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McNamara Papers

Mr. McNamara's Chronological file (Incoming)
from January - December, 1974

The World Bank Group
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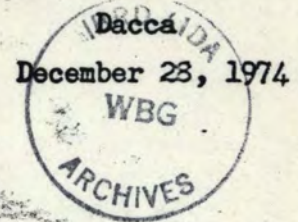
President's papers - Robert S. McNamara Chronological files (incoming) - Chrons 11

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Translation

Mr. Burmester
491/3/23
Prime Minister



Dear Mr. President,

Thank you for your letter dated December 5, 1974. I share with you the feelings expressed in your letter and I am glad that we have been able to establish an atmosphere of constructive partnership between the Government of Bangladesh and the donor countries which are engaged in development efforts in Bangladesh. I am happy to note that the first meeting of Bangladesh Aid Group marked a significant step in the continuing dialogue between us and the donors.

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I am vitally interested, as you are, in ensuring an expeditious and effective use of development assistance in Bangladesh. Therefore, methods and procedures of aid disbursement by both the donor and the recipient agencies should be reviewed so that, wherever possible, they are simplified and streamlined. We on our part would certainly welcome an opportunity to review along with the donors, the problems of speedy disbursement. We have systematic and regular meetings, under the auspices of the Planning Commission, of the implementing agencies and Ministries in order to identify bottlenecks and to speed up the execution of projects. Whenever necessary, the donor agencies have been associated with these review meetings. We intend in the months ahead to further strengthen the review procedure for the implementation of development projects.



Prime Minister

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As far as the IDA projects are concerned, your suggestion of monthly meetings about the execution of projects between our representatives in Washington and your staff is welcome. I will instruct my officials in Bangladesh to have regular meetings with your local representatives to review the progress of implementation of IDA projects.

I am aware of the discussion in Paris concerning the state of negotiation between the Government of Bangladesh and the International Monetary Fund. The evolving economic and monetary situation in Bangladesh is kept under constant review. As you would appreciate, the issues are far from simple; they involve inter-related questions, encompassing the quantum and nature of expected aid flows, domestic inflation, acute scarcity of critical imports and appropriate exchange and monetary policies. I think the prevailing acute shortage of imports and essential goods and services in Bangladesh severely limits flexibility and restricts the scope of policy options.



Prime Minister

Page 3.

However, we hope to continue the dialogue with our donors as well as with the IMF on the whole range of development problems of Bangladesh.

With good wishes,

Yours sincerely,

(Sheikh Mujibur Rahman)

Mr. Robert S. McNamara,
President,
International Bank for Reconstruction
& Development,
Washington D.C.,
U.S.A.



প্রধানমন্ত্রী
ঢাকা,
ডিসেম্বর ২৮, ১৯৭৪

প্রিয় মিঃ প্রেসিডেন্ট,

আপনার ১৯৭৪ সালের ৫ই ডিসেম্বরের চিঠির জন্যে ধন্যবাদ। আপনার চিঠিতে ভাব ও ভাষার যে অনূর্নিহিত অভিব্যক্তি তার সংগে আমি একমত। বাংলাদেশ সরকার এবং বাংলাদেশের উন্নয়ন কার্যক্রমে সাহায্যদাতা বিভিন্ন দেশের মধ্যে আমরা একটি গঠনমূলক অংশীদারত্বের পরিবেশ সৃষ্টি করতে সক্ষম হওয়াতে আমি সবিশেষ আনন্দিত। সাহায্যদাতা গোষ্ঠীর প্রথম বৈঠকে আমাদের ও তাদের মধ্যে অব্যাহত আলাপ আলোচনার ক্ষেত্রে যে তাৎপর্যপূর্ণ অগ্রগতি সাধিত হয়েছে তাতে আমি খুব খুশী হয়েছি।

বাংলাদেশকে প্রদত্ত উন্নয়ন সাহায্যের দ্রুত ও ফলপ্রসূ ব্যবহারের নিশ্চয়তা বিধানে আমিও আপনার ন্যায় গভীরভাবে আগ্রহী। অতএব, আমি মনে করি যে এই সাহায্য কার্যক্রমের দ্রুত ও দক্ষ বাস্তবায়নের স্বার্থে সাহায্যদাতা ও সাহায্যগ্রহীতা সংস্থা সমূহের মধ্যে যেখানে সম্ভব এই সাহায্য বন্টনের পদ্ধতি ও প্রক্রিয়া সম্পর্কে মাঝে মাঝে পর্যালোচনা হওয়া উচিত, যাতে এই কার্যধারা সহজ ও সুসংহত করা যায়। আ মাদের পক্ষ থেকে এই সব সাহায্যের দ্রুত বন্টনের সমস্যা সমূহ দাতা দেশগুলোর সংগে পর্যালোচনা করার সুযোগকে আমি অবশ্যই অতিনন্দন জানাবো। বিভিন্ন প্রকল্প কার্যকর করার পথের বাধাবিপত্তি নির্ণয় করে বাস্তবায়নকে ত্বরান্বিত করার জন্যে পরিকল্পনা কমিশন, বাস্তবায়ন সংস্থা সমূহ এবং বিভিন্ন মন্ত্রণালয়ের যৌথ উদ্যোগ সুনির্দিষ্ট ও নিয়মিত বৈঠকের ব্যবস্থা আমাদের রয়েছে।



প্রয়োজনবোধে সাহায্যদাতা সংস্থাগুলোও এইসব সমীক্ষা বৈঠকে শরীক হয়ে থাকেন। উন্নয়ন প্রকল্প সমূহ বাসু বায়নের জন্য এই পর্যালোচনার পদ্ধতি আগামী মাসগুলিতে আরো শক্তিশালী করার ইচ্ছা আমরা পোষণ করি।

আনুষ্ঠানিক উন্নয়ন সংস্থার প্রকল্প সমূহের বাসু বায়নের বিভিন্ন দিক বিচার বিবেচনার জন্যে ওয়াশিংটনে অবস্থিত আমাদের প্রতিনিধি ও আপনার কর্মচারীদের মধ্যে প্রতিমাসে বৈঠক অনুষ্ঠানের যে সুপারিশ আপনি করেছেন তাতে আমি স্মরণতঃ জানাই। এই সব প্রকল্প বাসু বায়নের অগ্রগতি সম্পর্কে আপনার স্থানীয় প্রতিনিধিদের সংগে নিয়মিত পর্যালোচনা করার জন্যে আমি আমার সরকারের কর্মচারীদের নির্দেশ দিব।

বাংলাদেশ সরকার ও আনুষ্ঠানিক অর্থতহবিলের মধ্যে প্যারিসে অনুষ্ঠিত বৈঠকে আপনাকে আলোচনার ফলাফল সম্পর্কে আমি অবহিত রয়েছি। বাংলাদেশের সার্বিক মুদ্রা ও অর্থনৈতিক পরিস্থিতি নিরন্তর পর্যালোচনাধীন। আপনিও সূচীকার করবেন আপাতঃ দৃষ্টিতে সমস্যা যতটা সহজ মনে হয় তিক ততটা নয়। এই সমস্যার সংগে আনুষঙ্গিক আরও বহু বিষয় বিজড়িত। ভবিষ্যতে কি পরিমাণ সাহায্য বাংলাদেশ আশা করতে পারে, তার ধরণধারণ, আভ্যন্তরীণ মুদ্রাস্ফীতি এবং অত্যাবশ্যকীয় আমদানী পণ্যের নিদারুণ দুর্গাপ্যতা, যথায়োগ্য বৈদেশিক মুদ্রা ও মুদ্রানীতি প্রভৃতি এইসব সমস্যার সংগে অংগাংগীভাবে জড়িত। বাংলাদেশ আমদানীপণ্য, অত্যাবশ্যকীয় দ্রব্যসামগ্রীর নিদারুণ যুক্ততা নীতি নির্ধারণের ক্ষেত্রে ভীষণভাবে সীমিত করে পরিবর্তনযোগ্য পরিধিকে সংকুচিত করেছে।



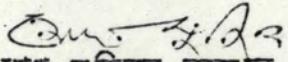
প্রধানমন্ত্রী

- ৩ -

যাহোক, বাংলাদেশের উন্নয়ন সমস্যা সমূহের সমগ্র পরিধি নিয়ে সাহায্যদাতা দেশসমূহ তথা আনুষ্ঠানিক অর্থ তহবিলের সংগে আ মাদের আ নাপ আলোচনা অব্যাহত থাকবে বলে আমরা আ শা করি ।

শুভেচ্ছান্তে,

আপনার বিশ্বসু,


(শেখ মুজিবুর রহমান)

২৬-১০-৭৪

মিঃ রবার্ট এস. ম্যাকনামারা,
প্রেসিডেন্ট,
আনুষ্ঠানিক পুনর্গঠন ও উন্নয়ন ব্যাংক,
ওয়শিংটন ডি.সি.,
যুক্তরাষ্ট্র ।

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Mr. M. Weiner

December 24, 1974

Leonard Weiss

DECLASSIFIED
LETTER NO. 226
CONFIDENTIAL
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RD/IDA

Initial Activities in Dacca

This memorandum reports on my initial activities in Dacca. It covers events prior to my meeting with the Prime Minister on December 24, reported in my cables 2096 and 2097.

I. General

1/6

My initial activities centered on preparation for meeting with the Prime Minister, who at the time of my arrival was away on an official visit to Abu Dhabi. With him were two of the key officials, the Foreign Minister and Nurul Islam, whom I had hoped to see before the Prime Minister. (The Foreign Minister as well as Nurul sits on the Prime Minister's National Economic Council, and I was advised by Sattar, the Prime Minister's Economic Adviser, that the Prime Minister places considerable store on the Foreign Minister's advice on economic questions, and that I should thus try to see him in addition to Nurul.) With these principals absent, I met with Syeduzzaman and Sattar and engaged in an intensive round of discussions with Ambassadors, High Commissioners, Charge's d'Affaires and principal aid or economic officers of the leading donor countries, the U.K., U.S., Germany, Japan, Canada, Australia, Sweden. I also met with the Fund and UNDP Resident Representatives.

Subsequent to these discussions and before the meeting with the Prime Minister I had an extended session with Nurul Islam. I also had an appointment with the Foreign Minister, which he had to cancel at the last minute due to a health emergency. A new date is to be arranged, probably sometime after the holidays.

II. Donor Meetings

In my meetings with the donor countries, which I held individually, I filled them in on our intended activities and solicited their ideas and advice. I informed them of the substance of McNamara's letter of December 5 to the Prime Minister (requesting them to keep the matter confidential and avoid public disclosure), that in follow-up of the letter I hoped to see the Prime Minister shortly and welcomed any thoughts or cautions they might have as regards discussion with him. I also informed them of our plans to strengthen the Mission and my preliminary and tentative ideas about local consultation and solicited their views on the latter subject as well.

In every instance the Ambassador or High Commissioner or Charge of these countries warmly welcomed the Bank's initiative in all these respects, that is the McNamara letter and the proposed follow-up with the Prime Minister, the organization of local consultations and the strengthening of the Mission staff. A number of them expressed surprise and pleasure that we were moving so promptly, and all of them promised their support for our efforts.

On the question of effective and expeditious implementation of aid programs, none of them except the Canadian and Australian High Commissioners, McLaren and Flood, respectively, had any special suggestions to offer. McLaren, who impressed me as particularly able and energetic in economic as well as other matters, indicated his Government was especially concerned about the difficulties in procurement, and he wished to move on this front particularly vigorously. (We believe, though he did not say so, that he had Bangalee domestic food procurement in mind.) He suggested setting up a sub-group of the local donor representatives to tackle this problem. Flood, who also seemed particularly knowledgeable and interested, indicated he felt that his Government should in its bilateral assistance put the emphasis on general program-commodity support rather than projects and leave the latter to be conducted multilaterally through the Bank (and presumably through other international institutions though he did not mention any), with Australia financing contributions to such projects.

As regards local consultation all the donor countries reacted favorably to the preliminary ideas I sketched, namely:

- (1) The emphasis should be on informality, meaning by that a minimum of organization and a maximum of candid, uninhibited discussions, with the understanding that, unless specified to the contrary, no statement by a local representative should be taken as committing his government or institution.
- (2) As deemed desirable, separate meetings might be held among the donor countries and the Bank Mission, as well as separate meetings between the Bangladesh Government and the Mission, in addition to meetings of both donors and Bangladesh officials together.
- (3) In addition to meetings of all donors and Bangladesh officials, it might be desirable to have meetings between Bangladesh officials and a more limited group of donors primarily interested in a particular project or sector or a particular issue. An example might be the population project where a limited number of countries are directly contributing to the project.

- (4) Meetings would generally be directed to dealing with specific operational questions. However, more general meetings might be held for a periodic exchange of views on trends in the Bangladesh economy or to hear some visiting or Bangladesh expert on a subject of interest to the group.
- (5) Meetings should be scheduled with some degree of regularity. The Japanese suggested as many as a meeting every two weeks and the Germans, on the other extreme, once every two months, but I gained the impression that most would prefer once a month, on the understanding that meetings could be held earlier or later as circumstances might dictate.
- (6) The Mission would undertake to insure that an agenda is prepared for each meeting but each local representative should consider himself to have a responsibility for suggesting items to be considered.
- (7) Local consultations would take up only those matters which have a common interest or general implications for the group as a whole. I stressed that the Bank Mission would not serve as an intermediary on a particular problem which was purely or largely of a bilateral character not shared by other donors, and that in such cases the country concerned would itself have to carry its case to the Bangladesh Government.
- (8) Where it would be helpful, the Bank Mission or a member of the group having a special interest or competence in a particular item would prepare a memorandum or other documentation on that item for consideration by the group.
- (9) The Bank Mission will prepare and circulate to members minutes on each meeting.
- (10) For meetings to consider the general economic trends in Bangladesh the Bank Mission, working with other economists in the Bangladesh Government and other donor countries and institutions, would undertake to prepare a report on economic conditions as a basis for discussion at such meetings. Such meetings might be held about once a quarter or once every six months.

While supporting and even contributing to the above ideas, the senior Swedish aid officer noted his Government's general concern to avoid participation in collective activity of a confrontational character. He immediately noted further, however, that the breakdown in Bangladesh administration and the desperate state of the economy require special arrangements of the sort indicated above. I emphasized that the purpose of these arrangements was not confrontation but constructive, cooperative discussions to work out mutually acceptable solutions to common problems. I stressed I would do everything I could, including talking to individual local representatives if they got out of line, to preserve this spirit.

In my talk with the Fund Representative, I also indicated our general plans but concentrated largely on the exchange rate issue. I filled him in on my talks with Tun Thin and Mookerjee in Washington and he in turn gave me a run-down of how things stood here. Nothing especially new emerged.

In my discussions with the UNDP Resident Representative, I also reviewed our plans. While welcoming the strengthening of our Mission and indicating the usefulness of our efforts at local coordination, he noted the UNDP's special responsibilities in the field of technical assistance. I see no serious problem in this regard.

III. Syeduzzaman and Sattar

As with the representatives of the donor countries and institutions, I reviewed with Syeduzzaman and Sattar in separate meetings our concerns as reflected in McNamara's letter and plans for our future activities.

Syeduzzaman was most cordial and expressed gratification at my arrival and plans to strengthen the Bank Mission. On the substantive side we dwelled most on the question of accommodation with the Fund and arrangements for local consultation.

On the Fund matter, I indicated it was not my notion or responsibility to negotiate on exchange rate arrangements; I stressed that my objective was merely to persuade the Prime Minister to resume discussions with the Fund and come to a mutually satisfactory accommodation which would release \$75 million, help the Bangladesh economy, and improve the atmosphere with the donors. I indicated that McNamara felt, and I shared his view, that if a real effort were made, it would be possible to work out a settlement that both the Bangladesh Government and the Fund could accept. I stated I believed that the Fund would send its most senior and ablest officials to talk with the Prime Minister and his assistants if the Prime Minister wished.

Syeduzzaman fully endorsed our efforts to get fruitful negotiations going. While noting the limitations of his position, he indicated he would do what he could to help.

In the course of our discussions Syeduzzaman noted that a major concern of the Prime Minister on exchange rate adjustment was the possible stimulus to further price rises and the adverse political effect this would have administratively. I gave some of the answers to this concern.

Syeduzzaman indicated that if sufficient resources could be brought into the country, which would require additional external financing assistance in the form of either commodities or cash, it would help to hold down prices and meet the Prime Minister's concern. He noted that at the Paris Aid Group meeting Mookerjee referred to this possibility in his opening statement. (The language to which Syeduzzaman was referring appeared in Mookerjee's statement of October 24 as follows:

"...in the present circumstances the availability of resources to the Government to relieve the existing scarcities and to ensure an even flow of imported inputs to raise domestic production and exports will determine the speed with which the economy responds favourably to the policy reforms....

"...our current discussions with the Bangladesh authorities indicate that their ability to adopt the needed policies will be greatly enhanced by the assurance of adequate external support.")

On local consultation, Syeduzzaman suggested two points varying from the suggested arrangements outlined above. One was that meetings involving both donors and the Bangladesh Government should be held under the latter's auspices and chairmanship. I discouraged this idea, indicating it was not consistent with the concept of the Paris Aid Group chaired by the Bank and that I did not believe other donors would react favorably to this proposal.

My guess on this point proved correct. Other donors to whom I passed on Syeduzzaman's suggestion indicated they preferred meetings to be convened by the Resident Mission and conducted under its chairmanship, with it providing papers for discussion, keeping the record, etc. One of the donors noted in this regard the unsuccessful result when Bangladesh convened an aid group under its auspices last year.

His other suggestion was rather than having one big group meeting with all donors present, the latter might be broken down into three groups, each meeting with the Bangladesh Government, say one group every two weeks. He did not indicate which countries would fall in which group, nor what the criteria would be to distinguish the countries among the three groups. I told him I did not think this a workable arrangement or one likely to be acceptable to the donors.

In raising this suggestion of Syeduzzaman's with the donors, I again received a negative reaction, but one idea emerged which might go some way to meeting Syeduzzaman's idea. There may well be cases where some of the donors may be especially interested in, or the only contributors to, a project, for example the population project, and these donors might well constitute themselves in a sub-group to follow the project. I have not yet tried this idea out with Syeduzzaman but will do so should we have occasion to discuss the matter again.

As regards the meeting with Sattar, he reacted sympathetically but largely non-committally to the points I raised. He undertook to arrange a session for me with the Prime Minister on Tuesday, December 24.

Like the others, Sattar reacted favorably to the strengthening of our Mission. From time to time as I went along in describing our plans and developing our views with respect to the McNamara letter, he commented that I should be sure to make this point or other to the Prime Minister.

On the Fund question I repeated to him what I said to Syeduzzaman that my objective was not to negotiate on the exchange rate but to get the Prime Minister to agree to undertake serious negotiations with the Fund. He doubted that I would get an affirmative reply in my initial meeting with the Prime Minister, indicating the latter would want to discuss the question first with his advisers, the Foreign Minister and Nurul among others. I stated that it would enhance the Prime Minister's stature and be a decided plus in the eyes of donors if he could give a prompt reply and thus demonstrate he is prepared to seize the initiative in the economic field. Sattar agreed, but still doubted the Prime Minister would give an affirmative response in my first meeting with him.

Sattar also raised the Prime Minister's concern about rising prices as a result of devaluation and indicated additional assistance to bring in resources would be helpful in containing price rises and winning the Prime Minister's agreement to make an adjustment. He also suggested that if the British officially devalued sterling, as he suspected might occur, it would make it easier for Bangladesh to devalue since its currency was formally tied to sterling.

When I expressed confidence that if the Prime Minister were ready to undertake negotiations, the most senior and able Fund people would be available, he asked whether the Bank would be represented as well as the Fund. I replied we were thinking only of the Fund since negotiations on exchange rate questions were the Fund's responsibility but if the Bank's participation were needed or could be helpful, this could be considered by Washington.

IV. Nurul Islam

In a lengthy meeting December 23 with Nurul Islam we discussed the substance of the issues raised in McNamara's letter to the Prime Minister and the approach I intended to take with the Prime Minister in follow-up of the letter. I also explained our plans for strengthening the Mission and my preliminary ideas, as described above, for the handling of local coordination.

As regards implementation of projects, Nurul Islam approved the general points I meant to raise and provided some useful advice as to the way to put them to avoid offense. These points related to the need for a more effective system by the government to monitor the progress of projects and insure that necessary actions are taken in a timely fashion, and the desirability of providing the Planning Commission with sufficient staff resources to review and evaluate the progress of projects; the need to delegate more authority to make decisions at lower levels, such as raising the present Taka 1 million ceiling relating to the approval of procurement contracts; insufficient responsiveness among middle-level staff in dealing with routine matters such as opening letters of credit and completion of disbursement applications. I had considered making these and other points on project implementation in writing but after discussion with Nurul and in part on his advice I decided that it would be better to present them orally in this first meeting with the Prime Minister. Nurul suggested that in subsequent meetings I might follow up in writing both to the Prime Minister and to him.

