976, among other things, to an updating of the analysis of the situation of developing countries prepared by the Bank for the Committee's meeting last June. For that purpose the attached paper has been prepared.
2. The staff has not undertaken any comprehensive studies of the prospects of the developing countries since the preparation last June of R-802. Growth projections for the industrial countries and estimates of price developments in those countries are presently in process both in the IMF and in the OECD Secretariat; new information on the developing countries and on capital flows and trade is very limited. Therefore, the long-term projections need not be revised at this point in time; it would also cast doubt on the reliability of our projections if we changed our views on the 1976-1980 period too frequently. The attached paper is therefore mainly an updating of the "Capital Requirements" paper which you transmitted to the Development Committee in April 1975, to the estimates made in July 1975 and contained in the "Prospects" paper (R-802).
3. As the discussion on the Fifth Replenishment of IDA has now started, the relation between the request for IDA funds and the estimated additional capital requirements of the lower income countries presented in R-802 needs clarification. The estimates in R-802 did assume a fifth replenishment of \$2 billion per year, as in the P & B Department's lending program tables. If this were raised to \$3 billion per year, this would increase net disbursements in the years 1976-1980 by \$200 million per year on average, and reduce the required additional capital for the lower income countries to \$1.8 billion average per year during that period.
4. I assume that you would like to send the paper for information to the Board. Your clearance is requested to do so, and to start the translation of the paper before it is sent to the Development Committee chairman.
5. As a final point, the paper has been prepared in close consultation with the staff of the IMF; their paper on the short-term outlook for the developing countries will be broadly consistent with our own estimates for 1975 and projections for 1976.

cc: Mr. E. Stern

Attachment *in photo on file cabinet*  
WTims/HBChenery:gss

# OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: November 11, 1975

FROM: Hollis B. Chenery *ABC*

SUBJECT: Redistribution with Growth

Attached is the first serious review that I have seen of the Bank's work on income distribution--apart from a Marxist attack in the IDS (Sussex) Bulletin. While I expect that the academic reviews will be more critical of the lack of theoretical rigor, the general reception so far seems to have been favorable. The book is now in its second printing.

If you are interested in recent developments in this field, we might arrange a seminar discussion for you at some point.

Attachment

cc: Mr. W. Clark  
Mr. Merriam  
Mr. Duloy, DRC  
Mr. Ahluwalia, DRC  
Mr. C. Bell, DRC  
Mr. B. King, VPD

*11/13*  
Don't  
organize  
it for me, but  
if you held  
such a seminar  
I would like  
to attend.  
*Done*

*1. ABC*  
*2. Copies to Hatch AV*  
*3. McN notebook*

HBChenery:di

*ACE*



*Redistribution with Growth: Policies to Improve Income Distribution in Developing Countries in the Context of Economic Growth* by Hollis Chenery, Montek S. Ahluwalia, C. L. G. Bell, John H. Duloy, and Richard Jolly. New York, Oxford University Press, 1974.—xx, 304 pp. \$4.50.

If this does not become an extremely influential book, it will be because the problem addressed is even more intractable than the authors admit: because the political will and capacity are lacking to change development policies so they benefit equally or preferentially the poorest people in poor countries, "... more than a decade of rapid growth in underdeveloped countries has been of little or no benefit to perhaps a third of their population" (p. xiii). The consequences of this type of growth, and some of its determinants, are reviewed in the first chapter. The next ten chapters are devoted to devising policies to redistribute income to the poor with minimal sacrifices in overall growth. Equally valuable is the discussion of why some policies often do not work, since benefits meant for the poor "leak" to the rich or are appropriated by them directly.

It is impossible to summarize a study which draws on 250 investigations and two conferences organized by the World Bank and the Institute of Development Studies (University of Sussex), and much further discussion over several years; there is simply too much material. Nonetheless the results are exceptionally coherent. Three points stand out vividly. First, equity and growth are not necessarily incompatible; the conventional wisdom which requires choosing between them may mislead as much as the now-discredited hope that rapid growth

would reach all the population rather quickly. There is still less need to choose if we discard GNP growth as an objective, substituting a welfare or objective function which gives equal weight to equal proportional income increases, rather than to equal absolute increases (chap. 11). Second, the poor—in whatever sector, region, or occupation—are poor because they have little capital with which to work. Strategies to redistribute existing assets to them (especially land) or to invest preferentially in capital they will own (including human capital formed by education) have far greater long-term effects on their income and future income growth than strategies relying on transfers of income or of consumption, or on rapid investment by the rich whose output will "trickle down" to the poor. This conclusion emerges from a simplified model of growth and distribution (chap. XI), from an analysis of the existing concentration of assets (chaps. VI and VII), and from a review of the relatively successful redistribution of income in several countries (Annex). The strategies of taxes, subsidies, and price manipulation favored in neoclassical welfare analysis can contribute something, but rather little, in circumstances of concentrated wealth and technological rigidities. Third, in order to help the poor—to reach the "target groups" in the population—it is necessary to know who they are and to understand their income links to the higher income classes. Strategies aimed at particular regions or sectors may not benefit the poor even though there are many poor people in those places.

These three points do not depend on any precise model of how the income distribution is generated; nor does it seem to the authors that such a model is needed. There is, however, scope for much research into the situation of the poor and the ways income flows between them and other groups. Much economic data is useless for this, and new kinds of information are needed (chaps. XII and XIII). Research into political feasibility is also needed; to an economist, at least, the political analysis is unobjectionable but much less detailed and sure than the economic discussion. We know more than we might have guessed about how to relieve poverty, but there is much we still need to know. This study is an excellent beginning. It is also, despite the absence of a complete theory of income distribution, a rich and instructive contribution for anyone teaching economic development and the complex relations between distribution and growth.

PHILIP MUSGROVE  
The Brookings Institution  
and the University of Florida

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara  
FROM: Hollis B. Chenery *HBC*  
SUBJECT: Ford Study of Nuclear Energy

DATE: October 29, 1975

1. Unless you have some objection, I have agreed to participate in the Ford Foundation study described in the attachment. I gather it has been discussed by the Foundation Board. While it focusses on the U.S., it will take up world energy sources and demand to some extent.

