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Hollis B. Chenery papers - McNamara Discussions 1978 (Jan - Oct)



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Hollis B. Chenery Papers - McNamara Discussions - Notebooks / Memoranda - 1978  
(January - October)  
(January - October)

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## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Hollis B. Chenery, VPD *HBC*

SUBJECT: Your Meeting with Brandt

DATE October 27, 1978

It would be useful for the Brandt report to follow lines complementary to WDR I and II with Brandt focussing more on the broader political implications and less bound by an institutional viewpoint. The background papers that I have seen suggest that this should be quite a feasible objective.

Brandt's main themes will grow out of the papers already commissioned to a large extent (see attachment). I think that Cassen's paper on Mutual Interests provides a basis for developing several complementary themes consistent with the above objective. One approach would be to look at some of the tradeoffs that are politically feasible for the OECD countries in supporting the poorest groups and countries, given realistic limits to ODA. In addition to better allocation and more efficient use of bilateral aid (and a larger share of multilateral), this would require looking at trade and market access from the point of view of the poorest rather than lumping all LDCs together.

Another aspect of this issue on which Brandt could be considerably more candid than WDR (if his commission supports him) would be to tackle the political constraints to greater equity in the developing countries. Here the NIEO has been notably silent and the WDR very restrained. Cassen's draft is rather weak and does not recognize a Northern interest in Southern poverty--just support for poor countries.

I also attach some suggestions from Haq and his staff, some of which are rather utopian.

HBChenery:nf

Attachments

COMMISSION MEETINGS: AGENDA

Mid-May 1978  
Mali

End-August 1978  
U.S.

End-November 1978  
Asia

End-February 1979  
Middle East

End-May 1979  
Latin America

End-June 1979  
Vienna

Commodities

Debt 11/0

Access to Markets

International Financial and Monetary System and Institutions

International Financial and Monetary System and Institutions (resumed)

Final Report

International Migration and Brain Drain

Economic Co-operation Amongst Developing Countries

Commodities (resumed)

Debt (resumed)

Least Developed Countries

Mutual Interests 11

Exhaustible Resources

Armaments and Development

International Negotiating Machinery

Basic Needs

Food, Agriculture, Rural Development

Transfer of Technology

Automatic Resources for Development

Women in Development

Transnational Corporations

Prospects for the 1980s

28.4.78.

## OFFICE MEMORANDUM

TO: Mr. Hollis B. Chenery

FROM: Mahbub ul Haq, Director, PPR *mv*

SUBJECT: Ideas for Brandt Commission Report

DATE October 20, 1978

1. You asked for some ideas that Mr. Willy Brandt might consider to formulate his main message to the world. My quick reaction is that he needs to find one powerful, integrating idea which appeals to the conscience and enlightened self-interest of the international community and under which it is possible to group together a number of operational policy proposals. I believe that the idea of the Global Compact (to eliminate the worst aspects of absolute poverty by the year 2000), advanced by Mr. McNamara in his 1976 annual speech, offers such an umbrella. The real question is whether the Brandt Commission has the technical expertise or the time now to put real flesh on this idea. If they can succeed in doing so, it would help:

- advance a time-specific target that may capture the attention of the world and behind which Mr. Brandt may be able to mobilize considerable political support;
- give a lead to the formulation of the international development strategy;
- link domestic and international efforts in this field, whereas North and South have each pointed an accusing finger at the other so far;
- give perspective to the NIEO discussions by showing how specific means (i.e., individual negotiating items) must be subordinated to an overall, agreed objective;
- lead to specific proposals for international resource flows and institutional restructuring to promote and monitor the implementation of such a grand vision.

2. Paul Streeten and Javed Burki have prepared the attached draft to elaborate the kind of work that will be involved in giving some real content to this idea.

3. I shall be away in Canada on October 23-24 but shall be glad to discuss this further on my return.

Attachment

cc: Messrs. Streeten  
Burki

Brandt Commission Report

The following are some thoughts on how the Brandt Commission could structure its report. The report might be divided into four parts or into four areas of emphasis. These are:

- Eradication of the worst aspects of poverty by the year 2000 as a global objective. It would be useful to focus on a single objective rather than on a large number of them, while saying that it must be pursued within a framework which is bound to include other objectives.
- An approach for achieving this objective. Here, the Commission will have to decide if this goal is to be achieved in the context of rapid growth of the world economy as a whole or of selective growth of particular sectors in the developed economies, and on the links between growth, and in international and domestic redistribution. The "interdependence hypothesis" suggests linkages between the developed and developing countries that, even over the medium run, could be disadvantageous to the latter, e.g., rapid overall growth of the developed countries could lead to a rapid exploitation of the globe's non-renewable resources. This implies a cost for the developing countries. The main thrust would be on how to avoid conflict and damage by coordinating action (armaments, protection, deflation).

- Means for achieving the objective and pursuing the approach.

Here, three questions come to mind:

- : Should we opt for a global approach, including Socialist economies?
- : Or, should we build on the present trend towards North-South regionalization (e.g., Lomé, ASEAN)?
- : Or, should we emphasize the role of politically neutral international institutions?

A combination of these three paths is, of course, possible, e.g., the regional approach can be outward-looking and a step towards a global arrangement (arrangements that benefit one group of developing countries at the expense of other developing countries should be avoided) and the institutions need not be part of the U.N. System but can comprise groups of countries. A principal theme here could be the need for an institutional response to the reality of interdependence.

- And finally, the policies for achieving the objective, following the approach and activating the institutions. Here, the Brandt Commission can only indicate the areas of international and domestic action and the direction that needs to be taken. The detailed analysis of the policies will have to be left to specialized agencies, international fora, regional groupings and so on. The Brandt Commission can emphasize the need for a truly global approach (including global management in some areas), and the need for appropriate global institutions. At the same time, not being bound by particular institutional loyalties, it can point to the possibility of groupings and arrangements, comprising fewer countries than the whole U.N. System, and for diversity and options.

## OFFICE MEMORANDUM

*T. L. L. 10/27/78*

TO: Mr. Robert S. McNamara

DATE: October 25, 1978

FROM: Hollis B. Chenery, VPD *HBC*SUBJECT: United Nations Household Survey Program

1. In May 1977 ECOSOC endorsed a recommendation of the U.N. Statistical Commission to undertake a worldwide National Household Survey Capability Program. In the same resolution ECOSOC requested the U.N., in cooperation with UNDP and the Bank, to consider ways and means of implementing the program. The objective is to help developing countries establish permanent, local capability to conduct household surveys to obtain systematic statistical information on socio-economic conditions for planning and the measurement of progress. In a letter to you from Ripert and Djermakoye, the U.N. has asked the Bank to make a commitment to the program.
2. Detailed plans for the program are in the final stage of preparation in the United Nations. The U.N. is now beginning a round of preliminary discussions with potential participants in the program, leading to a meeting of donors scheduled for June 1979. We have been asked to act as a co-sponsor along with the U.N. and UNDP, and to make an initial contribution to help support the small core group which is being set up at U.N. headquarters to monitor and coordinate operations.
3. In view of the importance of this program and its potential contribution over the long run to our knowledge in areas such as income distribution and social progress I believe the program merits our support. Accordingly, after consultation with Mrs. Boskey and the DPS directors, I have concluded that the Bank should agree to co-sponsorship and that we should make an initial financial contribution of \$100,000 to match the amount already committed by UNDP. I recognize that there is some risk involved in making a commitment to back the program at this stage. Nevertheless, I feel that Bank support now would be especially valuable in helping the program get off to a successful start, and would encourage active participation from other agencies and governments.
4. The U.N. program is not likely to result in the production of a significant amount of new data for some time. Consequently, we are also considering possibilities for collection of benchmark social data in a representative sample of developing countries over the next two or three years, perhaps with the help of an established group such as the World Fertility Survey team of the International Statistical Institute. I shall make my recommendations in due course.

RMcPheeters/HHughes:lr

cc: Mr. Karaosmanoglu, VPD  
 Mrs. Boskey, IRD  
 Mrs. Hughes, EPD  
 Mr. Cheetham, EPD  
 DPS Directors

RMcPheeters:lr



POSTAL ADDRESS—ADRESSE POSTALE: UNITED NATIONS, N.Y. 10017  
CABLE ADDRESS—ADRESSE TELEGRAPHIQUE: UNATIONS NEWYORK

35

REFERENCE: STAT 422 (1-1) General

7 July 1978

Dear Mr. McNamara,

You will recall that the ECOSOC resolution 2055 (LXII) of May 1977 (copy attached), inter alia invited IBRD to assist the United Nations in the establishment of a special programme for a National Household Survey Capability in developing countries in co-operation with the UNDP and other organisations. Following an exchange of letters, you kindly designated a member of your staff to participate in discussions with the United Nations Statistical Office and representatives of the other organisations to carry out preparations for a donor meeting on the survey programme as proposed in the resolution. We would like to take this opportunity to thank you for your co-operation in assisting in the preparatory activities.

It would seem most appropriate that this special programme be co-sponsored by the major agencies that have been involved in its preparation and we are, therefore, writing to you to ask you to co-sponsor this programme with UNDP and the United Nations. If we all agree to support the programme further in the form of advocacy and funding, we have the makings of an excellent joint undertaking of direct relevance to the needs of developing countries.

The programme, now in its preparatory stage, is aimed at co-operating with interested developing countries in building up durable national facilities for carrying out national household surveys in line with countries' own needs and priorities. Such facilities are a vital element for achieving self-reliance in the sphere of national statistics, and, among other things, will enable countries to assess the levels of living and provision of basic services to all sectors of the population. They will also be particularly relevant to the requirements of manpower planning and will help countries to obtain information on conditions at the local level, for rural development and development planning in general.

Mr. R. McNamara  
President  
World Bank  
1818 H Street NW  
Washington, D.C. 20433



- 2 -


The objectives of the programme would seem to respond to some of the concerns expressed in the recent report of your Research Advisory Panel on Income Distribution and Employment.

Identification missions to some 30 developing countries have been completed and detailed information has been collected on existing survey capabilities, the uses that have been made of them, the requirements for improvement and the priority the government attaches to the programme. The next step is to shape this material into a prospectus and prepare a programme and assistance design for a donor meeting in the second quarter of 1979.

It is intended that the programme should be the occasion for bilateral and multilateral donors to join forces, supporting the programme in a unified way to achieve the same goal, national capability. The design of the programme will, therefore, encourage direct bilateral assistance from a donor to a recipient country as well as multilateral assistance. Over the next few months, there will be discussions with the potential bilateral donors, in a succession of visits involving both the technical assistance and the statistics departments of the donor countries, with a view to arriving at a proposal offering the best prospects of being favourably received at the donor meeting. The materials and programme design will also be discussed in detail with your own organisation and we would like to underline that the bulk of the assistance will be channelled directly to the countries with a small co-ordinating unit at the centre.


We look forward to hearing from you regarding this joint undertaking at your earliest convenience.

Yours sincerely,



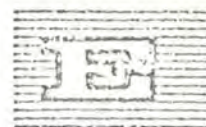
J. Ripert

Under-Secretary-General  
for International Economic  
and Social Affairs



L.S. Djeremakoye

Under-Secretary-General  
Department of Technical  
Co-operation for Development



UNITED NATIONS  
ECONOMIC  
AND  
SOCIAL COUNCIL



Distr.  
GENERAL

E/RES/2055 (LXII)  
12 May 1977

Sixty-second session  
Agenda item 9. Statistical questions

RESOLUTION ADOPTED BY THE ECONOMIC AND SOCIAL COUNCIL

On the report of the Economic Committee (E/5960 and Corr.1)

2055 (LXII). National Household Survey Capability Programme

The Economic and Social Council,

Taking note of the report of the Statistical Commission on its nineteenth session 1/ and, in particular, of the high priority it assigned to the proposal by the Economic Commission for Africa for a regional programme of technical assistance to developing countries designed to enable them to establish or improve a continuing national household survey capability, and of the broad relevance of such a programme to other developing regions,

Recalling paragraph 74 of the World Population Plan of Action 2/ adopted by the World Population Conference, held at Bucharest from 19 to 30 August 1974, in which, inter alia, all countries that have not yet done so are encouraged to establish a continuing capability for taking household surveys,

Recalling also resolution 272 (XII) 3/ adopted by the Economic Commission for Africa at its twelfth session and third meeting of the Conference of Ministers, in which it, inter alia, urged the undertaking of a multipurpose programme of household surveys for the collection of integrated demographic, social and economic data through the establishment of a field survey mechanism,

1/ Official Records of the Economic and Social Council, Sixty-second Session, Supplement No. 2 (E/5910).

2/ E/CONF.60/19 (United Nations publication, Sales No. E.75.XIII.3), chap. I.

3/ See Official Records of the Economic and Social Council, Fifty-ninth Session, Supplement No. 10, vol. I, part three.

Recalling further the recommendation contained in paragraph 30 of the Programme of Action 4/ adopted by the Tripartite World Conference on Employment, Income Distribution, Social Progress and the International Division of Labour, held at Geneva from 4 to 17 June 1976, in which, inter alia, international bodies and interested countries are invited to consider the feasibility of initiating a world-wide programme in support of household surveys,

Realizing that the renewed emphasis on approaching development efforts on an integrated basis, as exemplified by the decisions of the World Population Conference, the World Food Conference 5/ and the World Conference on Employment, implies an increased need for countries to have integrated statistics available for the planning, management and evaluation of programmes arising from these efforts,

1. Considers that national sample surveys, carried out on a continuous and integrated basis, by focusing on the individual and the household, can provide important quantitative information on economic, social and demographic conditions, and changes therein, for the entire population and the special groups within it, including the most disadvantaged groups such as the rural poor;

2. Draws the attention of developing countries in all regions to the value of a continuing national household survey capability in serving their national needs for reliable and integrated statistics as a necessary complement to periodic census programmes;

3. Draws the attention of developing countries to the possibility of using additional funds available to them through their United Nations Development Programme country programme facility to support the establishment or upgrading of such national survey capabilities as an important component of developmental infrastructure;

4. Requests the Secretary-General and the United Nations Development Programme, in co-operation with the World Bank and in consultation with other multilateral and bilateral donor agencies, to convene a meeting, as soon as is practicable, to consider ways and means of carrying out this necessary and important development activity, including the provision of resources for needed intercountry technical advice and training in this statistical field;

5. Requests the Secretary-General, in co-operation with the regional commissions and the specialized agencies, to provide all necessary support for this programme and to submit a progress report to the Statistical Commission at its twentieth session.

2054th plenary meeting

5 May 1977

4/ See E/5857.

5/ See Report of the World Food Conference, Rome, 5-16 November 1974 (United Nations publication, Sales No. E.75.II.A.3).

INT/77/031

Mr. Brown  
Mr. Goldberg ✓  
Mr. Mashler  
Mr. Berna

25 July 1978

Dear Mr. Ripert,

In reply to your letter of 7 July, I am pleased to inform you that UNDP is prepared to co-sponsor the Special Programme for a National Household Survey Capability in Developing Countries. Mr. William Mashler, Senior Director of the Division for Global and Interregional Projects, has informed me of the preparatory work which has been undertaken by the Statistical Division of the United Nations under the leadership of Mr. S. Goldberg, and I wish to take this opportunity of extending to him and his staff our appreciation for their work. I am also pleased to learn that UNDP's modest financial contribution towards meeting costs related to the preparatory phase of the programme have been used to maximum advantage. In co-sponsoring the main phase of the Special Programme, UNDP hopes that this important effort will receive wide support from governments and organizations. We stand prepared to give our full moral support to this undertaking, and to make such material contributions to it as our resources will permit. I should be grateful if you could let us know the response you have received from the World Bank, and I should also appreciate it if you could let me know the focal point for purposes of this programme in the United Nations, both in terms of written and verbal contacts. On the UNDP side, Mr. Mashler is hereby designated for that purpose.

I am sending a similar letter to Mr. I.S. Djerrakoye, Under-Secretary-General, Department of Technical Co-operation for Development.