I noted that I also intended to refer to the cumbersome government procedures in the issuance of import licenses, customs clearances, and the like, and urge that the study which the government has agreed with IDA to make of the entire import system be undertaken as quickly as possible. Nurul rejoined that the government was ready and that the ball was in the Bank's court to designate and send out the men to do the job. I promised to look into the matter and, if necessary, prod Washington.

Nurul also urged that it would be useful to have a comparative study of the disbursement procedures of the Bank and donor governments to see what lessons could be learned and what simplifications or other beneficial measures individual donors might adopt based on the experience and practice of other donors. He said that he understood from Diamond that a similar study had been made on India and that he had mentioned the matter to Weiner, who indicated he saw no reason why such a study should not be made. I stated that it seemed to me, too, that such a study might be useful and suggested that we might use the Technical Assistance Credit for this purpose.

Nurul indicated that the idea of monthly reviews in Washington on the progress of aid projects, to be followed by similar reviews in Dacca, was completely acceptable. He noted his understanding that such arrangements were in effect for India and saw no reason why this should not be undertaken for Bangladesh.

On the question of an accommodation with the Fund, I emphasized that my main objective was not to negotiate on the exchange rate but simply to obtain the Prime Minister's agreement to resume serious discussions with the Fund. After some initial resistance Nurul agreed that it would be desirable for the Prime Minister to invite the Fund to resume negotiations and that he would recommend to the Prime Minister that Witteveen be invited to come to Dacca to meet with the Prime Minister and other senior officials for this purpose.

In connection with devaluation Nurul stressed, as had Syeduzzaman and Sattar, that a major concern of the Prime Minister was the effect of devaluation on domestic prices and the need to assure sufficient food-stuffs and other commodities, which could come only through substantial additional external assistance, to restrain price rises.

I noted that the Fund was giving some thought to the possibility of providing experts to advise in the budgetary and fiscal field if the government really wanted them and would make effective use of them. Nurul enthusiastically welcomed the idea of such additional assistance. He indicated that the Bank also had some first-rate experts in this field whom he would like to have, referring to Stanley Please as an example. I indicated that the Bank might have some budgetary problems in providing additional personnel and suggested it might be best to work through the Fund to meet this need.

As regards procedures for local consultation, Nurul reacted favorably to the general approach I outlined. The only point he stressed was that at least initially the local consultation should concern itself with questions of project and program implementation as distinguished from policy issues. I said this was agreeable to me but

December 24, 1974

emphasized that no matter how good the procedures and how ample the aid, they could be frustrated by the wrong policy, and gave as an example how the beneficial effects of devaluation could be nullified by inflationary budgetary and fiscal policy. Nurul agreed, and left the way open for broader questions to be raised after confidence had been gained and fears allayed about the consultation procedures. I suggested to Nurul, and he agreed, that the government should consider the local consultations as an asset in providing it with a forum in which it could raise questions of concern to it and seek effective remedies.

As regards strengthening of the Resident Mission, Nurul was very pleased to hear of our plans. I noted the personal interest of McNamara in the matter and his desire to strengthen the Mission in quality as well as numbers. I also noted the possibility, if we could work out the required additional position, of the transfer of supervision over a number of projects from Washington to the Dacca office. Nurul was delighted at this possibility and noted that in the past he had strongly urged the Bank to provide increased authority for the Mission in the carrying out of projects in Bangladesh.

LW/nk

cc - Messrs. McNamara, Knapp, Diamond, van der Meer, Dunn

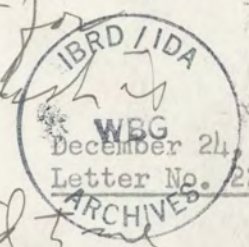
1/3 To Messrs Knapp
491/3/21 Weiner
Diamond



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Resident Mission in Bangladesh
BANGLADESH BANK BUILDING
G.P.O. BOX 87, DACCA, Bangladesh
Telephone: 257234, 257308 Cable Address: INTBAFRAD, DACCA

Before the next
credit for
Bangladesh is



presented to me
for approval, we
must see
progress on
project implementation.

Mr. Mervyn Weiner,
Vice President, South Asia,
Room # A513,
I.B.R.D.,
Washington D.C.

Dear Mervyn,

Attached is a paper prepared in this office identifying some of the problems encountered in the execution of IDA Reports in Bangladesh. I had thought about leaving this paper with the Prime Minister when I met him today, but decided in the end it would be more politic to make the points orally. However, since the paper contains material which might be useful to the Bank in Washington during the monthly project review meetings and possibly for other purposes, we are sending it along to you for your information.

With best wishes,

LW
Leonard Weiss
Resident Representative

c.c. McNamara,
Knapp.
Diamond.
Dunn.
van der Meer

1/2

DELAYS IN THE EXECUTION OF IDA PROJECTS IN BANGLADESH

A major concern about aid programs in Bangladesh is the slowness in the execution of projects and the failure to utilise existing assistance funds despite their availability over a lengthy period of time. The delays have resulted in substantial increases in project costs and have been damaging to the Bangladesh economy. They have also raised serious criticism on the part of donors and weakened their support for assistance to Bangladesh.

This paper presents a preliminary assessment of the difficulties encountered in the execution of IDA projects in Bangladesh. Attached is a table showing the present status of IDA credits. The table comments on problems met in carrying out projects and indicates areas where continued attention is required.

As can be seen, only a small proportion of most IDA credits has so far been disbursed. In a few cases this is understandable, since the credits were only signed recently. In most cases, however, the credits were signed 1½ to 2 years ago and disbursements are well behind schedule. ^{1/}

Various problems have delayed the execution of IDA projects. The details and circumstances have inevitably differed from project to project, and in some cases delays have been caused by a number of relatively small but collectively significant factors. Some difficulties have been due to outside factors such as international commodity shortages. Unfamiliarity in working with IDA procedures has caused delays in some instances.

The main problems which have been (and continue to be) encountered in project execution have certain basic causes in common. These can be broadly characterised as follows :

- a) a general lack of sustained effort on the part of executing ministries and agencies to carry out the various actions required for project implementation in good time. For example, the Bank often provides the Government and project agencies with a list of required actions, but even with regular follow-up progress is frequently slow;
- b) the absence of any systematic central supervision by the Government to monitor the progress of projects and to ensure that necessary actions are taken in a timely fashion. The Planning Commission's proposal to establish a Project Monitoring System should be implemented as quickly as possible;

^{1/} Disbursements in the table are expressed as a percentage of the total amount of the credits committed by IDA. These disbursements include payments made from the credits for expenditures incurred prior to Independence; to that extent, the record looks better than it really is. The figures do not, on the other hand, include amounts already pledged by IDA to reimburse letters of credits for the supply of goods and services under the IDA Credits. Although the inclusion of these latter amounts would in most cases raise the disbursement percentage, this would not significantly alter the concern about the progress of IDA projects in the past two years.

- c) inadequate delegation of authority to project agencies and general over-centralisation of the administration. Agencies often have to refer minor matters, such as lower-level staff appointments, to their parent ministries for approval;
- d) inadequate forward planning of and ill-organised arrangements for the procurement of supplies. For example, the monsoon season should be used to prepare for the next dry season's construction program, so that materials are on site and work can begin immediately the weather improves, but this is insufficiently done;
- e) the slow-moving overly centralised system for approving the award of procurement contracts and for clearing consultants' contracts. At present all contracts over Tk. 1 million have to be referred to the Cabinet Tender Sub-Committee. As a minimum this ceiling should be raised and, as in the case of the Fertiliser Project, a time limit of 14 days set for Tender Sub-Committee decision. A time limit (say 7 days) should also be given to individual ministries to comment on contracts;
- f) cumbersome Government procedures for the issue of import licences, customs clearance, etc. The Government has agreed with IDA that a thorough study of the entire import system is required. This study needs to be undertaken as quickly as possible. The Government should meanwhile consider immediate steps, such as suggested in (e) above, to speed up procedures, particularly for aid goods;
- g) insufficient responsiveness among middle-level staff in dealing with routine matters. Relatively simple tasks such as opening of Letters of Credit, and even completion of disbursement applications, have taken a disproportionate time. This may reflect low morale of staff and the discouragement of initiative as a result of over-centralisation of decision-making and the erosion of Government pay scales by inflation.

<u>Project</u>	<u>Credit No.</u>	<u>Amount (\$ Million)</u>	<u>Date of Signing</u>	<u>Amount disbursed ^{1/} End-October (%)</u>	<u>Comments</u>
<u>AGRICULTURE AND RURAL DEVELOPMENT</u>					
<u>Chandpur II Irrigation Project (R)</u> (Construction of an embankment around about 150,000 acres of land, with installation of regulators, pumping plants etc. for irrigation. Also study of the stabilisation of the Chandpur Embankment.)	340-BD	13.0	18-10-72	20%	This project had a slow start, due principally to delays in procuring materials and general staffing and organisational problems. The Government has also been slow in replenishing Taka funds. The contractors have been pressing for increased prices to offset higher costs and have been delaying work pending a decision on this issue. Shortages of diesel fuel have been another problem. Implementation of the project has improved but the factors noted above are still troublesome and continued close supervision is required.
<u>Northwest Region Tubewell Project (R)</u> (Installation of about 3000 tubewells and development of adjacent land for intensified agricultural production.)	341-BD	14.00	6-11-72	11%	Only about 230 wells had been sunk by end-October. While there appear to be prospects for substantially more wells to be drilled this season, urgent problems now are (1) the need to ensure adequate supplies of diesel fuel for drilling contractors, (2) the requisition of project vehicles for non-project purposes (on which IDA protests have produced no results) and (3) delays in engaging agricultural advisory services.

(R) On-going project reactivated after Independence

1/ Disbursements in the table are expressed as a percentage of the total amount of the Credits committed by IDA. These disbursements include payments made from the Credits for expenditures incurred prior to Independence. They do not include amounts already pledged by IDA to reimburse letters of credits for the supply of goods and services under the IDA Credits.

<u>Project</u>	<u>Credit No.</u>	<u>Amount (\$ Million)</u>	<u>Date of Signing</u>	<u>Amount disbursed 1/ End-October (%)</u>	<u>Comments</u>
<u>Foodgrain Storage Project (R)</u> (Construction of 4 major grain Silos and related works, and study of further Foodgrain storage and Marketing needs.)	381-BD	19.70	18-5-73	96%	This project was virtually completed at the time of Independence. However, the silos are already suffering from poor maintenance (mainly due to inadequate staffing of the Silos Directorate) and without urgent attention may break down completely at any time. The matter has been brought to the attention of the Ministry of Food and Planning Commission.
<u>Cereal Seeds Project</u> (Production and multiplication of high-yielding varieties of rice and wheat seed and establishment of quality control and certification.)	410-BD	7.50	29-6-73	0.3%	This project has encountered considerable delays, mainly due to slowness in establishing and staffing project agencies, providing local finances and engaging consultants. Close follow-up and effort by all agencies concerned (Ministry of Agriculture, BADG, BRRI etc.) will be required to ensure speedier execution.
<u>INDUSTRY</u>					
<u>Small Scale Industries Project (R)</u> (Provision of finance to Bangladesh Small Industries Corporation for development of small-scale industries.)	353-BD	3.00	19-1-73	40%	This credit has now been fully utilised, letters of credits have been placed or are being finalised, and disbursements should be completed in the near future. Early action is needed to strengthen the organisation and management of RSIC in preparation for a possible further IDA Credit.

<u>Project</u>	<u>Credit No.</u>	<u>Amount (\$ Million)</u>	<u>Date of Signing</u>	<u>Amount disbursed 1/ End-October(%)</u>	<u>Comments</u>
<u>PUBLIC UTILITIES</u>					
<u>Telecommunications Project (R)</u> (Expansion of local and long-distance telecommunication facilities.)	343-BD	7.30	15-11-72	30%	Problems have been caused to this project by delays in finalising specifications for equipment and placing orders. Delivery of equipment is now awaited.
<u>Second Telecommunications Project</u> (As above)	487-BD	20.00	26-6-74	0%	Preparatory work for procurement of equipment for this project is underway and should be carried forward with all possible speed. The Government agreed with IDA last June to establish a semi-autonomous agency for telecommunication services and to employ consultants to reorganise the accounting system. Little progress has been made on these matters in the six months which have since elapsed.
<u>Chittagong WASA Project (R)</u> (Installation of new tube-wells, storage and distribution facilities for increased water supplies and detailed engineering for a surface water treatment plant.)	367-BD	7.00	9-4-73	61%	This project has been affected by general supply and organisational problems, including inadequate forward planning of procurement. Chittagong WASA has lacked executive authority to proceed effectively and expeditiously with the project. In addition, there is an urgent need to raise water rates, improve the collection of outstanding bills (including those on government account) and take other steps to eliminate the Chittagong WASA's financial deficit.

<u>Project</u>	<u>Credit No.</u>	<u>Amount (\$ Million)</u>	<u>Date of Signing</u>	<u>Amount disbursed ^{1/} End-October (%)</u>	<u>Comments</u>
Dacca WASA Project (R) (Installation of new tube-wells, storage and distribution facilities and improvements to the existing water and sewerage system.)	368-BD	13.20	9-4-73	59%	The problems of this project, and of Dacca WASA generally, are similar to those at Chittagong.
<u>EDUCATION</u>					
Education Project (R) (Construction of technical training institutes and expansion of Mymensingh Agricultural University.)	407-BD	21.00	29-6-73	39%	Protracted negotiations over the renewal of the architect's contract delayed the recommencement of the work at Mymensingh for many months; with prompter action and a more realistic attitude on the Government side, these negotiations could have been completed much sooner. Availability of supplies has also been a problem. A major concerted effort, with proper forward planning of procurement, will be required to make up lost time. The university at Mymensingh urgently needs revitalising and the teaching programs reorienting in order to increase the contribution of the University to the agricultural development of the country. The teaching programs at the technical institutes also require strengthening.

<u>Project</u>	<u>Credit No.</u>	<u>Amount (\$ Million)</u>	<u>Date of Signing</u>	<u>Amount disbursed 1/ End-October(%)</u>	<u>Comments</u>
<u>TRANSPORT</u>					
<u>Highway Project (R)</u> (Improvements to Chittagong-Dacca Highway, including construction of Sitalakha Bridge and Feni By-Pass and modifications to ferries; and strengthening of organisation and operations of RHD.)	408-BD	25.00	27-6-73	22%	Delays in the finalisation of contracts for the construction of the Sitalakha Bridge and the Feni By-Pass held up this project for some time. Although these problems have been overcome, continued attention will be required to ensure satisfactory performance by the local contractors on the Feni By-Pass, who have been slow in their work. These contractors have been pressing for increased prices to offset higher costs. Work on the improvement of the ferries on the Dacca-Chittagong Highway has also been moving forward very slowly. The agreed reorganisation of RHD has made little progress.
<u>Inland Water Transport Rehabilitation Project</u> (Provision of credit to BESC, BIWTA, BIWTC and CPT for purchase of urgently required spares and other items, and finance for the rehabilitation of oil import facilities at Chittagong.)	424-BD	4.10	10-8-73	2%	The four agencies concerned have all been extremely slow in utilising their allocation of funds under this credit. Completion of preparation for the new oil import handling facilities at Chittagong is still pending. Early action is required to engage consultants.
<u>MULTI-SECTOR</u>					
<u>Coastal Area Rehabilitation and Cyclone Protection Project (R)</u> (Rehabilitation of Coastal areas damaged by 1970 Cyclone and provision of early warning systems and other facilities for protection against future storms.)	339-BD	25.00	18-10-72	13%	Despite the extreme urgency of this project because of the devastation caused by the 1970 cyclone, implementation has been very slow indeed. Principal problems have been (1) inadequate forward planning of and efforts at procurement, (2) lack

contd....

<u>Project</u>	<u>Credit No.</u>	<u>Amount (\$ Million)</u>	<u>Date of Signing</u>	<u>Amount disbursed ^{1/} End-October (%)</u>	<u>Comments</u>
					of overall project supervision and follow-up, and (3) lethargic efforts by various project agencies to implement sub-projects. Several sub-projects (including primary roads, feeder roads, cyclone shelters, telecommunications and coastal fisheries) continue to progress slowly. Project staff have made insufficient field visits.
<u>IMPORT CREDITS</u>					
<u>First Commodity Credit</u> (Finance for the import of high priority raw materials, spares and other items required for increased utilisation of existing capacity, particularly in industry and agriculture.)	345-BD	50.00	30-11-72	85%	The rate of utilisation of this credit was poor. The Government was slow in deciding on the allocation of funds to individual agencies, which in turn were slow to use them. Some of the nationalised commercial banks also performed poorly in their handling of letters of credit. Unfamiliarity with IDA procedures was an additional difficulty initially.
<u>Second Commodity Credit</u> (As above)	458-BD	50.00	7-2-74	63%	This credit moved considerably faster than the first commodity credit. Nonetheless, some agencies again used their allocation of funds slowly, and central supervision and follow-up of the utilisation were inadequate.
<u>Third Commodity Credit</u> (As above)	515-BD	50.00	9-10-74	10%	Utilisation of this credit is proceeding satisfactorily but continued care will be necessary to ensure that earlier problems do not recur.

<u>Project</u>	<u>Credit No.</u>	<u>Amount (\$ Million)</u>	<u>Date of Signing</u>	<u>Amount disbursed 1/ End-October (%)</u>	<u>Comments</u>
<u>TECHNICAL ASSISTANCE CREDITS</u>					
<u>Irrigation Engineering Credit</u> (R) (Consultancy services mainly for the preparation of the Muhuri and Karnafuli Irrigation Projects.)	S-14-BD	3.15	9-4-73	93%	Government delays in approving routine amendments to the consultants' contract have caused some problems under this project. An application is now awaited from the Government for finance from the Technical Assistance Credit for continuation of the consultants' work.
<u>Technical Assistance Credit</u> (Finance for the preparation of new projects, for possible future financing by IDA and other agencies, and for the implementation of ongoing projects as required.)	409-BD	4.00	29-6-73	10%	Utilisation of this credit has been slow, mainly due to Government indecision on organisational arrangements for project preparation and on the list of projects to be prepared. Unless remedied soon, this will have very serious effects on the pipeline of projects for future financing by IDA and other donor agencies.

OFFICE MEMORANDUM

491/3/20

TO: Mr. Robert S. McNamara

DATE: October 4, 1974

FROM: Mervyn L. Weiner *Mlw*

H-4200

SUBJECT: INDIA - Your meeting this afternoon

There are two dimensions of our current relations with India on which I believe the meeting should focus.

I. GOI representatives have complained that we are not being responsive to their unexpectedly difficult problems. We have denied their request that some US\$50 million of undisbursed balances on our agricultural credit projects be released for the procurement for fertilizer for the project areas. We are also taking a negative stance on their request for a \$30 million supplementary credit to help finance the higher than expected cost of power transmission procurement: this would not only contravene our current policy - the overrun is due to inflation, not to exchange rate changes - but such a credit would have to be at the expense of other projects now in the pipeline. We have told them that they should not interrupt procurement since we could include new contracts in our next transmission credit, as we have done on other sector program type credits - disbursements typically lag considerably behind the letting of contracts. But they still press for more rapid access to IDA funds in these ways.

II. The more important issue relates to supplementary Bank funds for India. It has become clear in our conversations this week that the Indians are much more ready to develop a precise dialogue on fertilizer than on any of the other elements of a program of measures that could be regarded as providing the minimum reasonable justification for their incurring substantial additional Bank-type debt.

We will, in the normal course of our work, continue to pursue sector problems in agriculture, energy, fertilizer and exports. But the issue before us now is whether we tell the Indians and our Board that a particular sector program, say, fertilizer, to which additional Bank money could be usefully committed, would constitute sufficient justification for an expanded Bank program or whether we must also make a case for the economy being able to carry additional Bank-type debt. Our staff as well as the Indians need guidance on this subject to prevent contradictory perceptions of our posture from developing.

No In India's current dire circumstances, we could decide that there is a valid case for investing Bank funds in one or more well-conceived sector programs and explicitly disregard considerations relating to overall creditworthiness. This posture could cause other members of the Consortium to think that we would agree to provide debt relief in future because, with present prospects, the additional Bank money implicitly presumes a correspondingly additional need for debt relief; it could also provoke a Board debate on Bank criteria for creditworthiness. But it is one possible approach.

