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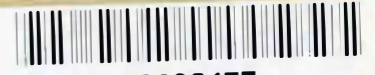
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Hollis B. Cheney papers - McNamara papers

1972 (July-Dec)



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Hollis B. Cheney Papers - McNamara discussions / notebooks / memoranda - 1972 (Jul
- December)

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JULY -
DECEMBER 1972

1/2 to Mr. Stern

HBC copy

OFFICE MEMORANDUM

I'll be happy to meet with you + Weiss upon his return.

TO: Mr. Robert S. McNamara

DATE: December 22, 1972

FROM: Ernest Stern *ES*

SUBJECT: Science and Technology Report

*in file of SC Advisor
Office of Sec. Advisor
same Advisor*

*you + Weiss
upon his return
L. Stern*

Attached is a draft of the report of the Science and Technology Advisor, Mr. Weiss. The report states his conclusions after a year of exploring the possible role of the Bank in the general area of Science and Technology.

file.

The report makes the following major policy recommendations:

country mission

1. That increased technical self-reliance in LDCs be made an explicit Bank objective and that country analyses should consider how this might best be accomplished.

Indonesia and Korea.

2. That the Bank promote research on appropriate technologies in areas specifically relevant to its own operations, and include technological considerations in its sector planning.

3. That the Bank assist in formulating global strategies for the solution of priority LDC technical research problems, and express its willingness in principle to provide financing for such research if other funds are not available.

*Committee just
Sisal*

4. That the Bank promote communication between the technological and the development communities.

no

Mr. Weiss is leaving on a mission to Indonesia on January 1. It would be useful if we could have a discussion on the report and its major recommendations before his departure.

Attachment

cc: President's Council

CWeiss/lm

Original returned to Mr. McNamara at Mr. Stern's request.

*DJ.
Mar 23*

Desk Memo

McNamara - Dec 1

I Sued Topic: Implementation of New Policies

A Evaluation of Area Economic Work

Reorganization beneficial
Shortage of capacity for routine reports
Limited capability for imaginative thinking

Revision of reports -

(B) Implementation

Pilot models - by sector

(C) Research Component of Projects

(1) DEP
① Valon - transport -

② * Population - Freedman (Michigan) - Cassen

* Monitoring - Hawkins names

Obstacles - management lacking -

Bank research -

→ Coverage by Pop. Council -

Beplcont ←

③

Sector Work Programs -



HBC

OFFICE MEMORANDUM

TO: Messrs. M. Haq, J.P. Hayes

DATE: November 21, 1972

FROM: Hollis B. Chenery VABC

SUBJECT: Possible Program Loan for Zambia

When McNamara was in Zambia last week, the possibility of a program loan was raised with him. The justification would be -- (a) the fall in the price of copper by some 30% in the past several years and (b) a large mine disaster which has cost several hundred million dollars in exportable production. McNamara said he was not impressed with the case on the basis of the copper price alone but the combination of the two events. He told the government that we would not consider the program loan until they had applied for an IMF standby, which they have agreed to do.

We are asked to consider the general case for such a loan jointly with the area department. Since this is potentially the second case under our export fluctuations policy and the first after the Board paper on the subject, I think we should conduct a careful examination of the precedents that would be set and other possible claimants. It will be a useful exercise for the Program Review Division, which should be prepared at short notice to answer such questions particularly in the area of program lending.

I wish you would jointly decide how you would like to handle this problem and I will then meet with you to discuss terms of reference.

cc: Messrs. E. Stern, W. Tims, O. Price

HBC:csm

OFFICE MEMORANDUM

TO: F I L E S

DATE: November 29, 1972

FROM: Hollis B. Chenery *HBS*SUBJECT: Discussion with McNamara on Policy Formulation
and Review

For sometime McNamara has been urging the establishment of advisory panels to review the Bank's policy in different sectors or toward particular problems (e.g., employment, rural development, etc.). He has now broaden this idea to encompass an international group that would review sector policies for development agencies in general. The closest model seems to be the review of educational policy that was sponsored by Ford and Rockefeller at Bellagio last year which he thought was quite successful.

In his present thinking, there would be a small staff to organize a series of panels on 8 or 10 principal problems in development. Some of these would be on a sectoral basis, others would cover intermediate technology or employment. Their purpose would be to periodically collect and evaluate the best thinking in the field based on both research and operating experience. They would then issue informal policy papers aimed at both the aid community and policy makers in developing countries.