10/29  
2. The members of the Study Group are largely academic and participate in their private capacities. Although the topic is a bit off the lines of my work here, I think it will have some long-term benefits.

Attachment

HBChenery:di

10/29  
Hollis I believe this study is directed at meeting a '45 problem. If so, should not any participation by you be totally informal and without attribution.

10/29  
I agree and will make this clear to the Foundation.  
*HBC*

Returned 11/12/75





INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
WASHINGTON, D. C. 20433, U.S.A.

October 30, 1975

Mr. Spurgeon M. Keeny, Jr.  
The Mitre Corporation  
Westgate Research Park  
McLean, Va. 22101

Dear Mr. Keeny:

I have consulted with Mr. McNamara as to the desirability of my participating in your study of Nuclear Energy. He is willing to have me do so, so long as it is clear that I am acting entirely in a private capacity and not as a representative of the World Bank. If it is necessary to list an affiliation for the members of the study group, I would suggest that I be identified with Harvard University, where I am still a lecturer, in order to avoid any misinterpretation.

I look forward to seeing you at the meeting in New York on November 12.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "H. B. Chenery", is written above the typed name.

Hollis B. Chenery

cc: Mr. Carl Kaysen  
Director  
Institute of Advanced Studies  
Princeton, New Jersey



MCN  
notebook

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Hollis B. Chenery *HBC*

SUBJECT: Development of Urban Analysis and Research

DATE: October 29, 1975

1. In anticipation of your approval of the Report of the Urban Poverty Task Group, I have taken steps to organize the DPS staff that will be required to carry out the several analytical tasks that are specified on p.28 of the report. These include: (1) definition of the target populations; (2) development of a macro-economic analytical framework; (6) Guidelines for Country Economic Work; and (8) development of an Urban Research Program.

2. I have asked Ardy Stoutjesdijk, the chief of the Special Topics Division of the Development Research Center, to take responsibility for designing and conducting the analytical and research work on behalf of the DPS as a whole. He has an outstanding record of organizing research on new topics and producing operationally oriented results--as in the recent studies of fertilizer requirements, petroleum prices and industrial project selection. He will head up a DPS Working Group that includes members of the Urban Development, Employment and Industry Divisions of the Economics Department as well as the Projections Department and the Development Research Center. The major objective of this group will be the preparation of the urban research program described in item 8 (p.29) of the Report. The other analytical assignments will be closely integrated with this research program.

3. In developing guidelines for the urban aspects of country economic work (tasks 6 and 7, p.28), the existing arrangements for DPS participation seem adequate. The Program Review Division has overall responsibility for exercising functional control of country economic work and Mr. Chernick, the chief of this division, participates in the working group described in paragraph 81.

4. I think that these arrangements will meet the need identified in paragraph 91 to "establish a clear division of labor between CPS and DPS in urban policy, research and sector work".

HBChenery:di

# OFFICE MEMORANDUM

*File*

TO: Mr. Robert S. McNamara

DATE: October 15, 1975

FROM: Hollis B. Chenery, *HBC* Vice President, DPS

SUBJECT: Monitoring Economic Missions and Reports

Attached is a copy of a memorandum which I have sent to the Regional offices. It alerts them to your concern - which I share - about delays in completing economic reports, and indicates the steps needed to monitor and ultimately correct this situation.

I am also attaching a prototype of the kind of monthly report that we intend to prepare for you after we have consulted the regions as to its format and adequacy. I would appreciate any comments.

*10/16*

*OK*

*Chen*

Attachments

SChernick/Mhaq:ag

*Xeroxed to Hag/Chernick and AK*  
*10/17*



# OFFICE MEMORANDUM

*Mc N Waterhouse*

TO: Mr. Robert S. McNamara

DATE: October 14, 1975

FROM: Hollis B. Chenery *HB*

SUBJECT: My Participation in the Conservation Commission  
of the World Energy Conference

1. A year ago I agreed to serve on the Conservation Commission, whose purpose is to direct a research program in the field of energy conservation with a focus on a period after 1985. The membership and terms of reference of this Commission are indicated in the attachments. I have discussed with William Clark whether I should attend the first meeting of this Commission on October 27, and he has left the decision up to me.

2. Since this is entirely a research activity preparing for a conference to be held in 1977, I can see no connection with the current energy discussions that might be of concern to the Bank. However, in view of the sensitivity of all energy matters these days, I would like your approval. If you have any reservations, it might be better for Tims to go in my place.

Attachments

*10/15 OCT 16 1975*

*It seems a waste of  
time for you to go -  
if we need "research."  
Then research work. Can't  
we send a more junior  
person.*  
*HB*

HBChenery:di



MCN bank

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara  
FROM: Hollis B. Chenery *HBC*  
SUBJECT: Population - Letter from John Knowles on Bellagio IV

DATE: October 10, 1975

1. The attached memorandum and draft letter from you to Knowles were prepared jointly by CPS and DPS population staffs. However, I disagree with Mr. Baum's recommendation that Dr. Kanagaratnam should be the Bank's representative at the preparatory meeting. Instead, I feel that you should decide who should represent the Bank in the light of the issues that will be raised and the contribution that you would like the Bank representative to make.

2. It seems clear from Knowles' letter that the meeting will be mainly concerned with the overall relations between population questions and economic development and with the policy issues to which this gives rise. The preparation for the meeting will involve taking stock of emerging advances in knowledge. The meeting will not be concerned mainly with the operational policies of different agencies. In terms of the normal division of labor between DPS and CPS, this should be a DPS responsibility. I therefore suggest that Timothy King, who prepared the Bank report on Population Policies and Economic Development, should be the Bank representative.