The other possibility would be to tell GOI the following. We wish urgently to help but, because of IDA limitations, the only incremental assistance we can provide directly is through the Bank. Since Bank money carries with it the burden of demonstrating some plausible prospect of repayment, we

Mr. Robert S. McNamara

October 4, 1974

need to demonstrate the grounds for such a prospect, namely, the bases for expecting more vigorous export growth and further import substitution in food, fertilizers and energy. But we cannot know these elements without being made party to GOI's thinking and action on these matters and in due course be in a position to endorse them and to keep a close watch. We are not now in such a position and must clarify with GOI how this can be remedied.

My recommendation, with which I believe Hollis Chenery concurs, would be to follow the second course. If this is agreed, I would tell our Indian friends now that you expect me to report to you at the end of November on the implications of Diamond's and my discussions in India for recommending additional Bank lending at this time. Bill Diamond will be in India in two weeks and I will be in India in November.

cc: Messrs. Knapp
Cargill
Chenery
Diamond
Kraske
van der Meer
Baneth

M. McNamara



Files

September 27, 1974

I.P.M. Cargill

Mr. McNamara's Call on Secretary Simon, September 23, 1974

4911/3/19

Mr. McNamara called on Secretary Simon on September 23 and I accompanied him. Mr. Simon was accompanied by Bennett, Sethness, Bushnell, and Zinman. The more important points made during the discussion were these:

(i) Mr. McNamara referred to the up-coming Annual Meeting and said that he thought one of the chief topics, if not the primary topic, of concern to the poor countries would be food. He mentioned the growing shortages in various countries and particularly referred to the shortage of fertilizer which he estimated as being about six to ten billion tons as an example of the problem that could be overcome by joint action on the part of rich and poor countries. Mr. Simon commented that the oil producing countries could be of particular help in this respect since they were flaring a great deal of gas that could otherwise be converted to fertilizer. He was particularly wondering whether Kuwait would cooperate in this sector. Mr. McNamara commented that Bangladesh should be able to meet a great part of her requirements if she were able to obtain the finance and technology to use her own supplies of natural gas. He also felt that India could do more than it was doing to help itself. However, taking all these possibilities into account, it remained true that the food problem could not effectively be tackled without fertilizer and the provision of fertilizer to the areas most needing it would require large amounts of current financial assistance and very considerable sums of long term capital.

(ii) Mr. McNamara expressed his concern about funding of IDA. He said that IDA would run out of commitment authority in January and that the urgency of the situation would be brought forcibly to the attention of the Executive Directors when the program loan for Bangladesh was presented with the proposal that only half the loan be committed now and the balance await final IDA ratification. Mr. Simon asked if Mr. McNamara had any suggestions to make. Mr. McNamara said that he hoped that President Ford, in his address of Monday, would emphasize the US commitment to aid and in particular the present Administration's determination to seek some way of ratifying IDA quickly. He also hoped that Secretary Simon would speak in similar terms in his speech on Tuesday. Mr. Bennett said that there might be an opportunity to raise this matter also at the meeting of the Development Committee. Mr. Bushnell said that, as Mr. McNamara knew, there had been a delay in the progress of the aid bill and consequently a delay in their plan to ask for support in connection with the passage of the aid bill for immediate ratification on IDA. The Administration would not be able to proceed unless it felt it had this support in this

respect from the Chairman of the Appropriations Committees and some of the more important members of the Committees. It was particularly important that there should be strong Republican support for any action of this kind. Mr. McNamara expressed the view that in these circumstances some alternative strategy should be considered to free the hands of the Administration.

(iii) In response to a question by Mr. Simon, Mr. McNamara said that he thought the problem of the twenty-first seat on the Board had now been resolved and explained his understanding of the attitudes of the countries concerned.

(iv) Mr. Simon asked whether Mr. McNamara was satisfied with the outcome of the discussions that led to the Resolution before the Governors regarding the Development Committee. Mr. McNamara said he was uncomfortable and concerned about what the deliberations of this Committee might lead to. He was afraid that in the present political and economic climate there might be an atmosphere of confrontation which might not be as constructive as some people hoped. Mr. Simon said that he was more optimistic and specifically mentioned that Mr. Kissinger shared his views. Mr. Bennett said that they were looking to the Committee to provide a leadership in the consideration of present economic problems which he could not see being provided very easily by other institutions. In response to a question by Mr. McNamara, he and Mr. Simon said that for the present they attached more importance to the choice of an executive secretary than to a choice of chairman. There was some discussion about the pros and cons of various nationalities and individuals and a feeling emerged that perhaps a Canadian in one or other of these positions would be desirable. In this connection the name of John Turner was mentioned as a possible chairman and the names of Hopper and Strong as possible executive secretaries. Amongst alternatives, it was pointed out that there would be some good Mexican candidates and that from the OPEC countries Hurtado would, in Mr. McNamara's opinion, be for a number of reasons an excellent choice as chairman. In any event, Mr. McNamara urged that thought should be given to adequate OPEC representation. Mr. Simon expressed doubt as to the suitability of Al Ateegy as chairman.

* * *

The meeting concluded with Mr. McNamara's request that he be kept informed if on any of these points, especially with regard to the Development Committee, the US views developed at the end of the week. Mr. Simon said that he would keep this in mind and said also that after his return from various travels abroad in October, he would very much like to discuss over lunch with Mr. McNamara the various problems relating to the Bank Group and the United States.

AL

David Green called asking if we had received this invitation--they are sending an observer--and wanted to know if the Bank were sending someone. I asked Mr. Stern who knew nothing about it. When I showed him this, he asked for a copy for Chenery to see--said he would probably be very interested in going. Please advise--have not given him a copy yet.

m

9/25

No need for Ble to be represented,
no need for copies to go around.
File.

491 / 3 / 77

THE WHITE HOUSE
WASHINGTON

September 19, 1974



Dear Mr. McNamara:

The President has asked that I extend to you his cordial invitation to attend and observe the Conference on Inflation, which will be held September 27 (8:45 A.M. to 5:30 P.M.) and 28 (9:00 A.M. to 1:00 P.M.) at the Washington Hilton Hotel.

This Conference is the culmination of several weeks of preparatory meetings. We recognize that inflation is a worldwide problem, and that any effective action to counteract it will require consultation and cooperation among all nations. The President hopes that, in identifying the international as well as the domestic aspects of the problem, the Conference on Inflation will further such a cooperative approach.

Please advise the Office of International Conferences, U.S. Department of State (tel. 632-1209 or 632-2510) of your plans to attend or to send a representative, so that the necessary arrangements can be made. You will then be advised concerning advance registration procedures. There will be a \$10 registration fee, which will cover the cost of the Friday luncheon at the Conference site. In view of the interest this important Conference has attracted among our friends abroad, we are delighted to be able to include observers from the diplomatic missions and international organizations, and hope you will be able to attend.

regret
9/24 Regretted
O.S.

Sincerely,

L. William Seidman
Executive Director
The Conference on Inflation

The Honorable Robert McNamara
President
International Bank for Reconstruction
and Development
1818 H Street, NW.
Washington, D.C. 20431

MM 3/17



THE WHITE HOUSE
WASHINGTON

September 19, 1974

Dear Mr. McNamara:

The President has asked that I extend to you his cordial invitation to attend and observe the Conference on Inflation, which will be held September 27 (8:45 A.M. to 2:30 P.M.) and 28 (9:00 A.M. to 1:00 P.M.) at the Washington Hilton Hotel.

This Conference is the culmination of several weeks of preparatory meetings. We recognize that inflation is a worldwide problem, and that any effective action to counteract it will require consultation and cooperation among all nations. The President hopes that, in discussing the international as well as the domestic aspects of the problem, the Conference on Inflation will further such a cooperative approach.

Please advise the Office of International Conferences, U.S. Department of State (tel. 632-1109 or 632-3210) of your plans to attend or to send a representative, so that the necessary arrangements can be made. You will then be advised concerning advance registration procedures. There will be a \$10 registration fee, which will cover the cost of the Friday luncheon at the Conference site. In view of the interest this important Conference has attracted among our friends abroad, we are delighted to be able to include observers from the diplomatic missions and international organizations, and hope you will be able to attend.

Sincerely,

J. William Selman
Executive Director
The Conference on Inflation

SECTION
COMMUNICATIONS
The Honorable Robert McNamara
President
International Bank for Reconstruction
and Development
1818 H Street, NW
Washington, D.C. 20431

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OFFICE MEMORANDUM

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TO: Memorandum for the Record

DATE: September 12, 1974

FROM: Raymond J. Goodman

SUBJECT: India: Forum for Debt Renegotiation

Mr. Thomas Enders, U.S. Assistant Secretary of State for Economic Affairs, accompanied by Mr. Sethness called on Mr. McNamara yesterday evening.

9/12
Mr. Enders, recalling that the Indian Consortium had concerned itself with debt re-scheduling since 1968, said it was now the presumption that debt relief would be part of the annual aid package for India. In consequence the distinction between new aid and the rolling over of old debt was becoming fainter. Hitherto the Administration had been allowed a fairly free hand in deciding its contribution to debt relief, but there were signs that the Congress wanted to take a hand. It could be argued that it was anomalous to have the subject of debt renegotiation considered in a forum where the Bank was chairman, since the Bank itself was reluctant to participate and in general encouraged debtors to pay their debts when due. For these reasons the U.S. felt that after this year they would prefer to see the matter discussed in a different forum such as the "Paris Club". This year, in response to the Bank's urging, the U.S. was prepared to increase its contribution to debt relief from \$29 million, as announced at the time of the last meeting, to \$45 million.

Mr. McNamara said that the Bank claimed no proprietary right to preside over debt renegotiations. The Bank's role was different in different cases; for example in the re-scheduling of Indonesia's and Ghana's debts, particularly the latter, we had done much of the work but one of the bilateral creditors had acted as Chairman. He recognized that some creditors thought the Bank was too inclined to take the debtors' part, and that others did not see why the Bank, since it declined to re-schedule its own loans, should take a leading role in disposing of other people's money. We were therefore quite relaxed about who should preside at discussions on this subject. Nevertheless there was a close connection between aid and debt relief and he thought it was useful that the Bank's staff should service whatever group undertook the latter task.

Mr. Goodman agreed that it might be advisable to consider debt relief in a different forum, but pointed out that as a practical matter, given India's circumstances, it would be very difficult to run the Consortium and to solicit pledges of aid in the absence of appropriate arrangements to consider debt relief. One difficulty was that many creditors, including several of the European countries, were determined not to "institutionalize" debt relief; hence in the past the Paris Club had tended to meet only to deal with a threatened default situation. The last time the matter had been discussed - at the aid coordination meeting sponsored by the Bank in 1971 - it had been agreed that debt renegotiation was not a proper function of aid groups. He wondered however whether it would be possible for India's creditors to agree on a multi-year rescheduling, which would permit the Consortium to consider the annual requirement for fresh aid.

UNITED NATIONS  NATIONS UNIES
NEW YORK

CABLE ADDRESS—ADRESSE TELEGRAPHIQUE: UNATIONS NEWYORK



REFERENCE:

UNITED NATIONS ENVIRONMENT PROGRAMME

23 September 1974

Dear Bob,

I have just received and I am transmitting to you the attached letter and report from Marc Nerfin on "the imperatives for international cooperation to meet minimum human needs without transgressing the outer limits" so that they are in your hands as soon as possible, as agreed in our previous correspondence, and in order to facilitate, among others, our discussion on 8 October in Washington.

I wish to express to you my gratitude for the cooperation that William Clark and John Duloy extended to me and Marc Nerfin in this exercise.

Looking forward to seeing you,

I remain,

yours sincerely,

A handwritten signature in blue ink, appearing to read 'Maurice F. Strong'.

Maurice F. Strong
Executive Director

Mr Robert McNamara
President
World Bank Group
Washington, D.C.

9/23/74

MR. ROBERT McNAMARA ✓
PRESIDENT
WORLD BANK GROUP

Washington, D.C.

Marc Nerfin

1181 Bursins . Suisse . Tel.(021)741646

20 September 1974

Dear Mr. Strong,

Please find attached my report on the feasibility of the project to study "the imperatives for international co-operation to meet minimum human needs without transgressing the outer limits".

It was a challenging assignment indeed, especially in view of the short time available from July to Mid-September. You will undoubtedly appreciate that some of the inadequacies and shortcomings of the report result from that factor and that it could not really constitute much more than a progress report to serve, possibly, as a basis for the prospectus which you may consider necessary. I would actually suggest, should you decide to go ahead with the exercise, that it would be useful to convene, before the end of the year, a meeting of ten to twelve experts to discuss, in the light of your decisions on the points raised below, the attached text considered as a working draft, and to advise on ways and means to really launch the enquiry. Such a group could correspond, perhaps, to the committee of experts or steering committee I am recommending to establish - (para. 47).

The report is based on consultations with a large number of people, the principal of which are listed in the attached annex, but the responsibility is obviously mine only. I have benefitted in particular from thorough discussions with Mr William Clark, Vice-President of the World Bank, and Mr. John Duloy, Director of the Bank's Development Research Centre, whose comments and advice were invaluable. I also had the opportunity to discuss the project on the occasion of the Dag Hammarskjold High Level Seminar on World Development and International Economic Co-operation (Taljoviken, Sweden, 28 to 30 June) and of the private meeting you held at Le Bettex near Geneva from 12 to 15 September.

Mr. Maurice F. Strong
Executive Director
United Nations Environment Programme
P.O. Box 30552
Nairobi, Kenya

Both consultations and the very limited research I was able to undertake indicate that a vast amount of studies are available or planned by various institutions around the world. Notes to the report attempt to give examples of such work, but, clearly, they are by no means exhaustive.

However, it is my conviction that there is enough work underway and enough interested groups to make it feasible to put together a network of institutions of the highest quality to provide many of the inputs required for the enquiry. Thus the amount of new work to be commissioned could be kept to a reasonable level, in terms of both time and cost, and what may appear an encyclopedic effort really amounts to the elaboration of a conceptual framework.

This would be the first task of the enquiry, on which basis it could develop and evaluate various scenarios incorporating satisfaction of minimum needs, respect of the outer limits and their interaction, that is, the corresponding policy alternatives. It should also be mentioned that whatever existing sources may provide, the enquiry is likely to point out major deficiencies in existing knowledge, particularly in the area of outer limits, and one of its results would be to identify and suggest priorities for undertaking further research and work on these areas.

I should now like to list the principal points, flowing from the attached memorandum, which will require decision before proceeding further with this exercise. These points are the following:

1. What part will each organization play in sponsoring the enquiry (para. 34)? What financial commitments will each make (para. 51)? What other support will each provide as, for example, in accepting responsibility for helping to organize inputs, in the case of the Bank, into the "minimum human needs" component of the exercise and in the case of UNEP into the "outer limits" component (para. 29)?

2. Related to this is the question of the size and composition of the sponsoring group of institutions. Should the core group of sponsors be limited to IBRD and UNEP with perhaps the additions of UNCTAD and UNDP, with other international organizations, including UN agencies, regional banks and possibly private foundations, invited to take part as "co-sponsors" (para. 34)?
3. What part will the Secretary General of the United Nations play in the launching of the enquiry? I understand from you and from the Director of his secretariat that he is prepared to take a decision on this after the World Bank and UNEP are in a position to advise him of their plans for carrying out the enquiry, that is after they have taken a preliminary decision on the basis of the attached memorandum, but before such decisions have been finalized (para. 33).
4. Is a special commission along the lines of the Pearson Commission to be established to carry out the enquiry (para. 36)? If so, decisions must be taken concerning its chairmanship and composition. If not, decisions must be taken as to alternative means of providing for the "patronage" of a group of eminent people, either through the formation of a consultative body or by convening ad hoc panels, or some combination of the two (para. 37 and 38).
5. If it is decided not to establish a commission, a decision must be taken as to the entity to be selected or created to carry out the enquiry, either an existing institution or an entity to be established especially for this purpose (para. 40).
6. Decisions must be taken as to the establishment and composition of the secretariat (para. 41 - 43), bearing in mind that the extent of its work will be very much affected by decisions taken concerning the amount of direct support in organizing inputs which can be provided by the sponsoring institutions.

Selection of the Executive Secretary or Project Director is of paramount importance. An early decision also will have to be made on location of the secretariat (para. 44).

7. It may be desirable to ascertain in advance the willingness and ability of a number of key institutions to contribute to the enquiry as part of the proposed network. A particular example would be the International Institute of Applied Systems Analysis, which could make an important contribution by evaluating existing systems methodology, and ensuring the most comprehensive and professional range of systems input into the exercise (para. 46 and Appendix II).
8. Related to the above, decisions should be taken concerning the establishment of a committee of experts (para. 47 and Appendix III) and at least some of the initial members of such a committee should be selected rapidly.
9. A decision is also needed on the timetable and, related to it, the division into phase 1, designed to produce a report on the enquiry in time for the 1975 Special Session of the UN General Assembly, and phase 2, providing for a final report by June 1977 (para. 48 - 49).
10. The budget (para. 50) has been the most difficult part of the memorandum to prepare, because of the difficulty of establishing within the time available many of the assumptions on which it must be based; for example, the size of the secretariat will depend very much on the extent to which it is able to rely on the sponsors and on the network of co-operating institutions for its inputs, and the extent to which major inputs might be financed from sources outside of the budget. These are matters which can only be ascertained after the sponsors have made some of their initial decisions as a basis for more detailed discussions with co-operating institutions. Similar difficulties have prevented anything more than a

superficial estimate of potential sources of financial support (para. 51). Accordingly, an important priority, should it be decided to proceed further with the enquiry, would be to initiate discussions with other potential sponsors and co-operating institutions, which will permit the establishment of realistic budgetary estimates.

Yours sincerely,

Marc Nerfin

Annex

List of principal persons consulted

- a) IBRD: Mr William Clark, Vice-President
Mr John Duloy, Director, Development Research Centre
Mr Mahbub ul-Haq, Director, Policy Planning and
Programme Review Department
- b) UNEP: Mr Mostafa Tolba, Deputy Executive Director
Mr Robert Frosch, Assistant Executive Director
Mr Sveneld Evteev, Director, Policy Planning Office
Mr Vicente Sanchez, Director, Division for Social
and Economic Programmes
Mr Adriano Buzzati-Traverso, Senior Scientific Adviser
- c) others: Lady Jackson, President, International Institute
for Environment and Development, London
- Professor Arne Engstrom, The Nobel Committee for
Physiology, Stockholm
- Professor T. Segerstedt, Rector, University of
Uppsala
- Mr Sven Hamrell, Director, Dag Hammarskjold
Foundation, Uppsala
- Professor I. Sachs, Director, Centre for Inter-
national Research on Environment and Development,
Paris
- Professor Maurice Marois, Institut de la Vie, Paris
- Mr A. Haselbach, Director, Vienna Institute for
Development
- Mr A. Peccei, President, Club of Rome, Rome
- Professor Carroll Wilson, MIT, Cambridge,
Massachusetts
- Professor William Matthews, MIT, Cambridge,
Massachusetts
- Mr James Billington, Director, Woodrow Wilson
International Centre for Scholars, Washington

Mr M.G.C. McDonald Dow, Deputy Director,
Overseas Programmes, Board on Science and
Technology for International Development,
National Academy of Sciences, Washington

Mr Joseph Yager, The Brookings Institution,
Washington

Mr G. Barney, The Rockefeller Brothers Fund, New York

Mr P. Ruoff, The Ford Foundation, New York

Mr Charles W. Maynes, Jr., Carnegie Endowment,
New York

Mr Philippe de Seynes, Under Secretary General
for Economic and Social Affairs, United Nations,
New York

Mr G. Hennig, Director of the Secretariat of
the Secretary-General, United Nations, New York

Mr Jordan, Officer-in-charge, UNITAR, New York

Mr Surendra Patel, Head, Transfer of Technologies
Division, UNCTAD, Geneva

Mr D. McGranham, Director, UNRISD, Geneva

- d) Participants in the 1974 Dag Hammarskjold High Level Seminar on "World Development and International Economic Co-operation", Taljoviken, Sweden, 28-30 June 1974 ^{1/}

Mr Arne Arnesen
Under-Secretary of State
Ministry of Foreign Affairs
(Norway)

^{1/} All those mentioned participated in a purely individual capacity. Institutional affiliation and nationality are given for identification purposes only.