McNamara tried this idea on Dave Bell and I gather that they ended up discussing the possibility of a consortium of Ford, IBRD, Canadian Research, etc. who might support such a group.

This topic will be on the agenda at the next meeting that we have with McNamara on the Bank's approach to policy.

cc: Messrs. E. Stern, M. Haq, P.P. Kuczynski



OFFICE OF THE PRESIDENT

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

A1221
OCT 31 1972

Lick



October 31, 1972

To: Mr. H. B. Chenery

Subject: Communications

Now that the reorganization has taken place we all need to be concerned that communications within the Bank be maintained and improved.

I have expanded the membership of the President's Council to include all Vice Presidents¹⁴ and others¹⁴ who report directly to me. The Council meets regularly on Mondays providing information and discussion on a wide variety of current policies, problems and activities. I have asked each member of the Council to hold regularly scheduled meetings with his key managerial staff who in turn must make sure that the staff for whom they are responsible are kept fully and promptly abreast of matters of major importance and concern.

*Reprints
(Adder)
Clark*

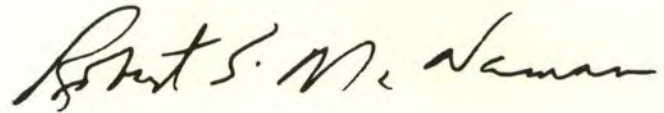
17?

Communication is a two way street. Those with management responsibility must inform their staff of important activities and provide understanding and amplification of policy and operational decisions taken by the Bank's management. These managers must also be sensitive to and seek information from their staff on matters of concern and any felt needs for policy guidance and clarity.

In addition to the expanded President's Council, I want to meet regularly with those members of the staff who serve as department directors. I will therefore hold a Department Directors Meeting in the Board Room at 10:00a.m. on the first Monday of each month, starting November 6. This meeting will discuss topical matters of interest and importance which have an impact on overall Bank activities. An agenda will be circulated in advance of each meeting and the items to be covered will be selected from suggestions made by those attending. Each member of the meeting should provide his suggestions to the Director, Organization Planning Department, on the Tuesday preceding the scheduled meeting date.

Additionally, I intend to make it a practice to drop in from time-to-time on staff meetings of the major units of the Bank in order to participate in and learn from the discussions which take place at such meetings. I have encouraged the members of the President's Council to do likewise with respect to staff meetings held within their own organizations and also to extend invitations to their Council colleagues to attend some of their own meetings and seminars when they are of special interest.

Let me underscore the importance I attach to proper communications within an institution such as ours. Each staff member of the World Bank Group needs to have a full and complete understanding of the Bank Group's objectives and the policies and programs undertaken to attain these. All of us with management responsibilities must find ways to provide this understanding to the staff and must also be continuously sensitive to any problems or concerns the staff might have with respect to Bank Group policies and programs.

A handwritten signature in dark ink, reading "Robert S. McNamara". The signature is written in a cursive style with a large, sweeping initial "R".

Robert S. McNamara

OFFICE MEMORANDUM

TO: FILES

DATE: November 1, 1972

FROM: Hollis B. Chenery *HBC*SUBJECT: Discussion with McNamara of Primary Exporters Study

Hayes and I spent 15 minutes reviewing with McNamara the scope of the Board paper on primary exporters. McNamara agreed that there should be a fairly broad treatment of the problem including the following topics.

1. Diagnosis of the export limitation. There should be a clear non-technical exposition of our finding that it is slow growth rather than fluctuations in exports that is the heart of the problem. This section will conclude that the main remedies lie in the ultimate acceleration of exports rather than in short-term stabilization.
2. Trade agreements. McNamara would like to include a section on the scope and limitations of trade agreements and their implications for Bank investment. His own feeling is that the Bank should have in mind some idea of the optimum growth of production of primary commodities and should not contribute to excess production particularly of commodities requiring considerable investment which is difficult to reduce.
3. Framework for Bank action. We take as the basic assumption the allocation of a given amount of IDA funds. McNamara endorsed my summary statement that the general conclusion of the analysis should be to favor the countries suffering from the disability of poor export prospects but not to specifically relate the action only to exports. The framework is that of country programming rather than a specific reservation of funds for one aspect of development such as the SFM proposal. In other words, the Bank reacts to the problem in its overall allocation of soft funds rather than in any particular use of these funds.
4. Timing. McNamara did not indicate any interest in seeing a draft before he leaves for Africa. We therefore will plan to have the draft of the Board paper ready about the time of his return on November 20.

