

THE WORLD BANK GROUP ARCHIVES

PUBLIC DISCLOSURE AUTHORIZED

Folder Title: Chronological files (incoming) - Chrons 09

Folder ID: 1771539

ISAD(G) Reference Code: WB IBRD/IDA 03 EXC-10-4542S

Series: General correspondence

Sub-Fonds: Records of President Robert S. McNamara

Fonds: Records of the Office of the President

Digitized: November 16, 2012

To cite materials from this archival folder, please follow the following format:
[Descriptive name of item], [Folder Title], Folder ID [Folder ID], ISAD(G) Reference Code [Reference Code], [Each Level Label as applicable], World Bank Group Archives, Washington, D.C., United States.

The records in this folder were created or received by The World Bank in the course of its business.

The records that were created by the staff of The World Bank are subject to the Bank's copyright.

Please refer to <http://www.worldbank.org/terms-of-use-earchives> for full copyright terms of use and disclaimers.



THE WORLD BANK
Washington, D.C.


© 2012 International Bank for Reconstruction and Development / International Development Association or
The World Bank
1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

PUBLIC DISCLOSURE AUTHORIZED

McNamara papers

Chronological file (incoming)
1972 (June-Dec.)

The World Bank Group
Archives



1771539

A1995-258 Other #: 2 309677B

President's papers - Robert S. McNamara Chronological files (incoming) - Chrons 09

9

DECLASSIFIED
WBG Archives

MEMORANDUM FOR THE RECORD

Subject: Discussion with U.S. Treasury



Mr. Paul Volcker, Undersecretary for Monetary Affairs in the U.S. Treasury, called on Mr. McNamara at 5:30 p.m. on Tuesday, November 7th. Mr. Wieczorowski and I were also present.

Mr. Volcker began by talking about the allocation of IDA funds which was to be discussed at the meeting of representatives of Part I countries on Thursday, November 9th. The U.S. Administration had a very strong conviction that the allocation to India of 40% of IDA resources was too big a load to be carried through the period of the Fourth Replenishment. We should take into account the possible needs for the reconstruction of Vietnam. What IDA could do for this might prove to be important in maintaining support for the institution. He had no definite ideas at this stage about the amount that would be needed or the proportions to be found from bilateral aid from the Asian Development Bank or from IDA. It would clearly be easier, however, for IDA to find the resources which might be needed for Vietnam if there could be some downward trend in the percentage allocated to India. This would certainly ease the task of the Administration in getting legislative approval for IDA replenishment.

Mr. McNamara said that he would have no difficulty in agreeing that the discussion on Thursday of that week would be concerned only with the allocation of IDA resources in FY73 and that there was no commitment at this time to maintain a percentage allocation of 40% for India in the remaining year (FY74) of the period over which Third Replenishment resources would be committed. It should be borne in mind, however, that the present percentage of 40% represented a considerable reduction as compared with what had previously been allocated to India. This reduction (from 52% to 40%) had been made at the time of the Second Replenishment. In negotiations for the Third Replenishment there had been some understanding that this was the level of allocation intended for India. Nevertheless, we would accept that there should be no conclusion at the present time going beyond the second year of the commitment period of the Third Replenishment.

He agreed that Southeast Asia was an extremely important problem. He would be quite prepared to talk about it with those concerned in the U.S. Government and the World Bank Group would be ready to do whatever its members wished it to do. Staff resources were available to assist in the assessing of needs, the drawing up of plans, and the finding of finance perhaps through the formation of a consultative group. The Asian Development Bank should clearly play a role since this would be expected by the Japanese who would be important contributors to the operation. The manpower and financial resources of ADB were, however, limited. The first need would be for a thorough technical examination of the problem and he had already earmarked the necessary staff resources for this. He had hitherto discouraged any discussion of the topic either within the World Bank Group or with the U.S. Government as being premature at this time. Since the necessary preparatory work would take some time, it seemed unlikely that there would be any great demand for funds in FY73 and there would, therefore, be no conflict on that score with the needs of India.