Mr Ahmed Ben Salah
Former Minister for Planning, Finance and National Economy
Vice-President, Vienna Institute for Development Co-operation
(Tunisia)

Mr Bernard Chidzero
Director, Commodities Division
UNCTAD
(Zimbabwe)

Mr Gamani Corea
Secretary-General, UNCTAD
(Sri Lanka)

Mr Paul Gerin-Lajoie
President
Canadian International Development Agency

Mr Mahbub ul Haq
Director, Policy Planning and Program Review Department
International Bank for Reconstruction and Development
(Pakistan)

Mr Uwe Holtz, M.P.
Chairman of the Bundestag Committee for International
Development Co-operation
(Federal Republic of Germany)

Mr Enrique V. Iglesias
Executive Secretary, UN Economic Commission for Latin America
(Uruguay)

Mr Peter Jankowitsch
Ambassador
Permanent Representative of Austria to the United Nations

Mr Lennart Klackenborg
Under-Secretary of State
Ministry of Foreign Affairs
(Sweden)

Mr Ernst Michanek
Chairman of the Board of Trustees, Dag Hammarskjold Founda-
tion and Director-General of the Swedish International
Development Authority

Mr Marc Nerfin
Geneva Institute for Development Studies
(Switzerland)

Mrs Gertrud Sigurdson
Minister for Development Co-operation
(Sweden)

Mr Juan Somavia
Former Ambassador of Chile
Rapporteur of the UN Group of Eminent Persons on
Transnational Corporations

Mr Maurice F Strong
Executive Director
UN Environment Programme
(Canada)

Mr Yashpal Tandon
Department of Political Science
University of Dar es Salaam
(Tanzania)

Mrs Inga Thorsson
Under-Secretary of State
Ministry of Foreign Affairs
(Sweden)

e) Participants in Maurice F. Strong's meeting, Le Bettex
(near Geneva), 12 - 15 September 1974

Mr Herbert C. Andreae
Chairman, Investors Guild
(Geneva)

Mr Serge Antoine
Secretary-General, Haut Comité de l'Environnement
Paris

Mr Sverker Astrom
Secretary-General of the Ministry of Foreign Affairs
Sweden

Mr Jack Austin
Senior Policy Adviser to the Prime Minister of Canada

Mr Allison Ayida
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Mr Henrik Beer
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Mr Ahmed Ben Salah
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Mr James Coutts
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Mr Marshall Growe
Chairman, Energy Advisory Board
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Mr John Diebold
Chairman, Board of the Diebold Group Inc., New York

Mr Jacques Gérin
Vice-President, Canadian International Development Agency

Mr A. Hamdan
Director, Department of the Environment
Kuwait

Mr Anthony Hampson
President, Canada Development Corporation

Mr Bob Hawrylyshyn
Center for Education in International Management
Geneva

Mr Leonard Hentsch
Partner, Hentsch and Company
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Lady Barbara Ward Jackson
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Development
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Mr Brian Johnson
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Lord Wayland Kennet
Chairman, Special Commission on European Future, Commission
of the European Communities
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Mr Richey Love
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Mr Harrison McCain
President, McCain Food Products
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Mr Paul Martin, Jr.
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Mr Donald Tansley
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Mr William Teron
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Mr William Turner
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220 Bay Street
Toronto, Canada

A FEASIBILITY REPORT

on

**the imperatives for international
co-operation to meet minimum
human needs without transgressing
the outer limits**

**MARC NERFIN
Bursins (Switzerland)**

20 September 1974

The imperatives for international co-operation to meet
minimum human needs without transgressing the outer limits

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- Appendix II: Possible and illustrative institutions to co-operate in the network
- Appendix III: Possible and illustrative names for the committee of experts or steering committee

A. Background

1. The proposal put forward in the present memorandum is based on the conviction that the next decades will confront mankind with wholly unprecedented risks and dangers. Our major objective is the achievement of at least minimum decent standards of living for all the earth's inhabitants without imposing insurmountable strains on the planet's material resources and life-support systems. Yet, on the present evidence, the "inner limit" of a decent human existence will be achieved within a tolerable number of years only with quite exceptional difficulty, and there are grounds for caution in assessing the "outer limit", i.e. the capability of the global environment to withstand the demands made upon it by the expansion of present patterns of consumption, production and their distribution. Both these limits may not be respected at all if the risks are not recognized in advance and policies devised to meet the emergency.

2. Today, after fifteen years of exceptionally favourable weather conditions for food production and significant yield increases, a decent human existence is beyond the

reach of hundreds of millions of human beings, especially in the Third World. As the President of the World Bank pointed out in his address to the Bank's Governors in Nairobi in 1973, absolute poverty, "a condition of life so degraded by disease, illiteracy, malnutrition, and squalor as to deny its victims basic human necessities", is suffered by hundreds of millions in poor countries. "20 to 25 per cent of their children die before their fifth birthdays. And millions of those who do not die lead impeded lives because their brains have been damaged, their bodies stunted, and their vitality sapped by nutritional deficiencies". Food reserves are depleted and there are statistical probabilities of crop failures.

3. Further, in the next three decades, the number of the world's inhabitants will grow by another three billion.

A doubling of food supplies will be required simply to keep pace with the growth of population. Massive migration from the countryside coupled with natural increase in the cities will induce urban growth and double and treble the general growth of population, and will create unprecedented needs for shelter and for the whole range of essential urban

services. In short, over the period of three decades, a world as large as our world today is to be added on top of existing populations and will require supplies, settlements and services on a scale at least as great as all that have been provided hitherto in the whole of human history.

4. Under such circumstances, satisfaction of minimum human needs, which by no means constitutes an adequate objective, does however constitute a precondition for the exercise of other human rights. It is indeed the most fundamental of human rights.

5. The kind of economic growth that has been pursued so far has not proved satisfactory in terms of satisfying such basic needs. In fact, recent experience suggests that policies aimed mainly at economic growth do not necessarily alleviate misery at the base of society. "The decade of rapid growth, said the President of the World Bank in his Nairobi address, has been accompanied by greater maldistribution of income in many developing countries (...). Among 40 developing countries for which data are available, the upper 20 per cent of the population receives 55 per cent of national income in the typical country, while the

lowest 20 per cent of the population received 5 per cent". Continuation of current trends is likely to further accentuate inequality between and within countries and even, perhaps, jeopardize the long term prospect:

- . recent changes - inflation, increase in the prices of food, fertilizers and more recently oil - have brought some countries to the brink of disaster;
- . the old world economic order has contributed to allocate scarce resources to the rich and deny them to the poor, at both international and national levels;
- . the vulnerability of the poor to disaster and famine has not lessened, as shown recently in the African Sahel, in Ethiopia and in Bangla Desh.

6. Evidence of rising pressure on the planet's biosphere in spite of many scientists' anxieties concerning, for instance, climatic changes may not appear so immediate and arresting. Yet man's activities already exercise a massive and disruptive influence on his natural surroundings. Vast increases in numbers, in current patterns of consumption, in urbanization will enormously increase the strain. Over six billion people, trying to operate on our present scale, to burn fossil fuel, expand chemical industries, develop the nuclear economy, dam rivers, strip

mine, exploit the sea bed and empty the sewage of 300 and more new metropolises into the oceans could bring about irreversible damage to air, land and water. Nor could one neglect the impact both on resource use and the biosphere of proliferating military activities.

7. The process of heightening political attention to these issues, which was stimulated by the Stockholm Conference in 1972, is receiving major impetus this year through the UN Conferences on Population, Food and the Law of the Sea, as well as the April Special Session of the UN General Assembly on energy and raw materials. The Special Session highlighted some of the major political problems which this new situation creates and, hopefully, has provided the basis for the beginning of the difficult and complex process of dealing with them.

8. A further Special Session of the UN General Assembly will take place in September 1975 with a view to:

- . examining the political and other implications of the state of world development and international economic co-operation;
- . expanding their dimensions and concepts;

- . giving the goals of development its rightful place in the United Nations system, and
- . initiating the necessary structural changes to make the UN system a more effective instrument to achieve the goals^{1/}.

9. The forthcoming Special Session may thus provide another important opportunity to assure that these central issues are properly defined and given the priority they deserve on the political agenda of the community of nations.

However, while there is growing recognition that these issues are the product of a complex and interacting system of relationships and can no longer be dealt with separately, no conceptual framework has been yet established by which they can be effectively evaluated. Such an evaluation is needed to enable governments to deal with these problems on an adequately integrated basis. This is the basic justification not for just another study, but for an attempt to provide, in a situation of crisis and in the light of new circumstances, a meaningful and comprehensive framework conducive to the type of action which appears necessary.

^{1/} General Assembly resolution 3172 (XXVIII)

10. There is also evidence of growing mood of confrontation between industrialized countries and the Third World which suggests that a renewed co-operation is required. While it has become clear that the former concepts of development assistance and the goals of the second development decade are no longer adequate, no new focus or set of guidelines for international co-operation has yet emerged. It is suggested that the present proposal to focus on the requirements for international co-operation to meet minimum human needs, while not replacing the former objectives of development co-operation, would establish a new foundation for it as the basic minimal starting point of a new approach to international co-operation, one that is indispensable to the achievement of all other goals.

B. Objectives

This memorandum is proposing the establishment of a commission or enquiry with the following objectives:

(I) To attempt to elaborate a conceptual framework which will permit systematic and authoritative assessments of:

- . minimum human needs in various parts of the world for food, energy, water and other basic requirements, including an evaluation of the numbers of people whose minimum needs are not met both immediately and over the next 25 years with a continuation of current policies and development priorities;
- . the impact upon population growth of assuring at least minimum needs to all mankind;
- . the requirements for resources required to meet such needs under various patterns of the distribution of consumption both within and among countries;
- . the extent to which actions to meet these minimum human needs may affect, and be affected by, transgression of the outer limits of the biosphere on which the collective survival of all human life depend. This is to be assessed under a range of assumptions concerning the consumption of the rich.

(II) To define the principal alternative policies

- (a) for national governments and (b) for international co-operation on both the global and

regional levels, for assuring the meeting of minimum human needs without transgressing the outer limits, and in particular to examine:

- . alternative ways in which a country (or groups of countries within a region) may be able to meet minimum needs, having regard to the growth and shift in the location of its population, resources available internally, the capacity to develop these resources and the capacity to influence the distribution of consumption among its inhabitants as well as its composition. This will involve evaluation of the potential for self-reliance in meeting such needs, together with needs for, and impact of, external assistance under various sets of assumptions;
- . potential contribution to meeting human needs which may derive from conservation of scarce resources, development of alternative resource-saving patterns of consumption and production, improved environmental management, and international resource transfers.

- (III) To articulate the requirements for international co-operation in the last quarter of this century necessary to achieve the objectives set out above;
- (IV) To examine and make suggestions for institutional changes within the international system, and particularly the United Nations system. These changes should provide more effective mechanisms

for international co-operation capable of taking account of the long term and of meeting emergencies.

- (V) To increase public understanding and awareness and to mobilize public support through exposure to issues and possible solutions;
- (VI) To promote political action for the implementation of agreed solutions.

C. Method

Form of the output.

11. Whether the exercise is carried out through the medium of a commission or not, its results would be made public through a report, as was done in the case of the Pearson Report, and perhaps in the form of a main, or final report, together with at least one interim report and perhaps a series of specialized reports. An alternative would be to publish a main document in the form of a manifesto, dramatizing the results of the enquiry and the principal options it points up and supported by a number of technical and other specialized papers. In either case, documents should be drafted and presented in such a manner as to be widely accessible to, and understandable by, the general public. The emphasis should be on making clear the nature and dimensions of the issues under a broad range of assumptions, pointing up the principal policy and action alternatives available to governments and international organizations to deal with these issues, and an evaluation of probable consequences of various actions and non-actions.
12. It should thus provide a practical guide to decision-making by governments as to their own national policies as

well as for the elaboration of a new set of goals for international co-operation with corresponding policy and organizational changes.

Principles

13. The enquiry should be conducted in the most rigorous scientific manner, avoiding unsupported ideas, either of the doomsday or of the complacent types. It would enlist the participation of representative and authoritative research and other scientific institutions from all over the world. In order to go beyond subjective statements by individual scientists or limited groups of specialists, it should bring together, for the purpose of elucidation, proponents of conflicting views on risks, needs, resources and solutions. Rather than expressing univocal solutions, it would provide a framework for scientific confrontation.

14. Mechanistic approaches and simplistic extrapolations of past or current trends should be avoided; the enquiry would on the contrary allow for changes, explicitly stated, in societal values and goals regarding the finality of economic activity, socio-economic structures, mutual impact of the strategies of different partners, etc.

15. Paramount attention would be devoted to providing the factual basis from which alternative scenarios for meeting at least minimum needs may be elaborated. The factual data and assumptions must be presented with great clarity to facilitate the fullest possible evaluation and testing of the inferences and conclusions drawn. It must be recognized that, inevitably, many of the data used will be less reliable, more subject to error, and to subjective judgement than the data usually used in a scientific enquiry. The inevitability stems from the facts of the ambitious and innovative nature of the study: data are collected to elucidate currently perceived problems, and they are usually less than adequate for a study of new problems and especially of new solutions.

Steps: conceptual framework

16. The first step in the development of the enquiry would be the elaboration of a conceptual framework - to be further refined as the enquiry develops - on which basis inputs would be commissioned. This would imply a prior definition of the concepts to be utilized, specially those relating to minimum needs and to outer limits.

17. The concept of the minimum needs could be an elusive one, and there is a risk that over-sophisticated discussions and definitions may result in unnecessarily delaying work. One could start with basic physiological needs, covering nutrition (calories and proteins intake and necessary physical quantities of commodities according to local food habits, age groups (with special emphasis on weaning and young infants) ^{2/3/}, health (requirements for health services would possibly be less difficult to define than standards) and shelter, including access to drinking water and sewerage. These minimal needs would be expanded, in various scenarios, both in quantity and in type to include, for example, education and other components of a full life.

18. There is certainly a vast amount of results of research available, and one method would be to commission competent

^{2/} N.B. Notes are meant to illustrate work under way and by no means constitute an exhaustive enumeration. In particular, the work of UN agencies, usually not referred to, should obviously be drawn up.

^{3/} cf. FAO/UNICEF/WHO Protein Advisory Group; Autret; Trist; Linnemann; Josué de Castro's followers.

institutions or experts to prepare a few "state of the art" papers. One could also examine how the US poverty line was established, and find out what methods some Third World countries ^{4/} may have used in that connexion.

19. The concept of outer limits - climatic changes, impact of chemical compounds on the food chain, nuclear risks, etc. - should be further elaborated on the basis, among others, of the consultations held at Aspen, Colorado, in August 1973 ^{5/}.

20. The conceptual framework consists of two main points. The first of these, as just stated, is a set of operational definitions of the basic concepts, particularly those of "outer" and "inner limits". Difficult as it may be to define standards for human needs, the most challenging part of the study will be the elaboration of the second part of the conceptual framework. This consists of setting down

^{4/} There is a rich Indian experience in that field (Dandekar and others); it should be studied. The UNRISD work on social indicators is also relevant.

^{5/} Bryson/Wisconsin University; Flohn, Bonn; International Federation of Institutes for Advanced Study (IFIAS)

the causal relationships and the interconnections among the main variables in a systematic, logical and precise way. This in effect, is the "model" underlying the study, which may be mathematical and computerized, or verbal and less formal, or some mix. Whichever mode seems appropriate, it will require innovative and inaugurative work to construct, particularly because it must be such as to command the respect of scientists from various disciplines.

Steps: the country approach

21. The enquiry should be concrete and reality-rooted. One method to meet that requirement would be to commission from national institutions a number of country profiles and alternative national scenarios.

22. Country profiles and alternative scenarios for Third World countries could cover the following points:

- . definition of a poverty line covering income, food intake, health situation, literacy, human settlements, etc., and evaluation of population below it;
- . patterns of resource use, present and potential ^{6/}, including potential for and consequences of redistribution of income and wealth ^{7/} and corresponding need for and possibility of reforms of socio-economic structures ^{8/};

^{6/} Some work is underway; cf. for instance: Indian National Committee for Science and Technology study on India 2000; IBRD, Economic and social Change in Mexico, the future; East Pakistan: Land and water

- . alternatives in technologies 9/ and in services (education 10/, health 11/, transportation, etc.) and in human settlements 12/;
- . estimate of total and urban population growth for the next 25 years, and resulting projection of needs according to absolute levels and distribution;
- . better utilization of human resources or rather enhancement of human capacities (education, more productive employment, self-management);
- . examination of the extent to which minimum needs could be met through market oriented mechanisms (aiming at, for instance, minimum income p.c.) and extent to which direct provision of goods and services may be necessary;

resources study, the Dorfman model; Latin America: Friedmann and Lomnitz (ITCC review, March 74). Bangla Desh is now seeking Swedish assistance to conduct such an enquiry.

7/ Chenery, Ahluwalia, Bell, Duloy and Jolly: Redistribution with growth.

8/ Stavenhagen, Colegio de Mexico.

9/ Cf. on energy: Moumouni, Niger; Chan, Papua New Guinea; Morrisson and Farber/Florida University; Gross; Vietoricz/New School for Social Research, New York. On nutrition, Lagler/Ann Arbor; Pryor/Hawai University; Pirie. In general, Herrera/Fundación Bariloche; Sagasti/IDRC Andean Project; other IDRC projects; US National Academy of sciences, Board on science and technology for international development, etc.

10/ Salazar Bondi, Peru; Freire/World Council of Churches; van Rensburg, Botswana/Dag Hammarskjöld Foundation; Illich, Cuernavaca; Bugnicourt/IDEP, Dakar.

11/ Gish; McKenzie-Pollock/Hawai University.

12/ Corea, Bombay; Wilhelm/CEBRAP, Sao Paolo; Meier/Berkeley; John Turner; UN Vancouver human settlements conference preparations; WHO; United Nations Centre for Housing, Building and Planning.

- . local self-reliance (eco-development) 13/;
- . alternative methods of meeting specific resource deficits from both internal and external resources;
- . an evaluation, from the country's viewpoint, of the external requirements to meet human needs, particularly on a self-sustaining basis. These may include, among others, resource and technological transfers and access to international markets for its products.

23. It should probably be attempted to have such country profiles for the seven countries (excl. China) with more than 50 million people, as well as for a selection of possibly a dozen of others which should represent certain size, resource endowment, eco-regional, GDP level and policy options groupings. In addition, special attention should be devoted to the experience of China.

24. Alternative scenarios should be prepared for a limited number of representative or critical industrialized countries to reflect the impact of certain policy measures (to be explicit), as well as the continuation of current trends. In such industrialized countries alternative scenarios and their use of resources (specially energy)

13/ Center for International Research on Environment and Development (CIRED), Paris

would reflect patterns of consumption, different in their environmental impact. For instance, a thorough examination of the standard of living in a country in 1964 and then in 1974 - during which time energy use may have nearly doubled - could help to uncover the components of steadily rising use. Comparison between similar level of living based on different levels of energy consumption may also throw some light on the question. Work is underway ^{14/} in a number of countries and its results should be analyzed and disseminated. Additional studies should be encouraged.

Steps: the global approach.

25. At the global level, one could start with

- . drawing up an inventory and critically review and analyze existing studies, models, projections ^{15/} with a view to produce a purposeful framework

^{14/} For instance: Swedish secretariat for future studies, Inglestam; Poland Year 2000, Pajetska, Secomsky; FRG, von Kortzfleisch/Mannheim University; Japan: Oshima; Nayashi/Tokyo Institute of Technology; Ishitani/Tokyo University; Saito, Rokkyo University; USA, National Commission on Critical Choices for America; Ford Energy Project; Ridker: Population resources and environment/report of the US commission on population growth and the American future; Hawaii, Commission on the year 2000.

^{15/} In no special order

- Meadows; Limits to growth and previous Forrester's work
- Sussex SPRU; Thinking about the future and follow-up work

incorporating the relevant findings of more specific endeavours. On that basis, it would be possible to determine whether there is need for a new, more adequate, global model.

- Bariloche Fundación; Latin American World Model
- Okita/Kaya Japan Techno-Economic Society (JATES): Global constraints and new vision for development
- Kishida (JATES): Policy studies to world problematique
- Mesarovic and Pestel: Declining options for mankind and Mankind at turning point
- ILO: Bachue model (Blandy and Wery: The dynamic economic-demographic model of the population and employment)
- Linnemann: Problems of population doubling (focussed on agriculture)
- Leontief: Impact of prospective environmental issues and policies on the international development strategy (completion planned for end 1974)
- Institut de la Vie: Needs and resources, method of forecasting: towards a plan of actions for mankind.
- Battelle Institute: (Geneva): DEMATEL project (decision-making trial and evaluation laboratory).
- UNITAR: Commission on future studies.
- European Communities Commission: Europe plus thirty (Lord Kennet)
- European Cultural Foundation: Europe 2000 project
- United Kingdom Department of the Environment: System Analysis applied to forecasting the future (P. Roberts).
- See also Carter/IBRD: Population, environment and natural resources: a critical review of recent models (UN doc. E/CONF. 60/SYP.III/15, September 1973). Same Cole, World Models, their progress and applicability, in Futures, June 1974; Institut de la Vie, Design global system models and their limitations.

26. The country profiles described above (para 22) will provide an assessment of the Third World's autonomous capacity to develop under various assumptions concerning the international environment (particularly trading conditions) it is faced with. In this connexion, the following problems can be examined:

- . establishment of a new and more fair economic order ^{16/}, ensuring international collective security, increasing earning capacity of Third World countries, providing more satisfactory trade policies and practices, re-distributing world industrial capacity ^{17/} notably through transformation of raw materials in suppliers countries, etc.;
- . scope for co-operation between Third World countries.