cc: Messrs. E. Stern, J.P. Hayes

HBChenery:csm

Mc Namara
Oct 13, 72

A G E N D A - *Reorganization*

- A. Personnel - *accepted*
 - . P.P. Kuczynski - Policy Planning D.
 - . R. Gulhati - DD/Econ. Dept.
 - . A. Stevenson - D/Econ. Dept. - time limited
 - . Confirm Tims as DD/EAPD

- B. Organizational Titles
 - . ✓ Confirm title of ^{*Development*} Economics Department
 - . ✓ Confirm title of Economic Analysis and Projections Department
 - . ✓ Confirm title Senior Adviser, Development Policy
 - . ✓ Inform about not going ahead with World Economy Division

- C. Slots - *needed*
Requirements for ^{*147*} 150 professional positions

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara *AKZ*
(through Hollis B. Chenery)
FROM: J. P. Hayes *JPH*

DATE: October 25, 1972

SUBJECT: Revised Formats for CPP Attachments 3 and 4 ("Indicators of Development" and Long-Term Public Debt Projection")

- 10/30 To Messrs Chenery + Knoff*
1. Expedient - let's start using in the CPP's immediately
✓. Should not these schedules also be used in the President's Reports submitted projects to the Board.
you designed please arrange to start using them in the Pres' Reports immediately.
Shaw
1. Herewith are the proposed new formats for the CPP attachments covering social and economic indicators, aid flows and debt projections. Unless you have asked to approve these before they are put into use.
 2. The set consists of three components:
 - a) the Social Indicators Data Sheet (3.a) which in addition to data on the country concerned, also contains comparable data on selected other countries; this sheet will be prepared by the Economic Analysis and Projections Department in order to assure intercountry comparability and appropriate selection of comparison countries;
 - b) the Economic Development Data Sheet (3.b) which contains the major indicators of growth, investment, savings and international trade and combines a historical perspective with projected values of these indicators;
 - c) the Balance of Payments, External Assistance and Debt Projections Sheet (4) which, consistent with the presentation of attachment 3.b, provides projections of capital flows, debt and debt service including information on the Bank/IDA lending program.

Much of the attachments 3.b and 4 will be summarized from the specially designed CPP system for economic projections. The conceptual framework and the computer routines of the CPP system constitute a way of using the data resources of the Development Policy Staff in combination with the information and judgment of the country economists in the Regional Departments in a consistent manner. The system is designed to produce historical and projected country economic data in a form suitable for intercountry comparison and for regional and global aggregations. This system is now ready for operation and will be put to use once your approval is obtained for the draft formats attached.

3. Although the CPP's are part of the program planning process that is now under review by Mr. Kearns and his colleagues, it is highly desirable to introduce the proposed changes immediately and to use the "CPP System" during the balance of this review cycle. There is little doubt about the Bank's continuing need for data such as are summarized upon these draft attachments. It is highly desirable to gain some experience with the "CPP System" implicit in the accompanying formats before detailed procedures are prepared for the next fiscal year. While the changeover to the

October 25, 1972

standard conceptual framework of the "CPP System" places some additional work on the country economists in the Regional Offices, the system is designed to provide maximum support from both computer facilities and other parts of the Development Policy Staff. The change is needed to strengthen our capacity for analyses dependent upon intercountry comparisons and aggregations of country data.

4. The social indicators format is largely self-explanatory; the main changes are a broadening of the list of indicators and the inclusion of data on selected reference countries as well as a time dimension on the country under study. In the economic development data sheet we have added information on the commodity composition of trade, on public finances (current budgetary as well as investment program expenditures) and on trends in production, employment and output per worker in the principal sectors of the economy. The remainder of Attachment 3.b and all of Attachment 4 cover the same ground as the old Attachment 4, but do it in what we believe is a more useful fashion. I attach a "Note on the Revised Economic Tables to Accompany CPP's" which discusses the changes introduced.