Attachments

cc: Mr. van der Tak

*MCN re-wrote letter  
proposing T. King*

HBChenery:di

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: October 2, 1975

FROM: Warren C. Baum and Hollis B. Chenery

SUBJECT: Population: Bellagio IV - Letter from Dr. John H. Knowles

1. We agree with the general consensus reflected in Dr. Knowles' letter that another Bellagio meeting would indeed be worth while. The letter itself provides a good summary of the issues discussed at the July meeting of agency representatives. We will address ourselves to specific questions that are relevant to your response to Dr. Knowles.
2. Timing of Meeting. Our view is that the Fall of 1976 would be preferable to the late Spring, to allow more adequate time for the preparation of papers, and a fuller appreciation of what the impact of the World Population Conference has been on country policies and agency procedures.
3. Structure of Meeting. In the political context of Bucharest - again demonstrated by the Regional Post-Bucharest Consultations in Asia, Africa, and Latin America, and the more recent Global Consultations in Geneva last week - exclusive meetings of donor agency representatives are viewed with some suspicion. In addition, opportunities for continuing dialogue with key people from developing countries are valuable in themselves. There should therefore be developing country participation, as Dr. Knowles says, but his letter does not adequately reflect the view that such persons should be involved in the preparation for the meeting as well as participating in it.
4. Documentation for the Meeting. A preliminary set of papers was presented to the July meeting, and a list of these is attached. It was agreed that the proposed Steering Committee would need to review these papers further to ensure that the documentation for the meeting focuses on the strategic issues.
5. Bank Representation. We propose that Dr. Kanagaratnam participate at these meetings.

Attachment

KKanagaratnam/TKing/HvanderTak/jim

PRELIMINARY PAPERS - BELLAGIO IV

- |                             |   |
|-----------------------------|---|
| R. H. Cassen                | - Bucharest and After   |
| Kingsley Davis              | - Options Ahead in Population Policy  |
| R. Freedman                 | - Population and Development: Notes on Prospects After Bucharest                          |
| A. Sauvy                    | - Action to be Taken in the Matter of World Population Growth                             |
| Victor L. Urquidi           | - Policy Considerations Arising for Latin America from the World Population Conference    |
| Thomas K. Burch             | - Fertility in the Developing World: Trends, Causes, and Some Reflections on Policy       |
| Lyle Saunders/Ann Leonard   | - Population Policies and Programs Post-Bucharest   |
| Bernard Berelson            | - Implementation of the WPPA: Where Now?  |
| Barnett F. Baron            | - Institutional Development for Population Training and Research: A Post-Bucharest Review |
| R. Freedman and B. Berelson | - The Record of Family Planning Programs  |
| S. J. Segal                 | - Where we Stand - The Biomedical Effort  |



*MCN re write  
proposing T. King  
as Bank rep.*

Dr. John H. Knowles  
President  
The Rockefeller Foundation  
1133 Avenue of the Americas  
New York, N.Y. 10036

Dear John:

In your letter of September 12 you asked for my reactions on the proposal to hold a Bellagio IV - Population. The consensus of the discussions with a group of representatives from the agencies, summarized in your letter, appears to reflect adequately the principal issues and concerns that need to be considered in this regard.

I do support the holding of a Bellagio IV and would suggest that this meeting be held in the Fall of 1976. Such timing will allow a fuller evaluation of the impact of Bucharest on policies and programs at the country level.

A positive feature of the Bellagio Population meetings has been the extensive documentation which preceded the meetings. The background papers have provided excellent documentation by donors and experts on the state of the art, issues of strategy in population policy, and directions of population assistance. I agree that we do need at this time a full review of what it means to place the population field "squarely in the context of development" and what its implications are for future action. This review should be based on carefully prepared discussion papers that sharply focus on the critical issues.

Since misunderstandings between donors and developing countries appear to be prevalent in the population field, I think it particularly appropriate to have both donors and knowledgeable people from developing countries participate not only in the meeting but also in the necessary preparatory work. This should provide a forum for a meaningful dialogue that may lead to better understanding of objectives and alternative new courses of action in population policy and assistance programs. Such expanded participation in the meeting is all the more important as the widely different perceptions that emerged at Bucharest

Dr. John H. Knowles

- 2 -

still persist and donor influence will be enhanced by a constructive exchange of views.

I propose to ask Dr. Kanagaratnam to participate as the Bank representative in the preparatory consultations.

I wish you a successful preparation for Bellagio IV and look forward to our participation in the meeting.

Sincerely,

Robert S. McNamara

KKanagaratnam/TKing/HGvanderTak:bli  
October 3, 1975

cc: Messrs. Chenery  
Baum  
Gulhati/King  
Hoffman

2cc: for Mr. McNamara's Office

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: October 9, 1975

FROM: Hollis B. Chenery *HBC*SUBJECT: Poverty Study - Next Steps

1. Since our last conversation on this subject, I have given some further thought as to what might be the appropriate objectives for the Bank in this area and how we can best reach these objectives. I think there is general agreement that the presently available data on poverty is inadequate for a sound understanding of many poverty issues and for the formulation of consistent, national policies. There is also agreement that the Bank should not become engaged in primary data collection. Given that limitation, I believe the basic objectives in our work on poverty should be:

- a) to assist in the collection of the minimum additional data required to develop a better definition of relative and absolute poverty to identify target groups and to evaluate the impact of specific policies; and
- b) to have such data collected by governments, eventually on a permanent basis.

2. The Prospectus, prepared by Mr. Duloy with the assistance of the consultants authorized by you, outlined a program to meet the first objective. It proposed a series of studies to improve our understanding of poverty issues and policies by supplementing existing data selectively, by country modelling and by examining national policy changes in an international framework. In order to cover a diversity of country experiences and typologies and to carry out the country studies at the recommended degree of depth and detail would require more resources than we can make available for this innovative approach. While we agreed on this at our meeting, we left open the possibility of exploratory discussions with one or two other donors. However, upon further reflection, I now recommend that we not initiate such discussions. Even with optimistic assumptions about other contributions, the commitment required from the Bank in terms of finance and manpower would be larger than we can now give. Consequently, I propose that we inform Maurice Strong and David Hopper that we have examined in depth the requirements of a major study of poverty, that we have concluded that the resources required preclude our launching it at this time of budgetary stringency and that we have decided to proceed in a much lower key by tying research on poverty more closely with the Bank's operations. As we proceed we may identify some particular issues on which joint work might be explored. If you agree, I will write to both.