As regards the future needs of India, it would help the IDA Management if the U.S. Administration would let them have quite unofficially a statement in writing of the arguments in favor of a reduction in the allocation of IDA resources to India. An attempt should be made to foresee the arguments which could be used against such a reduction and what reply could be made to them. The 40% share at

present allocated to India could be justified by detailed calculations showing the development needs of India as compared with those of other countries. There would be very strong opposition on the part of certain donors to a reduction in the Indian allocation, say, to 35%.

Mr. Volcker thought that one of the main arguments for such a reduction would be to secure a more equal distribution of IDA resources between developing countries. There was some merit in "distribution for distribution's sake".

Mr. McNamara pointed out that in looking at allocations to countries, Bank loans, which contained an appreciable concessionary element, must be taken into account. The case should be analyzed in detail even though he recognized that in the last resort it might turn on the ability of the U.S. Government to get political support for IDA.

Mr. Volcker agreed with this. It was not a question of equity but a hard practical problem. The first hurdle was to get through the meeting on Thursday and he was glad to hear that this would involve no commitment beyond the present fiscal year.

Mr. Volcker then raised the question of lending to Iraq. There was some indication that the Iraqi Government might be willing to negotiate. The companies intended to submit an offer on November 11th. The test would be how the Iraqi Government would respond. Some weeks might elapse before the reaction of the Iraqi Government could be assessed. During that period it was most important that the World Bank should not make any move in the direction of further lending to Iraq.

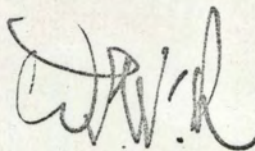
Mr. McNamara said that no further action on this would be taken by the World Bank during the next ten days. He would then look at the matter again. He had had a discussion a few days previously with the mediator and would have a further discussion with him.

The discussion then turned to the Fourth Replenishment of IDA. Mr. Volcker said that the U.S. were faced with serious problems of timing in their relations with Congress on this subject. While the suggestions made by the IDA Management about the payments schedule were interesting to them, the basic problem concerned the ability of the U.S. Administration to agree to provide fresh commitment authority when IDA needed it. This would require consultation with Mr. Passman. It should not take place until a certain interval after the effective date of the Third Replenishment had elapsed. Mr. McNamara said that we had attempted to find a formula which would meet the basic needs of the U.S. Administration. These could be elaborated further in various respects in future discussions.

Some discussion followed about the development needs of the poorest countries. Mr. Volcker referred to the view which he said was widespread that developing countries might be better off without aid.

Mr. McNamara said that he knew of no major personality in the political or economic world who spoke from conviction in that way. Senator Fulbright might oppose development assistance but did so because of a quarrel with the Administration.

He did not believe that Prof. Galbraith (whom Mr. Volcker had mentioned) held such views. He (Mr. McNamara) would be willing to meet any group or individual to discuss this question. Aid was not a panacea but without it the developing countries could only make progress if they adopted the communist system of curtailing consumption by what amounted to forced savings. During the next two or three years special efforts should be made to rebuild the constituency for aid.

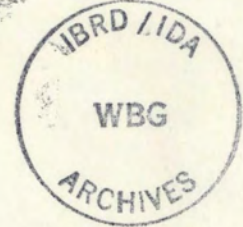


D. H. F. Rickett
Vice President
November 8, 1972

HARVARD UNIVERSITY
CENTER FOR POPULATION STUDIES

Area Code 617 UNiversity 8-7600, ext. 2021
Cable address: HARVPOP

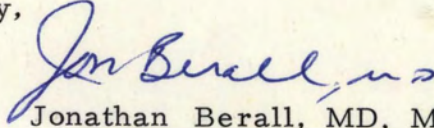
9 Bow Street
Cambridge, Massachusetts 02138



Dear Mr. McNamara,

Enclosed is some additional material
regarding the foodgrain situation in Bangladesh. I hope
that this matter receives your first attention.