Attachments

cc: Messrs. Adler, Stern, Haq, Tims, Holsen, McPheeters, Carter

10/19 To Dr. Chenery OCT 20 1972

2329

OFFICE MEMORANDUM

*As we discussed
briefly on 10/13/72*

TO: Mr. Robert S. McNamara

DATE: October 12, 1972

FROM: Hollis B. Chenery *HBC*SUBJECT: Five-Year Cycle of Economic Reports*Where we need a 5%
Program for the Economic
Work of the Regions. Let's
add to the A/B/C classification
until we get at - RSW*

1. John Adler noted in his memorandum to you of October 2 on the above subject that the Central Economic Staff had indicated reservations about the use of the A/B/C country classification and the scheduling of all economic reports for a full five-year period. These reservations are the following:

- (a) The country classification served a useful purpose in focusing economic work of Area Departments according to the relative importance of countries. However, the new system of economic work is designed to husband scarce resources differently, by way of the scope and intensity of similar work done in different countries rather than through differing frequencies. The mechanism through which monitoring now takes place is the program of economic work, submitted for review annually as an attachment to the CPP;
- (b) The new reporting system is designed to provide for greater variety in the tasks to be undertaken, depending on the importance of each country and on the state of the Bank's knowledge of the country's position and development prospects. Sector surveys and special studies are frequently more useful to the Bank and outside users of the reports than are updating economic reports. The listing of only basic and updating missions thus provides an incomplete picture of the actual work programs;
- (c) It is only possible to project a complete program of work for a five-year period in a mechanical way. The latter approach can be of only limited value to management as it does not present an adequate picture of the work that will have to be done, either in terms of scope or manpower requirements. Nor does it recognize the need for flexibility in programming economic work, which is essential in order to be innovative and to enable timely adjustments of the programs when the country's prospects undergo significant changes.

*I do not
agree**I do not
agree*

2. As an alternative, I propose that the country work programs which are attached to the CPP's be used as the basis for management decisions on the use of staff resources for economic work. At the end of each review cycle, i.e. in April of each year, a summary of these work programs for the two subsequent years can be prepared with estimates of staff resources needed for their implementation, availability of staff in the initiating departments and where possible also indications of relative priorities. Projections beyond two years can be made on a more indicative basis, as at present.


cc: Mr. A. Ljungh

WTims/HBChenery:csm

OFFICE MEMORANDUM

JUL 11 1972

TO: Mr. Robert S. McNamara

FROM: J. P. Hayes 

SUBJECT: Work Done for Executive Directors.

DATE: July 12, 1972

1. At your Senior Staff Meeting on May 9, Messrs. Chenery and Benjenk raised the question of the possibility of streamlining work done specifically for Executive Directors. You asked them to investigate and to make recommendations. In view of the tight budget for the present fiscal year and the need to concentrate effort to the maximum on operational decisions and development of Bank policy, Hollis felt that we should make a general review of work done for EDs, routine work as well as ad hoc tasks, in order to identify any possibilities of streamlining wherever they may occur.

2. We accordingly canvassed the Directors of Area, Projects, Development Services, and Programming and Budgeting Departments and Central Economic Staff (but not other Departments, including Secretary's, Legal, Treasurer's, etc., on the grounds that the issue for these would be rather different). Hollis has seen the attached summary of the replies, and asked me to send it to you with my general comments. Mr. Benjenk, being away, has not had the opportunity to add his reactions, and may wish to comment further on his return.

Sector Program Papers and Policy Papers

3. I conclude that much of the additional work in preparing documents to go to the EDs results from particular policy decisions -- e.g. to send to the Board the Sector Program Papers, to prepare a paper on the future scale of IBRD lending. Once the decision has been made, it follows that a certain amount of work in editing and presentation has to be done.

Project Reports

4. Given the increased coverage of the President's Reports on projects, it has been suggested that staff time may be saved by eliminating the grey cover version of appraisal reports or reducing the amount of work done in transforming green to grey cover appraisal reports. However, most of the time spent in this way has to be spent anyhow for purposes of loan administration and is not therefore directly connected with the Board. The grey cover version reflects the final definition of the project, its cost, the items to be financed, agreed conditions, etc., resulting from the negotiations. It may also contain changes made as the result of the Loan Committee consideration of the green cover version. The grey cover version is needed as an internal document for the purposes of supervision; it is also needed by those responsible for carrying out the project in the borrowing country.

5. The suggestion that appraisal reports should be simplified for the Board would require more work than the present practice of converting green cover appraisals into the grey cover version. The further suggestion that management issues arising from appraisal reports should be treated in separate operational memoranda is not practical, since management issues are intimately related to, and part of the appraisal report.