*1. I don't object to writing Strong & Hopper to say we have concluded we should take a different approach to an attack on poverty. However, I don't believe we should indicate that the reason is an explicit commitment required from the Bank.*

*2. Further, I do not believe we delay in inventorying "data" Stokes (assuming the inventory is important) because of stopping limitations. Lg*

*1. I don't object to writing Strong & Hopper to say we have concluded we should take a different approach to an attack on poverty. However, I don't believe we should indicate that the reason is an explicit commitment required from the Bank.*



3. The objectives set out in the first paragraph can be attained by a more gradualist approach than was envisaged in the Prospectus. The first priority is to complete an inventory of existing data stocks and an evaluation of how far they permit an analysis of the impact of specific policies upon target groups. The preparation of this inventory has been initiated in the DRC in cooperation with other groups, notably ESCAP, ECLA and ECIEL (an association of Latin American research institutes). The pace of this work is constrained by staffing limitations. However, a substantial part of the work on Latin American countries will be completed in 12 to 18 months, and much of the Asian material should also be available then.

4. This assembled material should be evaluated by Bank staff and outside experts to define the data gaps, identify the means for obtaining the missing data in a systematic framework and decide which set of issues to emphasize. We would, of course, consult with other international statistics collectors in formulating our views.

5. If you agree with this revised approach, we will suggest a number of potential countries and consult with the appropriate Regional Vice President before making any recommendations to you or exploring country interest.

Attachment: J. H. Duloy's July 16, 1975,  
Poverty Study Memorandum

cc: Messrs. William Clark  
A. Karaosmanoglu

JHDuloy:vec

Mr. Robert S. McNamara (through Mr. Hollis B.  
Chenery)  
John H. Duloy, Director, Development Research Center

July 16, 1975

Poverty Study

1. The suggestion that the Bank might become a co-sponsor of a major study of world poverty and strategies for eliminating it arose from discussions between yourself and Maurice Strong during 1974. The first definite proposal was a prospectus prepared for Mr. Strong by Marc Nerfin in September 1974, entitled "Imperatives for International Cooperation." It was decided that Mr. Nerfin's prospectus did not define the type of study with which the Bank could most usefully be associated. David Hopper's view on possible IDRC participation was similarly negative.
2. In February this year you authorized me to convene an advisory group to prepare a prospectus for a poverty study. The group met during 7 - 11 April, and the attached Prospectus for a Program of Poverty Studies draws upon the April workshop.
3. Since Mr. Clark leaves on home leave this weekend, it would be desirable if we could meet with you before then to discuss your reactions to the Prospectus and the suggestions made below.
4. The objective of the Prospectus is to describe a set of studies that would lead to a major report on "Absolute Poverty and the International Community." In writing the Prospectus, I was very conscious of the tornado of manifestos, reports, and proposals whirling around the New International Economic Order, with a subsidiary storm center located near the Club of Rome. In this situation, a Bank-sponsored report would be one of many. If it is to be prepared, it must be differentiated from the others--it must focus on the objective of the elimination of absolute poverty; it must be rigorous in its thinking; and it must be firmly based on data of appropriate quality.
5. The program of studies set out in the Prospectus does not represent merely an expansion of ongoing research on poverty rather it involves a quantum leap in the volume and type of research being done on poverty, and particularly on what is involved in making a direct attack upon it.
6. The major difference is that the Prospectus envisages in-depth studies of 12 - 15 countries including the collection of new types of primary data. These last will permit not only a more operational definition of absolute poverty and of a delineation of the circumstances of people locked into it; but, more importantly, they will also allow country-specific analysis of the effectiveness of various types of policy instruments and alternative development strategies



in eliminating absolute poverty. The country studies constitute the most expensive component of the Program of Studies, and they are also likely to be heavily demanding of resources for management and monitoring. Without them, the Program would lack specificity and would necessarily arrive at the conclusion that existing data are inadequate.

7. It would, however, be expensive. The cost of the set of studies described in the Prospectus is estimated to be \$14.0 - 16.5 million spread over 4 years. It would take about 9 - 12 months to assemble core staff and to establish a network of collaborating institutions. This done, the studies themselves would occupy about 4 years, with the first 18 months being given over to methodology and the analysis of existing stocks of data. New data would be collected and analyzed during the remaining 30 months. The main conclusions and recommendations would be drawn together in a final report. However, reports on work completed during the course of the studies should be issued. For example, an early result would be a set of projections over time of the scale and dimensions of the poverty problem predicated upon the assumption of the continuation of existing policies and trends.

8. Because of the expense and the time required to complete the work outlined in the Prospectus, it is obviously important that we have a clear idea as to the objectives we seek to accomplish. The report, as outlined in the Prospectus, would be a major substantive contribution to knowledge and provide considerably more data than is now available about poverty and the tools available to government to ameliorate it. While political action could be built on the findings of the report, the report itself is not likely to be a political action document although it could provide the basis for one. Nor will the preparation of the report make a significant long-term institutional contribution to LDC governmental capacity to deal with poverty. If the objectives of the Prospectus are to be attained, it is not possible to scale it down to any great extent. To do so would engage the Bank in a visible way in a program of studies less than adequate to support a significant re-statement of development strategies.

9. If our objectives are different, we would need to design a quite different approach. For instance, one objective might be to seek to move more governments to deal explicitly with their poverty problems. A great deal of information exists, and the main policy tools have been identified, although we do not know their impact as precisely as we would like. An explicitly political statement could be prepared in about 12 months, based on existing knowledge and concepts, which would serve to highlight the problem to LDC governments and, possibly, provide a basis for increased mobilization of political support for development assistance programs.



July 16, 1975

10. Another objective might be to have LDC governments build in an improved capacity to deal with poverty problems in their own development planning. This would require not only new approaches to data collection but also new approaches to country planning. The role of the Bank in this effort would be entrepreneurial since assistance in data collection and other aspects of planning can certainly also be provided by others. The number of countries interested in receiving such assistance could make a significant contribution at an important operational level. This effort would of course also be expensive and take time. One vehicle for this approach might be a Poverty Research Foundation, co-sponsored by the Bank and other institutions.