27. As far as resources (physical, technical and financial) are concerned, one would examine:

- . the real constraints, potentialities and alternatives, economic, technological, environmental, social and institutional. Of particular importance is a detailed technical investigation of the availabilities of major resources. This should focus on ones of different quality and extraction costs, particularly

^{16/} Mendlowitz World Order Models Project, incl. Bhagwati, ed. Economics and world order; Tinbergen/Club of Rome - Rockefeller Brothers Fund; Bergsten/Ford Foundation's competition for research on international economic order; Carnegie Endowment's tentative proposal for research on the new international economic order.

^{17/} Preparations for UNIDO Lima Conference.

in terms of increased energy requirements for processing 18/. Such an investigation will provide information on increases in energy demands associated with the effective expansion of the mineral stocks available for use. It can be linked with other components of energy demand, and a detailed study of energy supplies including fossil fuels, solar, geothermal, nuclear (including the breeder reactor and hydrogen technology) 19/.

- . the need, possibility and assessment of opening up of new economic frontiers, for instance the exploitation of the sea bed 20/;
- . the establishment of a world food reservé;
- . the various possibilities of guaranteeing the availability on a regular basis of flows of financial resources for allocation among developing countries; the possible establishment of toll or levies on certain resources which by their nature are the common heritage of mankind 21/;

18/ Resources for the Future; papers by Ayres and others in the context of Founex II; Brown/ODC; Revelle; documents prepared for the Institut de la Vie Conference, Paris, September 1974; specially Long range mineral resources and growth and Long range energetic resources and growth.

19/ Cf. IFIAS work on energy accountancy (Carroll Wilson, Slesser and others) and report of the Energy Accountancy Workshop, Stockholm, August 1974. Leach/International Institute for Development and Environment, London. Georgescu Rodan; Lovins; Ford Energy Project; Electricité de France/ CIRED; Linnemann/ Ruyter van Steveninck.

20/ International Ocean Institute (E. Mann - Borghese)

21/ Brookings Institution

- . the impact on outer limits of different assumptions such as
 - continuation of present trends
 - satisfaction of minimum needs with and without national and international redistribution of resources.

Techniques of the enquiry

28. State of the art papers on the various issues to be discussed would be commissioned to international and national organizations, universities, research institutions, known for their competence in the field covered. As a supplement or as an alternative to such papers, technical meetings of authoritative experts could be convened to assess the state of knowledge and prospects in certain key areas.

29. One alternative approach which might be considered would be to have one set of the sponsors, principally the IBRD, perhaps with the co-operation of UNCTAD, take special responsibilities for helping to organize provision of the inputs into the "minimum human needs" aspect of the enquiry, while UNEP would assume comparable responsibilities for

helping to organize provision of inputs in the "outer limits" aspects of it. This would have the effect of reducing somewhat the direct demands made on the secretariat of the enquiry, which would then be able to concentrate primarily on provision of the overall framework and supervision of the work, the difficult task of relating the minimum human needs and outer limits components and of developing and presenting the alternative scenarios and policy options based upon the underlying factual data.

30. When the first investigations are completed and a more firm evaluation of the situation is possible, additional studies, projections, models etc. may be commissioned as necessary.

31. Provisional findings and emerging solutions would be submitted regularly to expert panels or to individual or institutional experts by subject-matter, by region, by type of solution, etc. A regular liason and discussion bulletin could be published to facilitate the process.

32. A process of consultations would be built in the enquiry. Provision would be made for regional and other

seminars, symposis and hearings. Consultations would involve the various actors in decision-making and opinion-forming: inter-governmental organizations, governments, members of Parliaments, political parties, transnational enterprises, other business circles, trade and labour unions, religious and other important non-governmental organizations, authoritative individuals. These discussions can be of two types: (a) the concerning the objectives of the study and (b) those focussing on results and questions posed by the investigation. The former can take place throughout the study; the latter can occur only when the investigators are satisfied that they have material which can withstand public scrutiny, as opposed to professional discussion.

D. Organization: alternative options

Launching

33. The Secretary General of the United Nations has expressed interest in the project and in the possibility of playing a role in launching it. The nature of such a role would be determined through consultations with him after he is given an opportunity to review final plans for initiating the project. It is clearly understood that the Secretary General's role would in no way be seen as committing him in advance to the results of the exercise or as compromising the independence or objectivity of the exercise itself.

Sponsorship

34. The project would need to be sponsored by a group of institutions which would identify itself with it, commission it, ensure its funding, receive and assure dissemination of the report(s). Such a sponsoring group could

- . either include the key interested institutions only, i.e. UNEP and IBRD together with UNCTAD and possibly UNDP;
- . or be enlarged to others, international or national, such as UNDP (if not already covered), the Regional development banks, SIDA, NORAD (the Norwegian Agency

for International Development), CIDA, IDRC, their Dutch and West German counterparts, and possibly one or more of the private foundations with international interest.

In the first alternative, "group 2" agencies could be considered as co-sponsors to the extent that they would contribute inputs, financially and otherwise.

Patronage

35. The patronage of a group of broadly representative world leaders, who would identify with the project, would be necessary to ensure its credibility and enhance the interest in and the influence of its results on the part of the public and governments.

36. One method of meeting this need would be to establish a commission, drawing upon the precedent of the Pearson Commission, which would constitute the formal body responsible for carrying out the inquiry and publishing the report. It would also provide overall supervision and guidance on the major steps in the development and carrying out of the enquiry, including the holding of regional and other hearings, convened as part of the enquiry. Against the

obvious advantages of setting up such a commission must be offset considerations of cost, the difficulties of engaging the degree of active interest in participation on the part of such eminent personalities over the entire period of time of the exercise, particularly in light of the changes that would likely occur in the circumstances of some of the persons selected during that period, and the effect that the selection of a small group of people to serve on the commission might have on the prospects for engaging the active interests and participation of the much broader range of eminent people, which will be required to ensure the widest possible interest and influence of the enquiry.

37. Alternatives to the establishment of a commission to perform the functions of providing guidance on the major steps on development and carrying out of the enquiry and convening of hearings and meetings related to it, would be the creation of:

- a) a high level advisory or consultative body, or group of "wise men", with a flexible membership which would

permit the adding or co-opting of additional members as required; or

- b) a series of ad hoc panels of eminent persons to consider particular aspects of the work and the report itself before it is finalized and; or
- c) some combination of (a) and (b) above.

38. Whether obtained through the medium of a commission or a consultative body, patronage of the inquiry should have the highest degree of credibility and influence. Members would be eminent personalities, representative of the various industrialized and Third World regions, ideological positions, professional and intellectual fields.^{22/}

Members could be appointed by the sponsors (para. 34); alternatively, they could designate a chairman, perhaps with a small group of others, and entrust him (or her, or them), with the task of choosing the others.

39. Another possibility would be to start the enquiry in a long key manner and to form a commission on a consultative

^{22/} Appendix I contains an illustrative list of the kind of persons from which such a patron's group could possibly be selected.

body as envisaged in para. 36-38 above, only after the September 1975 Special session of the General Assembly, on the basis of a preliminary report on the enquiry (cf. para 48 below) and of discussions held on that occasion.

Conduct of the enquiry

40. A separate and distinguishable entity would be required to carry out the enquiry and assure its independence and objectivity as well as providing the institutional basis for administrative support of its work. Thus, the enquiry could be conducted

- . directly by the Commission, if one is formed;
- . by or under the umbrella of a reputable existing institution, suitably located and politically acceptable, such as the Dag Hammarskjold Foundation, the University of Uppsala, the International Institute for Environment and Development, the University of Sussex, the Paris-based Institut de la Vie, or
- . by an institution established especially for the purpose of the enquiry or for similar objectives. An example would be the contemplated Ripaille Centre for international policy alternatives, for which this venture could become the principal initial task.

Secretariat

41. In all the three options listed above, there would be a need for establishing a small but highly competent ad hoc

secretariat independent from governmental and inter-governmental organizations.

42. The Executive Secretary, or Project Director, or Manager, or Co-ordinator, would report directly to either the sponsoring group or the commission. Should the "umbrella" alternative be retained, he would develop adequate working relations with the relevant institution. Should the high level consultative body alternative be preferred, he would maintain close links with this body and its chairman.

43. The secretariat would be expected to provide both stimulus and management and would, in particular:

- . on the basis of the conceptual framework (para. 16-20) organize and direct the enquiry, including the necessary research, promotion of country profiles and alternative scenarios, meetings and other consultations;
- . set up and operate a network of co-operating institutions and individual experts, including through providing mutual information services (switchboard function) to all parties involved;
- . monitor the implementation of the work by contractors;
- . be responsible for the preparation of the final report and related documents;
- . promote public awareness and understanding of the issues being considered, the project itself and the report;

- . in the latter regard, the secretariat might also be given the additional function, following completion of the report, of organizing its launching and the publication, in as many languages as possible, of the technical and other papers resulting from the enquiry and considered suitable for publication.

44. Location of the secretariat would depend obviously on decisions made with regard to para. 40 above. In all events, a location in Europe would seem preferable from the point of view of providing best access to the various institutions participating in the enquiry.

The network

45. The major part of the substantive work would be carried out through the operation of a network of scientific (both natural and social) institutions, research groups and individuals in both industrialized and Third World countries ^{23/}. Members of the network would

- . contribute inputs to the enquiry, either their own (as a by-product of their regular work) or specially commissioned to them;
- . react to and elaborate on information and provisional findings as they become available.

^{23/} Appendix II provides an illustrative list of institutions which could co-operate in the network.

46. As an example of network participation, one could mention the role that the International Institute for Applied Systems Analysis (IIASA) in Vienna could play in evaluating systems models, existing or under way, and relevant methodology as well as in ensuring comprehensive and professional range of systems input into the exercise. Similarly, the International Federation of Institutes for Advanced Study (IFIAS) could make available the results of its on-going work on energy accounting. The Dag Hammarskjold Foundation, which is organizing several seminars on alternative development each year, could select the topics, during 1975 and 1976, in such a manner as to coincide with the requirements of the enquiry.

47. A committee of experts or steering committee of no more than 8 - 10 members would co-operate at the working level and on a regular basis with the secretariat. Members should commit themselves to devote to the enquiry a substantial part of their time for its total duration and should meet at regular intervals to advise the secretariat. They would

also provide a personal link with the institutions they belong to and which would be key components of the network 24/.

24/ An illustrative list of possible members of such a committee is attached as Appendix III.

E. Timetable

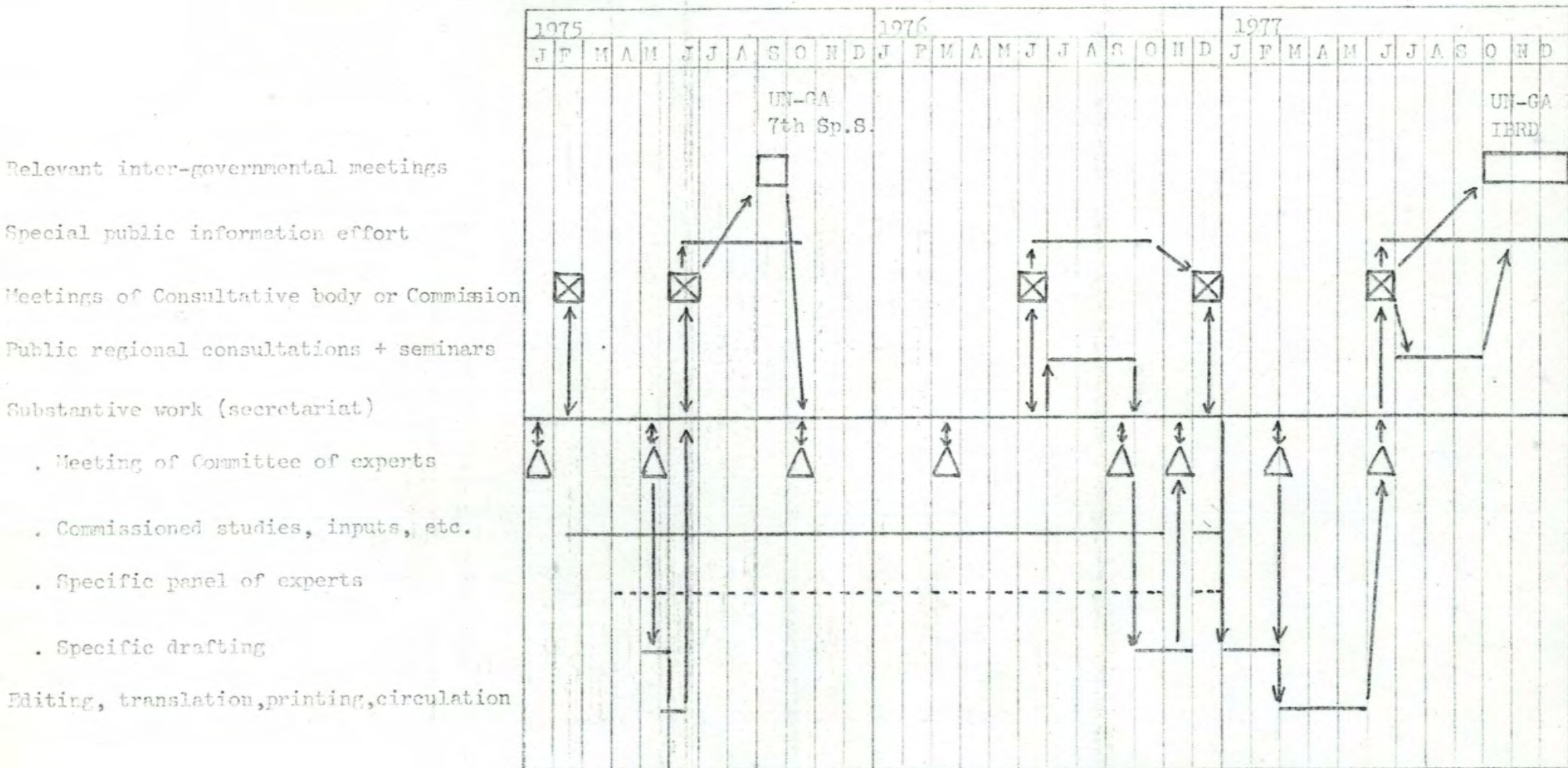
48. If the objective is to outline what kind of action is required, time is of the essence, specially in view of the September 1975 Special Session of the United Nations General Assembly. It would therefore be advisable to conduct the enquiry in two phases. During the first part of 1975, one would produce a statement of the main facts, known, surmised and still obscure that may bear on the enquiry, report on work already initiated and provide an outline of the direction and content of the enquiry. Such a statement could only outline the main headings, but it would point to the openness of the options in some cases, the narrow choices in others, and also map out the work remaining to be done during the second phase, for instance determine what additional data and studies are needed. Work in certain areas would of course start as soon as it could be determined, so that the second phase would develop organically from the first. In short, the first phase would be designed to produce a statement that is more a report on the enquiry than a preliminary report of the enquiry.

49. A possible timetable would look as follows ^{25/}:

- 1974, October . Sponsors decide
- to go ahead (or not)
 - on objectives, method and organization of the enquiry
 - initial funding (their contribution)
- November . Executive Secretary or Project Director appointed
- . Consultations with co-operating institutions (co-sponsors)
 - . Possibly, selection of Commission or consultative body members
 - . Recruitment of secretariat
- 1975, January . Secretariat starts operating
- . Produce draft conceptual framework and detailed programme of work; discuss them with committee of experts; finalize it
- February . Possibly, submit conceptual framework and programme of work to first meeting of commission or consultative body
- . Identify relevant work under way and interested scientific institutions as basis of network
 - . Start work on the topics mentioned in section (C) above, para. 16-32, through commission of state of the art papers

^{25/} cf. attached chart.

CHART 1: Timetable



and convening of panels of experts
with special emphasis on

- state of knowledge regarding outer limits
- analysis of existing projections
- preparation and testing of first country profiles and alternative scenarios
- requirements for international co-operation
- structure of the United Nations system

May . Draft preliminary report

June . Possibly, submit it to second meeting
of commission or consultative body

. Make it public

October . Refine programme of work in light of
Special session of United Nations General
Assembly discussions and decisions

. Further work as determined

1976, June . Present provisional findings to Commission
or consultative body

. Work continues on topics not yet fully
comprehended

July to
September . Regional and other consultations

October and
November . Draft final report and technical papers

December . Submit draft to commission or consultative
body

- 1977, January/Feb. . Complete final report
- March to May . Editing, translation, printing, circulation
- June . Public launching of manifesto and/or report(s)
- July to September . Regional meetings to disseminate conclusions and recommendations for action
- October . Present report to United Nations General Assembly and to IBRD Board of Governors
- . Make plans for further action if necessary

F. Finance

Budget

50. The following budget orders of magnitude are given for illustrative purpose only ^{26/}:

	1975	1976	1977	Total
	(\$000)			
. 10 co-operating scientific institutions: 1 correspondent part time in each, and regular meetings	200	200	100	500
. commission of specific studies, state of the art papers, analysis, projections, etc.	750	1000	250	2000
. consultants à \$3,000 m/m	180	180	90	450
. expert panels of 12-15 participants à \$25,000 p.m.	250	200	50	500
. meetings of commission or advisory board à \$25,000 each	50	50	25	125
. regional consultations and meetings	--	300	200	500
. secretariat	550	550	550	1650
- staff 9-10 professionals (senior and research assistants) plus supporting services, incl. benefits taxes				375
- travel				50
- communications				50
- supplies and services				25
- office rental, equipment, etc.				50
. editing, translation, printing, publications, circulation	25	25	350	400
. public information	200	300	400	900
. reserve, miscellaneous and unforeseen	95	95	85	275
TOTAL	2300	2900	2100	7300

footnote ^{26/} see next page

Financing plan and fund raising

51. UNEP, IBRD, SIDA and CIDA could perhaps provide \$ 1 million each, UNDP, NORAD, IDRC, Dutch and FRG agencies \$ 0.5 million each, the four Regional Development Banks \$ 0.2 each. Support could be provided by certain foundations, and financially rich Third World Governments (Venezuela, Iran, Kuwait, etc.) could also be approached.

26/ It should be stressed that the budgetary orders of magnitude suggested here are purely illustrative: actual figures could be worked out only on the basis of decisions by the sponsors concerning the different options outlined in paragraphs 36 to 47 above. For instance, the cost of specific studies as well as the cost of the secretariat will depend very much on the extent to which it would be able to rely on the network of co-operating institution for the inputs. Similarly, the cost of the patrons' group would depend on the decision whether a commission or a different consultative body is established. Similar problems have prevented anything more than a highly superficial estimate of potential sources of financial support.