Wishing you well in this new venture, I am, with best personal regards,

Yours sincerely,

Bradford Morse

Mr. J. Ripert  
Under-Secretary-General  
for International Economic  
and Social Affairs  
United Nations  
New York, N.Y. 10017

6 September 1978

National Household Survey Capability Programme

Draft Outline of the Proposal

Nature and Purpose of the Programme

The National Household Survey Capability Programme (NHSCP) is the first systematically organized effort to help developing countries obtain vital information which they need for their national development plans and programmes. It seeks to provide through continuous household surveys, up-to-date and integrated statistics which, while complementary to those secured from other sources, cannot be collected in any other way. NHSCP is a unique programme in that its main concern is to assist countries develop their own survey capabilities best suited to meet their individual national needs and priorities. The basic aim is to make optimum use of all available resources to build up an effective and enduring statistical infrastructure in the countries that need it most.

There is universal recognition of the key role of the household sector in the socio-economic development of developing countries. Households account for much of the productive activity and are themselves affected by economic and social change. A national household survey capability is the only systematic way to investigate the household as a composite economic and social unit and to measure its contribution to economic growth on the one hand, and the extent of improvement in living conditions on the other. A continuing programme of household surveys generates integrated data on a wide range of subjects - income, consumption and expenditure, labour force and employment, housing, water supply, health, nutrition, education and activities of household enterprises - information which is vital for formulating, implementing and evaluating national plans and programmes for social and economic development. Household surveys have thus an essential place in the national statistical system.

In most developing countries, household surveys have been mainly limited to a few specific subjects like employment, fertility, migration and consumer expenditure in capital cities. They have been mostly ad hoc surveys with marked disparities and deficiencies in coverage, design and survey procedures and without any plan of establishing linkages between one survey and another.

Interest by international and bilateral agencies has also tended to focus on a specific need, usually of the agency concerned, leaving little of an enduring nature behind after the survey had been completed. Even the few countries which recently initiated regular programmes of household surveys have still not reached the stage of deriving the best advantage out of them. NHSCP is designed with the specific objective of co-operating with interested developing countries in building up durable national facilities for carrying out household surveys and achieving self-reliance in the sphere of national statistics.

#### Background Note

The programme was originally conceived in 1973 as a sequel to the 1970 African Census Programme in which as many as 22 countries participated and gained new technical and operational experience in collection of statistics. The time appeared opportune for consolidating these capabilities and for updating census results and extending them to many more topics through ongoing household surveys. The proposal was welcomed by the Economic Commission of Africa in February 1975 and received further encouragement from the Conference of African Statisticians.

The United Nations Statistical Commission which had an occasion to consider the African programme of household surveys at its 19th session in November 1976 strongly endorsed the soundness and usefulness of this programme and stressed the value of adapting it to meet the needs of all developing regions of the world, and the need to mobilize support for this major statistical activity. The Statistical Commission also approved a draft resolution "National Household Survey Capability Programme" which was later adopted by the Economic and Social Council (ECOSOC) of the United Nations in May 1977. The resolution (copy attached) stressed the importance of continuous and integrated household surveys in providing valuable information on economic, social and demographic conditions of people, and requested the Secretary-General to provide all necessary support for the programme and consider, in consultation with multi-lateral and bilateral agencies, ways and means of promoting this important activity.

Following the ECOSOC resolution, the UN Statistical Office prepared a report setting out the objectives and structure of the programme to elicit the comments of interested organizations and countries. The response to this report was overwhelmingly positive. The New Delhi session of the International Statistical Institute in December 1977, the Study Session on household surveys organized by OECD in November 1977 and the meeting of UN ACC Sub-Committee on Statistical Activities in February 1978 unanimously endorsed the approach and strategy of the programme. There was equally enthusiastic support from many representatives of developing countries.

Simultaneously, a preliminary assessment of country needs was made with the assistance of regional commissions in order to determine the overall dimensions of the programme. This was followed up by more detailed identification missions during March-May 1978, to 27 developing countries representing all developing regions. Detailed information was collected on existing survey capabilities, the uses that have been made of them, the requirements for improvement and the priority the governments attach to the programme. It is obvious from the findings of the identification missions and other available evidence that most developing countries are eager to establish a regular and continuing programme of surveys and are alive to the need for strengthening their existing machinery to achieve this goal.

#### Main Features of the Programme

NHSCP is a country-oriented programme through which participating countries will be assisted to establish permanent machinery for undertaking continuous rounds of household surveys. With this capability countries will be able to obtain a variety of socio-economic data required for national development plans and programmes and other policy and administrative purposes, particularly in/<sup>the</sup> following subject fields which can be covered by the surveys:

1. household consumption, expenditure and income
2. labour force, employment, unemployment and under-employment
3. conditions of housing, water supply, health, nutrition, education, literacy and access to related services
4. activities of household enterprise (agriculture, industry, trade, etc.)
5. demographic characteristics, fertility, mortality and migration

The surveys will be organized, usually, in annual rounds, each round covering a group of subjects. The choice of subjects for the survey programme and their grouping into annual rounds will depend on countries' individual needs, circumstances and preferences. However, as there are significant relationships between subjects spread over different rounds, integration of information will be secured through common and compatible concepts and procedures of data collection and analysis. Where necessary, inter-linkages will be established through a common set of core items to be repeated in successive rounds.

The special feature of the programme is its flexibility with regard to choice of subjects, the frequency with which each is repeated over the years, the scope and number of specialized modules that can be attached to the core questionnaire, the degree of detail with which information is to be obtained and the level at which survey estimates should be available. Countries will themselves determine, for example, whether data on a given topic may be collected to provide estimates for the entire population, or also for different population categories according to geographical, occupational, sex, age and other characteristics.

Being a multi-subject programme, NHSCP cuts across sectoral and institutional boundaries of the country's statistical system. In developing the programme, therefore, due care will be exercised to ensure that it is properly co-ordinated with related statistical activities without any duplication, and that it produces data complementary to those available through other sources, in particular, censuses and administrative records.

The advantages of a permanent survey taking capability are evident. Through continuous programme of surveys, it is possible to secure a wide spread of subject coverage bring the data up-to-date, establish a number of base line and trend series and accumulate invaluable measurement experience. Organization of surveys in multiple rounds helps in step-by-step innovation and experimentation and detailed investigation of such complex topics as income, employment and levels of living. The continuity afforded by a regular survey system facilitates studies leading to refinement of concepts, definitions, questionnaires, etc., as well as time-saving and cost-effective

survey procedures. The existence of a permanent field organization will provide, in some countries, better facilities for collection of statistics outside the household sector like agriculture, industry and prices. The programme while meeting the data requirements of countries, will also yield in time comparable statistics needed for international agencies.

#### Programme Requirements

To be able to undertake the programme outlined above, national statistical offices of participating countries will have to establish the necessary organization which has four major components: (i) a Survey Division with a number of professional staff, which will determine the scope, content and coverage of each survey round, prepare the survey design (sampling, questionnaire, collection procedures and field instructions) and undertake related technical studies; (ii) a Field Operations Division with staff spread throughout the country, which will be concerned with organization and management of data collection; (iii) a Data Processing Division with systems and programming personnel to undertake processing and tabulation of survey data, and (iv) an Analysis and Reports Division which will be responsible for interpretative analysis of results, preparation of survey reports and dissemination of data among principal users. Other essential inputs into the programme are adequate transport arrangements for effective field operations, electronic computer facilities for data processing and printing equipment for timely publication of survey results.

The existing capabilities in the great majority of developing countries do not fulfill the above requirements. Only a small number, less than 20, have a fairly regular programme of multi-subject household surveys and a well developed survey organization. These countries can be expected to continue this activity and bring about necessary improvement with some additional effort. The most advanced among them could provide technical assistance to other developing countries. NHSCP was referred to as an example of technical co-operation between developing countries by the Under-Secretary-General of the Department of International Economic and Social Affairs, at the Conference on Technical Co-operation among Developing Countries (TCDC) in Buenos Aires in September 1978, in view of the considerable experience and expertise in a number of developing countries that have established continuous household survey operations.

Another group of about 40 countries have experience of household surveys to varying degrees, but they still do not have adequate facilities to undertake comprehensive survey activity. These countries need to improve and strengthen their capacity in several ways to meet the programme requirements. The remaining forty to fifty countries have practically no survey experience, lack the basic capacity and require the establishment of the necessary organizational infrastructure. These countries will, of course, take longer than the others to reach the stage of self-reliance.

#### Nature of Assistance:

Many developing countries are eager to participate in NHSCP and are prepared to set up the necessary survey machinery or strengthen the existing one for this purpose. Most of them, however, need external support over a period of years, before they can continue this activity on their own. The specific nature and volume of assistance will vary from country to country according to the state of the statistical system and survey experience but the areas requiring support are fairly clear. They fall into four categories: (1) Advisory Services, (2) Training, (3) Equipment and (4) Local costs.

Almost all countries need guidance and technical advice on planning and organization of surveys, particularly in the fields of sampling, cartography, questionnaire development and data processing. In the more advanced countries this assistance can be usually rendered through seminars, workshops and brief consultancy missions, but in the others which are less advanced, country-based experts or long-duration specialist missions will be found necessary.

There is an all round shortage of trained professional personnel. Special training facilities need to be provided, as an urgent priority, to upgrade the skills and competence of the existing staff as well as provide additional professionals to meet the growing demand for such persons. Training of junior level personnel can be arranged locally in many countries but the senior and middle-level professional staff in many countries will have to be sent to institutes of advanced training abroad. Training fellowships for the latter will be a major requirement.

Quite a few countries will require transport vehicles, additional computer facilities and printing and other equipment for efficient and timely survey operations. These are high-cost initial inputs which countries will find difficult to provide for in their budgets. Outside funding of such equipment will go a long way in giving the programme the necessary impetus. Likewise, a small number of countries, due to difficult financial conditions, will require external contributions to local costs on staff salaries, allowances and travel. Such assistance in the 1970 African Census and the more recent World Fertility Survey has proved most effective in successful completion of the programmes.

It is difficult at this stage, without further investigation, to evaluate the requirements of aid in terms of money. According to the tentative findings of the recent identification missions (in 27 countries) it seems likely that aid to a recipient country will have to be extended over 4-5 years to see it through till the stage of self-reliance, and that, on average, a country will perhaps need about \$800,000 worth of assistance during this period. Of this, roughly \$700,000 will be direct aid to the country and the rest will be the cost of assistance to be provided through common services by regional terms of experts. It is expected that the countries' inputs into the programme will be many times more than the assistance received from outside sources. A rough estimate of local project cost is \$1.5 to \$2.0 million per country on average. The aid component of the project will thus probably vary between a quarter and a third of the total project cost.

#### Programme and Funding Design

NHSCP is expected to include some 80 developing countries and will be carried out in stages over a ten-year period. During the initial stage spread over four years, 25-30 countries will be covered progressively, including a number of countries offering the best prospects of quick results. The initial choice of countries will be made taking into account various factors like current status of survey experience, statistical infrastructure, the country's preparedness and requirements of assistance. There will be, as far as possible, a fair measure of representation of all regions and countries at different stages of development.

The overall co-ordination of the programme will be the responsibility of the United Nations Statistical Office working in close collaboration with the statistical offices of the regional economic commissions and the specialized agencies. Full use will be made of the services of the survey experts and subject-matter specialists of the United Nations family in implementing the programme.

In view of the great diversity of needs and circumstances among countries, the statistical divisions of the regional commissions will be the focal points for execution of the programme. They will be responsible for detailed formulation of country projects, day-to-day implementation of the programme and much of the technical advice which will be provided through special teams of survey and subject-matter specialists. The least developed countries will be helped with full-time experts. There will be, in addition, funding arrangements at the country level, as required, for training, transport, printing and other equipment as well as local costs in special cases.

In view of the very large magnitude of the assistance involved (roughly \$70 million over the ten-year period envisaged to cover the 80 countries), the resources of United Nations agencies will have to be augmented considerably <sup>contributions by</sup> from multilateral and bilateral donor agencies. It is hoped that NHSCP will provide the occasion for all donor agencies to join forces with a view to providing support for this important programme. Donor agencies will be invited to assist in one or more of the following ways: (i) bear the entire cost of aid required by a country or group of countries in which they are interested, in the form of direct bilateral and if preferred; (ii) bear the cost of services of experts (either regional or country-based) by providing funds for the purpose of supplying the experts themselves; (iii) offer fellowships for training; (iv) supply transport and other equipment or funds for their purchase; (v) pledge funds to be pooled into common funds-in-trust to meet the general operational costs of the programme, and (vi) make a commitment in principle to consider favourably supporting in any of the above forms, as useful country projects in part or as a whole, each case being examined individually on its merits.

It is recognized that the task involved in organizing and administering this global programme is a formidable one. It has to be ensured that the programme is integrated as much as possible within the United Nations Statistical system while keeping its separate identity so as to attract donor support. The structure of funding is unusual involving, as it may do, many donor agencies with different types of assistance. Much care and effort will be needed to piece together various elements of aid, ensure the regular and appropriate flow of funds and fulfill programme targets. These tasks will be entrusted to a small co-ordinating unit to be set up at the United Nations headquarters.

It is also proposed to establish a Steering Committee to provide guidance on technical and organizational aspects of the programme. The Committee will serve both to respond to the concerns of the donor agencies to ensure that the needs of the recipient countries are fully reflected in the implementation of the programme and to "note" country and other projects for which funding will be sought. The Committee will consist of distinguished survey statisticians, besides representatives of major donor agencies, participating countries and the United Nations and specialized agencies.

It is anticipated that NHSCP will be fully operative by the beginning of 1980, although some countries have made a start and others are ready to start immediately. Draft project documents are being prepared for these countries. Most of the preparatory work will be completed during the first half of 1979, and detailed project documents for selected countries will then be finalized and ready for the consideration and approval of donor agencies. A meeting of donors is planned for the second quarter of 1979 to explore ways and means of their participation in the programme and determine the most effective way of delivering the assistance.

## ROUTING SLIP

DATE: Sept. 22/78

NAME

ROOM NO.

Mr. Koch-Weser

E-1227

APPROPRIATE DISPOSITION

NOTE AND RETURN

APPROVAL

NOTE AND SEND ON

CLEARANCE

PER OUR CONVERSATION

COMMENT

PER YOUR REQUEST

FOR ACTION

PREPARE REPLY

INFORMATION

RECOMMENDATION

INITIAL

SIGNATURE

NOTE AND FILE

URGENT

## REMARKS:

This question may be raised  
by Mr. Ripert when he sees Mr.  
McNamara.

FROM:

Hollis Chenery

ROOM NO.:

E1239

EXTENSION:

73665

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara (through Mr. H. B. Chenery) <sup>VBS</sup> DATE: September 21, 1978

FROM: Graham Pyatt <sup>GP</sup> and John H. Duloy, DRC <sup>JD</sup>

SUBJECT: Income Distribution and Poverty Statistics

1. You will be aware that the United Nations Statistical Office is currently seeking Bank support for a National Household Survey Capability Programme (NHSCP). In making this request in a letter to you dated July 7, 1978, Messrs. Ripert and Djermakoye suggest that this programme "would seem to respond to some of the concerns expressed in the recent report of your Research Advisory Panel on Income Distribution and Employment," (RAPIDE). No doubt they have in mind the RAPIDE recommendation that the Bank should take steps to assure the collection of "reliable, consistent and continuous data on income distribution and employment."

2. To accept the RAPIDE recommendation would involve a major shift in past Bank policy with important implications for its relations with member countries, and for relations with the UN system. With respect to member countries, explicit pressure from the Bank for data to be collected on poverty and income distribution would be seen as a significant departure. However funded, any initiative would inevitably be resisted in some countries because data on these matters are often politically sensitive. There would be concern over the role that the data might have in determining Bank policy and the implications for any one country of being compared with others in this dimension. With respect to the UN, a major initiative by the Bank in this area might be seen as undermining the proposed National Household Survey Capability Programme and, more generally, as an unwelcome extension of the Bank's role vis à vis that of the UN Statistical Office. We therefore see two main options for the Bank.

3. The first option would be a rejection of the RAPIDE recommendation. This would leave room for the Bank to continue to foster the evolution over time of better data. Under this option, the Bank would support the UN programme in principle. If it were to offer more than token financial support, this could be conditional on encouragement within the programme of the collection of data on poverty issues and broader questions of living standards, and some attempt to secure comparability across countries in the scope and definitions of such inquiries. At the same time, Bank researchers would direct their work towards developing an improved framework for the collection and analysis of poverty-related data. Such a framework might gradually become accepted as part of the normal practice of national statistical offices. Experience with standardized national accounts has been that it required some decades to achieve a substantial

September 21, 1978

degree of uniformity and coverage over countries. It does not seem likely that progress would be much faster with respect to income distribution and poverty statistics.