6. On a related subject, it is clear that the preparation of appraisal reports has been complicated by a number of undertakings for additional information or analysis, made in response to comments in the Board. While extra work is involved, this is regarded as the normal result of refining and making more comprehensive our techniques of appraisal.

7. The main scope for streamlining thus appears to be in updating country economic reports and in holding down the amount of work done in response to particular requests from EDs.

Country Economic Reports.

8. With the preparation of Basic Economic Reports on the one hand, and President's Reports on projects on the other, there is scope for the streamlining of updating country economic reports, particularly for the smaller countries when there have been no major developments. Program Review Division is looking into this with the help of some of the Area Department Chief Economists. When Mr. Tims returns from home leave, we intend to make some recommendations for the re-shaping of country economic work within the new framework of Basic, Updating and Special Reports.

Ad Hoc Questions from EDs.

9. It sometimes happens that a particular request from an ED, in the Board or direct to a member of the staff, leads to a large and time-consuming job. A case in point is a recent request from Mr. Rinnooy Kan about the effects of exchange rate changes on developing countries. It is a matter of policy how much work to do on requests of this type. It might be useful if responsibility for deciding how such requests should be handled were vested in one of the Vice Presidents. Alternatively this function could be handled by Mr. Chadenet for Projects Departments, Mr. Knapp or his nominee for Area Departments and Mr. Chenery for CES.

Attachment

cc. Messrs. Knapp, Chenery, Demuth, J.H. Adler, Chadenet, Henderson, Stern, Tims, Payson.
Directors, Area and Projects Departments.

OFFICE MEMORANDUM

TO: Mr. J. P. Hayes

DATE: July 11, 1972

FROM: Mr. M. H. Payson

SUBJECT: Management Undertakings to the Board

1. The following evaluation of the incidence of material prepared for the Board during FY 1972 on staff resources and related suggestions are based on replies to Messrs. Chenery's and Benjenks' memorandum of May 18, requesting Departmental cooperation in reviewing the priority of and procedures governing documentation for the Board. Responses were received from all addressees (Area, Projects, Economic Program, Economics, Development Services, P & B, and Secretary's) but according to their own estimates the Departments most involved in undertakings for the Board were Projects (332 man months), Area (224 man months) and Central Economic Staff (109 man months). The ensuing discussion follows the format proposed in the May 18 memorandum.

Routine Documentation (President's appraisal, and economic reports)

2. More than half of the staff time spent on Board-related tasks is attributable to the preparation of routine documentation, e.g. President's reports, moving appraisal and economic reports from green to gray, monthly operational summaries and verbal presentations. As one would expect, the bulk of the Area Departments' time is spent on the preparation of President's reports and of Projects Departments' time on the conversion of appraisal reports from green to gray. Estimates of the cost in man days of this process range from a low of five (5) days per appraisal report in the case of Education Projects to a high of 40 in the case of Population Projects. Other Projects Departments suggest that it takes about 15 man days. The transformation of economic reports from green to gray is not considered to be particularly time consuming, but a number of comments were received concerning the frequency and scope of economic reporting, and the need to systematize the economic input into economic reports, CPPs and President's reports.
3. A recurring theme expressed by many of the Departments is the relationship between the President's and the appraisal report. Are both really necessary for the Board, particularly in view of the new self-contained format of the President's report? (The new format is estimated to require an additional $3\frac{1}{2}$ - 8 man days per report.) Suggestions on this issue are:
 - Eliminate the gray version of the appraisal report, using it only as a working paper in green cover, and have the Projects Department prepare the projects sections of President's reports.
 - Simplify appraisal reports and circulate them to the EDs only after Board presentation, except in the case of large or unusual projects.
 - Retain the gray cover, and write all appraisal reports keeping their audiences (EDs and member governments) in mind, with brief operational memos concerning management issues prepared independently.

- Have brief President's reports focused only on country economic conditions and Bank operations, avoiding summaries of appraisal reports.

4. Concerning the content of both appraisal and President's reports, several times during the course of the year management agreed to incorporate supplementary information or data in all future routine reports. A number of Department Heads indicated that the information now required as a matter of course substantially increased the report writing burden. They suggested more caution in agreeing to requests by EDs to include additional information in appraisal and President's reports.
5. With respect to economic reports there appears to be general appreciation among the Area Departments of the movement towards fewer routine reports. A working party is at present reviewing the economic reporting system and a separate memorandum will be prepared on this subject. Specific suggestions from Area Departments in response to the May 18 request are:

- Limit the output of some updating missions to the economic sections of President's reports and CPPs.