Sincerely,


Jonathan Berall, MD, MPH

President has seen

EDWARDS 12/24/72
1815 OCT 28 6W 5:02

RECEIVED

990/7/52

10-22-42

HARVARD UNIVERSITY
CENTER FOR POPULATION STUDIES

9 Bow Street
Cambridge, Massachusetts 02138

Area Code 617 University 8-7600, ext. 2021
Cable address: HARVPOP



Dear Mr. McNamara,

Enclosed is some additional material

regarding the foodgrain situation in Bangladesh. I hope

that this matter receives your first attention.

Sincerely,

Jonathan Bernal, MD, MPH

President has seen

COMMUNICATIONS
1972 OCT 26 PM 2:05

RECEIVED

Incountry foodstocks have decreased from the middle of August to the beginning of October by 200 thousand tons, from 520 thousand to 320 thousand tons, a 40% reduction. The estimated foodgrain arrivals during this same six week period was over 400 thousand tons. The offloading then was the imports plus the change in the incountry foodstocks; over 600 thousand tons, or over 100 thousand tons per week.

The United Nation Relief Operation planned to import 250 thousand tons per month for the months September, October and November. In each month they will be falling 150 thousand tons short. The result would be that at the end of November the incountry stocks would have shrunk to below 100 thousand tons, representing three days' food supply for the people of Bangladesh.

This would be the situation were the situation stable. It is not. The hungriest days are ahead. The meager personal food stocks that may have accumulated following the harvesting of the Aus crop are by this time gone or close to zero.**

It is at this time every year that the rates of malnutrition increase dramatically. It is at this time that the government food program doubles its normal output but fails to maintain the stable rate of malnutrition of the summer months.

During the next seven weeks the people of Bangladesh will become more and more dependent on the imported foodgrains to maintain their minimal diets.

The total need for the next two months will be 2 million tons.

The incountry foodgrain stocks are now 350 thousand tons.

The U.N. plans to import 250 thousand tons each month or 500 thousand tons in the next two months.

The total available food grain will be 850 thousand tons, the need 2.0 million tons.

The NET DEFICIT is 1,150,000 tons.

There are some people who maintain that there are large hidden rice stocks in Bangladesh. They maintain that the crop estimates were low and that there really is more food in Bangladesh than it would seem. Granting that the estimates of the crop yields made by the various involved parties - USAID, World Bank, UNROD and the Bangladesh government - were low, this hidden surplus would surely have been eaten away by the illegal rice trafficking that has been the sad reality in Bangladesh during the past months. (Estimated loss of 10% of the domestically produced rice.)

All available data suggest that foodgrain stocks must today be close to zero (total production, total need, feed, seed, wastages and leakages, rice prices raised to famine levels, CDC report in June showing that 71% of the families randomly interviewed had no foodstores... and the increased rates of clinical malnutrition demonstrated in that same report....).

To depend on the unsupportable "Feelings" of men centrally placed with regard to decisions regarding the foodgrain needs of Bangladesh during the next two months is not permissible. Their wrong "feeling" could result in famine.

In requesting additional foodgrain for Bangladesh, we are asking that the present amount of food imported be increased by approximately thirty percent (30%) and that the financial addition be of the order of between five and ten percent.

If there is famine in Bangladesh all the work and all the food and all the money that have been spent will have been for nothing. People will die and the stability of the Indian subcontinent threatened by a reactive political change in Bangladesh.

** The three low rice crop yields during the past eleven months total 9.3 million tons. When from this figure the amount of rice that went for seed, feed and wastage, estimated at 10% (0.9 million tons) is subtracted, the total foodgrain available for consumption is 8.4 million tons. The United Nations and the government of Bangladesh state that the present population figure is 77.5 million people in Bangladesh. The U.N. assumes a minimal daily foodgrain requirement of 15 oz. per day. This means that the total foodgrain need for a twelve month period is 12,086,500 tons, or roughly 1 million tons per month.

From the beginning of December 1971 to the present time is 10.5 months. The foodgrain need has been 10.5 million tons during this same time period.

The total importation of foodgrain to date has been 2.0 million tons.