Appendix I

Possible and illustrative names for membership of a commission or high level consultative or advisory body

<u>Name</u>	<u>Country</u>	<u>Remarks</u>
Brandt	FRG	Nobel laureate
Picht	FRG	
Weizsacker	FRG	
Barbara Ward	UK	
Gabor	UK	Nobel laureate
Briggs	UK	Rector, Sussex
Williams, Shirley	UK	
Jacob	France	Nobel laureate
Monod, Jacques	France	Nobel laureate
Marois	France	Institut de la Vie
Cépède	France	President, FAO Council
Tinbergen	Netherlands	Nobel laureate
Jungk	Austria	
Edberg	Sweden	
Kristensen	Denmark	ex-OECD
Boserup, E.	Denmark	
Rokkan	Norway	ICSC ^{1/}

^{1/} International Council for Social Sciences

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<u>Name</u>	<u>Country</u>	<u>Remarks</u>
Borlaug	USA	Nobel laureate
Mead	USA	
Heilbroner	USA	
Pauling	USA	Nobel laureate
Woodcock	USA	President, United Auto Workers
Lauria	USA	Nobel laureate
Dansereau	Canada	
Okita	Japan	CDP ^{2/}
Tsuru	Japan	Founex
Crawford	Australia	
Gvishiani	USSR	ACASTD ^{3/}
Innocentziev	USSR	
Alexandrov	USSR	Rector, Leningrad University
Sczepanski	Poland	Head, Commission for Higher Education
Apostol	Roumania	
Kornai	Hungary	CDP
Mates	Yugoslavia	

^{2/} UN Committee on Development Planning

^{3/} UN Advisory Committee for the Application of Science and Technology

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<u>Name</u>	<u>Country</u>	<u>Remarks</u>
Bebler	Yugoslavia	
Urquidi	Mexico	
Flores de la Pena	Mexico	
Pastrana	Colombia	Former President
Chonchol	Chile	
Herrera, F.	Chile	
Soermawoto	Indonesia	ACASTD
K.N. Raj	India	
Odiambo	Kenya	
El Menjrah	Morocco	UNESCO
Abdelmeguid	Egypt	
Jamal or Chagula	Tanzania	
Kolade	Nigeria	Head, Radio-TV

Appendix II

Possible and illustrative institutions to co-operate in the network

- . International Federation of Institutes for Advanced Study (IFIAS)
- . International Council of Scientific Unions (ICSU), and its Scientific Committee on the Problems of the Environment (SCOPE)
- . International Council of Social Sciences
- . Latin American Council of Social Sciences Organization (CLACSO)
- . World Future Studies Federation, Brussels
- . International Institute for Applied Systems Analysis (IIASA)
- . Dag Hammarskjöld Foundation (Uppsala)
- . International Development Research Centre (Ottawa)
- . Aspen Institute for Humanistic Studies
- . International Institute for Environment and Development (London)
- . Institut de la Vie (Paris)
- . OECD Development Research Centre (Paris)
- . International Centre for Development (Paris)
- . Centre for International Research on Environment and Development (CIRED) (Paris)
- . Vienna Institute for Development

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- . University of Sussex: International Development Centre, Science Policy Research Unit, Institute for the Study of International Organization
- . University of Uppsala
- . Oslo Peace Research Institute
- . US National Academy of Sciences, Board on Science and Technology for International Development
- . Brookings Institution
- . Woodrow Wilson International Centre for Scholars
- . Resources for the Future, Inc.
- . Japan Techno-Economic Society (JATES)
- . Indian Statistical Institute
- . Institute of Development Studies (Dar es Salaam)
- . Nigerian Institute of Economic and Social Research (Ibadan)
- . Fundamental Institute of Black Africa (Dakar)
- . Bariloche Fundación (Buenos Aires)
- . Instituto T. di Tella (Buenos Aires)
- . Centro Brasileiro de Analisa e Planejamento (CEBRAP) (Sao Paolo)
- . Colegio de Mexico

Appendix III

Possible and illustrative names for the committee of experts
or steering committee

<u>Name</u>	<u>Nationality</u>	<u>Institution</u>
Duloy	Australia	IBRD/DRC
Evteev	USSR	UNEP
Sachs	France	CIREN
Linnemann	Netherlands	
A.S. Manne	USA	
Galtung	Norway	OPRI
Sartaj Aziz	Pakistan	FAO
Parik (or alternate)	India	ISI
Cardoso	Brazil	CEBRAP
Bacha	Brazil	
Stavenhagen	Mexico	Colegio de Mexico
Sunkel	Chile	Sussex
Onitiri	Nigeria	NIESR
Kaduma	Tanzania	IDS
x	...	IFIAS
x	...	IIASA

Mr. McNamara emphasized strongly the need for an exercise, whoever presided over it, that would provide a complete package for India over a period of years ahead, preferably 10 but certainly 5 years. As a citizen he felt that the U.S. should consider carefully its attitude to Indian assistance and the possible effects on the U.S. itself of permitting intolerable economic pressures to build up on India with the consequent danger of political turmoil.

Mr. Enders agreed that these points were well taken, but in the present climate it was not possible to consider a multi-year approach to the Indian problem. There were powerful voices in the Administration itself that would prefer not to give India any aid at all. There was in any case nothing in the Indian situation corresponding to the 1966 change of regime in Indonesia that might persuade the U.S. to agree to the kind of debt settlement on very generous terms that was subsequently arranged for that country. Meanwhile, it was better to separate the debt problem from the question of aid, although he recognized that in economic terms they amounted to the same.

In response to Mr. McNamara's question as to the next step, Mr. Enders said that the U.S. would consult the other Consortium members at the next meeting, and also the Indians, on its proposal to take the subject of debt relief out of the Consortium, but had first wanted to mention the matter to Mr. McNamara. The latter repeated his readiness to be guided by the wishes of the members. If Indian debt renegotiations were to be taken up by a creditor's group, he thought, and Mr. Enders agreed, that the British might be the best qualified member to provide the Chairman.

cc: Mr. McNamara's office
Mr. Knapp
Mr. Weiner
Mr. Chaufournier

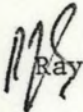
RJGoodman/rf

"PEKING SEEMS TO EYE IMF". Nihon Keizai Shimbun, International weekly, Aug. 27, p. 4, said in a report from Tokyo: "China's move openly to quote its people's yuan in relation to major world currencies is viewed by some monetary experts here as a sign that it may follow this up later with efforts actively to seek admittance into the IMF. The country started last Monday (August 19) disclosing the people's yuan rate against major currencies, including the yen, dollar, sterling and mark, through the New China News Agency. It so far had been informing through the Bank of China the yuan rate directly to its correspondent foreign exchange banks abroad by means of telegraphs. The new move reflects also the people's yuan's elevated position in the international monetary system, monetary experts here felt. While China had been informing of the middle rate only in the past, it has begun disclosing also selling and buying rates... The disclosure is made directly by the People's Bank of China instead of the Bank of China."

Messrs. McNamara ✓
Knapp
Sir Denis Rickett
Damry
Nurick

September 12, 1974

This item appeared in yesterday's IMF Summary of the Morning Press. Following an earlier report of this kind I asked Mr. Soejima if he would try to find out whether the rumor had any solid foundation. No doubt he will report when he arrives next week.


Raymond J. Goodman

491/3/16

H. 4300

September 13, 1974



Professor Nural Islam
Deputy Chairman
Planning Commission
Dacca
Bangladesh

Dear Professor Islam:

Mr. McNamara has just returned to the office after an absence of some weeks and has asked me to reply on his behalf to your letter of August 22 about the Bank's Economic Report on Bangladesh. He, as I, was most distressed to learn that the points you raised in your letter had somehow not been adequately resolved when the green cover draft was mailed to the Government for comments in May, and that you now find some of the language in the final report unnecessarily harsh. He has asked me to convey his sincere regrets to you. I assure you that it remains our central purpose to build upon the basic understanding that has now been established between the Bank Group and Bangladesh and do all within our means to help your Government confront most difficult problems. The economic report, in which great effort and sympathy was invested, was conceived as a major instrument in the attainment of our common goal. Its frankness in commenting on Bangladesh's problems and prospects was deemed to be the most effective way to elicit understanding support from the international community.

Since your letter was received, we have kept in close touch with Dr. Sen and Mr. Islam and I have now arranged for a revised version of the report to be issued in the next few days to permit timely distribution to the Aid Group.

You will be pleased to learn that we have so far received acceptances of our invitation to join the Aid Group from Canada, Denmark, Germany, Netherlands, Norway, United Kingdom and the United States. Switzerland, IMF and UNDP will attend as observers. The Asian Development Bank will also attend but did not specify whether as a full member or as an observer. Kuwait has expressed regrets and will not attend. I hope that we shall be able to report additional positive responses by the time of the Annual Meeting. I also hope that it will soon be possible for Bangladesh to reach agreement with the IMF on access to Fund resources. I am concerned that the absence of such agreement or immediate prospect thereof could prejudice the responsiveness of participants at the Aid Group Meeting.

I look forward to seeing you here later this month.

With warm regards,

Sincerely yours,

Mervyn L. Weiner
Regional Vice President
South Asia

Cleared and cc: Mr. McNamara
cc: Dr. Sen; Mr. Islam;
Mr. Knapp; Mr. Diamond

499/3/74

9/9 To Mr. Wijnah
Anders is a reply
being prepared
BREN

Dear Mr. President,

I am very thankful to you for the initiative you have taken for meeting the emergency foreign assistance requirements of Bangladesh. We have so far heard nothing from the donors about their reaction to the meeting on the 13th August convened by the Bank. I do hope that our joint efforts would produce results.

In the meanwhile, I am writing to you in connection with the Bank's Economic Report on Bangladesh (Report No. 455a-01 entitled Bangladesh Development in Rural Economy July 31, 1974). We certainly appreciate the amount of effort and analysis which has been incorporated in this report. In fact, the chapters on resource mobilisation and agricultural development contain useful and helpful suggestions, though in a few places we may disagree.

However, we are very greatly disappointed at the way highly prejudicial views and remarks have been freely expressed on the administration and political leadership of the country. There are some not very carefully written paragraphs in the report which cast reflections on the integrity and honesty of the Government. Moreover, in some places, language is unnecessarily denigrating, even though the content may be a matter of honest differences of opinion between us.

During the visit of the Bank Mission to Bangladesh for discussion on this report at an earlier stage, our staff pointed out our disquiet and concern about these remarks but apparently the authors of the report decided on the retention of the original version.

I would particularly draw your attention to the following paragraphs in the Report:

(a) Summary and conclusions:

Page IV - para 12

Page IV - para 14

Page V - para 18

(b) Page 217 para 600 and 601

(c) Page 220 para 611 and 612

(d) Page 224 para 623

There are several other paragraphs which we could mention; the above are only illustrative.

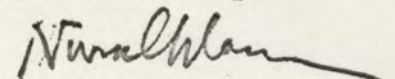
I am sure that the Bank and the Bangladesh Government are working towards the same objective i.e. a soundly managed economy and a reasonable rate of growth and an attempt to remove deficiencies. Over the past two years, I feel that a basic understanding has been reached and a dialogue has been established between the Bank and the Government. If the Bank felt very strongly about them, the opinions expressed by the Bank in the above paragraphs could very well be matters for discussion and dialogue on a confidential basis between the Bank and the Bangladesh Government. But I am sure you would appreciate that the publication of these opinions in this form could not but be counter productive rather than being helpful. I feel that they will seriously detract from the possibility of the attainment of our common goal.

I would, therefore, request you to take necessary steps to take care of the points I have raised above.

Looking forward to seeing you during Annual meetings.

With my warmest personal regards.

Yours sincerely,



(Nurul Islam)

Mr. Robert S. McNamara,
President, International Bank
for Reconstruction & Development,
Washington D.C.

499/3/13

To Mr. Zingales

PRESIDENT'S
COMMISSION ON WHITE HOUSE FELLOWS

THE WHITE HOUSE

August 27, 1974

Anders Hans
call Benziger
+ San Francisco
WIG
MARCHING
to meet with

Dear Mr. McNamara:

It seems hardly possible, but a new crop of White House Fellows arrives in Washington, D. C., on the first of September.

I cannot meet with

This group of fifteen young men and women were chosen out of 1400 applicants to serve in government for one year. In addition to their full-time job assignments with the Cabinet or White House staff, these individuals actively pursue an education program geared to expose them to many areas of interest and points of view.

them on Oct 22

As a very significant part of their initiation to Washington, we would be delighted if you could meet with them sometime during September ~~or~~ October* to discuss the international financial situation and its impact on the American domestic economy.

with help of disse

Generally, we host a luncheon or dinner where the Fellows would ask you to make some initial comments and then open the meeting for questions. Moreover, where time is of the essence, we have often arranged for a meeting without any formal structure where there can be a free exchange of ideas and opinions.

see contact

Should you find a convenient time, the current Fellows would be pleased to meet with you. For your information, I am enclosing our brochure highlighting their biographies and a list of their job assignments.

end of above

We look forward to hearing from you regarding a possible meeting.

Sincerely,

Joan K. Benziger

Joan K. Benziger
Acting Director

(382-4662)

* OR NOVEMBER

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

Enclosures

SECTION
COMMUNICATIONS
RECEIVED

10/12/12
PRESIDENT'S
COMMISSION ON WHITE HOUSE FELLOWS
THE WHITE HOUSE
August 27, 1974

Dear Mr. McManama:

It seems hardly possible, but a new crop of White House Fellows arrives in Washington, D. C., on the first of September.

This group of fifteen young men and women were chosen out of 1400 applicants to serve in government for one year. In addition to their full-time job assignments with the Cabinet or White House staff, these individuals actively pursue an education program geared to expose them to many areas of interest and points of view.

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We look forward to hearing from you regarding a possible meeting.

Sincerely,

Joan K. Benziger

Joan K. Benziger

Acting Director

SECTION
COMMUNICATIONS

1974 AUG 29 AM 10:24

Honorable Robert S. McManama
President, International Bank for
Reconstruction and Development
1818 H Street, N. W.
Washington, D. C. 20433

RECEIVED

Enclosures

* as volume

(202-455-1111)

Ben Lussier
William F. Hamilton

John H. Stankin

[Signature]

Roger B. Patten

Adam W. Haber

Arthur J. Danner

Betty Mc Cormick



Melissa Brown

[Signature]

Kent W. Colton

CLASS OF 1974-75

Ronald R. Ray

Ronald R. Ray

[Signature]

Susan B. Schiffer

Denise Leibowitz

David H. Wasserman

491/3/12

H-4200

UNITED NATIONS
DEVELOPMENT PROGRAMME
IN BANGLADESH



জাতিসংঘ
উন্নয়ন কর্মসূচী
বাংলাদেশ

P. O. BOX 224, RAMNA, DACCA,

PARKVIEW
589, ROAD NO. 17
DHANMANDI
DACCA

পার্কভিউ
৫৮৯, সড়ক নং ১৭
ধানমণ্ডি
ঢাকা

Cables : UNDEVPRO, DACCA.
PABX - 317181-5

Reference PRO/301/RELIEF-4645

5 August 1974



Sir,

Flood Damage, Bangladesh

.....
Following the worsening flood situation, on the 29th July 1974 the Ministry of Foreign Affairs, Government of the People's Republic of Bangladesh issued the attached Aide Memoire on the floods, requesting that Governments be informed of the situation, with a view to mobilizing international assistance for the afflicted victims.

Since the issue of this aide memoire, the position has deteriorated considerably and the Government has addressed a letter to the Secretary-General for assistance. Because of the urgency of the situation, all subsequent action has been by cable.

Yours sincerely,

M. E. D'Astugues
Resident Representative

Mr. Robert S. McNamara
President
International Bank for Reconstruction
and Development
1818 H. Street N.W.
Washington D.C. 20433
U.S.A.

Rec'd in IRD
8/20/74

AIDE MEMOIRE

As you are aware Bangladesh has been experiencing the effects of a calamitous flood situation of an unprecedented nature. The magnitude of the destruction that it has wrought so far is enormous even for a flood disaster-prone country like ours. The flood level continues to rise.

The assessment of damage and destruction caused by the disaster has been undertaken by the Government on an emergency basis. Immediate indications are of colossal damage and destruction to human lives, property and physical infrastructure. Over ^{ten} million people are affected. About 9,000 square miles of territory are inundated. Thousands of people are marooned and in desperate need of rescue and evacuation. Thousands of others are shelterless due to widespread destruction of housing. Drinking water is scarce and epidemics are breaking out. Damage to harvestable crops has been immense. The communication network has been disrupted making many areas inaccessible, hundreds of miles of roads and embankments have been swept away and large-scale erosion is threatening many areas. Preliminary assessment of damage to date in monetary terms is estimated to be around 450 million United States dollars. Some preliminary statistics of damage caused are appended to this note.

Among features that have made this particular flood situation unprecedented in nature are the following:

a) The flood came unexpectedly early in the season as a result of which crop damage has been extremely heavy, particularly the standing Aus crop with practically no prospect of recultivation.

b) The water level has perhaps reached its all-time highest, particularly in the Sub-divisions of Kishoregang, Netrokona, Sunamganj and Habiganj. In all, 14 districts out of 19 have been severely affected by inundation.

c) All rivers in the affected region have been in spate simultaneously in coincidence with unusually heavy and prolonged rainfall for an abnormally long period.

d) Rescue operations in low-lying areas have become impossible for want of adequate transportation, particularly river craft, and inclement weather continues seriously to hamper on-going relief operations.

e) Swift flowing currents have caused widespread erosion and extensive damage to the Sub-divisions of Chandpur, Serajgang and Bhola.

Faced with a disaster of this magnitude the Government is mobilising all available man-power and resources on a national emergency basis tantamount to a war-footing. All Ministries and departments of the Government are coordinating their activities and efforts are being made to mobilise massive relief by representatives of the people, and medical, engineering, technical and other personnel. The Prime Minister has launched a nation-wide appeal to all citizens, charitable institutions and other non-governmental agencies to contribute generously. The Government and people of Bangladesh are thus making their maximum effort to meet the situation, This disaster has, however, struck the country at a time when it is still engaged in the gigantic task of national reconstruction faced by it since independence, a task which had increasingly become more difficult as a result

of the impact of global inflation. In this context, it is apprehended that even an all-out national effort will not be adequate to meet the situation.

Assessment of the immediate needs in the first relief and rehabilitation phase of the emergency as opposed to the medium and longer term reconstruction phase would include the following items - foodstuffs, including rice, wheat, edible oil, milk-powder, baby-food, skimmed milk; medicines including vitamin and water-purification tablets; clothing, suited to local requirements, blankets; materials for providing shelter, including tents and corrugated iron sheets. All available stocks available in the country are being rushed to the disaster struck areas.

The immediate impact of the disaster and the first preliminary assessment of the extent of damage and emergency relief requirements needed is brought to the notice of all Heads of Missions resident in Dacca, with the request to inform their Governments of the unprecedented nature of the situation and with a view to mobilising international assistance for the afflicted persons in the country.

SOME PRELIMINARY ESTIMATES OF LOSS
AND DAMAGE CAUSED BY THE FLOOD

(as on 29. 7. 74)

1. Names of districts affected:	(1) Chittagong	(2) Sylhet
		(3) Noakhali	(4) Mymensingh
		(5) Rangpur	(6) Comilla
		(7) Rajshahi	(8) Bogra
		(9) Tangail	(10) Faridpur
		(11) Barisal	(12) Dacca
		(13) Khulna.	(14) Pabna
2. Number of persons affected:	...	1,031,750	
3. Extent of land under water.	...	8,620 Sq. miles	
4. Damage to crops (in acreage)	...	23,57,985 acres	
5. Quantity (in terms of rice) damaged	...	7,00,000 tons	
6. Number of lives lost	...	43	
7. Loss of heads of cattle:	...	5,757	
8. Damage to houses	...	a) Fully - 43,210 b) Partly - 1,09,610	
9. Number of Educational Institutions affected:	...	1,367	
10. Damage to roads (in miles).	...	3,423	
11. Damage to embankment (in miles).	...	974.	

.....



UNITED NATIONS ENVIRONMENT PROGRAMME
PROGRAMME DES NATIONS UNIES POUR L'ENVIRONNEMENT



491 / 3 / 11

Cable Address : UNITERRA, Nairobi
Telex No. 22068
Telephone : 33930

P. O. Box 30552,
Nairobi.

2 August 1974

Ref. No.



Dear Bob,

I appreciated the opportunity of talking to you on the telephone from Aspen and have been awaiting a response from Gvishiani concerning your invitation to him, myself and Peccei to dinner at your home in Washington on 7 October next.

I have now heard that Peccei will definitely be able to be there, and that Gvishiani believes he can make it and should be in a position to confirm definitely very shortly. As soon as I receive final confirmation, I will cable you.

I am very grateful to you for extending this invitation and do believe you will find it both interesting and useful to meet Gvishiani.

I believe the arrangements made to advance our joint consideration of the proposed study of means of meeting "minimum human needs" while staying within the "outer limits" of the environment are proceeding in accordance with the arrangements agreed to in our discussion in Washington, and our subsequent exchange of cables and your letter of 11 June. Marc Nerfin has been in touch with Jack Duloy and I have asked that he produce a report for our consideration by 15 September. It may not be possible to cover all questions thoroughly by that time, but they should be able to provide us with the basis for decision as to next steps. In all this, we are keeping very much in mind your concern to assure that the most rigorous professional standards are brought to bear and, indeed, I agree with you that this should be the hall-mark of the exercise.

I will look forward to an opportunity of discussing the matter with you after the report is available. In the meantime, again, many thanks and best regards.

Yours sincerely,

Maurice F. Strong
Executive Director

Mr. Robert S. McNamara
President
International Bank for Reconstruction
and Development
Washington, D.C. 20433
USA

RECEIVED



PROGRAMME DES NATIONS UNIES POUR L'ENVIRONNEMENT
 UNITED NATIONS ENVIRONMENT PROGRAMME



P. O. Box 30222
 Nairobi

Cable Address: UNITERA, Nairobi
 Telex No. 23068
 Telephone: 31930

2 August 1974



Ref No.

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I will look forward to an opportunity of discussing the matter with you after the report is available. In the meantime, again, many thanks and best regards.

Yours sincerely,

Maurice F. Strong
 Executive Director

Mr. Robert S. President
 Information for the
 and Development
 Washington, D.C. 20433
 USA

SECTION COMMUNICATIONS
 1974 AUG -9 PM 4:08

RECEIVED

491/3/10

August 6, 1974

Dear Chuck:

Thank you for your letter of July 27. I very much agree with you that it would be desirable for countries and agencies interested in providing reconstruction development and assistance to Indochina to consult together at an early date. Partly to explore the best means of organizing effective consultations, I have asked Bernie Bell, who assumed his new duties as Vice President for East Asia and Pacific Region only last month, to discuss this matter with the Asian Bank, Japan and interested governments in Europe; he is currently traveling, partly in connection with those discussions.