4. The second option is for the Bank to take an initiative in implementing a benchmark survey, comparable across countries, in a much shorter time period than under the first option. The model for this is the World Fertility Survey, carried out under the auspices of the International Statistical Institute. Experience with the Survey suggests that five to ten years would be required from the design to the final report stages. This option might require some \$40 million in all, of which the Bank would be a major contributor.

5. The second option cannot be justified from a research point of view because of the costs involved, although research would obviously benefit from better, consistent data. However, this option might be indicated for reasons of Bank policy which go far beyond its research program.

6. If the second option were chosen, the DPS should prepare a statement of the core Bank requirements for poverty-related data. On the basis of this document, the Bank should invite proposals for the actual implementation of the benchmark survey from competent institutions, such as the ISI and the UN Statistical Office.

7. If you would like to explore the second option further, the first step would be for the DPS to prepare a statement of the Bank's basic requirements for poverty-related data, in the light both of needs and of the feasibility of data collection. The second step would be to determine the best means of implementing and financing a benchmark survey yielding comparable data across many countries. This would call for early discussions both with the UN and with the ISI.

8. We would welcome the opportunity to discuss these matters further with you.

cc: DPS Directors

GPyatt/JHDuloy:vec

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Hollis B. Chenery, VPD *HBC*

SUBJECT: Technical Discussions of the World Development Report

DATE: September 14, 1978

## 1. Attached are:

- (i) A preliminary assessment of the reactions of professional economists to WDR I;
- (ii) A list of the background papers that are being edited as a basis for further technical discussions; and
- (iii) A preliminary agenda of meetings and visits during which we propose to discuss WDR I and ideas for WDR II.

2. Initial Reactions. In the month since the World Development Report has been available, a number of senior staff members--including Stern, Hughes, Haq, Karaosmanoglu, Clark, Clarke, Rao, Streeten, Keesing and myself--have discussed various aspects of it with at least fifty economists in a variety of meetings and private sessions. In most cases the reactions were based on a hasty reading of the report and tend to be rather general. So far the trade section has probably received the most serious professional attention, and is generally regarded as a balanced and useful statement. A selection of comments from the above sources has been put together by Paul Streeten and Peter Wright (Attachment I).

3. Background Papers. To have more serious technical discussions of the main policy issues it is necessary to make available some of the material from which the report draws its conclusions. The eight background papers listed in Attachment II are largely complete and are being edited for release at the time of the Annual Meeting. In various combinations they are designed to be used in the Seminar planned for September 27 and subsequent discussions. In this way it will be possible for several people to present the relevant aspects of our work to specialized meetings on trade and development, global modelling, income distribution, etc.

4. Discussions During September. As has already been shown by comments in the Board and the Development Committee, it is going to be more difficult to get the WDR established among the developing countries as a basis for discussion of international policies than in the OECD countries. We therefore plan to make a particular effort before and during the Annual Meeting to contact some of the influential Third World economists in both a seminar format and in private discussions. External Relations is also trying to arrange a briefing session on the WDR at the U.N. next week, in which D. C. Rao might participate.

5. Subsequent Discussions. We plan to continue the discussion of WDR I and also some of the proposed themes for WDR II over the next four months or so. This activity will coincide with the preparation of background papers for WDR II, but will not be allowed to detract from the latter. Wherever possible we will take advantage of existing seminars and scheduled trips by DPS and External Relations senior staff for this purpose.

A partial list of possibilities is given in Attachment III. We expect to make firm plans after assessing the results of the discussions over the next two weeks.

HBChenery:nf

Attachments

cc: Messrs. E. Stern, VPO  
W. Clark, VPE  
Karaosmanoglu, VPD  
Acharya, WDR  
P. Wright, VPD

Some Reactions to the World Development Report

1. The report has received wide publicity in both developed and developing countries and has injected new life into the public debate on trade and aid policies, approaches to poverty alleviation and other key development issues. While preliminary reactions amongst the aid establishment in the developed countries appear to be generally favourable, there has been a variety of criticism along such lines as the following:

- (a) Neither the purpose of the report nor the audience is clearly specified. The report is too technical, and has too many figures, for the busy lay reader, and there is nothing new in it for the professional.
- (b) Too much of the argument depends on figures, the significance of which is difficult to assess in the absence of supporting material and analysis.
- (c) Although the report analyses usefully the existing situation and current trends, it presents no alternative scenarios or policy options. Moreover, the projections are asymmetrical in being "optimistic" on domestic efforts and "realistic" on international efforts, thus exposing the Bank to a charge of bias in favor of the developed countries or at least of complacency with respect to existing policies on trade and aid.
- (d) The deliberately bland and non-controversial style of the report tends to obscure some of the key issues and uncertainties. At the same time important areas of risk are largely ignored, e.g. the possibility of another oil crisis, the debt situation, weaknesses in the international financial system.
- (e) To link the growth of developing countries to the growth of the developed countries is too aggregative. Much depends on the structure of growth both within and between countries. Nor is there any evidence to show that the growth of developing countries has been hampered by lack of ODA. There are numerous cases where a reduction in ODA has been associated with faster growth, though the causal sequence is uncertain. In other cases development has been postponed in spite of generous ODA flows.
- (f) The report underplays the detrimental impact of protection practised by the developing countries themselves.
- (g) The report largely ignores the Chinese experience and side-steps the issue of radical political change.
- (h) Inadequate attention is given to the population problem in the body of the report.

2. It is too early to gauge the reactions of the developing countries or of others who tend to sympathize with their point of view. The report is likely to be criticised for being too conservative, for ignoring the NIEO and the common fund, for overstating the case for interdependence, for appearing to condone existing trade and aid policies, for playing down the debt problem, for expecting too much of the LDCs, for skating over the numerous difficult domestic policy decisions entailed in doubling agricultural growth and mobilising additional savings in the low income countries, for being too negative about industrialization and the development of regional markets, particularly in Africa, and more generally for failing to respond to the aspirations of the developing countries. The point may be made that the policy prescriptions for the low income countries in Africa and South Asia are too general to be of much practical value. As for the donors, if poverty eradication is their aim, why do they not direct a larger share of aid to the low income countries? If the increase in aid is not going to match the increase assumed in domestic efforts, should the report not have presented a "realistic" low-growth scenario and an even more disturbing projection of poverty in the year 2000?

3. The comment has been made that interdependence and growing commercialization have not applied to the low income countries. Questions have been raised about the internal consistency of some of the projections, e.g. is the assumed acceleration in the growth of agricultural production in the low income countries compatible with the poverty projections? These and many other points will no doubt be brought out as development economists have time to study the report in detail. As yet, there has been little serious discussion either in official or academic circles, and the press coverage has been mainly descriptive rather than analytical.

EPWright/PStreeten:cbk

September 13, 1978

Attachment II

Background Papers:

<u>Subject</u>	<u>Authors</u>
Growth and Poverty in Developing Countries	Chenery/Ahluwalia/Carter
Global Analytical Framework and Assumptions for the World Development Report	Cheetham
Sensitivity Analyses on WDR I	Carter
Composition of LDC Exports	Chenery/Keesing
Agricultural Production Potentials and Small Farmer Development Strategies in Sub-Saharan Africa	Bruce Johnston
Perspectives and Problems of Development in Low Income Sub-Saharan Africa	Acharya
Small Farmers and Landless in South Asia	I. J. Singh
Rural Works Programs in South Asia - A Note	I. J. Singh

All of these papers will be ready for distribution by September 25.

DRAFT  
HBChenery:nf  
September 14, 1978

Attachment III

AGENDA FOR WDR DISCUSSIONS

Discussion of the International Framework

--	Stockholm Symposium on NIEO	August 25-27	Chenery, Keesing
--	Overseas Development Council, D.C.	August	Stern, Streeten
--	Oxford International Symposium	Sept. 18-22	Hughes
--	United Nations, N.Y.	Sept./Oct.	Rao
--	Conference on Global Modeling IIASA	Oct. 17-22	Gupta
--	Link meetings	Oct. 2-6	Schwartz
--	SEANZA - Bankers' Conference (tentative)	Oct. 18-19	Chernick
--	Economic Commission for Latin America (Chile)	November	Chenery
--	Geneva (UNCTAD, GATT, etc.)	?	
--	Brussels: Penetration of Developed Country Markets	Dec. 9-13	Hughes

Country Framework Discussions

<u>West Africa:</u>	Nigeria, Ghana	Oct. 16-20	W.Clark/McGibbon
<u>Latin America:</u>	Brazil, Colombia	Nov./Dec.	Chenery
<u>South Asia:</u>	India	August October	Rao Karaosmanoglu/ Wright
<u>East Asia:</u>	Thailand, Philippines Malaysia	November January	D.R. Clarke Chenery
<u>EMENA:</u>	Turkey, Egypt (?)	November	Chenery

Mr. Robert S. McNamara

August 7, 1978

Hollis B. Chenery, VPD

Redraft of Governors' Speech

Following our discussion here, I have redrafted Section VI on Poverty and incorporated the corresponding part of Section VII. The new material is based on p. 33 of the World Development Report and its background paper. If necessary, it could be elaborated by Montek Ahluwalia, with whom I have worked on the background analysis. I suggest omitting the remainder of the present Section VI, since it largely repeats phrases that you have used several times before.

I also enclose line-in, line-out suggestions for the rest of the speech.

Enclosures

HBChenery:nf

cc: Messrs. W. Clark, VPE  
B. King, DED

Suggested Redraft of Section VI

[All numbers should be checked]

VI. REDUCING POVERTY

While the need to give greater attention to the problems of the poorest has been increasingly recognized in international discussions, the intractability of these problems and the scale of efforts needed to reduce the numbers of the absolute poor have not been fully appreciated. I would therefore like to outline the factors that lead to the bleak conclusion stated earlier: that by the end of this century the number of people living in absolute poverty will not be significantly reduced unless much greater efforts are undertaken both nationally and internationally than are now in prospect. I will then report on the initiatives that the Bank Group has taken in this field over the past five years.

The reduction in absolute poverty in any country depends on the growth of its GNP, the extent of improvement in its distribution, and the rate of increase in population. Since the population of the developing countries is projected to increase from 2100 million to 3500 million by the end of the century, a failure to reduce the proportion living in poverty from its present share would result in an increase in the absolute poor from 770 to 1300 million. While the projected reduction of this number to 600 million through accelerated growth and better distribution represents a great improvement over past performance, it resolves only half of the problem.

In considering ways to improve this prospect, it must be recognized that 80% of poverty is now concentrated in the poorest countries and that some three-quarters of the poor live in rural areas. Poverty reduction therefore depends heavily on raising the productivity of small farmers and other rural workers in the poorest countries. With more effective programs to increase productivity, improve the distribution of public services, and reduce population growth, it might be possible to cut the number of people living in absolute poverty to 300 million (instead of the projected 600 million) by the end of the century.

Against this general diagnosis of the dimensions of world poverty, I would like to report on the World Bank's efforts to focus its own lending programs more effectively on the needs of the absolute poor. At our meeting in Nairobi five years ago, I outlined a strategy of raising the productivity of subsistence farmers, who make up the largest component of the rural poor. Elements of poverty programs for urban areas have also been developed in succeeding years, although they are still at an early stage of implementation.

The initial objectives of our rural strategy were to increase the volume of lending to agriculture and to give greater emphasis to projects designed to raise the productivity of small farmers--those farming less than two hectares.

Efforts to Attack Absolute Poverty: Progress Report

Five years ago at our meeting in Nairobi, I outlined a strategy for attacking absolute poverty in the rural areas. This strategy focused on the more than 100 million subsistence farmers and their families.

One element of this strategy was expanded World Bank lending. Our specific goal was to increase agricultural lending by at least 40% in real terms in the five-year period FY74-78 as compared to the previous five years.

Within the context of expanding the overall agricultural program, we proposed to give greater emphasis to projects expressly designed to increase the productivity of small-scale farmers -- to those farming on average two hectares or less. The target was to have at least 70% of all ~~our~~ Bank agricultural loans contain a specific component for the smallholder.

Each of these goals has been achieved. ~~Not only achieved, but~~ *and even* exceeded. In real terms, our lending for agriculture and rural development projects over the five-year period just ended, as compared to the previous five years, was up not merely by 40% -- but by 145%.

Further, fully 75% of the 360 agricultural projects approved over the five-year period contained a component specifically addressed to the needs of the small farmer. There were, in fact, over 200 projects in which more than half of the direct benefits were expected to accrue to the absolute poor. In total, they will increase the incomes -- in most cases, by at least 100% -- of over ten million poor families.

The ultimate standard, of course, for judging the success or failure of these efforts is not the benefits projected at the time

the loan is approved, but the benefits actually actually achieved in the field. We have been monitoring these projects very carefully. Because they are designed to produce progressive improvements over several years, it is still too early to form definitive judgments on most of them.

they are breaking new ground, and we must expect some failures.

But I can attest from personal observation in a number of countries that ~~as~~

~~of~~ these "new style" projects can tangibly benefit the lives of literally hundreds of thousands of poor farm families. Our experience with these investments supports the assumption that in the low income countries it should be possible to double the agricultural growth rate, raising it from 1.5% to 3% per annum.

The Bank's efforts to assist the urban poor are at a much earlier stage, and on a much smaller scale. We have very far to go, but we are making progress.

Two years ago at Manila, I expressed the hope that the Bank would be able to finance 50 urbanization projects during the FY76-80 period. It now looks as though we will meet, or possibly even exceed that target. During the next two years we expect to process an average of more than 15 such projects per year, as compared to two or three a year in the mid-1970s.

I also pointed out at Manila that we would be expanding and re-directing our investment in other sectors in order to increase earning opportunities in the urban areas. We developed guidelines <sup>to assure</sup> ~~with the goal~~ that by 1981 at least one-third of the lending we do through industrial development finance institutions should directly benefit the urban poor. That goal, too, now seems within reach.

As we widen our operational experience, we will learn a great deal more about what works best in expanding employment. The traditional labor-intensive sub-sectors of manufacturing -- clothing, textiles, leather, light engineering, and certain kinds of machine tools -- are obviously important in creating jobs, but they will have to be supplemented by other approaches as well. Recent projects, for example, have been directed at stimulating the construction industry -- which can be very labor intensive -- as well as artisan activities, and cottage industries.

The need for more jobs is critical. The cities of the developing world are expanding at runaway rates. The combination of high natural population growth, and accelerating migration from the countryside, will add well over a billion people to the urban labor pool by the end of the century.

It is obvious that on any reasonable calculation the developing countries are going to have to make massive investments if these individuals are to find productive employment. It is sometimes argued that the costs will simply be too high; that the world just cannot afford it.

But the truth is really the other way around. What the world cannot afford is procrastination and delay while dangerous social pressures build.

The Bank, for its part, is determined to move forward vigorously in this sector, and to seek new and more effective solutions to the growing urban crisis.

The Bank's effort in this matter is, of course, only one part of its overall financial program, which I would like now briefly to review.

AUG 3 1978

Mr. Robert S. McNamara, President

August 2, 1978

Donald B. Keesing, DEDND/WDR II

Paper to be Presented in Stockholm

You may be interested in the paper that Hollis Chenery and I will be presenting at the forthcoming symposium on "The Past and Prospects of the Economic World Order" in Stockholm later this month. It is based mainly on World Development Report.

cc: Mr. Chenery

DBK:nb

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Hollis B. Chenery, VPD *ABC*

SUBJECT: Annual Report on World Bank Research Program

DATE: July 28, 1978

*cc: Bery  
Balassa  
mv*

As you know, the five specialized Research Advisory Panels recently constituted are expected to produce their reports by March 1979. The General Research Advisory Panel is expected to commence its work in October 1978 and to have a draft available for circulation by June 1979. All of these reports will be distributed to the Board, and I presume the Board will wish to discuss the report of the General Panel.

*7/31*

In view of this considerable volume of documentation reaching the Board on Bank research, as well as the work involved in supporting the panels, I suggest that we not prepare a full-scale report on the research program for the Board this year. Instead, I propose a short updating report which could be circulated to the Board for information. This update would provide information on research expenditures in FY78 (along the lines of Chapter 1 of the last report) and updated versions of all appendices and appendix tables prepared for the last report. The Board discussion would not take place before the General Panel's report has been received in June.

Please advise whether you agree with this proposal so that we can plan the work on the updated report.