The domestic foodgrain production has been 8.4 million tons.

The total available foodgrain has been 10.4 million tons. The need is 10.5 million tons.

The people of Bangladesh can have virtually no personal foodgrain stocks at present.

Jon Berall, MD MPH

tel: 617-495-2021

110

FOOD NEED and DOMESTIC RICE PRODUCTION: 1 Dec '71 - 1 Dec '72

Food Need: 12,086,500 million tons/year or 1.0 million tons per month.
(population 77.5 million
minimum requirement 15 oz/ day/Person)

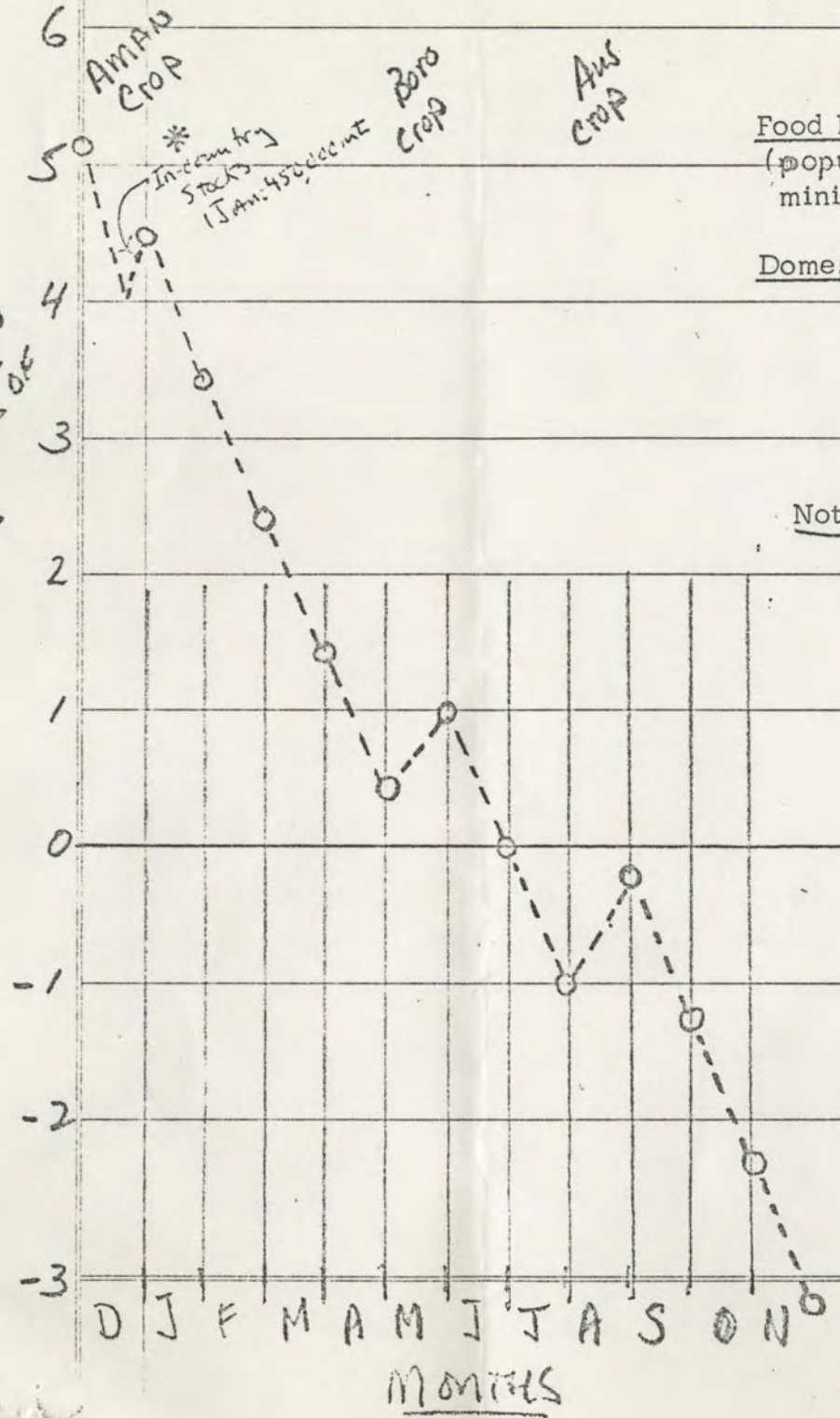
Domestic rice production:
Aman crop (Dec '71 - Jan '72): 5.7 million tons (USAID)
Boro crop (May '72) : 1.6 million tons (UN, USAID)
Aus crop (August '72) : 2.1 million tons (Bangladesh Govt)
Total : 9.4 million tons
minus 10% for seed, feed, wastage: TOTAL: 8.46 million tons