11. A much lower key approach to the problem of poverty would be to sharpen the focus on it in Bank work. This would serve the objective of maintaining our credibility and gradually improving our knowledge, but would mean only a modest additional effort in terms of resources. This approach would involve more explicit guidelines on the exploration of poverty in country economic work and possibly a supplementary allocation for poverty-oriented research since the opportunity for further reorienting the research program which serves many purposes is limited.

Attachment

cc: Messrs. William Clark  
Ernest Stern

JHDuloy:vec

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: October 2, 1975

FROM: Warren C. <sup>WCC</sup>Baum and Hollis B. ChenerySUBJECT: Population: Bellagio IV - Letter from Dr. John H. Knowles

1. We agree with the general consensus reflected in Dr. Knowles' letter that another Bellagio meeting would indeed be worth while. The letter itself provides a good summary of the issues discussed at the July meeting of agency representatives. We will address ourselves to specific questions that are relevant to your response to Dr. Knowles.

2. Timing of Meeting. Our view is that the Fall of 1976 would be preferable to the late Spring, to allow more adequate time for the preparation of papers, and a fuller appreciation of what the impact of the World Population Conference has been on country policies and agency procedures.

3. Structure of Meeting. In the political context of Bucharest - again demonstrated by the Regional Post-Bucharest Consultations in Asia, Africa, and Latin America, and the more recent Global Consultations in Geneva last week - exclusive meetings of donor agency representatives are viewed with some suspicion. In addition, opportunities for continuing dialogue with key people from developing countries are valuable in themselves. There should therefore be developing country participation, as Dr. Knowles says, but his letter does not adequately reflect the view that such persons should be involved in the preparation for the meeting as well as participating in it.

4. Documentation for the Meeting. A preliminary set of papers was presented to the July meeting, and a list of these is attached. It was agreed that the proposed Steering Committee would need to review these papers further to ensure that the documentation for the meeting focuses on the strategic issues.

5. Bank Representation. We <sup>\*</sup>propose that Dr. Kanagaratnam participate at these meetings.

*\* see attached memo  
WBC*

Attachment

*Action: Send King*

KKanagaratnam/TKing/HvanderTak/jim

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| S. J. Segal                 | - Where we Stand - The Biomedical Effort  |



McN Notebook  
His note on  
last page  
per 1, 1975 y/attach

DATE: October 1, 1975 *if attached*

SUBJECT: Interim Progress Report on the Restructuring of Economic Work

- "I would like to have prepared by October 1 a standard table indicating the proposed FY76 economic and sector work program for each country arranged by Regional Offices. This is to be sent to me through P&B which is to review it against the approved FY76 'input' and 'output' budgets. Upon approval of the program, DPS, in coordination with CPS and P&B, will be responsible for monitoring progress against the program and for providing me with quarterly progress reports."

2. Mr. Adler is sending you a separate memorandum which reviews the revised FY76 economic and sector work program against the approved 'input' and 'output' budgets for FY76. This interim report will bring you up-to-date on changes taking place in the Bank's country economic work and on the steps being taken to implement the directives given in your memorandum. You will appreciate that, as a result of the regions' involvement in the Annual Meetings as well as difficulties in changing the timing of missions with member Governments, the full impact of your directives will not be felt immediately. We are currently having extensive discussions with the regions in regard to the restructuring of economic work as proposed in our report and as approved by you. Our first quarterly report, to be issued on January 1, 1976, will reflect more appropriately the progress being made in this respect and will update as necessary the Report on Country Economic Work (dated April 7). A full 'state of the art' report, incorporating the experience gained in the new procedures for functional control of economic work, will be provided annually from January 1, 1977.

## Structure and Content of Economic Work

3. During the past few months, changes in the structure and content of country economic work programs have gathered momentum. The concept of the Country Economic Memorandum as a vehicle for a concise updating of economic developments in our member countries is being widely adopted. One excellent example is the Economic Memorandum on Brazil (Report No. 812-BR of July 7, 1975). At the same time, missions planned for FY 1976 are focussing more than before on key policy issues, such as the implications of economic development for urban growth. The pace of change differs between the different Regional offices: the West Africa region, for example, has moved far towards complete adoption of the new system, while there are indications that some Regions have been able to reallocate economic staff-time towards more productive work as a result of reduced number of large,

comprehensive updating reports. In some other Regions, substantive changes have been less so far, despite proposed increases in the number of Country Economic Memoranda. We are in the process of discussing recent changes in the economic work program with the Regional offices and will continue to assess conflicts in work priorities through further discussions in the context of the CPP review process as well as in the Coordinating Committee which is being established under the chairmanship of Mr. Chenery. A full summary of the present country economic and sector work programs for FY76 is provided in the new standard tables prepared by the P&B and being sent to you today.

#### Forthcoming Reports

4. During the next three months, a number of special economic reports on topics of particular policy interest are scheduled to be finalized. These include:

- a. Two reports on the spatial development of Mexico;
- b. A regional study of Macedonia in Yugoslavia (green cover);
- c. An agricultural sector study on Afghanistan (green cover);
- d. A comprehensive economic report on Thailand;
- e. A report on the Yemen Arab Republic which focusses on agriculture;
- f. A regional development study of Kermanshahan in Iran;
- and g. A study of unemployment in Venezuela (technical assistance paper for the Government).

It should be noted that during this same period, a number of basic economic missions will be in the field. Their reports should be ready during the spring of 1976. In our forthcoming quarterly progress reports, we shall attempt to give a qualitative assessment of the economic work in these special and basic reports.

5. To add to the flexibility of the economic reporting system and, especially, to maintain the appropriate degree of confidentiality of those reports whose main purpose is to provide a vehicle for a policy dialogue between the Bank and the member country, some economic and sector reports are not scheduled to be released in grey cover. In such cases, we are proposing that you be sent the final green cover version of the report.

#### Other Matters

6. As directed by you, we have arranged for future CPPs to contain a separate paragraph on the justification for the proposed country economic work program. In addition, we are holding discussions with the Regional offices on the guidelines for the content and preparation of country

Mr. R. S. McNamara

- 3 -

October 1, 1975

economic memoranda and special and basic reports, establishing a Bank-wide system of review of economic reports, an appropriate system for monitoring delays in the production of reports, and operating procedures and terms of reference for the proposed Coordinating Committee. We hope to finalize these matters by the end of November 1975.

cc: Messrs. Knapp, Baum, J. Adler, Kearns.