HBChenery/BBalassa/SKBery:nf

*8/2  
2 copies  
Lined**cc: Mr. Chenery  
10/13/78*

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara  
FROM: Hollis B. Chenery, VPD  
SUBJECT: World Economic and Social Indicators,  
and Survey of Economic Trends

DATE July 27, 1978

1. Attached is the July Survey of Economic Trends, along with the World Economic and Social Indicators. As in previous quarters, the circulation of the Survey will be limited to Bank staff; the Indicators will continue to have Board and public distribution.

2. In the World Economic and Social Indicators, estimates of external public debt at end 1977 are presented for the first time (Table VII.1, p.27). The country coverage of these tables has been expanded to 96 countries (from 85 previously) as a result of improvements in debt reporting. This is the same group of countries for which data on end-1976 debt are to be published in the Annual Report.

3. The commodity composition of the index of export prices of primary producers has been revised to reflect the changing importance of various commodities (Table IV.1, p.8 and VI.3, p.25). Fishmeal, sisal and wool prices have been excluded, while soybean, aluminum and nickel prices have been added.

4. The Indicators table on Commodity Prices (Table IV.1, p.8) continues to show several prices in \$/lb., as well as index numbers. Beginning this month, the Commodity Price Data Sheets show these prices in metric units. This change will be incorporated into the Indicators beginning with the next issue. There is no difference in the index numbers shown in the Data Sheets and in the Indicator tables.

5. In the Survey, a special section discussing the balance of payments and external debt developments in 1977 has been added. The balance of payments data (from the IMF) and the debt data (from the Bank's Debtor Reporting System) are the same as were used in preparing the Annexes to your annual speech to the Governors. However, because of different country coverage and different treatment of official grants, the totals differ from those shown in the speech. Attachment 1 is a reconciliation of the speech totals for the current account balance of developing countries and those shown in the Survey. Attachment 2 performs the same reconciliation for the debt data.

Mr. McNamara

- 2 -

July 27, 1978

6. Data on private, non-guaranteed debt are included in the Survey, but are not published in the Indicators because they incorporate some confidential data received from governments. Attachment 3 presents, country-by-country, our estimates of private non-guaranteed debt.

Attachments

cc: Mr. Karaosmanoglu, VPD  
Mrs. Hughes, EPD

JKatz:di

163  
McN. Noted

INTERNATIONAL DEVELOPMENT  
ASSOCIATION

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE  
CORPORATION

cc: P. Wright

## OFFICE MEMORANDUM

7/14 To Dr. Chenery  
H. B. Chenery  
possibly for you to  
pick 15 or 20 of the  
leading development econ-  
omists and obtain their  
comments on WDR by 10/1.  
L. H. Chenery

TO: Mr. Robert S. McNamara  
FROM: Hollis B. Chenery, VPD HBC  
SUBJECT: Professional Discussions of the World Development Report

DATE: July 21, 1978

We have agreed that the purpose of these discussions should be to get the reactions of leading economists in government and academia to the work done so far and the desirable scope of future analysis. To identify the principal members of this group, DPS is preparing a list of 100 or more influential economists, diversified by country and relevant interests. We plan to send this group copies of the Report with a letter from me early in August, and follow up with personal contact with some of them in the next 4 to 6 months as opportunities arise. *to late*

Over the next two months it will be possible to take advantage of DPS participation in several meetings already scheduled and discuss the Report with development specialists:

-121  
--Helen Hughes is going to Tokyo next week to meet with a group of trade economists;

--Haq and Streeten have been invited to Santiago next week by the Economic Commission for Latin America to discuss development issues;

--Keesing and I will participate in a symposium on the International Economic Order at Stockholm at the end of August, which will include a number of our target group.

There is general support for the idea of having a technical seminar on the issues raised by the Report at the time of the Annual Meeting. Among the advisors, observers, and guests will be a substantial number of the people whom we wish to contact. By that time it will be possible to make available some of the background material needed to make possible an informed professional discussion of the WDR.

Based on our experience with the Washington seminar, it will be possible to decide on the scope of further activity. At a minimum, I would envision a meeting in Brussels or Paris in October/November that would include a number of our European collaborators on trade and modelling questions. D. C. Rao will be able to meet with several groups in India during the Fall. I will also take advantage of a scheduled address to a conference in Turkey for this purpose.

HBC Chenery:nf

Cleared with and cc: Messrs. E. Stern and W. Clark

cc: Messrs. P. Wright, Karaosmanoglu, Haq, D. C. Rao  
Mrs. Hughes

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: July 21, 1978

FROM: Hollis Chenery and William Clark

SUBJECT: OPD Report on Dissemination and Intellectual Leadership

1. You will recall the report of the Frost Committee on Bank Publication Resources, which we sent you in February, and our subsequent agreement that OPD should be asked to advise on the organization of publishing activities in the Bank, including the possible institution of a "Third Program" of publications along the lines recommended by the Frost Committee. OPD has now completed its study, and a copy is attached for your consideration.
2. We have some difficulties with the way in which the question of intellectual dissemination is treated in the first part of the report (pages 1-8), but there is no need to dwell on these at length, since they have little bearing on the substantive recommendations contained in the rest of the report (pages 9-17) with which we are in broad agreement. We would simply say that the Information and Public Affairs Department regards its primary mission as being to disseminate the accumulated wisdom of the Bank -- which is incidentally the best Public Relations for the Bank.
3. However, these are essentially matters of presentation. The more substantive part of the report addresses the question of how the Bank might equip itself to handle an expanded and improved publications program, and the key recommendation here (pages 10-12) is that a new position should be created for a Publisher who would play the lead role in promoting the program. We believe that this makes sense so long as the following conditions can be satisfied:
- (a) The position should be established at the "O" level, reporting directly to the Vice President, External Relations, as Chairman of the Publications Committee. He will call on IPA for editorial and some administrative services. There will be need for at least one additional editorial position to strengthen the overstretched staff of the Senior Editor, which would service the Publisher.
  - (b) The Publisher should be assisted in finding material within the Bank suitable for working up into publishable form by a small committee (comparable to the Bank's Research Committee) made up of staff from DPS, CPS, EDI and IPA.
4. Everything will depend on finding the right man for the job, and we have given a good deal of thought to this question. It seems to us most unlikely that the Bank could attract a first-rate candidate unless the position was a senior one and relatively free from bureaucratic control. On the other hand, if the job is seen to be a relatively prestigious one enjoying your full support, we think there is a good chance of finding someone of the caliber, say, of the Assistant Editor of "The Economist" or "Scientific American". It is not impossible that a good candidate could be found from within the Bank, and it would be better to look inside than to recruit a second-rate outsider, but the sort of entrepreneurial talent and experience we are seeking is more likely to be found outside, and we should look there first.

Mr. Robert S. McNamara

July 21, 1978

Hollis B. Chenery, VPD

Global Framework for WDR II

To answer your question of July 12, a direct relation between Acharya and Cheetham has been established. We have also had several meetings to design the changes in the model needed for next year.

Although Cheetham will continue to be responsible for the analytical and technical decisions concerning the modelling work, he will have to be away a good bit over the next few months for family reasons. He and Helen Hughes have worked out a form of collaboration and a division of labor that is described in the attached memorandum, which I believe to be the most effective way of carrying out the work program. By the end of this fiscal year we hope to have this analytical system integrated into the regular work of the Projections Department with more adequate lead times for both design and production stages.

Attachment

MBChenery:nf

cc: Messrs. Acharya, EAL  
Cheetham, EPD  
Mrs. Hughes, EPD

## OFFICE MEMORANDUM

TO: Mr. Hollis B. Chenery, VPD

DATE July 14, 1978

FROM: Helen Hughes, EPD MM

SUBJECT: EPD Organization of the Global Framework for WDR II

1. The efficient and timely delivery of the global framework to the WDR II team, and the subsequent work on sensitivity analysis, requires a very considerable analytical and organizational effort within EPD for the work draws on both the best analysts and data managers in all the Divisions.

2. The WDR I effort built the basic framework under Russ Cheetham's leadership. It is now necessary to integrate it into the regular work of the Department's Divisions, even as the analytical content continues to be enhanced, and while ensuring an accelerated delivery capacity, both for the basic model and for the sensitivity analysis. It goes without saying that this has to be done while the Department's basic service activities to the Bank, and the developmental work on which they are based, have to continue. It also goes without saying that we cannot continue to put the pressure on the Department's staff, including Russ Cheetham, that we did in the past 12 months, on a regular basis.

3. We have therefore worked out the following organizational framework for WDR II:

- (i) I will be responsible for the overall organization of the work. This will mean overall scheduling and the supervision of the Division Chiefs on a day to day basis.
- (ii) Russ Cheetham will continue to be responsible for the design of the model and for all the analytical and technical decisions concerning it.

4. As you know, Russ was badly overloaded last year, and when he became ill, I had to step in without adequate preparation. I therefore consider that both Russ and I have to be fully able to run the exercise at any time until we have trained the Division Chiefs to do the day to day running and one of them to deputize for us. On the other hand, it would be inefficient--the Department would suffer quite seriously if both of us were to do so on a continuous basis. (As a practical consideration Russ, who lost 27 days of leave last March, will be taking about six weeks leave this summer for family reasons, and is likely to be taking home leave this winter.)

5. We will keep in as close touch with Shanker Acharya as we did with D.C. Rao. In practice last year Russ or I, whoever was on board, were ex-officio members of "the team", and attended its meetings when either the team or we thought it useful. If the team's work is to be informed by the global framework, we consider the continuation of this practice to be essential.

c.c. Mr. Cheetham

HHughes/kg

## OFFICE MEMORANDUM

*McN McNamara*

TO: Mr. Robert S. McNamara

FROM: Hollis B. Chenery, VPD *ABZ*

SUBJECT: Technical Discussions of WDR I and II

DATE: July 14, 1978

1. The purpose of these discussions would be to exchange views with leading development economists on the analysis underlying WDR I and some of the topics that may be treated in WDR II. There are two groups with whom such discussions would be useful:

- leading professional economists in different parts of the world, who are found mainly in universities and research institutions.
- senior economists in policy positions in governments of both developing and developed countries.

Although government economists find the report itself may be a sufficient basis for discussion, academic economists will find much of it familiar and are more likely to be interested in somewhat more technical discussions of some of the underlying problems: trade, agriculture, poverty alleviation in particular areas.

2. Although in some cases it will be feasible to schedule individual discussions, the most effective procedure is probably to meet with small groups in a one-day meeting. In addition to myself, the people who might be involved in this activity include Rao, Helen Hughes, Cheetham and Karaosmanoglu. On this basis it would be feasible to arrange three or four meetings in the U.S. and Europe and two or three each in South and East Asia and Latin America.

3. Although I have canvassed the possibility of a first meeting in Europe in September in Brussels or Paris, it might be preferable to take advantage of the presence of many government economists in Washington during the Annual Meetings to have one or two seminars in the Bank first. This would help to clarify the issues, which might then be discussed by members of the above group in different places over the following two months. By taking advantage of other travel plans of the people involved, it should be possible to carry out such a program without its becoming too much of a burden.

4. If this general approach meets with your approval, I will proceed to translate it into more concrete form.

HBChenery:nf

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

7/14/78

HBC:

*Yes*  
I assume that this was signed  
and handed to McN.

Should I Xerox copies of  
this to

*Yes* - AK  
Helen  
D.C  
Cheetham  
Acharya

*No*  
Anybody else????

*What about*  
n.

Mr. Robert S. McNamara

July 14, 1978

Hollis B. Chenery, VPD

Technical Discussions of WDR I and II

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HBChenery:nf

THE WORLD BANK  
Washington, D.C. 20433  
U.S.A.

Office of the President

July 12, 1978

MEMORANDUM FOR MR. CHENERY

The foundation of the World Development Report is, of course, the economic model for which Russ Cheetham is responsible. It would have been impossible to have completed WDR I on time, and in the form in which it was published, had there not been a direct relationship between D.C. Rao and Cheetham. Has a similar relationship between Acharya and Cheetham been established? Is it clear that it is not necessary for Acharya to move through Chenery, Karaosmanoglu and Hughes in order to carry on the contacts with Cheetham which he needs in order to fulfill his responsibilities?

  
Robert S. McNamara

cc: Mr. Stern

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara  
Through: Hollis B. Chenery, VPD  
FROM: Mahbub ul Haq, Director, PPR

DATE: June 30, 1978

SUBJECT: Basic Needs Paper on Sri Lanka

1. The attached paper, "The Relationship of Basic Needs to Growth, Income Distribution and Employment: The Case of Sri Lanka," was prepared by the Policy Planning and Program Review Department. It is the first of a series of seven country papers scheduled under the Basic Needs Policy Work Program. The paper was reviewed at a staff level by a PRC meeting chaired by Mr. Chenery; its minutes are attached.

7/5  
2. On the key question of tradeoffs between basic needs and growth, the paper finds that there were indeed tradeoffs in Sri Lanka, because basic needs programs accounted for about half of current government expenditures and because pressure from voters kept successive governments from cutting back these programs in order to increase investment. There have also been some indirect negative effects on economic policies. On the other hand, the accomplishments in meeting basic needs have been so extraordinary that it is difficult to argue that the tradeoffs were not worthwhile. Sri Lanka has the highest social indicators, in relation to its income level, of any country for which the Bank has data. Looking ahead, Sri Lanka's educated labor force and low population growth should be major assets in its efforts to accelerate growth. In addition, the paper finds that Sri Lanka's poor growth performance in the 1970's was much more the result of poor economic management and adverse terms of trade than of its social programs, which also deteriorated during this period. During the 1960's, while there was much to criticize in economic management, Sri Lanka's growth was above average for countries under \$200 per capita.

3. The paper also includes several other points of interest. First, while the food ration program was unaffordably expensive because of its nearly universal coverage, it appears to have substantially improved the total consumption of the poor, their nutritional status, and, in food-short years, their mortality rates. (The new Government has recently made the ration program more targeted by eliminating the top half of the income distribution from its coverage.) Second, the rapid spread of secondary education and, to some extent, basic needs programs have contributed to Sri Lanka's high unemployment rate. Third, although the distribution of income is not particularly equal in Sri Lanka, Government programs make total consumption of goods and services much more equal than the distribution of income per se. In effect, social programs have substituted for the more radical redistribution of assets and income which some have argued to be essential to meet basic needs in low income countries. Also, over the past fifteen years, there appears to have been a positive

June 30, 1978.

relationship between the growth rate and improvements in income distribution. Fourth, Sri Lanka's experience invites us to reconsider the necessary conditions for meeting basic needs: its education system is traditional and not oriented to basic needs; there is little 'participation' in its local-level development institutions, although there is extensive participation in its political system; and although few people in Sri Lanka have access to safe drinking water, infant mortality is only 45 per thousand and life expectancy 66 years. This does not mean, of course, that Sri Lanka would not have done even better with more relevant education, more participation in local development institutions, or good water supply.

4. Overall, while Sri Lanka is in many ways a unique product of its own economic, political and cultural history, it has achieved a great deal in meeting basic needs and offers useful insights into problems, and opportunities, raised by basic needs approaches. I believe that specific country studies of this kind are going to prove very useful in clarifying operational issues.

5. If you approve, we would like to distribute the attached study to the President's Council for their information.

Attachments.

7/7  
Approved  
LHW  
By [unclear]  
10/10/78  
2/78

Mr. Robert S. McNamara

June 29, 1978

Hollis B. Chenery, VPD

Board Paper on Price Forecasts

You requested a comparison of the current forecasts with those of last year for 1980 and 1985. This is shown in the attached table. Last year's Report did not contain forecasts for 1990. In general, forecasts for 1980 are more affected by the current economic situation as well as commodity specific factors, and adjustments to the 1980 forecasts are larger than those for 1985.

Coffee and cocoa are the only commodities for which 1985 forecasts have been raised by more than 10%. The response, in terms of increased plantings, to recent high prices continues to be sluggish.

Commodities whose forecasts have been lowered by more than 10% include tea, wheat, soybeans, sawnwood, zinc and iron ore:

- Tea supplies are expected to respond to recent high prices;
- The decline in the price of wheat relative to other cereals reflects expectation of continued gains in wheat productivity;
- We have revised upward supply estimates for soybeans;
- The lowering of sawnwood and some metal prices is largely due to stock situation and slower economic recovery than assumed previously.