Note: No deficit until July. The effect of the importation program which has imported 1.7 million tons up until 1 September was to prevent famine in July, before the Aus crop was harvested.

See following graph.

Total deficit without imports : 3.6 million tons

1000
MILLIONS OF
TONS

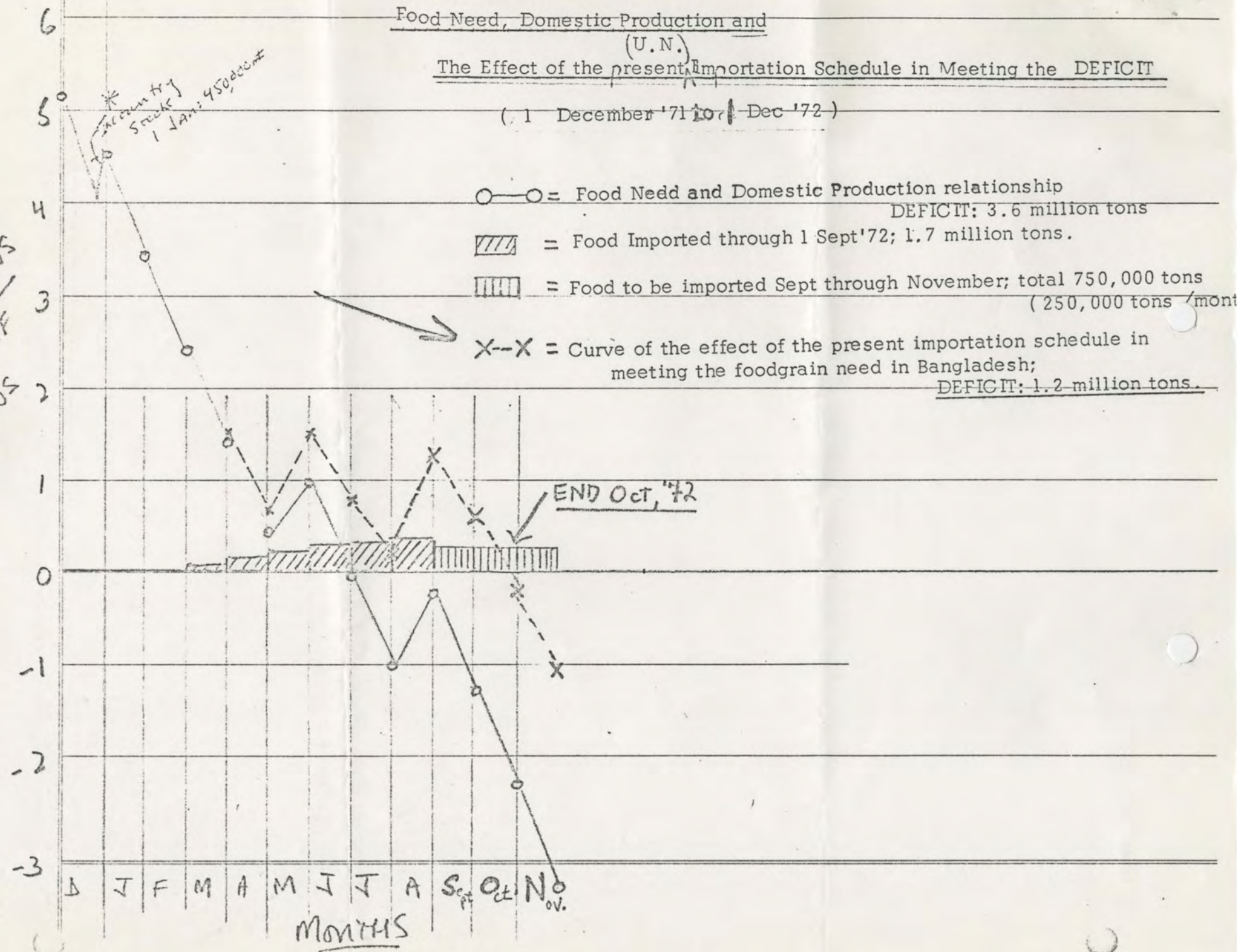


Food Need, Domestic Production and
(U.N.)

The Effect of the present Importation Schedule in Meeting the DEFICIT

(1 December '71 to Dec '72)

FOODGRAINS
IN MILLIONS OF
TONS



Bangladesh: Food

U.N./Government assumptions: population of 77.5 million
minimal daily foodgrain requirement of 15 oz.

If assumption is that the population is 75 million, and the minimal need is 14 oz., then:

Total Yearly Need: 10,887,860 million tons*of foodgrain
Monthly Need: 0.91 million tons of foodgrain

Time Period: 1 December 1971 to 31 July 1972

Total Need: 7.28 million tons

Domestic rice production: <u>Aman crop</u> (Dec. '71-Jan. '72):	5.7 million tons
(source: USAID)	
<u>Boro crop</u> (May '72):	<u>1.6 million tons</u>
TOTAL	7.3 million tons

Imports: 1.4 million tons

Total foodgrain: 7.3 (rice)
1.4 (wheat)
8.7 million tons

Feed/seed wastage estimated at 10% of domestic production: 0.73 million tons
Smuggling estimated at 10% (minimum): 0.73 million tons

$$8.7 - 1.46 = 7.24$$

Note: Incountry stocks did not

change during the period

2) This figure (7.24) extrapolates to 10.85 million tons for the year.
This means that personal foodstocks at the end of this period