- Prepare "three in one" multi-purpose economics drafts to serve as the Summary and Conclusions of E.R.s and the economic sections of CPPs and President's reports.

Ad hoc work done primarily for Management but also serving the Board (for example, sector program papers, Scale of IBRD Financial Operations)

6. Evidently managerial requests will generate work, and the questions of how much and when are issues of policy. For the record, during the past year the burden of this category fell almost entirely on Projects Department (116 man months) and C.E.S. (50 man months) owing particularly to the preparation of the sector program papers, and such efforts as the policy papers on employment and on the scale of financial operations. A list of papers on which Projects Department worked during FY 1972 is attached. For the most part these efforts are seen by the Departments as reasonable and needed by management irrespective of the Board. Specific suggestions are:

- More reasonable deadlines

- More careful thinking out of appropriate approaches to such undertakings as the Columbia Operations Evaluation Report.

- Phase management assignments to coincide with slack periods in routine activities.

Ad hoc work arising out of requests in or Management Undertakings to the Board

7. The incidence of this category was mainly on Projects Department (45 man months), C.E.S. (24 man months), and P & B (21 man months). The category includes such undertakings as the papers on aviation projects, preferential tariffs and bank procurement, the effects on debt of currency realignments, and international competitive bidding for civil works. It is suggested that:

- Management consult with the relevant staff about what material should be provided in answer to each request, before making firm commitments.

- As in the foregoing phase ad hoc undertakings to coincide with slack periods in routine activities.

Requests received directly from individual EDs

8. The estimate of work attributable to direct requests to staff members from EDs is particularly tenuous, but it appears that Projects Department spent the most time on them followed by Area Departments and C.E.S. Area Departments consider responding to such requests part of their normal responsibility, including the preparation of briefing papers for ED travel, verbal replies prior to Board meetings, and special briefings on operations. The bulk of Projects Department time in this category, including that of senior staff, was spent answering requests on procurement or bidding. Such information has no relevance to the formulation of policy or operational decisions. Suggestions:

- Establish a liaison office to respond to procurement questions.
- Limit departures from international competitive bidding.

Conclusion

9. Most of the departmental interest focuses on the appropriate form, content and audience of routine reports. The movement towards fewer routine economic reports seems generally appreciated, but there is ambivalence towards eliminating the distribution of appraisal reports to EDs and hence to member governments. Concerning the incidence of ED requests, to the extent possible management should consult with the staff concerned before committing it, and should phase ad hoc assignments to coincide with slack periods in routine activities. The Departments indicate that procurement questions are somewhat of a nuisance and could perhaps be handled otherwise, but generally appear to accept ED and Board-related assignments as a normal consequence of staff functions and responsibilities vis-a-vis representatives of the owners of the Bank. Channeling requests through a centralized office at the vice-presidential level might help to systematize their incidence on staff time.

cc: Wouter Tims

MPH:sw

Table I PROJECTS DEPARTMENT, FY 1972

Ad Hoc Work Done Primarily for Management but Also Serving the Board

<u>Sector Working or Program Papers</u> ^{a/}	<u>Manweeks</u>
Education	12
Transportation	15
Agriculture	58
Water Supply	
Power	108
Telecommunications	
Mining	48
Industry	4
Urbanization	16
Population	56
Tourism	11
(Subtotal)	(327)
<u>Other Papers or Notes</u>	
Colombia Evaluation	69
Brazil Country Review	1
Employment	5
FAO/CP	1
Grant to International Agriculture Research	6
Miscellaneous	<u>54</u>
(Subtotal)	(136)
<u>Total</u>	<u>463</u>

Ad Hoc Work Arising Out of Requests In or Management Undertakings to the Board

	<u>Manweeks</u>
Aviation Projects	37
International Competitive Bidding for Civil Works	44
Project Supervision	18
Preferential Tariffs and Bank Procurement	29
Middle East Agriculture	1
Livestock Lending in Latin America	2
Review of Procurement Practices and Procedures	41
Supervision of Brazil Steel Expansion	NA
Status of Congo Potash	NA
Resources Inventory by Satellite	NA
Other	8
<u>Total</u>	<u>181</u>

^{a/} Several of these were begun in FY 1971. The figures given are intended to represent FY 1972, only.