Attachment

SSingh/HBChenery:nf

cc: Mrs. Hughes  
Mr. S. Singh

PERCENTAGE DIFFERENCES BETWEEN THE JUNE 1978 AND JUNE 1977 PRICE FORECASTS /a  
(1977 Constant Dollars)

	$(1 - \frac{1977}{1978}) 100$	
	for 1980	for 1985
<u>Energy</u>		
Petroleum	0.0	0.0
<u>Food</u>		
Coffee	28.5	-13.0
Cocoa	-11.2	-15.4
Tea	8.1	12.3
Sugar	10.8	0.0
Beef	/b	/b
Bananas	-1.5	-1.9
Oranges	-0.6	2.9
Lemons	-0.9	0.3
<u>Cereals</u>		
Maize	-1.4	-5.9
Rice	18.1	3.2
Wheat	20.0	16.1
Sorghum	-1.4	-6.0
<u>Fats &amp; Oils</u>		
Palm Oil	-18.8	1.4
Coconut Oil	-3.3	1.5
Groundnut Oil	-3.3	1.5
Soybean Oil	-3.4	1.0
Soybeans	10.3	10.7
Copra	-5.1	1.1
Groundnuts	-3.6	2.1
Palm Kernels	-19.4	-6.8
Soybean Meal	17.8	4.0
<u>Non-Food</u>		
Cotton	-2.9	-7.4
Jute	15.5	2.7
Rubber	1.8	-3.1
Tobacco	-1.3	2.7
<u>Timber</u>		
Logs (Lauan)	11.9	-1.9
Logs (Niangon)	9.9	-5.9
Sawnwood	34.9	13.9
<u>Metals &amp; Minerals</u>		
Copper	39.2	5.9
Iron Ore	30.5	14.0
Tin	-9.1	-8.7
Bauxite	-0.9	5.2
Manganese Ore	17.5	8.9
Lead	-1.1	-4.9
Zinc	29.9	20.3
<u>Fertilizers</u>		
Phosphate Rock	6.9	4.7
Tsp	15.1	1.8
Dap	3.9	3.2
Urea	5.5	1.4
Potassium Chloride	2.0	-1.3

/a Negative figures indicate an increase in the price forecasts made in June 1978 over those of June 1977; positive figures indicate a decline.

/b The price quotation used for forecasting has been changed, and no easy comparison is available.

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara  
THRU: Mr. Hollis B. Chenery, Vice President, DPS  
FROM: Mahbub ul Haq, Director, PPR  
SUBJECT: ODA Flows Paper

DATE: June 28, 1978

As requested by you, we have updated the statistical information provided in the ODA paper prepared last year by the Policy Planning and Program Review Department. The attached note provides this update and also some analysis of the recent trends.

Attachment - *Policy Planning*

cc: Messrs. Knapp  
Stern  
Cargill

# OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: June 26, 1978

FROM: Hollis B. Chenery, VPD

SUBJECT: Board Paper on Price Forecasts

1. I attach the annual Board Paper on Price Prospects for Major Primary Commodities. The commodity coverage in this paper has been modified compared to last year's paper (Report No. 814/77, June 1977) by dropping fishmeal, sisal and wool and adding soybeans, aluminum and nickel. A new feature of this year's forecasts is that a section on market structure has been added in the general report (pp. 22-25).

2. The main conclusions of the paper are that prices, in constant terms, of almost all products (other than beverages) are expected to improve. Prices of coffee, tea and cocoa are expected to fall from their present high levels.

3. Medium to long-term crude oil prices are assumed to remain unchanged at \$12.7 per barrel (1977 constant dollars), although in the short run they would be somewhat lower. However, in the section on Energy in Part II of the Report, it is noted that consumer prices of petroleum might be adjusted upwards to avoid a gap that might otherwise emerge between supply and demand.

4. The forecasts were reviewed at inter-departmental meetings attended by CPS, Regional and IFC staff members. They thus represent a Bank-wide consensus.

5. The contents of this paper are consistent with those of the World Development Report.

6. Your clearance is requested.

SSingh/HHughes/HBChenery:nf

Attachment

cc: Messrs. Knapp, SVP  
E. Stern, SVP  
Karaosmanoglu, VPD  
Mrs. Hughes, EPD

6/27/78 D. Chenery

How do the forecasts compare with those we made last year?

6/26

Mr. Robert S. McNamara

June 22, 1978

Hollis B. Chenery, VPD

Note on "Interdependence"

As requested, I attach a note outlining an approach to the discussion of interdependence in the Governors' speech. Some version of it could be used to introduce the section on international action.

After rereading the papers prepared in the OECD, ODC, Bank and elsewhere on this subject, I conclude that we are not in a position to make this a major theme of the speech because the arguments are both speculative and controversial. More solid analysis should be available in next year's WDR.

HBChenery:nf

Attachment

cc: Messrs. E. Stern, SVP  
W. Clark, VPE  
Haq, PPR  
D. C. Rao, AEA

MANAGING GLOBAL INTERDEPENDENCE

The expansion of world trade has made a major contribution to the growth of income in both developing and developed countries. In both groups exports have been expanded considerably faster than GNP and the two measures have been highly correlated. As a result, a growing proportion of all goods produced moves in international trade, and the welfare of countries at all stages of development is increasingly dependent on export markets and supplies of imports.

Over the past fifteen years this expansion of world trade has benefitted all of the participants in varying degrees. In developing countries, specialization in areas of comparative advantage has not only led to increased exports but has also lowered capital requirements and increased employment in many cases. In the industrial countries there has been a corresponding benefit from shifting capital and labor to export sectors where their productivity is higher and holding down consumer prices through imports.

Continuation of the process of mutually beneficial adjustments in the structure of the world economy is now threatened by the apparent inability of the OECD countries to reduce inflation and restore a satisfactory rate of economic expansion. Up to now the developing countries have managed to offset the slow growth of their major export markets by expanded borrowing, largely from private sources. Until there is clearer evidence of the

renewed expansion of the OECD countries and their willingness to increase imports, the developing countries will have to try to diversify their exports, to intensify import substitution and to trade more extensively with each other.

Under these conditions it is doubly important not to limit access of the developing countries to the markets of the OECD countries. The response to such a policy is likely to be an intensification of less efficient forms of import substitution that, once started, would be hard to reverse. The short run protection of employment in the industrial countries from such measures is largely illusory, since there would be a corresponding loss of employment in export industries.

The achievement of an international economy more conducive to equitable growth depends to a large extent on planned adjustments in several critical sectors: notably energy, food, and certain minerals. Most investments in these areas have long lead times and relatively small shortfalls in supply may cause large increases in prices. In other areas, however, problems are more likely to arise from surpluses than from shortages unless the world economy can expand more rapidly than is currently projected.

[The World Bank has tried to contribute to these needed shifts in the pattern of world production and trade by increasing our lending to sectors such as food production, mining and energy.]

cc: Messrs. Haq  
D. C. Rao

617

To Dr. Chaudhry

It would it not be wise to  
schedule discussion of the Advisory  
Panel report on Income Distribution  
of the President's Council on 6/16.

Let me know if you behave  
otherwise.

Assuming you agree, please  
arrange through Luis Kook Wever  
LKW

Done

## OFFICE MEMORANDUM

*B. Moran*

*already copied  
in.*

TO: Mr. Robert S. McNamara

DATE: June 2, 1978

FROM: Hollis B. Chenery, VPD *HBC*

SUBJECT: Transmission to the Board of the Fishlow Report

As requested, I attach a draft memorandum transmitting  
the report to the Board.

Attachments

cc: Mr. Damry

HBChenery:di

*#13  
Approved  
X new*

*original to Damry at  
4:30 p.m. 6/5*

REPORT OF THE RESEARCH ADVISORY PANEL  
ON INCOME DISTRIBUTION AND EMPLOYMENT

Attached is the report of the Research Advisory Panel on Income Distribution and Employment that was appointed by the President in the Fall of 1977. It is the first of a planned series of assessments of the main fields of Bank research, which were described to the Board in the last annual review of the Research Program ( ).

The recommendations of this Panel will be discussed by the Research Committee in the near future. Reactions to this and other panel reports will be reported to the Board in the next annual report on research.

Questions and comments may be addressed to Mr. Balassa, Acting Research Adviser (extension 61998).

HBChenery:di  
June 2, 1978

ROUTING SLIP		DATE June 5, 1978
NAME	ROOM NO.	
Balassa	K-3411	
APPROPRIATE DISPOSITION	NOTE AND RETURN	
APPROVAL	NOTE AND SEND ON	
COMMENT	PER OUR CONVERSATION	
FOR ACTION	PER YOUR REQUEST	
INFORMATION	PREPARE REPLY	
INITIAL	RECOMMENDATION	
NOTE AND FILE	SIGNATURE	
<p>REMARKS</p> <p>Remark from Mr. McNamara reads:</p> <p>"I am surprised he is qualified to advise on the Bank's Research Program, but if you say he is I concur."</p> <p>Please call me.</p> <div style="text-align: right; margin-top: 20px;"> <i>cc: AK Choksi</i> </div>		
FROM H. B. Chenery	ROOM NO.	EXTENSION

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: June 1, 1978

FROM: Hollis B. Chenery, VPD *HBZ*

SUBJECT: Changes in the Research Advisory Panel

### Middle East

After further consultation with the region and with Mr. El-Naggar, I propose Dr. Sherif Lotfy of the Arab Republic of Egypt as a member of the research advisory panel in place of Abdul-Rahman Al Habib.

Lotfy is an able economist, well regarded in the Middle East and has high level administrative experience in his own country as well as in Oman.

Attachment

BBalassa/HBChenery:nf

JUN 5 1978 *by v*

*I am surprised he  
is qualified to advise  
on the Arab Research  
Program but if you  
say he is I swear.  
Love*

Dr. Sherif Lotfy (Arab Republic of Egypt)

Dr. Lotfy studied economics at the University of Budapest and at Columbia University. He held several posts in the government of the Arab Republic of Egypt. Following his last assignment as head of the newly created Arab and International Economic Cooperation Department, he left Egypt and took up the post of head of Bank-financed Planning Team; following the establishment of the Financial, Development and Petroleum Councils in late 1974, became head of the Secretariat set up to coordinate these three Councils.

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara  
FROM: Hollis B. Chenery, VPD *HB*  
SUBJECT: Changes in Research Advisory Panel

DATE: May 25, 1978

1. Latin America. After further consultation with the Region, I propose Carlos Massad of Chile as the first choice (biography is attachment 2). He is an able economist, highly respected in Latin America, and combines a good academic background with national and international policy experience (president of the Central Bank under Frei and Executive Director of the IMF thereafter). He is currently an advisor to the U.N. and has no connection with the present regime. Krieger agrees that he is a stronger candidate than the others proposed.

2. Far East. After discussion with Dave Bell, I propose to invite Kim Mahn Je of Korea (who was our second choice).

3. We have now contacted almost all of the remaining candidates and have received no refusals so far. The revised list is attached.

4. If you have no objections, we will approach Massad and Kim Mahn Je.

Attachments - 2

cc: Mr. Balassa

*5/26*  
*Approved*  
*Draw*

HBChenery:di

*Balassa informed*  
*Xeroxed to Choksi 5/26*

Suggested Members for the General Research  
Advisory Panel

Chairman: Sir Arthur Lewis\* (West Indies)

<u>Region</u>	<u>First Choice</u>	<u>Alternate</u>
Latin America	<del>J. Cauas*</del> <i>Carlos Marade</i> (Chile)	C.A. Pastore* (Brazil) R. Botero (Colombia)
United States	D. Bell*	-
Western Europe	H. Giersch (Germany) E. Malinvaud (France)	G. Fels (Germany) M. Boiteux* (France)
Middle East	Abdul-Rahman Al Habib (Iraq)	<del>Abdul Rahman</del> (Egypt)
Africa	A. Aboyade (Nigeria)	M. Touré (Mauritania) H. Mule (Kenya)
South Asia	Nurul Islam (Bangladesh)	A.K. Sen (India)
East Asia	<del>G. Castillo*</del> (P) (Philippines)	Kim Mahn Je (Korea)

---

The individual marked by an asterisk is also a member of one of the specialized advisory panels.

Biographical Data of Suggested Members  
of the General Research Advisory Panel

I. First Choices

Carlos A. Massad (Chile)

Mr. Massad a Chilean national, was born in 1932. He was educated at the University of Chile and the University of Chicago where he obtained an M.A. in Economics in 1959. He was the Director of the Institute of Economics of the University of Chile and then Professor at the Faculty of Economics from 1963 to 1970.

His non-academic career includes the following posts that he has held: Chairman of the Board of Governors of the Center for Latin American Monetary Studies (1968-70); Vice-Chairman of the Chilean Planning and Development Association (1968-70); Governor of the IMF and IBRD for Chile (1965-1970); Vice President and then President of Central Bank of Chile (1964-1970) and then the Executive Director for Chile at the IMF. He is at the moment, Senior Advisor to the United Nations Economic Commission for Latin America.

David Bell (United States)

Mr. Bell is a U.S. national and is currently the Executive Vice-President of the Ford Foundation. He is also the Chairman of the Education Research Advisory Panel.

Herbert Giersch (Federal Republic of Germany)

Professor Giersch is a German national. He is currently Professor of Economics and the Director of the Institute of World Economics at the University of Kiel, Germany. He is, at present, Visiting Professor of Economics at Yale University, New Haven. He has, in the past, served as a member of the Council of Economic Advisors in Germany and was, formerly, Professor of Economics at the University of Saarbrücken, in Germany. He has done a considerable amount of work on the Theory of Economic Policy.

E. Malinvaud (France)

Mr. Malinvaud is a French national and is currently Director of the Institut National de la Statistique et des Etudes Economiques and the President of the International Economic Association. Formerly he was Professor of Economics and Statistics at the Ecole des Mines, and also President of the Econometric Society. He has written extensively on economic theory and econometrics. His career has included research at the Cowles Foundation and he has taught at the University of California, Berkeley. In 1974 he was the President of the Statistical Society of Paris and also the Director of the Banque Nationale de Paris.

Abdul-Rahman Al-Habib (Iraq)

Mr. Al-Habib is an Iraqi national. He is currently Professor of Economics at the Arab Planning Institute in Kuwait. He was, formerly, the Minister of Finance in Iraq and also the Dean of the University of Baghdad. Mr. Al-Habib was trained in economics and obtained his Ph.D from Harvard.

O. Aboyade (Nigeria)

Mr. Aboyade is a Nigerian national. He is currently the Vice-Chancellor of Ife University in Nigeria. Prior to that he was the Chairman of the Department of Economics at the University of Ibadan, Nigeria.

He was born in 1931 and was educated at the University of Hull, England and obtained his doctorate in economics from Cambridge University, England. He has been a member of a team working on the Nigerian National Accounts and the Editor of the Nigerian Journal of Economics and Social Studies. He has taught at the University of Michigan as a Visiting Lecturer and has participated in the work of the UN Economic Commission for Africa.

Mr. Aboyade has been regularly involved with public policy and advisory services in Nigeria and also served as the Head of the Economic Planning Unit in the Federal Ministry of Economic Development and Reconstruction in Lagos from 1969 to 1970.

Nurul Islam (Bangladesh)

Mr. Islam is a Bangladeshi national. Currently he is the Assistant Director, General Economic & Social Department in FAO. Prior to that he was a Visiting Fellow at Queen Elizabeth House, as well as at St. Anthony's College, Oxford University.

From 1955 to 1963 he was Professor of Economics at Dacca University and after that he was Director of the Institute of Development Economics in Pakistan between 1964 and 1971, and then Deputy Chairman of the Bangladesh Planning Commission between 1972 and 1975. He is the author of numerous books and articles on economic development planning, and international economic problems and policies.

G. Castillo (Philippines)

Ms. Castillo is a Philippino national. Currently she holds a Professorial Chair in Rural Sociology at the University of Philippines. She holds an AB in Psychology from the University of Philippines, an M.S in Rural Sociology from Pennsylvania State University and a Ph.D from Cornell University. From 1966-67 she was Visiting Professor at Cornell. In 1969, she was chosen as one of the ten most outstanding women in the Philippines.

She is active in the national, regional and international scene; she was a member of the ILO employment mission to Sri Lanka and is a consultant to the Ford Foundation on Rural Development. She has written extensively in the field of rural development.