MHaq/SChernick/JBharier:ag



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: John H. Adler, Director, P & B

SUBJECT: Proposed FY76 Work on Country Economic and Sector Reports

DATE: October 1, 1975

1. Please find attached the Regional summaries of work on country economic and sector reports currently scheduled for each country which you requested to be forwarded to you through P & B in your August 8, 1975 memorandum to Mr. Chenery concerning country economic work. These summaries were prepared from information provided by each Region towards the end of September. At the bottom of each Regional summary is a comparison of the sum of the Region's currently scheduled work, the Region's earlier estimates given to us in July, and the Five-Year Work Program figures prepared by the Regions last December as the basis for the FY76 budget.

2. On a Bankwide basis, the currently scheduled FY76 report work (or FY76 "Operations Program"), appears sufficient to meet the FY76 Work Program levels. The schedules allow for about the same amount of slippage and dropped reports as was experienced in FY75. The margins vary, however, by Region and are significantly larger for sector reports than for economic reports.

Work on Country Economic and Sector Reports  
FY76 Planning Levels

10/2

	Economic		Sector	
	No. of Completed Reports	FY76 Manyears <sup>a/</sup>	No. of Completed Reports	FY76 Manyears <sup>a/</sup>
Operations Program 9/30/75	106	112	103	66
Region's Estimate in July	85	NA	59	NA
December 1974 Work Programs	82	89	64	54

Margins for Slippage and  
Dropped Reports:

FY76 Program	23%	21%	38%	18%
FY75 Operations Program as of July 1974 vs. the End-Year Actual Result	26%	16%	44%	24%

<sup>a/</sup> Includes FY76 manyears for next-year reports as well as manyears needed in FY76 to complete the reports counted as finished in FY76.

OCT 3 1975

1872 To Dr. Chenery

Mr. Robert S. McNamara

- 2 -

October 1, 1975

It appears then that the changes in the economic work which you approved in August have not resulted in an increase in manpower requirements and that the level of inputs is closely aligned to the planned level of outputs.

3. Also attached is an analysis of economic and sector work in FY75. You may recall that, beginning in FY75, "Operations Programs" (i.e., deliberate overprogramming) were established for work on country economic and sector reports in order to represent more realistically the work in relation to the expected final outputs, and thereby not to repeat the shortfalls from planned output which had been experienced in past years. Although this was not entirely successful in FY75, the FY75 outputs were much closer to the work program figures than was the case in FY74. I want to draw your attention, however, to the disturbing finding in the analysis that the average elapsed time for report preparation has increased significantly in FY75. Despite the fact that the preparation time allowed in the original FY75 schedules matched the actual FY74 average preparation time, there were further delays in the preparation of reports and the average of report preparation time has again increased, by approximately one month. We intend to take up this subject with the Chief Economists and Program Coordinators.

Attachments

cc: Messrs. Knapp  
Chenery  
Baum  
Kearns

Please monitor  
"actual" vs  
scheduled dates,  
inform me if  
your reports  
will be late, &  
I action you have  
taken to overcome  
the problem.  
L. Brown

JFeldstein:mh

cc AK  
Hag  
10/3



## OFFICE MEMORANDUM

*McN  
catcher*

TO: Files

DATE: September 29, 1975

FROM: Hollis B. Chenery, VP, Development Policy

SUBJECT: Policy Analysis in the DPS

I discussed the general scope of policy analysis in the DPS with Mr. McNamara on September 17; Messrs. Stern and Karaosmanoglu were also present. We discussed:

- (a) the program of policy studies managed by the Policy Planning and Program Review Department;
- (b) an annual review of the prospects for the developing countries, under the responsibility of the Economic Analysis and Projections Department, to form a successor to reports No.477 and 802;
- (c) preparation of material for the annual Governors' Speech, based largely on (a) and (b).

The work on the three subjects clearly should be integrated. In this initial discussion each of the areas was only explored tentatively, and I promised to submit notes on each of them in about three weeks (say October 10) as a basis for further discussion.

Since a memorandum on policy work is in an advanced stage of preparation by Mr. Haq, we agreed to have a more detailed discussion after the memorandum was completed. It would cover both policy papers in preparation and propose new issues for attention.

DPS POLICY ANALYSIS

The following topics were discussed.

- ✓ 1. Poverty Questions. A substantial amount of work is expected to continue in this area, particularly under the Urban Task Force. A report from the Task Force is due October 15. The subject was not discussed further pending the report.
- ✓ 2. Trade Policy Issues. A number of trade issues from the UN Special Session will be pursued in the context of the preparation for UNCTAD next April. Mr. Avramovic will be responsible for this. Detailed assignments will be discussed with him when he returns in late October.

*- Mr. Haq expects*



- ✓ 3. Debt and Creditworthiness. A paper should be prepared (for internal use only) on the general debt problem of the LDC's, and longer term prospects by the Projections Department. (It was agreed subsequently that an outline for this study would be one of the UN Special Session follow-up papers due October 15. Mr. Tims).
4. Financial Sector. Mr. McNamara stressed his interest in exploring the role of the Financial Sector in development, including the institutional aspects of credit to small enterprises. We agreed to find out the status of work under Mr. Alter and to try to define an approach.
5. The Adjustment Problem. I proposed a comparative evaluation of the success of different groups of countries in adjusting to the changed world conditions following the oil crisis. It would cover internal resource mobilization, adjustments in the external sector and perhaps agricultural production. The desirability of such a study for internal use was agreed.
- ✓ 6. Food Production. Mr. McNamara brought up the question of plans for food production. It was pointed out that one of the policy papers under preparation would deal with this topic, and we would see whether further work needed to be done.

#### ANNUAL REVIEW OF DEVELOPMENT PROSPECTS

We discussed the desirability of an annual review of current performance and prospects for the developing countries along lines of the outline submitted to McNamara earlier. This would replace the analysis most recently done in R-802. McNamara thinks of it as a document to be used as a basis for policy discussions within the Bank and vis-a-vis the Board.