must have been approximately zero.

Time Period: 1 August-last week of November (Aman crop harvest)

Personal foodstocks: zero	Period Total 3.55 million tons
Aus crop: 2.1 million tons	Feed/seed waste.. 0.30
Imports: 1.0 million tons	Smuggling..... <u>0.30</u>
Incountry stocks: <u>0.45 million tons</u>	NET TOTAL..... 2.95 million tons
Period Total	3.55 million tons

* All tonnage quoted is in metric tons.

Period total of available foodgrain for consumption: 2.95 million tons

This extrapolates to 8.82 million tons yearly, well below the minimal requirements for a population of 75 million people eating 15 oz. of foodgrain per person per day (above). Need for this period is 3.64 million tons.

NET DEFICIT: 0.70 million tons

Time Period: 1 September-end of November

Need 2.73 million tons.

Imports: 0.70 million tons

Aus crop minus August consumption: 2.1 minus 0.91 = 1.19 million tons

Incountry stocks: 0.45 million tons

TOTAL: 2.34 minus 10% feed/seed/waste and 10% smuggling = 1.88 million tons available for consumption.

Time Period: 1 October-end of November

Need: 1.82 million tons

1.88 minus September use (0.91) gives the amount of foodgrain available for October - November: 0.97 million tons.

NET DEFICIT: 0.85 million tons, or Eight hundred fifty thousand metric tons

Time Period: the month of November

Need: 0.91 million tons

Food

available:

.06 million tons

NET DEFICIT: 0.85 million tons

Note: this is a minimum estimate.