## II. Alternate Choices

### C.A. Pastore (Brazil)

A Brazilian national, Dr. Pastore is the founder and director of the Fundacao Centro de Estudos de Comercio Exterior (FCECE), an organization with ties to both the private and public sectors in Brazil and also associated with the recently founded Center of Brazilian Studies at the School of Advanced International Studies, Johns Hopkins University. Prior to that he was Director of the Fundacao Instituto de Pesquisas Economicas, University of Sao Paulo in Brazil.

Dr. Pastore obtained his Ph.D in economics from the University of Sao Paulo. He has written extensively on Brazilian economic development and international trade policy issues. He is the proposed chairman of the Commodities Research Advisory Panel.

### R. Botero (Colombia)

Mr. Botero is a Colombian national. He is currently a member of the Brandt Commission. Formerly he was the Minister of Finance in Colombia.

### Gerhard Fels (Federal Republic of Germany)

Professor Fels is a German national. He is currently Professor of Economics and the Director of the Department of Economics at the University of Kiel, Germany. He is presently a member of the Council of Economic Advisors in Germany. He has written extensively on problems of International Trade and Development and on trade relations between developed and less developed countries.

### Marcel Boiteux (France)

Born 1922 - Dipl. Ecole Normale Supérieure - Institut d'Etudes Politiques. Agrégé de Mathématiques.

Career: National Center for Scientific Research (1947-1949); Electricite de France (1949 to-date) including Director of Economic Studies since 1958, and Director General since 1967.

Also inter alia: Member and President Consultative Committee on Scientific and Technical Research (1965-1968);

President International Society of Econometrics (1959); President International Federation of Operational Research Association (1965-1966); President French Association of Operations Research (1960-1963); Member Atomic Energy Committee and Board Member of National Space Center, Pasteur Institute, etc.

Marcel Boiteux is well known for his contributions to the theory and practice of marginal cost pricing and investment choices in the electric power field. He is the proposed chairman of the Public Utilities Research Advisory Panel.

#### Abdul Rahman (Egypt)

Mr. Rahman is an Egyptian national. He is currently Visiting Professor at the University of Wisconsin. Formerly, he was the Minister of Planning in Egypt and prior to that he was the Executive Director of UNIDO.

Mr. Rahman was educated at Cairo University and then at Cambridge and Edinburgh Universities in the U.K. He has taught at Cairo University and has had considerable experience in the Egyptian Government. He has been a member of the Secretary General National Scientific Council (1956-58), the Under Secretary, Head Technical Staff National Planning Committee (1957-60), and the Director of the Institute of National Planning (1960-63). In 1963, he joined the U.N. as officer for Industrial Development and then became the first Executive Director of UNIDO in 1967.

#### Mamoudou Touré (Mauritania)

Mr. Toure is a Mauritanian national and is presently Financial Advisor to the President of Senegal under the IMF Central Banking Technical Assistance Program. He is currently on leave from the International Monetary Fund, where, prior to his departure, he was the Director of the Africa Department. Before that, he was the Director of the African Institute for Economic Development and Planning in Dakar. He has represented his country as Ambassador to Western Europe and has been involved in the coordination of bilateral programmes of UNICEF.

#### H.M. Mule (Kenya)

Mr. Mule is a Kenyan national. He is currently Deputy Permanent Secretary in the Ministry of Finance and Planning in Kenya. He was trained as an economist and a statistician and spent a year at Harvard in 1977 to obtain a Master's in Public Administration. He has had 14 years experience with planning in Kenya. From May to December 1979, he will be a visiting lecturer at the EDI.

A.K. Sen (India)

Professor Sen is an Indian national. He was born in 1934 in East Bengal and was educated at Calcutta University, India and at Cambridge University, England. He is currently Professor of Economics at Oxford University, England and a Fellow of the Econometric Society. He was also a Fellow of Kings College, Cambridge, Professor of Economics at the Delhi School of Economics and the London School of Economics and a Visiting Professor at Harvard University and University of California, Berkeley. He has written extensively in Economic Development and Planning.

Kim Mahn Je (Korea)

Mr. Kim Mahn Je, a Korean national, is currently President of the Korea Development Institute. He obtained his Ph.D from the University of Missouri. Since 1974, he has also been the Director of the Korea Atomic Energy Research Institute and has constantly been involved with economic policy formulations in Korea. He has had an important role in the formulation of the Five-Year Plan and is currently involved in developing the long term prospective plan for Korea.

# OFFICE MEMORANDUM

logged 3/24

TO: Mr. Robert S. McNamara, President  
 FROM: Attila Karaosmanoglu  
 SUBJECT: Draft Terms of Reference for the Overall Research Advisory Panel

DATE: March 24, 1978

Attached is a preliminary draft terms of reference for the General Panel.

Our intention is to have the majority of the panel composed of people who have or will have served on special panels.

Hollis talked to Arthur Lewis. He has agreed to let us know whether he will accept the chairmanship after he has an idea about the terms of reference.

Hollis feels that it would be very helpful if you talked to Arthur Lewis.

If you prefer us to do it we will after your agreement on the preliminary draft.

Attachment

cc: Messrs. Chenery  
 I.M.D. Little

AKaraosmanoglu:am

3/24  
 1. of the changes I suggest in the general terms marked on HC's copy.  
 2. I believe it would be best for you to discuss them with Sir Arthur. I will be happy to talk to him later if you wish.  
 Lyn

Stanford copy

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara, President

FROM: Attila Karaosmanoglu *AK.*

SUBJECT: Research Panels

DATE: March 13, 1978

In response to your request about the planned appointment dates of the Research Panels, I have the following:

- |  |   |                               |
|--|---|-------------------------------|
| 1-3 <i>Equality, RAPIDE, Education</i> |   | <i>Fish - US</i>              |
| 4 <u>Trade and Industry</u>            | - | <i>Bell - US</i>              |
|  |   | <i>Diaz - Cuba</i>            |
| 5 Agriculture and Rural Development    | - | <i>end May/beginning June</i> |
| 6 Public Utilities                     | - | <i>end May</i>                |
| 7 <u>and Transportation</u>            | - | <i>Breitner - Germany</i>     |
| 8 <i>Communication</i>                 | - | <i>end July</i>               |

Unless you disagree, we propose to make preparations to be able to keep this schedule.

For the overall Panel, it would help very much if we came to an agreement on the Chairman soon so that the selection of the Panel could be carried out in consultation with him.

We feel that the best candidate we can suggest for the Chairmanship of the overall Panel is Sir Arthur Lewis. We discussed it with Hollis before he left and we could not come up with any other candidates. Both on nationality and on professional grounds, Sir Arthur Lewis appears to be by far the best candidate we could think of.

If you agree, we could approach him to find out about his availability.

cc: Mr. Chenery, Mr. Baum/Mr. van der Tak

AKaraosmanoglu:mb

DPS - 2  
CPS - 5  
7

*Dure*

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: May 19, 1978

FROM: Hollis B. Chenery, VPD *AB*

SUBJECT: RAPIDE Report

1. The attached report of the Research Advisory Panel on Income Distribution and Employment (RAPIDE) is ready for distribution to the Board. I think that the Panel did an excellent job and produced a critical, thoughtful report. While their assessment of the past does not always take account of our budget constraints, they have raised useful questions for our future work. The report will be discussed at the next meeting of the Research Committee.

2. I would draw your attention to the following points:

- (i) The report gives general approval to the Bank's past research orientation in income distribution and employment. On income distribution the report states that "the Bank has been prominent in stimulating and pursuing research on income distribution in developing countries" and has achieved "a leadership role that has not been characteristic of all fields of Bank research." In the field of employment it is said that "an evident feature is the generally high quality of output."
- (ii) In the summary statement of the report on page (iv), recommendations are made for changes in research priorities. The principal recommendations concern improving and developing an appropriate data base and increasing the policy orientation of the research.

3. We agree with the need to increase the policy orientation of the research and are emphasizing this aspect in defining our research priorities. We have questions, however, about the type and scale of effort which the Bank can and should mount in improving the data base. The report's recommendations call for an effort well beyond the present research budget--even with substantial redefinition of priorities--and for active participation in what has been a U.N. responsibility.

4. The report also makes a number of recommendations on research administration, dissemination of research results and institution building in developing countries. These are important general issues which may come up in other specialized panels and should be taken up more generally by the overview panel.

5. In general, I think that we should distribute this and similar reports to the Board at the same time as it goes to the staff. If you agree, I will prepare a note of transmittal for Mr. Damry.

Attachment

cc: Research Committee Members

HBChenery/BBalassa:nf

3/20  
I agree -  
Please  
let me  
see the  
note  
Lund

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Hollis B. Chenery *HBC*

SUBJECT: Sewell Report on Interdependence

DATE: May 19, 1978

We have arranged a seminar discussion with Messrs. Sewell and Grant of the ODC, Guy Erb of the NSC staff, and a few people from DPS to discuss the question of growing interdependence. Helen Hughes is preparing an issues paper. If you wish to attend part of the session, it starts at 3:00 p.m., May 31, 1978, and the agenda is flexible.

Alternatively, I suggest that we discuss the conclusions reached sometime thereafter.

HBChenery:nf

cc: Messrs. E. Stern  
W. Clark  
Karaosmanoglu  
Mrs. Hughes

Waterford

DATE: May 16, 1978

15/5/2

SUBJECT: Background material for your meeting with the DPS

5/17

- Unless you would prefer to handle it differently, I propose to ask for questions under each of the four topics in that order, so that there can be at least some coverage of each. I will make an attempt to secure a reasonable diversity of questioners among the departments.

In some of June - about 11/2  
suggested some of the things + later  
with D. H. (by the way)  
+ a small cell and  
and

HBChenery:di

## OFFICE MEMORANDUM

119  
TO: Mr. Robert S. McNamara  
FROM: Hollis B. Chenery *HB*  
SUBJECT: Research Advisory Panel

DATE: May 15, 1978

1. Mr. Balassa and I have discussed the names of potential members of the Research Advisory Panel with senior staff members as well as those Executive Directors who showed some interest at the Board discussion. Our first choices and alternates are presented in Attachment 1. Attachment 2 gives some biographical data on each individual.

✓ 5/15  
2. For your information, a current list of members suggested for the specialized panels is attached. These panels should be completed in the next few days.

3. Please let me know whether you would like to discuss the candidates or whether you wish me to inquire as to their availability.

Attachments - 3 *For 1 & 2 (revised), see May 25 memo.*

cc: Mr. B. Balassa  
Research Committee Members

BBalassa:HBChenery:di

Suggestions for Members of Research  
Advisory Panels

3 Commodities - Chairperson: C.A. Pastore (Brazil)

E. Ojala (New Zealand)  
A. Atigha (Libya)  
Villafruerte (Philippines)  
A. Brown (U.K.)

4 Utilities - Chairperson: Marcel Boiteux (France)

A. Prest (U.K.)  
K. Chatikavanij (Thailand)  
A.K. Roy (India)  
C. de Mateos (*Brazil*)

5 Transport - Chairperson: Jorge Cauas (Chile)

Jaganathan (India)  
Y. Ahmed (Ethiopia)  
R. Felix (Mexico)  
Y. Goon (Singapore)  
P. L'Huillier (France)  
Dag Bjornlande (Norway)

6 Industrial Development & Trade - Chairperson: A. Lindbeck (Sweden)

J. Donges (Germany)  
M. Corden (Australia)  
G. Bueno (Mexico)  
E. Mansfield (U.S.A.)  
K. Parikh (India)  
Kim Jae Ik (Korea)

7 Agriculture & Rural Development - Chairperson: V.S. Vyas (India)

Y. Hayami (Japan)  
L. Reca (Argentina)  
G. Castillo (Philippines)  
J. Boussard (France)  
J. Boles (U.S.)  
Sawadogo (Ivory Coast)

2      Education<sup>1/</sup> - Chairperson: D.E. Bell (USA)

Dr. D.P. Singh (India)  
Mr. Sippanondha Ketudat (Thailand)  
Dr. Mary J. Bowman (USA)  
Dr. Lameck Goma (Zambia)  
Dr. G.L. Monekosso (Cameroon)  
Mr. Paulo J. Dutra de Castro (Brazil)  
Dr. Louis Emmerij (Netherlands)

1      Income Distribution and Employment<sup>1/</sup> - Chairperson: A. Fishlow (USA)

Mr. S. Kuznets (USA)  
Sir Arthur Lewis (West Indies)  
Mr. Justinian Rweyemamu (Tanzania)  
Mr. Gerardo Sicat (Philippines)  
Mr. Leopoldo Solis (Mexico)

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<sup>1/</sup> The Education and Income Distribution & Employment Panels have been established and are in the process of conducting or completing their evaluations.

Mr. Robert S. McNamara

May 15, 1978

Hollis B. Chenery and Warren C. Baum

Report on Country Economic and Sector Work

1. The attached report (prepared by DPS with contributions on sector work from CPS) briefly reviews country economic and sector work undertaken since the last reports of April 1977. It indicates the use made of staff resources for the various economic and sector work activities and summarizes the nature of the output. However, it is intended only as an interim statement. A more thorough review by the Regions of their economic and sector work programs is underway and will be the basis for a more substantial assessment toward the end of this calendar year.

2. The objective of this larger review is to obtain a better understanding of the value of our country economic and sector work. The Regions will provide a self-evaluation of their country economic and sector work programs over the past two to three years, including an in-depth review of one or two countries. A survey is also being undertaken, both within the Bank and in donor and recipient member countries, of the users of the reports on a small sample of countries.

3. The present report notes that country economic and sector work has steadily declined as a proportion of total operational work. The question must be raised as to the impact this may eventually have on our dialogue with countries on their overall development strategies and in determining the quality of our lending program. Our next report will take up the level of country economic and sector work needed to achieve the Bank's goals both in transferring resources effectively and in assisting member governments in the elaboration of sound development strategies.

Attachment *Policy file: Annual Report on Lending Work*

cc: Messrs. Knapp, Cargill, E. Stern

PLandell-Mills:HBChenery:di

Mr. Robert S. McNamara

May 11, 1973

Hollis B. Chenery

Topics for your Governors' Speech

Attached is an outline of the topics that I discussed with you this afternoon. I have not had time to do more than a brief sketch, but I would be glad to fill in further detail if it would be useful.

Attachment

cc. Messrs. Stern, Haq and W. Clark

A<

HBChenery:di

TOPICS FOR GOVERNORS' ADDRESS: 1978

Background

I think it is desirable each year to pick related topics from three categories:

- (1) The international environment for development
- (2) Internal development issues
- (3) International lending and the role of the Bank

The topics covered in the WDR provide several options under the first two headings. The most interesting topics, and those on which we have done the most background analysis, are:

- (i) The nature of poverty in the low income countries, the differences between Africa and S. Asia, and the range of future possibilities (Chs. IV-VI).
- (ii) The effects of slower OECD growth and particularly the possibilities of maintaining export expansion (Ch. III).

I would build the speech around these two themes, giving the Bank response to each in the last section. (We can assume that the Fund will again stress expansion and avoiding protectionism.)

Outline

I. EFFECTS OF INTERDEPENDENCE

- Maintaining LDC growth with lower OECD prospects
- Advantages of advanced countries (but not so rosy as Sewell)
- Export diversification

II. POVERTY ALLEVIATION

(following WDR themes)

III. ROLE OF BANK

- Rural poverty: (Take advantage of 5th anniversary of your Nairobi speech to give a progress report on rural development.)
- Increased importance of both IDA and IBRD in a period of slack export markets.

Mr. Robert S. McNamara

May 5, 1978

Hollis B. Chenery | -76

Your memorandum on the income distribution estimates in the WDR

3-14-21  
Your memorandum raises three questions which are answered below.

1. What is the quality of the numbers used?

The estimates in the WDR Annex are for the most part those reported in country economic data sheets. Unlike national accounts estimates, there is no official statistical system from which they can be derived. They are selected from available studies subject to the approval of country economists. Country economists are concerned with choosing the best available numbers for specific country analyses with a heavy premium on using the most recent estimates. The estimates thus chosen are acceptable for individual country analysis, where the limitation of each estimate can be taken into account on an ad hoc basis. However, these estimates are not uniform in quality or comparable across countries.

A more detailed comment on the various sources of error is given in the attached note by Ahluwalia.