We have been thinking that there could be advantages in arranging a meeting of donors at the time of our Annual Meeting of Governors, when a number of the officials concerned may be visiting Washington. It is clear that several donors will insist on maintaining the informality and low profile of last October's meetings if they are to attend.

Our objective is to meet together with as many donors as possible with a view to maximizing development assistance for the countries of Indochina, and I believe you share this view. August is not an easy month for some governments, particularly those in Europe, to focus on a delicate problem such as aid to Indochina. Nevertheless, I do expect progress toward organizing an international meeting within the next few weeks and will be in touch with you again as soon as there are further developments to report.

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

The Honorable
Charles A. Cooper
Assistant Secretary for
International Affairs
Department of the Treasury
Washington, D. C. 20220

cc: Mr. Knapp
Mr. Votaw (Bell)

GBVotaw:RSMcNamara:bmm
August 6, 1974



ASSISTANT SECRETARY

THE DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

EYES ONLY

July 27, 1974

DECLASSIFIED
SERIAL 4 2002
WBG ARCHIVES

7/27 To Mr. Kupff
Barker, Mend
arrange for a
reply to be
drafted.



Robert McNamara
President
World Bank
Room 1230
1818 H Street, N.W.
Washington, D. C.

Dear Bob,

I have discussed the organization of international assistance for economic recovery and development in Indo-China with those concerned in the U.S. Government. We are fully aware of the problems the Bank faces in considering IDA assistance for Indo-China pending conclusion of the fourth replenishment with U.S. ratification.

The U.S. Government does not believe that the Bank need be in a position to commit funds as a prerequisite for its chairing a consultative group for Indo-China or any other area. There have been several cases where the Bank has played a highly useful role in organizing a consultative framework without Bank lending. We do, of course, hope that at some point the Bank will be able to provide financial assistance to Indo-China. But organizing a consultative group and a technical contribution in helping the Vietnamese prepare and present their priorities to such a group would be a very useful Bank contribution to reconstruction and development in South Vietnam.

Our principal concern is that delays in organizing the international effort during the next few months may result in various countries omitting or reducing amounts for bilateral Indo-China assistance during their internal budget processes affecting 1975 and 1976 commitments.

Thus we give highest priority to the earliest possible Bank call for a second meeting of the umbrella Indo-China Consultations group. I would hope you could consult with the Asian Bank and then extend the necessary invitation within a matter of days. Our preference would be to have the meeting held in September.

EYES ONLY

DECLASSIFIED
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NRG ARCHIVES

EYES ONLY

2

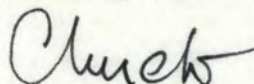
As nearly a year will have elapsed since there was a formal exchange of information, such a meeting is fully justified as a means of keeping the various donors informed on the programs and plans of other donors. We would hope there would also be a decision at this meeting to form subgroups for Laos and South Vietnam chaired by the Asian Bank and the IBRD and open to any interested member. Such subgroups were envisioned by most countries at the meeting last October.

The first meeting of the subgroup on Vietnam would presumably not be held until toward the turn of the year. This would give the Bank time for another mission to update the economic picture if that is necessary.

We also recognize that there are currently some uncertainties in the Laos situation. However, it seems to us that an invitation to donors for an early fall meeting will help expedite the clarification of views on priorities for assistance in both Laos and South Vietnam which otherwise might be an unnecessary time-consuming process.

I shall be out of the country next week. Should you have any questions please contact my deputy, John Bushnell, Deputy Assistant Secretary for Developing Nations Finance. I would also appreciate your action officer on this problem maintaining close contact with Mr. Bushnell on the Indo-China situation.

Sincerely yours,



Charles A. Cooper

EYES ONLY



UNITED NATIONS ENVIRONMENT PROGRAMME
PROGRAMME DES NATIONS UNIES POUR L'ENVIRONNEMENT



491/3/9

Cable Address: UNITERRA, Nairobi
Telex No. 22068
Telephone: 33930

P. O. Box 30552,
Nairobi.

Ref. No.

NAIROBI

12 July 1974



Dear Mr. McNamara,

In Mr. Strong's absence, I wish to acknowledge and thank you for your letter of 17 June which arrived after his departure on official visits to Europe and Latin America.

Your letter will be brought to his attention immediately upon his return to Nairobi later this month.

Sincerely yours,

G. Gervais
Gabrielle Gervais
Assistant to the
Executive Director

Mr. Robert S. McNamara
President
International Bank for
Reconstruction and Development
1818 H Street N.W.
WASHINGTON, D.C. 20433
USA

MEMORANDUM FOR THE RECORD

From : Denis Rickett

Subject: Discussion with the Secretary of the US Treasury

491/3/8
June 19, 1974



Mr. McNamara had a meeting this morning at 11:00 a.m. at the U.S. Treasury with Secretary Simon. Mr. Simon had with him Mr. Hennessy and Mr. Webber. Mr. Sethness and I accompanied Mr. McNamara.

6/20
The first subject discussed was IDA. Mr. Simon said he was heartened by the latest developments and thought that the odds were in favor of the House passing the legislation. The inclusion in the bill of the clause relating to gold would gain votes on balance. On the basis of advice given him by some people on the Hill, it seemed better for Mr. McNamara not to be too active there. He might play things in a low key and could, in particular, help with some of the Democrats.

Mr. McNamara said that he would be only too pleased to handle matters in any way that the Secretary wished. The U.S. Treasury should certainly lobby the Republicans. There were, however, certain directions in which he thought he could help with the Democrats:-

- (i) Congressman O'Neill had very much regretted the action taken by the House in January and could easily be persuaded to work for the bill this time;
- (ii) Now that Congressman Reuss had assumed responsibility for the bill, it was important to see that he was fully briefed;
- (iii) Mr. McNamara would like to call Mr. George Meany in order to make sure that he and his staff were active in rallying support for the bill;
- (iv) Similar action might be taken vis-a-vis other Non-Governmental Organizations, such as the Catholic and Jewish Communities and the League of Women Voters.

Mr. Simon agreed that it would be most helpful if Mr. McNamara would telephone to Mr. Meany. He could refer to the meeting which all three of them had had on this subject.

Mr. McNamara gave Mr. Simon a short note summarizing, under a number of heads, the action which the Treasury might take vis-a-vis the Republicans. The proposed approach to Mr. Mahon was particularly important.

Mr. Webber said that Mr. Volcker and he had had a meeting some weeks ago with Mr. Mahon who had been deeply impressed with the briefing which he had received on this and similar subjects from Secretary Kissinger. He had assured Mr. Volcker that he would create no problems for the bill and would remain neutral. Once the authorization had been passed by the House, he would be prepared to put the necessary appropriation through his committee.

June 19, 1974

The discussion then turned to the proposed joint Ministerial Committee of the Bank and Fund recommended by the Committee of Twenty. Mr. Simon said that the suggestion made by Mr. Morse in a letter to the Deputies that Mr. Frimpong-Ansah should call a meeting of the Technical Group in Washington at some time in August entirely missed the spirit of the proposal made by the United States. This was an urgent matter which should be discussed as soon as possible. Mr. McNamara asked what it was proposed that the Group should accomplish. Would the United States be prepared to put in some funds? Mr. Simon replied that this would only be considered after the IDA legislation had been passed and that it depended on what other countries would be prepared to do. On the question of a possible contribution from Saudi Arabia, he said that he intended to visit that country shortly as well as Egypt. He would like to have a discussion with Mr. McNamara over luncheon about his visit. Mr. McNamara said that he, himself, had visited Egypt and on certain conditions had held out the possibility of Bank Group lending of \$250 million a year of which some \$30 to \$40 million might be IDA credits. The Egyptian Government had agreed to receive missions from the Bank and the Fund. Those missions had just returned and he would be glad to make the papers of the Bank mission available through Mr. Sethness. His own view was that the best way to make progress with Saudi Arabia was by using Mr. Akins as an intermediary.

Mr. Simon said that he had developed close relations with MR. Yamani. Mr. McNamara said that if Saudi Arabia could be got to move, there was a better chance of action by Abu Dhabi and Kuwait. He would be paying a visit to Libya in the latter part of July or early in August.

Discussion then turned to the five-year lending program of the World Bank Group for FY74-78. Mr. McNamara drew attention first to the table on page 3 showing the effects of inflation. When the program was first drawn up in 1971 it had been assumed that prices would increase by 2% a year in dollar terms. This implied a cumulative increase of 15% by FY78. It was now estimated that dollar prices of the goods and services financed by the Bank had already risen by almost 18% by the end of FY73 and that the rise would be close to 40% by July 1, 1974. By FY78 the cumulative increase over FY71 would be approximately 90%. Mr. McNamara then pointed to the changes in the terms of trade for different groups of countries summarized in paragraph 29. For the poorest countries (those with an income per head below \$200), it was estimated that there would be a deterioration in the terms of trade of 21 points by 1978 compared with 1972. During that period the gross domestic product of countries in that group was likely to grow at little more than 2% a year compared with the forecast of 5.9% for a similar group of countries in the 1971 paper. This decline in the rate of growth of income per head would affect nearly one billion people. That was the size of the problem with which Technical Group No. 4 would be confronted. As some contribution towards meeting this problem he was proposing a Bank lending program of \$22 billion in the five years 1974-1978, or some \$30 billion for the Bank Group as a whole.

Mr. Simon asked whether the five-year program was not too pessimistic in assuming that the present unfavorable trend would continue for as long as

June 19, 1974

five years. Would it not be wiser to limit the forward look to a period of, say, one or two years?

Mr. McNamara said that decisions had to be taken, the lead times for which were longer. For example, the Bank's liquid holdings now stood at \$4 billion. Under the present policy these would rise to \$6 billion in the five-year period. He thought that such a large increase was unlikely to be needed. It should be possible to negotiate arrangements with the oil producers giving the Bank the right to borrow from them, as required, very substantial sums at a rate of interest based on yields for comparable securities in New York. The practice of borrowing in local currencies would not be continued for much longer. One such further loan was being negotiated in Saudi Arabia and another in Abu Dhabi on the understanding that all future borrowings would be in dollars. Arrangements were being negotiated under which the Bank would borrow \$500 million in Venezuela. He would like to negotiate a borrowing program which would provide for borrowings of up to \$500 million in Venezuela and \$2 billion a year in Saudi Arabia. If such a firm understanding could be reached, the Bank's liquid holdings could be substantially reduced.

Mr. Hennessy thought that it was necessary to decide which institution should be responsible for balance of payments loans to developing countries on concessional terms (i.e. program loans) and which institution should make project loans to deal with longer-term structural problems. This was a matter which the Technical Group might examine.

Mr. McNamara replied that the Bank already made program loans and intended shortly to make such a loan to Korea. Mr. Hennessy thought that a decision was needed as to whether program loans should be made by the Bank, by the Fund, or some newly established special fund. The European Economic Community might vote to put \$500 million into the proposed UN Fund. The US did not wish to subscribe to that fund and, if the meeting of the Technical Group were deferred until August, the proposal for the UN Fund might acquire too much momentum. He agreed with Mr. McNamara that the Frimpong-Ansah Group could not settle this problem but thought that it should be brought rapidly to the attention of Ministers, say, at a meeting in July preceded by a meeting of Deputies. Mr. McNamara said that nothing would be achieved by this procedure unless the United States were prepared to put up a substantial amount. Mr. Simon said that the US was most likely to make a contribution in the form of food aid and that this should be regarded as the equivalent of a dollar contribution.

Mr. Sethness reverted to the Bank lending program and said that lending on the scale proposed over the next five years would require that the Bank subscribed capital should be doubled by 1979, the US share in this increase amounting to \$6 billion. Mr. McNamara pointed out that only a small part of that sum would be paid-in and that an expanded Bank lending program was by far the easiest method of dealing with the serious problems confronting us. He saw no difficulty in raising the necessary funds. Indeed, one OPEC country had offered informally to finance the whole lending program itself. Mr. Hennessy said that the most important

June 19, 1974

requirement was for concessional funds and that the raising of these must be "negotiated in tandem" with increased Bank borrowing. Mr. McNamara replied that Bank loans, even at 8%, would in present conditions be very cheap money which would be welcomed by many developing countries even including India. When Mr. Simon remarked that this would only lead to later requests from India for Bank loans to be rescheduled, Mr. McNamara said that he had always opposed the rescheduling of Bank loans and would continue to do so unless and until the Part I countries agreed to safeguard the Bank's credit standing from the consequences.

At the conclusion of the meeting, Mr. McNamara repeated that he would be glad to discuss these matters further, particularly the position of Egypt, with Mr. Simon over luncheon, and would send him the papers prepared by the Bank mission.

cc: Mr. McNamara
Mr. Knapp
Mr. Cargill
Mr. Adler
Mr. Merriam

DHFRickett:emcc

INCOMING CABLE

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NAIROBI 223 18 2006 P1/50

LTF

June 18, 1974

ROBERT S MCNAMARA

INTBAFRAD

WASHINGTONDCUSA

MISC 787 MANY THANKS YOUR TELEGRAM JUNE ELEVEN GREATLY ENJOYED VISIT WITH YOU AND APPRECIATED HOSPITALITY AS WELL AS OPPORTUNITY TO DISCUSS PROPOSAL FOR EXAMINATION OF MINIMUM REQUIREMENTS FOR INTERNATIONAL COOPERATION TO ASSURE PROVISION OF MINIMUM HUMAN NEEDS WITHOUT TRANSGRESSING ENVIRONMENTAL OUTER LIMITS MOST GRATEFUL TOO FOR YOUR RESPONSE AND WILLINGNESS TO COOPERATE IN PREPARATION OF MORE DETAILED FEASIBILITY STUDY OR PROSPECTUS WHICH SHOULD RECOMMEND BOTH SPECIFIC OBJECTIVES AND TERMS OF REFERENCE AS WELL AS MEANS OF ACHIEVING THEM HAVE ASKED MARCH NERFIN TO TAKE INITIATIVE IN CONTACTING JACK DULOY SO THAT THEY MAY WORK OUT BASIS FOR COLLABORATION I SHARE YOUR HOPE THAT STUDY CAN BE PRESENTED TO US BY MIDSEPTEMBER AND WILL ASK NERFIN TO WORK TO THIS OBJECTIVE AGREE FULL WITH CONCERNS YOU REGISTERED IN OUR DISCUSSIONS AND SUMMARIZED SO WELL IN YOUR TELEGRAM PARTICULARLY NEED FOR HIGHLY RIGOROUS AND OBJECTIVE PROFESSIONAL APPROACH ALSO BROUGHT SECRETARYGENERAL UP TO DATE ON OUR DISCUSSIONS DURING HIS VISIT HERE LAST WEEKEND AND TOLD HIM THAT WE HOPED THAT IF DECISION IS MADE TO PROCEED HE WOULD BE PREPARED TO BE IDENTIFIED WITH INITIATIVE WITHOUT COMPROMISING THE NEED FOR WORK TO BE CARRIED OUT INDEPENDENT OF UNITED NATIONS VERY MUCH LOOK FORWARD TO THIS FURTHER PROSPECT OF COOPERATION WITH YOU REGARDS

MAURICE F STRONG

UNITERRA NAIROBI

RECEIVED

JUN 19 1974 Distribution:

COMMUNICATIONS SECTION

IBRD / IDA
 WBG
 Mr. McNamara
 Mr. Chenery
 Mr. Hoffman
 Mr. Duloy

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

OFFICE OF THE PRESIDENT

Dallas, June 11, 1954

too broad a topic & yield
 not enough known to yield
 definitive answers to many of the
 questions
 try to pick the areas in which
 most is known rather than to
 try a total sweep and I think
 world
 skeptical reaction - bringing in
 United States & UN as steering com.
 will require follow-up & move
 on very much matters
 time period (3 yrs + renewal) try to
 limit the objectives & do it within

1 yr.
 must avoid 1st class intellectual
 effort -

by Ch or VCh a reasonable day's work

3 or 4 to prepare a proposal
 in 3 straight meetings plus 2 or 3 comments
 6 months on proposal development



UNITED NATIONS ENVIRONMENT PROGRAMME
PROGRAMME DES NATIONS UNIES POUR L'ENVIRONNEMENT



491/3/3

610

*Blanche
Holden on
file*

P. O. Box 30552,
Nairobi.

Cable Address : UNITERRA, Nairobi
Telex No. 22068
Telephone : 33930



NAIROBI

17 May 1974

rec'd 5/29

*5/29
Blanche, return
to me 6/13
[Signature]*

Ref. No.

DECLASSIFIED
SEP 24 2012
WBG ARCHIVES
PRIVATE and CONFIDENTIAL

Dear Bob,

As you may know, we have initiated, in co-operation with some of the world's leading scientists, an enquiry into the "Outer Limits" within which human activities may have to be constrained to assure our collective survival. At the same time, I have been giving a good deal of thought to how this might be related to the more immediate and urgent concerns for the individual survival of the vast numbers of people in the developing world whose lives are at risk from resource deficiencies, principally food.

Clearly, the system of cause and effect relationships which give rise to the "Outer Limits" kind of risk also bears directly on the more immediate problems of food and resource shortages. There is also a danger that concentration on the short-term problems may divert our attention to such an extent from the longer-term risks, which may be of even greater significance to the entire human community, that we would slide into a situation in which we will not be able to initiate the actions required to deal with these risks while there is still time to do so.

I feel that the time has come to move the "survival" issue to the top of the political agenda of the world community within a framework in which both aspects of the issue can be considered.

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

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I set out some preliminary thoughts on the possibility of setting up a World Commission for this purpose in the form of a memorandum outlining in summary form how this might be approached. It is designed simply to serve as a basis for discussion. I might say that I have discussed these actions with Barbara Ward at some length over the past few months and many of the ideas expressed in the memorandum have evolved out of our discussions.

There are two points I might add to the information contained in the memorandum. The first is that a logical candidate for Chairmanship of the Commission would be Willy Brandt, whom I believe would command the wide respect and support the exercise would require. I also believe it would be compatible with what I understand are his own interests and concerns. The other point is that I would propose the group to be engaged to provide the systems analysis and methodology which would be a basic tool for the work of the Commission, would be that headed by Professors Eduard Pestel of the University of Hannover and Mihajlo Mesarovic of the Case Western Reserve University in Cleveland, Ohio. The co-operation of certain other groups in developing countries and the International Institute of Applied Systems Analysis in Vienna would also be enlisted.

You will note that I am prepared, in principle, to have UNEP provide from one to two million dollars towards the cost of the work of the Commission, depending upon what the total cost may turn out to be. I believe the core group of sponsors should be primarily those who are able to provide funding, as well as appropriate policy support, and provision could be made to associate other international organizations in a "co-operating" capacity after the project has been shaped up by the sponsor group.

I am most anxious to discuss this matter with you and will seek an opportunity to come to Washington to see you when I am in North America during the period of 6-12 June. I will ask my New York office to contact yours to see if this can be arranged.

I very much look forward to seeing you and to hearing your views on this proposal.

Best regards.

Yours sincerely,



Maurice F. Strong
Executive Director

Re: PROJECT SURVIVAL - PROPOSAL FOR A
WORLD COMMISSION ON IMPERATIVES FOR
INTERNATIONAL CO-OPERATION TO ASSURE
HUMAN SURVIVAL

*What is arg. to meet
minimum human
needs*

1. Purpose of this Memorandum - To outline in preliminary form some tentative ideas as to the basic elements of a proposal to set up a World Commission to enquire into and propose the basis for establishing the minimum requirements for international co-operation to assure mankind's survival from the risks he faces:

- (a) collectively from possible violation of the "Outer Limits" of the biophysical parameters on which his life and well-being depend; and
- (b) individually from lack of food, shelter, health care, energy and other ingredients required to support minimally decent standards of human life.

2. Reasons for this Proposal - Drastic increases in energy costs, growing scarcity of food, fertilizers and other resources, increasing signs of environmental deterioration and galloping inflation have pointed up fundamental changes in the conditions affecting the present position and future prospects of a majority of the peoples and nations of the world. They have given rise to radical changes in relationships between rich and poor nations and created, out of a relatively small number of developing countries with large petroleum resources, a new class of rich developing nations.

After 15 years of exceptionally favourable weather conditions for world production of food grains during which yields were vastly increased through the "Green Revolution" we have more mouths than ever to feed, continued large-scale population growth, much of it in food-deficit developing countries, a greatly depleted reserve of food grains and the statistical probability of crop failures in major food producing areas in the next few years. At the same time, increased energy costs and fertilizer shortages and environmental constraints impede significantly prospects for increasing food production.