Table 2
 Man Months of Work Attributable
 to Board Procedures and
 Management Commitments
 during FY 1972

	<u>Area</u>	<u>Projects</u>	<u>C.E.S.</u>	<u>Development Services</u>	<u>P&B</u>	<u>Other Departments</u>	<u>Total</u>
(A) Routine Documentation	184 ^{a/}	140	32	neg	neg	NA	356
(B) Ad hoc work primarily for management but also for Board	8	116	50	neg	1	NA	175
(C) Ad hoc work arising out of requests in or Manage- ment undertakings to the Board	8	45	24	4	21	NA	102
(D) Requests received directly from individual EDs	24	31	3	neg	neg	NA	58
<u>Total</u>	<u>224</u>	<u>332</u>	<u>109</u>	<u>4</u>	<u>22</u>	<u>NA</u>	<u>691</u>

^{a/} Of which 113 is allocated to the preparation of President's Reports and 71 to moving all reports from green to gray plus other routine documentation and Board presentations.

neg = negligible

Source: Departments named above.

Note: Not all area departments gave man month estimates, and totals were calculated by applying averages of those providing them to those not providing them. The relationships between the categories are probably reasonably realistic, but the absolute values are subject to a substantial margin of error.

M. Cherny

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: July 11, 1972

FROM: Ernest Stern

JUL 11 1972

SUBJECT: Study on U.S. Overseas Investment

I talked to Fred Bergsten, as you requested. The study on U.S. overseas investment, described in the attached, is still in the design stage. Work is scheduled to start after Bergsten returns from his vacation, in August.

Tentatively, he is planning a book with a chapter each dealing with the major economic and foreign policy aspects of U.S. foreign investment. There will be chapters on the impact on U.S. employment, the balance of payments, trade, political relations as well as the impact on development. The book is not limited to U.S. investment in developing countries and, given the distribution of U.S. foreign investment and Fred's interests, the emphasis will be on a) Europe, b) the effects on the U.S. of capital outflow. The book's objective is to propose a U.S. policy on foreign investment - something that is lacking at the moment.

I will stay in touch with Bergsten and keep informed on his work. However, the overlap with our direct interests is likely to be small.

6/28 To Dr. Cheney
Please ask Fred Bergsten
discuss with Fred Bergsten his
study on private investment report

manpower questions. On the recommendation of a special visiting committee (consisting of James Killian, Paul Nitze, Charles Rossotti, Matthew B. Ridgway, and Henry Rowen), the program will attempt in the next three years to expand the focus of the defense studies well beyond technical strategic questions which were the main concern of the early research to include matters of broad foreign policy. To this end staff members from other parts of the program heretofore concerned primarily with foreign policy issues will be assigned to and integrated within each defense policy study project.

Report
and
how
it
relates
to our
work.
L. Chen

As in the past, Brookings will emphasize a variety of means to maximize the impact of their defense studies. In addition to producing books and papers the staff will deliver lectures, testify before Congress on request, and, in particular, conduct a seminar on national security policy for Congressional staff personnel. Typically this seminar contains twelve Congressional aides of differing viewpoints and both political parties. It meets for dinner eight times per year.

As evidence of the respect in which the defense policy studies are held inside and out of government, it may be noted that the Senate Armed Services Committee has entered into a relationship with Brookings wherein staff members serve for brief periods with the committee while on leave. There is some possibility of a formal contract with the Committee in future.

Foreign Economic Policy Studies (\$215,000 over three years).

This segment of the program has been significantly strengthened in recent months by the appointment of Philip Trezise, formerly Assistant Secretary of State for Economic Affairs, and C. Fred Bergsten, formerly on the staff of the National Security Council. It is proposed that five projects in this area be supported from the recommended appropriation. The first of these is for American participation in a series of trilateral conferences among economists from North America, Western Europe and Japan. The initial conference was held at Brookings in December, 1971 on the broad topic of reshaping the international economic order and the second will be held in Belgium in November, 1972 on economic relations between the developed and less-developed nations. The third, on the renegotiation of textile and sugar agreements, and the fourth, on energy problems, will be held respectively in the spring and fall of 1973. It is expected that two conferences of this type per year, with background studies prepared carefully in advance, will be held during the three-year period.

The two studies of overseas private investment and of adjustment assistance would be carried out by Fred Bergsten and Charles Frank respectively. The first would attempt to cast light on the significance for donor and recipient countries of international capital flows and it would discuss the policy implications of this phenomenon. The second would explore means of alleviating