2. Should we publish these estimates?

On balance, I do not think that these or other distribution estimates should be published in the WDR Annex. This is an extremely important and sensitive area, and we should only publish estimates if they meet some minimum standards of quality and comparability. The report of the external Research Advisory Panel on Income Distribution and Employment, which is shortly to be presented to the Board, emphasizes the Bank's role in establishing such standards. The numbers currently available are useful for many specific purposes. However, they are not sufficiently comparable to be given in an official Bank document which will inevitably be used for comparisons between individual countries.

If this recommendation is unacceptable, I recommend that we publish only those data which satisfy some minimum criteria of quality and comparability.<sup>1/</sup> Ahluwalia's recent

<sup>1/</sup> It is important to note that these would be minimal standards, e.g. ensuring that only estimates based on surveys with a national coverage and using a broad definition of income, will be used. This would still leave unresolved many of the problems discussed in the attached note.

study which selected observations for individual countries from the available data could be used as a starting point.<sup>1/</sup> The study covered 41 developing countries, 6 socialist countries and 13 developed countries. These estimates can be used with the following caveats.

- (i) We should probably exclude estimates for years prior to 1965. This would leave only 24 developing countries, 3 socialist countries and 11 developed countries. Table 1 shows the results of using these data to calculate the index used in WDR (ratio of the income of the lowest 20 percent to the top 20 percent) as well as the share of the lowest 40 percent. I strongly recommend the latter, which is much more robust and depends less on the more erratic coverage of the very poor.
- (ii) The estimates for African countries in Table 1 are not sufficiently reliable to be included in the World Development Report without heavy qualifications.

If these are excluded, we are left with only seventeen countries. We may be able to add a few countries, but it is unlikely that we can increase the coverage to more than 20 developing countries. This is the main reason for not publishing any estimates.

3. Why are we processing income distribution data if they are not usable?

Given a very limited budget, our research has not been geared to providing aggregative measures of distribution to be used in operational work. This would require a major effort at primary data collection in developing countries well beyond the scope of our present research program. Instead, we adopted a more limited research strategy:

- (i) The first stage of our work was focussed on collecting available published data and using the best of these data for cross country analysis (where it is acceptable to use estimates with random errors). The results of this effort are reported in the Ahluwalia study (op. cit.).

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<sup>1/</sup> M.S. Ahluwalia, "Inequality, Poverty and Development", Journal of Development Economics 3 (1976). World Bank Reprint Series Number 36.

May 5, 1978

(ii) The second stage consists of in-depth analysis of data for selected countries in order to document the nature of the data problems and to explore the potential usefulness of such data for analyzing problems of income distribution and poverty. In this stage, we are covering about 20 countries in Asia and Latin America. Although these countries were selected because there were recent surveys available, of apparently high quality, we find that even in these cases there are major problems of coverage and reliability. Our research will document the nature of the problem and provide guidance for future data collection, but it will not provide reliable estimates in all cases.

Attachments - 2

cc Mr. E. Stern  
Mr. A. Karaosmanoglu

MSAhluwalia:HBChenery:di

Table 1

ESTIMATES OF INEQUALITY

<u>COUNTRIES (figures after each country indicate year for estimate used in columns 1 and 2)</u>	<u>Ratio of income of the lowest 20 percent to the highest 20 percent (percentage)</u>	<u>Income share of the lowest 40 percent</u>
Developing countries		
1. Malawi 69	10.9	14.9
2. Tanzania 67	8.8	14.0
3. Sri Lanka 69-70	13.0	17.0
4. Uganda 70	13.2	17.1
5. Kenya 69	5.6	10.0
6. Botswana 71-72	7.0	6.9
7. Philippines 65	7.0	11.8
8. Korea 70	15.6	18.0
9. Honduras 67-68	3.1	6.4
10. Tunisia 70	7.5	11.4
11. Ecuador 70	3.4	6.4
12. Turkey 68	5.0	9.5
13. Ivory Coast 70	6.8	10.1
14. Taiwan 68	18.8	20.0
15. Colombia 70	5.9	9.4
16. Malaysia 70	6.1	11.4
17. Brazil 70	5.0	10.0
18. Peru 70	2.5	6.5
19. Gabon 68	4.9	8.8
20. Costa Rica 71	10.7	14.7
21. Mexico 69	6.3	10.5
22. Uruguay 67	9.1	14.3
23. Panama 69	4.9	9.4
24. Chile 68	7.9	13.0
Developed countries		
25. Japan 68	10.5	15.9
26. Netherlands 67*	12.9	17.5
27. France 70*	9.1	14.2
28. Norway 70*	12.0	16.5
29. United Kingdom 73*	13.4	17.4
30. New Zealand 70-71	10.7	16.9
31. Australia 67-68	17.1	20.1
32. Germany, W. 73*	12.6	16.0
33. Canada 69*	9.9	15.2
34. Sweden 72*	14.8	17.4
35. United States 72*	8.5	13.8
Socialist countries		
36. Yugoslavia 68	15.7	18.5
37. Hungary 67	25.4	24.0
38. Germany, E. 70	33.9	26.2

\*Estimates for these countries are taken from Malcolm Sawyer, "Income Distribution in OECD Countries", *Economic Outlook*, July 1976 (OECD), page 14, Table 3. All other estimates are from M.S. Ahluwalia, "Inequality, Poverty and Development", World Bank Reprint Number 36.

THE RELIABILITY OF INCOME DISTRIBUTION ESTIMATES

1. The current state of the data on income distribution is comparable to the state of national accounts data in 1950. At that time, the theoretical framework for national accounts concepts had been developed, but it was yet to be translated into the establishment of statistical systems in individual countries using uniform concepts and prescribed estimation methods. Since then, the widespread adoption of the U.N.'s System of National Accounts has provided a uniform framework for national accounts estimation. Although there are unresolved problems of both concepts and estimation methods, there is at least very substantial convergence in the principles and practice of national accounts estimation in different countries.

2. None of this is true for income distribution. Available estimates are typically based on surveys which were originally designed for other purposes. These include consumption surveys, labor force surveys, demographic surveys, etc. These often collect some information on incomes, and this is the basis of most existing estimates of income distribution in both developing and developed countries. These estimates suffer from the following defects:

(a) The sampling design of surveys and their coverage is frequently inadequate. Many surveys exclude the very rich and the very poor by sample design. Coverage of rural areas is typically very limited.

(b) The income concept used is frequently inadequate. Home grown production in the subsistence sector is not included in the income concept in many surveys. This is particularly important for the poorest countries, which are least monetised. Also, some surveys report pre-tax income and others post-tax.

(c) There are a number of reasons why the individual income statements recorded in surveys are likely to be highly inaccurate. The amount of income received is a sensitive question and there is substantial response bias. Furthermore, the questions asked about income are both poorly phrased and very limited in number, reflecting the secondary nature of the interest in income levels in most of these surveys.

(d) Finally, the available tabulations from different surveys often refer to different distributions: some relate to households ranked by household incomes, others to individuals ranked by individual income, and still others to households (or individuals) ranked by per capita household income. The lowest 40 percent on one ranking criterion is different from the lowest 40 percent on another, and the income share of this group is also different.

3. Items (a), (b) and (c) introduce serious errors in the estimates of income recorded in surveys. The resulting estimate of income distribution is almost certainly subject to a fairly wide margin of error. Some indication of the extent of the error can be obtained from the following findings of the ongoing research projects on income distribution.

(i) It is fairly common to find that apparently reliable surveys yield mean incomes which are substantially below the levels reported in the national accounts. Underestimation is typically between 20 and 40 percent.

(ii) The possibility of underestimation of incomes is further reinforced by the fact that where both income and consumption data are collected, a very large segment of the population (up to 80 percent in one case) shows consumption levels exceeding incomes. In general, consumption estimates based on surveys show much smaller discrepancies with the national accounts estimates (about 10 percent).

(iii) It is impossible to say whether the underestimation of incomes biases estimates of income distribution towards more or less inequality. The most seriously underestimated income components are non-wage components but this might equally reflect underestimation of profit incomes at the upper end as well as underestimation of subsistence production and self-employment income at the lower end.

4. Item (d) in para. 2 does not relate to errors in estimates but it introduces an important element of non-comparability in the available estimates for individual countries which are based on different distributions. Some indication of the importance of this factor can be obtained from the following estimates of inequality measures for different distributions as computed from the same survey in a recently completed Bank study on Malaysia.<sup>1/</sup> The share of the lowest 40 percent is clearly less affected.

<u>Alternative Distributions</u>	<u>Ratio of Income of Lowest 20% to Top 20% (percentage)</u>	<u>Income Share of Lowest 40% (percentage)</u>
Individuals ranked by individual incomes	6	11.3
Households ranked by total household income	6	11.5
Households ranked by per capita household income	8	10.9
Individuals ranked by per capita household income	10	12.3

<sup>1/</sup> S. Anand, "Inequality and Poverty in Malaysia: Measurement and Composition", (mimeograph), St. Catherine's College, Oxford, April 1978.

5. Available income distribution estimates suffer from these problems to varying degrees. While it is possible to document the nature of these problems in individual cases, it is not always possible to resolve them and produce estimates which are comparable across countries. For this we need to implement a system for collecting income distribution data which is based on uniform concepts with prescribed estimation methods which can be applied across countries. As part of such a system, attempts should be made to provide estimates of income and consumption distribution which are consistent with estimates of income and consumption in the national accounts.

6. This is a major task, fully comparable with the attempt to implement national accounts estimation in developing countries. It will require resources on a comparable scale and can only be undertaken over a long period.

Mr. Robert S. McNamara

May 1, 1978

Hollis B. Chenery

Themes for 1979 World Development Report (WDR)

The first WDR has been designed as the initial step in an annual process of evaluating major development issues and reporting on progress. Over the next two years, we should plan to cover the main core of topics that would then be reported on periodically thereafter. In each year there should be some balance between international and national development issues and between in-depth analysis of selected issues and updating of our diagnosis and projections.

The first WDR focuses mainly on poverty alleviation in poor countries. On a sector basis, this involves food and agriculture, rural development, and population out of the list given in your memorandum to the Board (June 1977). On a country basis, South Asia and Sub-Saharan Africa receive about 60% of the coverage and the middle-income countries the remainder.

For 1979 I suggest that this relative emphasis be reversed in both sector and country coverage. The main topics would be industrialization, manufactured exports, urbanization and urban poverty. The middle-income countries and regions (Latin America, Far East, EMENA) would receive more attention and the others less--although the urban/industrial issues would be examined there as well. The organization could be either on a country/regional basis (as in WDR I) or on a topical basis.

The focus of the international section should be shifted to provide a global framework for the analysis of industrialization and trade in manufactured goods (on which a beginning is made in WDR I). Capital flows and debt will presumably be analyzed each year.

The only topic on the original list not covered in the above is energy and mineral development. I think that energy might provide a secondary theme next year but I doubt the desirability of a full-scale analysis at this time.

Organization

While I think it is important that the WDR continue to involve the regional program departments and other parts of the Bank, it should become more a regular part of the work of the DPS and be centralized there. An organizer/editor to succeed D. C. Rao should be chosen as soon as possible, either from within or outside the DPS. A list of candidates is attached. For the next year, at least, I plan to devote a significant amount of my time to this effort and to getting the background research for future years under way.

HBChenery:nf

Attachment: List of Candidates

cc: Messrs. Karaosmanoglu  
E. Stern

Attachment

Candidates for Organizer/Editor of WDR II

1. Jean Baneth, Director, Resident Staff in Indonesia
2. Paul Streeten, Sr. Adviser, Policy Planning and Program Review
3. Leif Christoffersen, currently on sabbatical leave, due to return in July 1978
4. Jack Duloy, Director, Development Research Center
5. Mahbub ul Haq, Director, Policy Planning and Program Review
6. Peter Wright, Sr. Adviser, DPS
7. Ardy Stoutjesdijk, Deputy Director, Development Economics
8. Bevan Waide, Chief Economist, South Asia Region

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Davidson Sommers *DS*

SUBJECT:

DATE: April 27, 1978

ODC has decided to take as a major focus of its efforts in the next year or two the idea that development of the poor countries is beneficial to - and may even be essential to - the prosperity of the rich. It is not a new idea, but it certainly has not yet caught on with the American people.

I know that you have seen John Sewell's paper on the subject which has been praised in the press and by the OECD secretariat. As you may know, the latter has recently recommended that this subject, under the forbidding name "management of global interdependence", should become an important area of OECD study and has even named ODC as a potential source of help.

I can't think of any subject that is more promising for ODC and OECD and I believe it is equally significant to the World Bank Group. Unfortunately ODC has neither enough manpower nor enough financial resources to do full justice to it and I have therefore suggested to Jim Grant that he get in touch with the Bank to see if some cooperation in studying the subject is feasible. And as a Bank consultant I hope the Bank will devote real time and effort to studying this idea for its own purposes, using organizations like ODC to help in getting it across to the public.

DSommers:gwh

4/17 To Messrs. Chandy  
not Note book  
APR 28 1978  
Chandy  
Chandy  
Thorn

Let's discuss this  
don't rely on H's  
to call us together.  
Lyon

DS

# OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: April 26, 1978

FROM: Hollis B. Chenery *HB2*

SUBJECT: World Economic and Social Indicators  
and Survey of Economic Trends

1. Attached is the April Survey of Economic Trends, along with the World Economic and Social Indicators. The Survey's circulation will again be limited to Bank staff; the World Economic and Social Indicators now have a Board and outside distribution of some 1500.

2. The presentation of the data in the World Economic and Social Indicators has been improved by the addition of charts supplementing the tables on Energy Production and Consumption (Table VIII, p. 30), Agricultural Production (Table IX, p. 32) and Social Indicators (Table X.1, pp. 34-35, and Table X.2, pp. 38-39). The index of ocean freight rates (Table I.2, p. 4) has also been refined.

3. The Survey follows the format of the previous issue. A short review of exchange rate movements has also been added.

Attachments - *Book - Top shelf*

JKatz/HHughes/HBChenery:nf

cc: Mr. Karaosmanoglu  
Mrs. Hughes

Mr. John H. Duloy

April 24, 1978

Hollis E. Chenery

Attached Memorandum

In your absence, I talked to Montek about answering Mr. McNamara's memorandum (attached). He will talk with Chander and prepare a draft answer by Friday, April 28.

Our preferred option is to review the estimates against several criteria of reliability and discard the more dubious ones. In doing so, consideration should be given to the possibly greater reliability of alternative measures (e.g., share of lowest 40% instead of 20%).

HBChenery:nf

Attachment

cc: Messrs. Cheetham  
Chander  
Ahluwalia  
E. Stern  
Koch-Weser

APR 21 1978

10:50a

THE WORLD BANK  
Washington, D.C. 20433  
U.S.A.

Office of the President

April 21, 1978

MEMORANDUM FOR MR. CHENERY

Should we publish in the World Development Report the income distribution data shown in the attached table?

If so, how do we answer those who will question whether Pakistan's lowest 20% receive 5 times the share of income received by the lowest 20% in Tanzania? And is it right that the income distribution in Australia is substantially less skewed than that of the Netherlands? And does the U.S. have a more equitable distribution of income than Denmark?

If the data are not sufficiently reliable to be published, why are we spending money on processing them?



Robert S. McNamara

Attachment

APR 21 1978  
14:50

THE WORLD BANK  
Washington, D.C. 20433  
U.S.A.

Office of the President

April 21, 1978

MEMORANDUM FOR MR. CHENERY

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Robert S. McNamara

Attachment

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Hollis B. Chenery *HBC*SUBJECT: Research Advisory Panels

DATE: April 21, 1978

1. We now have proposals from CPS and DPS for the membership of the five remaining advisory panels. These were reviewed by the Research Committee and some adjustments made to give a more diversified set of chairmen. The revised proposals are given in Attachments 1 and 2. If you approve, we will issue invitations to the chairmen and consult with them before confirming the membership. DPS or CPS will take responsibility as indicated for implementation and will notify the Research Committee of any changes.

2. The Research Committee supports my proposal to have the general Research Advisory Panel composed mainly of chairmen or other members of specialized panels with perhaps 3 additional people to make up a balanced group. If our first choices for chairmen were to accept, this would give the following initial list:

	Panel
<u>Chairman:</u> Arthur Lewis (U.K.)	Income Distribution (DPS)
<u>Members:</u> David Bell (U.S.)	Education (CPS)
C. A. Pastore (Brazil)	Commodities (DPS)
Assar Lindbeck (Sweden) or Rodrigo Botero (Colombia)	Industrialization and Trade (DPS)
Jorge Cauas (Chile)	Transportation (CPS)
Vijay Vyas (India)	Agriculture and Rural Development (CPS)
Marcel Boiteux (France)	Utilities (CPS)

With the possible exception of Boiteux, these all seem to be good candidates for the general panel. (Lewis and Bell have agreed to serve.) Others to be considered for the general panel are listed in Attachment 3.