The paper would have some features that would be repeated each year and a final section in which different topics would be given special emphasis. The latter would typically be selected in relation to the President's speech to the Governors and for 1976 might include a discussion of internal resource mobilization or of Food Production. (McNamara suggested that it might also include progress on poverty programs, but whether this would be relevant for 1976 was not examined). A draft outline by Stern has been circulated separately.

#### GOVERNORS' SPEECH

We agreed that it would not be desirable to focus on another special topic such as rural development or urban

development because there was no obvious topic of this sort and it was undesirable to have too frequent a change in focus. McNamara mentioned that at some point he would like to return to the subject of population, but not in 1976.

I suggested that the speech should deal with the success of countries in adjusting to external disequilibrium including resource allocation. Stern suggested a slightly different focus, but covering the adjustment process. The speech topic would be resource mobilization. One part would deal with domestic aspects, including the financial structure, use of fiscal and monetary policies, supply and allocation of capital; a second part would cover external resources including export policies, creditworthiness and debt management and capital flows. The discussion of external capital would lead into a discussion of the role of the Bank in resource mobilization and outstanding issues on IDA and capital increases. We were asked to prepare an outline along these lines for further discussion.

cc: Messrs. A. Karaosmanoglu  
W. Tims  
M. Haq  
R. Gulhati  
J. Duloy  
S. Burmester  
W. Clark (for item (c))  
E. Stern

HBChenery:EStern:AKaraosmanoglu:gss

Mr. Robert S. McNamara, President


September 26, 1975

Hollis B. Chenery, VP, Development Policy

Industrial and Financial Market Activities

1. In his memorandum of September 16 Mr. Kearns indicates that you would like to meet to discuss his proposals for the organization of industrial and financial market activities in the World Bank. The proposals depend quite heavily on the view one takes regarding the report filed by Ed Mason, and before we immerse ourselves in organizational issues, I think it important that we have a substantive discussion on the way in which we expect Bank policy and work in these areas to evolve. The Mason report raises a number of issues which I do not believe should be accepted without further discussion.

2. I would therefore recommend that the first meeting deal with these substantive issues and that at a subsequent meeting we consider the organizational paper, revised as appropriate, to incorporate our substantive conclusions.

cc: Messrs. Knapp   
von Hoffman  
Baum  
Kearns

EStern/lb



ROUTING SLIP

Date

Sept. 17, 1975

NAME

ROOM NO.

Mr. McNamara

*1. HBC*

*2. McN notebook*

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

REMARKS

From

Hollis Chenery

cc: Times *delivered 8/17*INCOMING TELETYPE

1975 SEP 16 PM 1:20

(return)

DistributionMr. Morison

SEP 17 1975

*Mr. Chenery*

INTBAFRA WASH DC

SEPT 16 1975

INTBAFRAD PARIS

1937 ~~BERRIAN~~ *Hoffman*

TWO POINTS OF IMMEDIATE INTEREST CAME UP AT TODAY'S DAC AID  
REVIEW ON UK.

1. REFERENCE WAS MADE TO ANNEX TABLE OF MCNAMARA SPEECH SHOWING  
PROJECTED ODA FOR 1977. UK DELEGATION COMMENTED PROJECTION  
SEEMED PESSIMISTICALLY LOW WITH WHICH CHAIRMAN WILLIAMS CONCURRED  
ADDING THAT NOT ONLY WERE PROJECTIONS QUESTIONABLE BUT THEY WERE  
MORE PROPERLY CONCERN OF DAC WHICH AFTER ALL HAD ORIGINATED  
CONCEPT OF ODA AND HAD OVERRIDING RESPONSIBILITY IN THIS AREA.  
WILLIAMS INDICATED THAT THIS ISSUE WOULD BE A MAJOR TOPIC FOR  
DISCUSSION WITH CHENERY ON SEPTEMBER 24.

2. AS YOU PROBABLY KNOW IN JUNE 1975 UK ANNOUNCED THAT ALL ODA  
COMMITMENTS TO LDCS WITH A PER CAPITA GNP OF LESS THAN 200 DLRS  
WOULD NORMALLY BE ON GRANT NOT LOAN TERMS. ASKED HOW THEY  
INTENDED TO APPLY THIS CRITERION UK STATED BY REFERENCE TO WORLD  
BANK ATLAS. THIS SHOWS DATA IN ATLAS HAS IMPLICATIONS FAR BEYOND  
THE NARROWLY ECONOMIC WHETHER WE LIKE IT OR NOT.

REGARDS

CHERNIAVSKY

McN Notebook

SEP 14 1971

RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT  
ASSOCIATION

INTERNATIONAL FINANCE  
CORPORATION

4:30p

OFFICE OF THE PRESIDENT

9/16

To Messrs Baum  
Cheney

~~D King~~  
~~C Baum~~

1. Do you agree such a meeting would be worthwhile
2. If so, who should be our representative on the preparatory committee
3. Please draft a proposed reply. Done

cc: Gubata, P. King - call

See Oct. 10



# The Rockefeller Foundation

1133 AVENUE OF THE AMERICAS, NEW YORK, N.Y. 10036

JOHN H. KNOWLES, M. D.  
PRESIDENT

CABLE: ROCKFOUND, NEW YORK  
TELEPHONE: (212) 869-8500

September 12, 1975

Dear Mr. <sup>Bob</sup> McNamara:

As you know, the heads of the major donor agencies in the population field have met at Bellagio on three separate occasions, hosted by The Rockefeller Foundation. The question of a Bellagio IV has been raised with the Foundation and after informal consultations we recently brought together agency representatives for a comprehensive review of the matter, complete with appropriate documentation, and consideration of a possible agenda. That meeting, held on July 17-18 and attended by nineteen representatives from nine agencies, reached a general consensus and I was asked to write to you and the other agency heads to seek your reactions.