Under these conditions, it will clearly require exceptional and large-scale measures to assure provision of minimal supplies of foods to meet the needs of the doubled world population which will result from present trends in population growth somewhere around the end of the century. The prospect is real - indeed imminent - ✓

that literally millions and perhaps several hundred millions of human beings may die of starvation within the next 25 years.

Some of the cities of the developing world are growing at rates unprecedented in human experience and are threatened with literally being overwhelmed by the need to provide the basic water supplies, waste disposal, sanitary facilities and health services. The resulting potential for outbreaks of disease, economic and social breakdown cloud the prospects of millions of people.

These are perhaps the principal but certainly not the only examples of the mounting evidence that many millions of human beings representing a significant percentage of the whole of mankind are faced with imminent threats to their survival.

Perhaps less acute and immediate, but in the long run no less important, is the evidence that all mankind shares the risks to its collective survival from those human activities which may impinge upon the "Outer Limits" of the biophysical parameters on which human life depends. Man's activities based on the massive leverage which science and technology has made available to him, have reached a scale and intensity at which they are significantly modifying many of the elements within the biosphere which are vital to the sustaining of human life. Increased consumption of fossil fuels, proliferation of nuclear reactors, introduction into the environment of more than a thousand new man-made organic chemical compounds every year, vast man-made changes in the surface of the earth - its plant and animal life - all are impacting on the natural systems in ways in which we still cannot fully evaluate or understand. But there is growing evidence that they are giving rise to serious risks in such areas as possible climate change, marine pollution, contamination of the food chain, polluted water supplies and damage to human health.

It seems clear, then, that man faces a problem of survival - individually by denial of the minimum requirements of a decently human life and collectively by transgressing the outer limits to the conditions on which all human life depends. It must be equally clear that while survival cannot be regarded as adequate objective, it must certainly be seen as the minimum objective for international co-operation in the future. Indeed, it is the basic premise of this proposal that these risks to the individual survival of so many people today in the developing world and the collective survival of all have become so real and significant that they compel a fundamental change in the priorities of the world community. They are clearly the

kind of risks which can only be dealt with through foresight, planning and action involving co-operation amongst all nations. Highest priority must be accorded to evaluating and taking measures to identify, prevent and mitigate the more serious and imminent of these risks.

The recent Special Session of the General Assembly has highlighted some of the major political problems which this new situation creates, especially in respect of shortages of resources and food and, hopefully, has provided the basis for the beginning of a serious process of negotiation to resolve some of the major issues concerned. The Special Session of the General Assembly called for 1975 to deal with development and international economic co-operation provides another important opportunity to assure that these central issues are properly defined and given the priority they deserve on the political agenda of the community of nations.

But, while it has become clear that the former concepts of development assistance and even the goals of the second development decade are no longer adequate, no new focus or set of guidelines for international co-operation have yet emerged. It is suggested that the proposal to focus on the minimum requirements for survival, while not replacing the former objectives of development co-operation, would establish a new foundation for it as the basic minimal starting point of a new approach to international co-operation, one that is indispensable to the achievement of all other goals.

3. The Proposal - as envisaged would consist of the following elements:
 - (a) Name - while for convenience the proposal is referred to in this memorandum as "Project Survival", it is recognized that this may not be the best term to use and consideration should be given to alternatives which may be more suitable. The full name should be "The World Commission on --- Human Survival", or - "The Human Prospect", to suggest but two of many possibilities.
 - (b) Sponsorship by a small group of leading international organizations, preferably under the leadership of the United Nations and including the International Bank for Reconstruction and Development, UN Development Programme, UN Environment Programme, UN Conference on Trade and Development, and others. The preferred course would be for the Commission to be called for by the Secretary-General of the United Nations or at least announced and endorsed by him.

The sponsoring organizations would be responsible for establishment of the Committee and provision of the financial and other support it would require for its work. Provision would also be made for other international agencies to become "co-operating organizations" perhaps through the instrumentality of some umbrella organization such as the Administrative Co-ordinating Committee of the United Nations or the Environment Co-ordination Board.

- (c) A commission of small number, no more than 12, eminent world personalities which would give the project the highest possible degree of respect and credibility. It would be of particular importance that the developing world be fully and strongly represented on the commission. Selection of a Chairman would be most important.
- (d) A secretariat to organize and direct the work. It should be established independent of the United Nations and other existing official international organizations, responsible only to the Commission, as was done in the case of the Pearson Commission on International Development. The selection of the Director would, of course, be of paramount importance.
- (e) A group of advisers, consisting of leading experts and professionals in various relevant fields who could be called upon by the secretariat and the Commission to advise and assist in their work and to facilitate broad consultation with representatives of the scientific and intellectual communities and other sectors of society whose contributions would be important to the work of the Commission.
- (f) The latest techniques of systems analysis should be employed as a basic, though not exclusive, tool to be utilized in the enquiry. For this purpose, it is proposed that arrangements be made with one of the principal groups now engaged in application of systems analysis to evaluation of economic, social and ecological issues.

(g) Financing - of the direct costs of the Commission and its supporting secretariat and services would probably require a minimum of \$5million, depending upon the degree to which costs of basic studies in various fields which would constitute inputs to its work could be provided from other sources. Many such studies are already underway or planned and, in most cases, co-operation could be arranged to assure access to these. It would be the responsibility of the sponsoring group to find the necessary financing. The Executive Director of the United Nations Environment Programme has already indicated his belief that from one to two million dollars might be provided by the Fund of the UN Environment Programme. Remaining funds could come from other world organizations such as the IBRD and UNDP as well as from other private and governmental sources.

(h) Duration of Commission - an initial period of three years is proposed, commencing 1 January 1975, with provision for a preliminary report in time to be available for the Special Session of the United Nations General Assembly in 1975. As the subjects with which the Commission would be dealing are obviously of such a nature that basic work on them would have to continue far beyond the initial 3-year period proposed, continuation of the work of the Commission in some form could be considered before the expiration of the initial 3-year term.

4. Expected Output of the Commission:

(a) In the preliminary report for the Special Session of the UN General Assembly in 1975, it would be hoped that the Commission would be in a position to point up the basic issues it believes bear on the prospects for human survival, those requiring the most urgent attention by governments, the kinds of actions which should be taken to deal with them and the role which might be played by the various members of the international system to accomplish this.

(b) The final report should contain the following:

- (i) an assessment of the principal risks to the individual and collective survival of man indicating the nature, extent, immediacy and sources of such risks;
- (ii) an evaluation of possible alternative responses to such risks and the probable results to such responses;

- (iii) models illustrating in detail the system of cause and effect relationships which produce such risks and accommodate responses to them, illustrating the principal risks and alternative responses to them;
- (iv) a recommended "world plan of action for survival" consisting of specific measures to be taken at the global, regional and national levels. Such plan should consist of measures to deal with both short and long-term requirements. Recommendations for action would be addressed to governments and international organizations - deal with both individual risks and the entire system of risks and responses. They would include specific proposals for the changes required in the basis, methods and institutions of international co-operation to give effect to the plan;
- (v) recommendations as to the specific needs for further enquiries and studies and the means of carrying them out;
- (vi) in addition to the preliminary and final reports, additional or special reports might be issued on particular subjects arising out of the work of the Commission.

5. Methods of Work - It is proposed that a basic framework would first be created within which the various elements to be considered in the study could be seen in relationship to each other. Here, systems and modelling techniques would be particularly applicable. Substantive inputs in respect of each of the principal areas of concern would be solicited from international agencies and other institutions including universities, research and scientific organizations. Use would be made of all relevant material whether produced especially for the Commission or made available to it through work done for other purposes. In each case, it would probably be necessary to identify one institution or group which would assist in compiling and evaluating the inputs in a particular area. With the assistance of members of the group of advisers, ad hoc consultative panels of leading experts could be established to review and advise on findings in particular subject areas. The systems analysis group would work directly and in close co-operation with the secretariat to assure that all substantive material

was obtained, evaluated and presented, to the extent practicable, in models and scenarios illustrating both problems and alternative responses.

In addition to establishment of ad hoc consultative panels of experts, the Commission would hold special hearings in all regions of the world to assure full consideration of the particular needs and interests of the countries and peoples of each region, and the widest possible contribution of governments, institutions and leaders of each region to the work and findings of the Commission.

Special steps should be taken to encourage and promote wide public discussion of the issues under consideration during the period of the Commission's work and of its report when it is completed.

Maurice F. Strong

JUN 17 1974

Dear Maurice:

This letter is a very belated response to yours of April 10, 1974, regarding a possible Bank Group "sites and services" project in Nairobi. Most unfortunately, your letter was misplaced and therefore remained unanswered until now. I am very sorry indeed for the delay.

We are indeed considering such a project; in fact an appraisal mission will arrive in Nairobi next week. Furthermore, I understand that the Bank's staff has advised UNEP's Nairobi office of the appraisal and has canvassed possible UNEP interest in the project. Finally, I know the mission intends to make contact with your staff while in Nairobi.

There is as yet no Bank report on the project; this will be prepared as a result of the conclusions of the appraisal and subsequent internal consultations within the Bank. As soon as a firm draft is available, probably towards the latter part of this year, I shall be very pleased to have it passed to you on an informal and confidential basis.

With renewed apologies for the lateness of this response,

Sincerely,

(Signed) Robert S. McNamara
Robert S. McNamara

Mr. Maurice Strong
Executive Director
United Nations Environment Program
P. O. Box 30552
Nairobi, Kenya

PWBocock:cdw
June 13, 1974

cc: Messrs. Bell, Regional VP, EA
Hornstein, Div. Chief, CPI, EA
Jaycox, Director, Trans. & Urban Proj.

cc: for Mr. McNamara's Office (2)

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
FROM: C. G. Melmoth
SUBJECT: BANGLADESH - Visit of Mr. Tajuddin Ahmed
Additional Information


DATE: June 7, 1974

Assumption of Debt

1. Since my memorandum to you of June 4 on the visit of Mr. Tajuddin Ahmed, the Finance Minister of Bangladesh, two events have taken place of which you should be aware. In the first place, Mr. Cargill received a visit by Mr. A.M. A. Muhith, the former Alternate to Dr. Sen, who is presently in Washington pending his transfer to Manila where he will take up the position of Executive Director in the Asian Development Bank. Mr. Muhith had been involved in the initial discussions about the assumption of liability by Bangladesh for Bank Group loans and credits and still plays a role on the periphery. He said the Finance Minister might raise the following question. The Government feels that where importers of goods financed under Bank Group loans and credits had paid for these goods in rupees through their commercial banks to the State Bank of Pakistan when obtaining their import licences for these goods, the debts in question have been discharged as far as Bangladesh is concerned. Consequently, we should not ask Bangladesh to assume liability for them. This is the case with respect to Credit No. 81 for the Commercial Vehicles Project, and Credit No. 98 for the Industrial Imports Project and with respect to three credits made to the Agricultural Development Bank, (Credits Nos. 76, 117 and 157). The argument is not a new one and has been made to us from the beginning of our negotiations. The first two of these credits are in the nature of "program" credits for balance-of payments support and in a meeting with Mr. Knapp last Wednesday we agreed that, if necessary, we would postpone discussion of these two credits without prejudice to our position on the matter. With regard to the Agricultural Development Bank credits, our feeling is it would be dangerous to agree to the notion that these in fact constitute "program" credits.

2. In addition, the Finance Minister may raise the question of repayments of principal and payments of interest made under subsidiary lending arrangements. The Government has argued that where the subsidiary loans provide for repayment of principal over a period of years significantly shorter and for payments of interest at rates substantially higher than the corresponding terms of the Bank loans or IDA credits to Pakistan, Bangladesh should be given credit for the "excess" payments. This again is an argument which has been raised from the very beginning. A total of six credits is involved and the amount in question totals to some \$3.5 millions. We are prepared to agree with them in case of two credits, but not in the case of the other four where the payments were from a provincial agency to the then Province of East Pakistan and thus merely "intra-provincial".

4" to Mr. Knapp
Bank should
we not respond
more positively
to the "water
development planning"
request.



3. Both these matters will be discussed in London between our negotiators and the Secretary of the Planning Commission starting next Sunday. All I would suggest you say in reply is that you are aware of the problems and hope they can be satisfactorily resolved in the London discussions.

4. The second event which has taken place since my memorandum to you of June 4, is the arrival of two cables from Bangladesh, copies of which are attached. They indicate a willingness to come to a speedy solution as to the loans and credits for which Bangladesh would assume liability. However, I should point out one potentially disturbing element referred to in the penultimate paragraph of the first cable. That paragraph may mean that Bangladesh expects to receive IDA terms not only for the IDA credits but also for the Bank loans for which it would assume liability. While this may be merely a bargaining ploy, we clearly could not go along with it and will have to say so.

Request for Long-Term Water Development Planning Assistance

5. Dr. Mosharaff Hossain (formerly a member of the Bangladesh Planning Commission, now Director of the Bangladesh Institute for Development Studies) visited the Bank today and in a meeting with Mr. Weiner made an informal request that the Bank provide support to an ad hoc committee co-chaired by Mr. Hossain and Mr. Abbas (formerly director of EPWAPDA, now the Prime Minister's Advisor on Flood Control and senior Bangladesh participant on the Indo-Bangladesh Joint Rivers Commission) which is undertaking an independent review on contract from the Planning Commission of the present status of water development planning in Bangladesh. Although we have not yet received a detailed proposal (giving terms of reference, specific tasks to be done, staff requirements and budgetary needs), Mr. Hossain stated that it is similar to suggestions made in the course of Mr. Sadove's last mission to Bangladesh. Our understanding is that support is requested only for an initial review of, very roughly, six months duration, which would point the way for further detailed studies. Specifically, Mr. Hossain has asked that Mr. Sadove continue to be available to assist in this work. In addition, he requested the assistance of Messrs. Faaland and Hexner as short term consultants in initiating the review/and that the Bank provide for about six months, either from its own staff or from budgeted consultancy funds, an agricultural economist and an irrigation engineer with knowledge of Bangladesh. Beyond this Mr. Hossain has indicated that the Government may wish to use the Technical Assistance Credit (Credit 409-BD) to obtain additional specialists.

6. Mr. Weiner said that it was difficult to give a full answer to Mr. Hossain's request at the present time without a careful review of the existing commitments of Bank staff and the administrative budget particularly since all technical staff members experienced in Bangladesh water problems are already fully committed for work on projects in Bangladesh and India during the period Mr. Hossain would require them. It was

*Letting not
over for all*

however a very important matter which we will very carefully consider. He promised to let Mr. Hossain know, probably through Messrs. Sadove and Picciotto, whether he could give a more definitive response by the 19th of June, the day before Mr. Hossain leaves the country.

7. Apart from staff availability and how the assistance requested should be financed, we shall need to consider how this work can be carried out so as to minimize the appearance of the Bank taking sides on the sensitive issues with which the Joint Rivers Commission will probably be concerned.

8. We plan to tell Mr. Hossain that although we shall probably not be able to release Bank staff according to the schedule he has in mind, we recognize the considerable importance of the work they need to do, and we will certainly give the specific request the Government plans to make (which we expect to include terms of reference for consultants, and an outline for arrangements for coordination with the ongoing efforts of the Planning Commission, the Water Development Board and other line agencies) very careful consideration when it is received. We will also state that we will be consulting with them how best we can be of assistance.

JQHarrison/DJFontein/CGMelmoth:lrd



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

May 13, 1974



Dear Bob,

I write with reference to the World Bank Staff's paper on "Aid and Debt for the Indian Consortium."

The effort of the staff to project India's economic development for the next five years was a courageous undertaking although in the volatile circumstances of today's world economy, such attempts to define the future are bound to be frustrating. I am concerned, however, about some of the implications of the Bank staff recommendations and also with some essential statistical elements of the report that provide the basis for the assessment of India's situation.

One issue involves the nature of the gap that the staff is recommending be filled by the donor countries. The Bank paper indicates that the future import requirements were computed on the basis of India achieving a 5.5 percent growth rate throughout the seventies, which was the same as the target set by Indian authorities for the Fifth Five Year Plan. This growth figure is considerably above the 2.4% rate which the Bank projected before the energy crisis and is substantially above the post crisis projections of -0.7% to 1.6% which appear in the Bank's paper on "Additional External Capital Requirements of the Developing Countries" (March 5, 1974). Thus, the staff's recommendation for India, in effect, means that donor countries are being asked to provide a full offset for the loss in real income that India has experienced as a result of higher oil prices, and, in addition, that they would be willing to support a growth rate which did not appear feasible even before the oil crisis.

On the statistical side, I am also concerned with some significant discrepancies with the Bank's assessment of India's current balance of payments situation and estimates that have been prepared by U.S. government agencies. For example, the staff's estimate of India's balance of trade deficit for the fiscal year 1973/74 was \$825 M. Our own analysis, based on actual data for the first ten months of the fiscal year, suggests that the 1973/74 trade deficit will be considerably lower, on the order of \$175 to \$225 M. This

estimate is particularly important since it serves as a "base year" for balance of payments projection of future years.

Turning to India's export outlook, the report projects that India's exports will only increase by 14 percent in 1974/75. This increase, although encouraging, appears to be too modest a target given the current trend in prices of commodities, some of which constitute significant elements of India's trade. I note, for example, that in the first ten months of 1973/74, Indian exports were up 24 percent over the previous year. If indeed the Bank's staff do not expect Indian authorities to make available resources and programs to boost the nation's export earnings to minimal levels, then further critical analysis of the reasons for such a conservative outlook may be in order.

On the debt relief question, I believe that a more balanced discussion should make clear key elements in the development equation for India that are barely mentioned. A critical element is India's own internal policies and measures which help or hinder long run development. Suggestions were offered at the working party meeting of the Consortium to have the Bank's staff take cognizance of certain problems we have noted in India such as under utilization of existing fertilizer plants, slow development of some of India's natural resource industries, particularly coal and iron ore, the uncertain support for export promotion and the apparent intention of Indian authorities to cut back on population control programs. In addition to these suggestions, I would add the need to eliminate adverse incentives to the export sector that exist in the complicated system of exchange restrictions, which have been the source of India's poor export performance for the past two decades.

A second element that is barely mentioned is the perspective role of major oil exporting nations whose actions are crucial to India's (as well as many other nations) economic well being.

I believe it would be helpful to have informal discussion at the staff level prior to the next formal

Consortium meeting scheduled for June 12, 1974, so that we can attempt to resolve these and other differences of opinion, or at least better understand why our views are divergent.

Sincerely yours,

Jack Hennessy

John M. Hennessy

The Honorable Robert S. McNamara
President, International Bank for
Reconstruction and Development
719 Nineteenth Street, Northwest
Washington, D.C. 20431

491/3/4

April 8, 1974




MEMORANDUM FOR MR. McNAMARA

Subject: The Congressional Action on IDA 4 in Japan

1. On Friday, April 5, the House of Representatives approved IDA 4 Replenishment overwhelmingly, with a majority of 451 to 40 and only the Communist Party opposing. The Socialist Party, the largest opposition party, which was against IDA 3 now voted for the bill. It should be noted that in introducing the bill, the Ministry of Finance stressed the importance of IDA 4 becoming effective as soon as possible, but in case this fails, the Japanese Government will make an advance contribution together with some other major donor countries.

2. The House of Councillors' hearing on IDA 4 is scheduled to start on Thursday, April 11. Since Japanese parliamentary action is based on the decision of the Party, there should be no problem. Under the present schedule, House of Councillors' action will be completed by Monday, April 15, but even if there is a delay, it will be completed by the end of that week, April 20.


Aritoshi Soejima

cc: Sir Denis Rickett
Mr. Adler
Mr. Wm. Clark
Mr. Merriam

President has seen

JOHN J. RHODES
1ST DISTRICT, ARIZONA

699/3/2

Office of the Minority Leader
United States House of Representatives
Washington, D.C. 20515

February 1, 1974



The Honorable Robert S. McNamara
President
International Bank for
Reconstruction and Development
Washington, D. C. 20433

Dear Bob:

I sincerely appreciated your recent note about the debate in the House on the IDA bill. I am only sorry we didn't meet with better success.

Thank you, Bob, for your thought in writing.

Yours sincerely,

JJR:C:mm

We haven't given up!

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FEB 11 1974
U.S. HOUSE OF REPRESENTATIVES

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President has seen

Office of the Minority Leader
United States House of Representatives

Washington, D.C. 20515

February 1, 1974



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COMMUNICATIONS
SECTION

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President has seen

McNamara's opinion up!

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499/3/1

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION



OFFICE OF THE PRESIDENT

1/7/74

To Chairman Burns

Arthur, attached is a copy of
the paper on "Implications of Rising
Petroleum Prices" which I mentioned
to you at lunch on Saturday. Note,
in particular, the projected impact
on the developing countries shown
in Table 4 (the page marked by a clip).

I'll be happy to talk to or
meet with any of your staff who
may be interested in this subject.

Best wishes,

Bob