3. I suggest that we do not proceed to complete this group until we have heard from most of the chairmen. At some point selected members of the Board should be consulted for additional candidates, but we have held off so far.

HBChenery:nf

Attachments

cc: Messrs. Baum, van der Tak, Little, Choksi

Available Biographical Data of Proposed  
Members of the Overall Research Advisory Panel

Commodities Chairperson

C.A. Pastore (Brazil)

A Brazilian national, Dr. Pastore is the founder and director of the Fundacao Centro de Estudos de Comercio Exterior (FCECE), an organization with ties to both the private and public sectors in Brazil and also associated with the recently founded Center of Brazilian Studies at the School of Advanced International Studies, Johns Hopkins University. Prior to that he was Director of the Fundacao Instituto de Pesquisas Economicas, University of Sao Paulo in Brazil.

Dr. Pastore obtained his Ph.D in economics from the University of Sao Paulo. He has written extensively on Brazilian economic development and international trade policy issues.

Industrial Development & Trade Panel Chairperson

Professor Assar Lindbeck (Sweden)

Professor Lindbeck is a Swedish national. He was born in 1930 and educated at the University of Stockholm, Yale University and University of Michigan. He obtained his doctorate degree in 1963. He is currently Director of the Institute of International Economic Studies at the University of Stockholm, a member of the Swedish Prime-Minister's Economic Council and a member of the Nobel Prize Committee on Political Economy. He has written extensively in macro-economics, on fiscal and monetary economic policies in Sweden and on exchange rates and stabilization policy.

His career has encompassed academia in the USA and Sweden, and he has also served with the Swedish Government. With respect to the latter, he has been an Economist at the Ministry of Finance as well as at the Central Bank of Sweden. He is currently a member of the Royal Society of Sweden's Academy of Applied Sciences and the Econometric Society.

Transport Panel Chairperson

Jorge Cauas (Chile)

Mr. Cauas is a Chilean national. He was born in 1934 and educated at the University of Chile as a Civil Engineer and subsequently at Columbia University as an Economist. He has recently returned to Chile where he is currently in private

business and part-time in academia. Prior to his recent return he was the Chilean Ambassador to the United States. He has also held posts with the Chilean Government as the Minister of Economy and the Governor of the Central Bank.

From 1972 to 1974 he was employed at the World Bank as the Director of the Development Research Center. His other positions include Director of the Economic Institute at the Catholic University of Chile, Executive Secretary, Economic Committee of Ministers and Development Advisor, Ministry of Economics. He is currently on the Board of the Econometric Society.

#### Agriculture & Rural Development Panel Chairperson

Dr. Vijay Shankar Vyas (India)

Dr. Vyas is an Indian national. He was born in 1931 and was educated at the University of Bombay, India in Economics. He obtained his doctorate degree in 1958. He is currently Director of the Indian Institute of Management in Ahmedabad and also Professor of Agricultural Management at the same institute. He has published several books and articles in the field of Agricultural Economics and Rural Industrialization.

From time to time he has served the Government of India as a member of the Agricultural Price Commission (1971 to 1973) and a member of the Sugar Industry Inquiry Commission. His academic career has included his being a Professor of Economics at the Sardar Patel University and the Director of the Agro-Economic Research Center for India.

#### Utilities Chairperson

Marcel Boiteux (France)

Born 1922 - Dipl. Ecole Normale Supérieure - Institut d'Etudes Politiques. Agrégé de Mathématiques.

Career: National Center for Scientific Research (1947-1949); Electricité de France (1949 to-date) including Director of Economic Studies since 1958, and Director General since 1967.

Also inter alia: Member and President Consultative Committee on Scientific and Technical Research (1965-1968); President International Society of Econometrics (1959); President International Federation of Operational Research Association (1965-1966); President French Association of

Operations Research (1960-1963); Member Atomic Energy Committee and Board Member of National Space Center, Pasteur Institute, etc.

Marcel Boiteux is well known for his contributions to the theory and practice of marginal cost pricing and investment choices in the electric power field.

Suggestions for Members of Research  
Advisory Panels

Commodities - Chairperson: C.A. Pastore (Brazil)

E. Ojala (New Zealand)  
A. Atigha (Libya)  
H. Onitiri (Nigeria)  
Villafuerte (Philippines)

Utilities - Chairperson: Marcel Boiteux (France)

A. Prest (U.K.)  
K. Chatikavanij (Thailand)  
A.K. Roy (India)  
S. Asfrain (Chile)

Transport - Chairperson: Jorge Cauas (Chile)

C.B. Abudu (Ghana)  
Y. Ahmed (Ethiopia)  
F. Badr (Saudi Arabia)  
R. Felix (Mexico)

Industrial Development & Trade - Chairperson: A. Lindbeck (Sweden) or  
R. Botero (Colombia)

Ffrench Davies (Chile) or Villela (Brazil) or Salgueiro (Portugal)  
K. Parikh (India) or S. Chakravarty (India)  
J. Doenges or G. Fels (Germany)  
E. Bacha (Brazil) or J. Encarnacion (Philippines)  
A. Silberston (U.K.) or Rosenberg (U.S.)  
R. Caves (U.S.) or G. Reuber (Canada)

Agriculture & Rural Development - Chairperson: V.S. Vyas (India) or  
H. Linneman (Netherlands)

Y. Hayami (Japan)  
L. Reca (Argentina)  
G. Castillo (Philippines)  
J. Boussard (France)  
J. Boles (U.S.)

Other Suggested Members for the Research  
Advisory Panel

1. M. Bruno (Israel); Professor of Economics, Hebrew University, Israel; Director of Research, Falk Institute for Economic Research in Israel.
2. A.K. Sen (India); Professor of Economics, Oxford University, U.K.
3. H.M. Onitiri (Nigeria); Director, Nigerian Institute of Economic and Social Research, Nigeria
4. A. Aboyade (Nigeria); Vice-Chancellor, Ife University, Nigeria
5. Kim Mahn Je (Korea); President, Korea Development Institute, Korea
6. M. Jalal (Saudi Arabia); Managing Director, Saudi Development Fund, Saudi Arabia
7. Abdul-Rahman Al-Habib; Professor of Economics, Arab Planning Institute, Kuwait.  
(Kuwait)

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Hollis B. Chenery *HBC*

SUBJECT: Research Advisory Panel

DATE: April 5, 1978

Sir Arthur Lewis has accepted our invitation to be the Chairman of the general panel (which I suggest be designated the "Research Advisory Panel", unless you prefer something different). Given the demands on his time, he was reluctant to undertake this assignment without being assured that it was of real importance to the Bank and would be adequately staffed. On your behalf, I gave him those assurances. *4/5 OK*

*4/5* I would now like to designate the remainder of the Panel and the functional panels as soon as possible. In order to incorporate the experience of the eight functional panels, I would like to include either the chairman or a member of several of them in the overall group. Since the first three panels have been chaired by Americans (Berelson, Fishlow and Bell), I think it will be necessary to prohibit any more Americans as chairmen.

*2* I will discuss candidates with the Research Committee and Arthur Lewis and submit a proposed list on your return from Turkey.

HBChenery:nf

cc: Mr. Baum  
Research Committee

*I doubt that  
Berelson need be,  
or is able to be,  
a member of the  
Research Advisory  
Panel  
Ln 1*

THE WORLD BANK  
Washington, D.C. 20433  
U.S.A.

Office of the President

April 5, 1978


APR 5 1978  
3:45 P

cc. Stern  
(2) Karasomangher  
Rao  
B King  
Hughes  
Chet Brown  
Hag

MEMORANDUM FOR MR. CHENERY

I hope during the next three weeks you will be able to devote a considerable portion of your time to thinking of how we should organize for next year's World Development Report and what the main themes of such a report should be.

Please arrange for a meeting on this subject with Ernie and me before May 1.

  
Robert S. McNamara

Mr. Robert S. McNamara

March 29, 1978

William Clark, VPE, and Attila Karasmanoglu, VPD

Third World Program - An Outline

1. In a discussion of the Bank's relations with LDCs in the President's Council on 27 February, we were asked to develop a proposal for closer relations with the intellectual leadership in the LDCs. This idea stemmed from a view expressed at the meeting that, with the Bank's increasing involvement in issues of economic management in countries infringing on the political and social field, a far broader dialogue between the Bank and LDC policy makers was required than in the past. This was considered particularly true in regard to the need for dialogue beyond the circles of the Governments of the LDCs. The general thrust of the discussion in the President's Council was that there was a need to find ways of improving an understanding of the Bank's role in the LDCs today and, in turn, to broaden understanding in the Bank of thinking in the Third World. Within this context, we have explored the possibilities for developing formal and regular contacts with LDC intellectuals and have drawn up an initial outline program.

2. We have had preliminary discussions with staff (particularly in the DPS and External Relations) on a general proposal for a program of speakers in the Bank from the intellectual leadership of the LDCs. The reaction was generally one of skepticism as to the effectiveness of the results which could be expected from such a program. Many felt that such an exercise could easily be labeled as purely public relations, thereby destroying its intended effectiveness. Others took the view that as it was unlikely that there would be any concrete response by the Bank to the views expressed by LDC speakers, such a program would be counterproductive. The LDCs would, regrettably, be left with the impression that the Bank was not really prepared to listen. Some felt that this program would tend to politicize or divide the Bank, particularly in any discussions on the New International Economic Order. In substance, a good number of staff took the view that responsibility for the dialogue with the LDCs was really that of the Bank operational staff, which could be effective provided they had the right attitudes and were prepared to do more than strictly operational work.

Objectives

3. On balance, despite these reservations, there was agreement that a constructive program could be developed based on the following broad objectives:

- (i) To develop a better understanding in Bank staff of current thinking in, and the position of, developing countries.
- (ii) To establish a better and more candid dialogue with administrators in the developing countries.
- (iii) To begin a dialogue with eminent developing country individuals outside the government.

- 2 -

- (iv) To help improve understanding in the LDCs of the Bank and its attitudes to the economic order.
- (v) To improve Bank understanding of Third World proposals for a New International Economic Order.

#### Target Groups

4. In pursuing these objectives it seems important to avoid the impression of pure image-building by the Bank. In essence, the aim should be to invite people from the Third World from whose experience the Bank might learn something, thus providing a concrete basis for the program and something substantive in the exchange between the LDC speakers and the Bank. Through this we may be able to move from strict exchange of information to a meaningful dialogue. With this principle in mind, the target groups from which we could draw Third World speakers might be the following:

- (i) Administrators in LDC governments.
- (ii) Universities in the LDCs.
- (iii) Parliamentarians/political leaders in the LDCs (starting with significant Bank borrowers).
- (iv) Press editorialists and commentators (particularly from LDCs not fully covered in Washington).
- (v) UN Ambassadors from the Group of 77.

5. The target groups would range widely from people with extensive operational experience in areas of concern to the Bank who are able to draw lessons from their experience, to intellectually oriented political leaders who could reflect on economic development within a political perspective. People from LDC universities, the press, and the UN Ambassadors from the 77 would also fall under the category of important opinion leaders in the developing world. Parliamentarians who are important in the budgetary process in their countries might also be useful people to hear from and might benefit from hearing us.

#### Methods

6. What form should such a program take? It seems that we should be flexible in our approach, perhaps along the following lines:

- (i) \*Joint seminars with Bank staff. *also discuss*
- (ii) Short EDI programs for high level LDC officials (e.g., Directors of Planning Commissions).

- 3 -

(iii) Bilateral programs on subjects determined by the developing country.

(iv) Lectures. X

7. Straight lectures may be of limited value. Joint seminars with Bank staff and Executive Directors, which are carefully planned with provocative papers and involving key Bank senior people, could have constructive results. The EDI has been encouraged by the success of a recent UNITAR seminar for UN diplomats on "Economic Development and Its International Setting". We might seek to attract top level developing country officials for short - say one week - EDI programs for an exchange of views with the Bank on a particular field of interest. Regarding bilateral programs, the Latin American and Caribbean Department have set an example of structured discussions between Mexican officials and the Bank on the use of oil resources to meet basic human needs in Mexico. Other developing countries might wish to pursue similarly structured discussions with the Bank on some problem of critical interest.

#### Subjects

8. It is difficult, nor does it seem essential for our purposes at this stage, to draw up a coherent and integrated program of subjects for discussion. The central theme should be "economic development" as seen through the eyes of the Third World. The following are the kinds of subjects which we would suggest:

- a) A Planner's Seminar for senior planners in the LDCs on the changing role of planning in today's world.
- b) Energy planning in the developing world.
- c) The problem of implementing Bank projects.
- d) Various aspects of the International Economic Order - Old and New.
- e) Bilateral programs in structured discussions with the Bank on matters of critical interest to the country.

#### Speakers

9. The main responsibility for identifying intellectual leadership in LDCs should lie with the Regional Departments. With the exception of the Group of 77 UN Ambassadors, we do not think that this program should be used to provide a forum for well established and well known developing country speakers in the international circuits. We consider an important aspect of the program is to identify the opinion leaders in the developing world. The EDI, with its extensive experience in courses with LDCs, could also be an important source for advice about suitable speakers.

- 4 -

10. The development of seminar-type programs will inevitably take time. In the meantime, to initiate the program we might immediately take up a recommendation already made (by William Diamond and Drag Avramovic) for Augustin Papic, of Yugoslavia, and Chief Udoji, of Nigeria, to visit the Bank. Both gentlemen were former Fellows of the EDI and have had distinguished careers in their countries. Mr. Papic could be available in the next two months. Given his background as a former Yugoslav Ambassador to Egypt, and to the United Nations Agencies in Geneva, we feel sure that he could speak authoritatively on the Yugoslav economy, problems of trade liberalization for the LDCs in the background of the GATT, and on investments in the Arab world.

A possibility worth pursuing in support of the program could be to work out an arrangement with the State Department under which the Bank would be advised of visiting dignitaries from the Third World (for example, President Nyerere, who spoke at Howard University last year). We could consider issuing an invitation to such political leaders to visit the Bank for a talk, in addition to a meeting with Mr. McNamara.

#### Budget

11. Our understanding is that a special budgetary provision would be made to cover the program. The EDI budget could not accommodate any of these expenses. Agencies like the OECD-Development Center have programs of this type, and we will ascertain costs. In the meantime, it should be possible to meet the expenses for travel, hotel and other expenses for a program of, say, three or four LDC speakers and, say, three seminars (with around 8 LDC people) for a week in Washington over a 12-month period, within a budgetary ceiling of, say, \$100,000 for FY 1979.

DRClarke:ls

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: January 3, 1978

FROM: *For* Hollis B. Chenery *PK*SUBJECT: Research Budget

1. The question of the size of the research budget will undoubtedly come up again at the meeting of the Board on the research report (February 28). There are two aspects to this question - the short-range and the long-range. We are approaching them in different ways.

2. The Research Committee has reviewed the possible needs for research funds in the next couple of years, in relation to the present level. Because of other restraints, no general recommendation is made for additional funds. There are two reasons for this conclusion, which apply in the majority of sectors:

(i) The main constraint is internal research staff.

(ii) Additional research staff would, in the first instance, be most effectively employed in dissemination, synthesis of existing information (especially in the case of monitoring and evaluation reports) and similar tasks.

3. For the longer term, I think we should take account of what the review committees such as those chaired by Berelson (population), Fishlow (income distribution) and Bell (education) have to say before coming to any conclusions. The DPS is planning a similar review on trade and industry in calendar 1978, while the CPS is considering the appropriate scope and timing for two others: transport and public utilities; and agriculture and rural development.

4. One reason for not pushing an earlier assessment is that the future size of the research effort is going to depend not only on whether we expand what we are doing already but also whether we undertake some new sort of activity involving a quantum jump in expenditure of staff-time and money. Collection of data, for example on income distribution, is a possibility with important implications for our relations with the UN Statistical Office and possibly other international agencies. We should not tackle such a question piecemeal, but wait until we can assess the priorities on a broader front.

BBKing:HBChenery:di

*Returned 3/15/78*