Briefly, the group concluded that a Bellagio IV was desirable. Bellagio III was held in May 1973 and a number of developments that affect our several programs have occurred in the intervening period, most notably the Bucharest Conference and the World Population Plan of Action. The Bellagio community could usefully exchange views on what the Conference and the adoption of the World Population Plan of Action, together with the follow-up activities, mean for donor programs. That occasion would provide opportunity for a sober appraisal of where the population field now stands and where it is and should be going. The field now appears to many people to be at something of a strategic watershed, and our full exploration of the problems could lead to a renewed sense of clarity, reaffirmation and commitment in the post-Bucharest spirit of locating population squarely in the context of development.

The central purpose of a possible Bellagio IV, as before, would be to advance our understanding of information and policies in the population field through a candid exchange based on careful documentation distributed in advance. It was thought particularly useful to try to conciliate the needs and wants of the developing countries with the views and resources of the donor community. This is particularly critical at this time since there appears to be a perplexing decision of allocation before us, given the anticipated scale of available resources. Such a meeting could focus on priorities among the emerging issues in the field, post-Bucharest. It was further agreed that such a meeting should not deal with specific program proposals, but might afford an opportunity for heads of international agencies to participate in intensive examination of the most important broad policy issues now confronting the field.

September 12, 1975

The informal group was clear that such a meeting could not be successful, and indeed should not be held, without the participation of a number of eminent and knowledgeable people from the developing countries who could further the understanding of the Bellagio community with regard to the present state of population activities in the diverse regions of the developing world. Moreover, it was felt desirable to include not only population experts from the donor agencies, as before, but also a few technical experts from the development field in general and from other sectors such as agriculture and education.


The group reviewed the other international consultations in population subsequent to Bucharest and agreed that they do not take the place of a possible Bellagio IV. At the same time, a Bellagio IV could benefit from the various consultations organized this year by U.N. agencies.

While the proposed meeting would be considered Bellagio IV, it could not be held at the Bellagio Study and Conference Center in Italy, as before, in view of the anticipated number (around 40) of participants. Accordingly, it would have to be held at another site, presumably somewhere in Europe. While there was not complete consensus on timing, it was considered that in view of the necessary preparation the meeting should not be held before late spring in 1976, to last about 2-1/2 days.

Finally, the group suggested that if enough agencies concurred that a Bellagio IV of this character would be useful, then an informal committee should be set up consisting of a representative from each agency which would in turn designate a steering committee of 4 to 5 members to prepare the agenda and materials for the session, after proper consultation. Accordingly, if you do concur, I would be grateful to have the designation of your agency representative.

The Rockefeller Foundation stands ready to host a Bellagio IV if that is the wish of the donor heads. You can of course secure more detailed information on the July 17-18 meeting from George Baldwin, Arturo Israel and Timothy King of your staff. Meanwhile, I look forward to hearing from you.

Sincerely yours,

  
John H. Knowles, M.D.

Mr. Robert McNamara  
International Bank for Reconstruction  
and Development  
1818 H Street, N.W.  
Washington, D.C. 20433

JHK:11

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT  
ASSOCIATION

INTERNATIONAL FINANCE  
CORPORATION

OFFICE OF THE PRESIDENT

August 19

HBC *seen*  
S/R

*cc: W. Clark  
Peking*

Mr. McNamara:

Mr. Stern has asked if you  
have made a decision on this  
paper. - O-Pol

ps

*8/25*

*OK for  
publication  
P. n. w.*





INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
WASHINGTON, D. C. 20433, U.S.A.

AUG 8 1975

OFFICE OF THE PRESIDENT

August 8, 1975

MEMORANDUM FOR MR. CHENERY

SUBJECT: Report on Country Economic Work - Your Memorandum of April 8, 1975

1. The Report on Country Economic Work is a good and useful Report, outlining a number of important problems, providing insights into their causes and containing a number of worthwhile recommendations that can be implemented immediately. I look forward to receiving an annual "state of the art" report on Bank economic work.

2. This memorandum responds to your request for approval of three general principles in Paragraph 5 of your April 8th covering memorandum transmitting the Report to me.

3. With respect to principles (i) and (ii), I am in general agreement with the proposed shift in emphasis and adoption of the frequency, focus and content proposed for the new Country Economic Memorandum and the Basic Economic Report with the following qualifications and modifications:

a) The Country Economic Memorandum is not to be considered as a substitute for the President's Report or the Country Program Paper, although it may be a major source for each. Each of these documents should continue to be "self-contained" with an economic section that is succinct, comprehensive and germane. Managers at all levels are responsible for insuring that excessive detail, polishing, editing and revision are eliminated, to the extent they exist, in President's Reports, CPPs, and Project Appraisal Reports. DPS on its own part should prepare appropriate guidance and instructions on the preparation of economic reports so that the staff will clearly understand the content and presentation requirements of the Bank for these reports.

b) In conjunction with installing the changed economic reporting system, plans should be developed for each country and incorporated in the CPPs as soon as possible. Future CPPs should contain a separate, brief paragraph indicating the status, coverage and knowledge gaps in economic and sectoral work in the country so as to provide a perspective for and justification of the proposed economic and sector work program for the five-year period which is to be shown in an attached program annex. Additionally, I would like to have prepared by October 1 a standard table indicating the proposed FY76 economic and sector work program for

each country arranged by Regional Offices. This is to be sent to me through P&B which is to review it against the approved FY76 "input" and "output" budgets. Upon approval of the program, DPS, in coordination with CPS and P&B, will be responsible for monitoring progress against the program and for providing me with quarterly progress reports.

c) With respect to principle (iii), I am agreeable to the proposed priorities/coordinating committee as further explained and modified by your memorandum of May 6, 1975. I do not believe it would be wise to take action at this time on your recommendation to strengthen the office of Regional Chief Economist or on the other problems raised in the Report on the management of country economic work. I have asked Mr. Kearns to organize proposals for dealing with this and related matters, taking into account the Report on Country Economic Work, his memorandum of April 4 to Mr. Haq on this subject, the Report of the Programs Functions Task Force (when completed), and such other fact-finding and analytical work as may be necessary. Mr. Kearns' proposals are to be ready by or before the end of this fiscal year.



Robert S. McNamara

cc: Messrs. Knapp  
Baum  
Adler  
Kearns  
Votaw