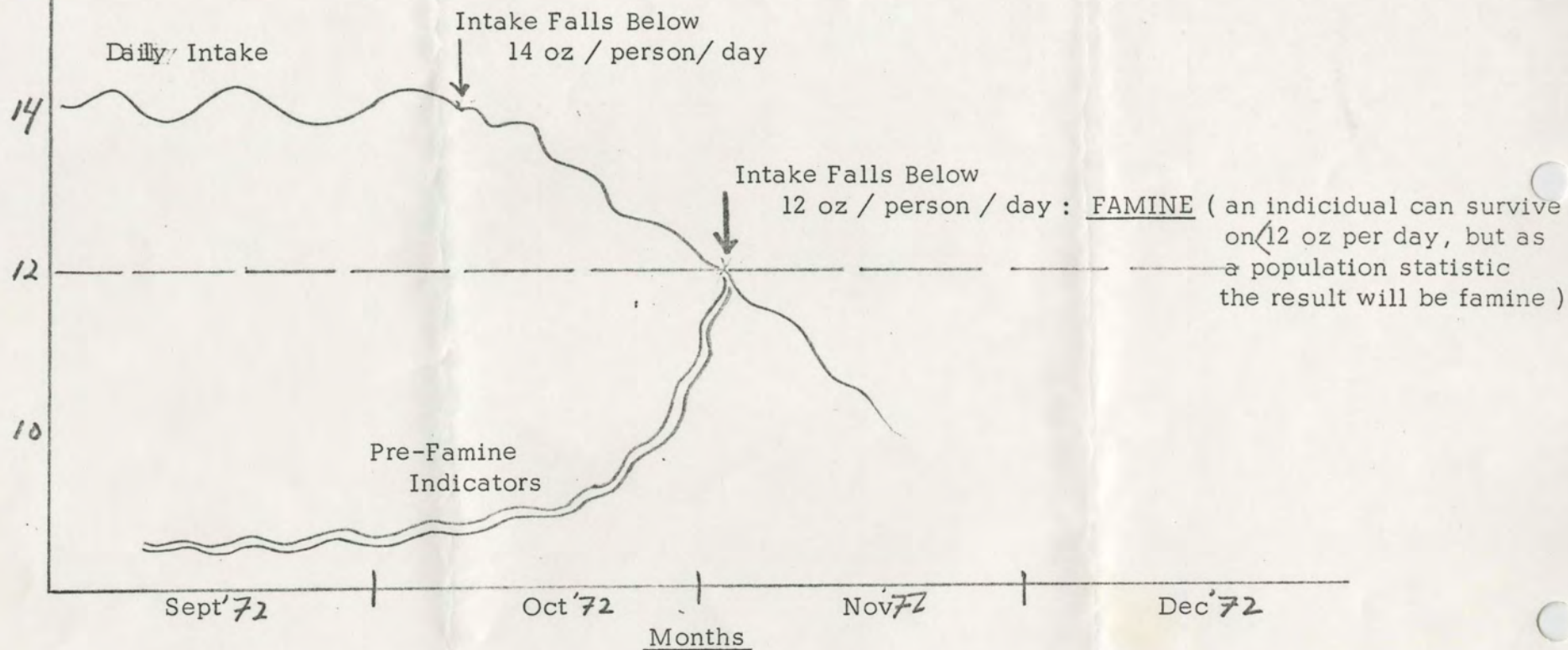
Assumptions:

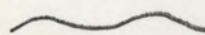
- 1) population 75 million*
- 2) Requirement 14 oz/person/day - OVER the period of ONE YEAR.*

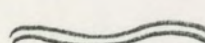
Jon Berall, MD, MPH.

FOODGRAIN INTAKE/ FAMINE / PRE-FAMINE INDICATORS

Foodgrain
Intake:
Oz/Person/Day



 = Foodgrain intake per person per day

 = Parameters of Impending Famine (Indicators)

- 1) Rice Prices: Increasing OR dramatically increased
- 2) Mortality / Morbidity rates: Increasing Or dramatically increased
- 3) Population movement to centers where food is available: Cities.

Buall

HARVARD UNIVERSITY
CENTER FOR POPULATION STUDIES

Area Code 617 495-2021
Cable address: HARVPOP, CAMBRIDGE

9 Bow Street
Cambridge, Massachusetts 02138

October 17, 1972

Secretary of State Rogers
State Department
Washington, D. C.

Dear Mr. Rogers:

Enclosed are five short papers dealing with the present nutritional situation in Bangladesh. I'm sure that you appreciate the delicate political situation in Bangladesh and the potential of famine and the subsequent social turmoil for dramatically increasing the political instability within Bangladesh and for the subcontinent as a whole.

The single question that must be answered today is, "Is there enough food in Bangladesh today, adding the scheduled Relief Operation arrivals, to permit the people of Bangladesh to harvest the coming Aman rice crop in the first weeks of December, without there being a famine before that harvest? "

There is growing concern in many quarters that the United Nations directed Relief Operation has underestimated the amount of imported foodgrains that will be required to assure that there will be no famine.

The story is partly spelled out in these papers: using all the available data there is but one conclusion: there will be a foodgrain shortfall. The shortfall will vary depending upon the population figure that is used and on the minimum daily foodgrain requirement that is accepted. The minimum population figure is 75 million (UN and Government of Bangladesh use 77.5 million). The absolute minimum foodgrain requirement per day, over a one year period is 14 oz. per person daily (UN and Government of Bangladesh consider that 15 oz. per person daily is the minimum). If the population is 75 million and the foodgrain requirement is 14 oz. per person per day, the foodgrain shortfall will be 850 metric tons. This represents a foodgrain deficit for the year of 7.7% (total yearly need--11 metric tons of foodgrain). The Bengal famine of 1943 was characterized by a foodgrain deficit of 6%. This deficit will be felt in the last weeks of October but principally in November. (See enclosure with graphs "Bangladesh: Food 11 October 1972).

RECEIVED

President Kennedy

HARVARD UNIVERSITY
CENTER FOR POPULATION STUDIES

2 Bow Street
Cambridge, Massachusetts 02138

Area Code 617 495-2021
Cable address: HARVOP, CAMBRIDGE

October 17, 1975

Secretary of State Rogers
State Department
Washington, D. C.

Dear Mr. Rogers:

Enclosed are five short papers dealing with the present nutritional situation in Bangladesh. I'm sure that you appreciate the delicate political situation in Bangladesh and the potential of famine and the subsequent social turmoil for dramatically increasing the political instability within Bangladesh and for the subcontinent as a whole.

The single question that must be answered today is, "Is there enough food in Bangladesh today, adding the scheduled Relief Operation arrivals, to permit the people of Bangladesh to harvest the coming Aman rice crop in the first weeks of December, without there being a famine before that harvest?"

There is growing concern in many quarters that the United Nations directed Relief Operation has underestimated the amount of imported foodgrains that will be required to assure that there will be no famine.

The story is partly spelled out in these papers: using all the available data there is but one conclusion: there will be a foodgrain shortfall. The shortfall will vary depending upon the population figure that is used and on the minimum daily foodgrain requirement that is accepted. The minimum population figure is 75 million (UN and Government of Bangladesh use 77.5 million). The absolute minimum foodgrain requirement per day, over a one year period is 14 oz. per person daily (UN and Government of Bangladesh consider that 15 oz. per person daily is the minimum). If the population is 75 million and the foodgrain requirement is 14 oz. per person per day, the foodgrain shortfall will be 850 metric tons. This represents a foodgrain deficit for the year of 7.7% (total yearly need - 11 metric tons of foodgrain). The Bengal famine of 1943 was characterized by a foodgrain deficit of 6%. The deficit will be felt in the last weeks of October but principally in November. Bangladesh: Food Shortfalls with Graphs (October 1975).

SECTION
COMMUNICATIONS

1972 OCT 19 AM 8:37

RECEIVED

President

Secretary of State Rogers

-2-

October 17, 1972

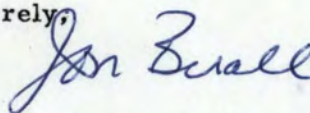
The facts available allow for maximizing our chances that there will be aman crop harvest without famine. But the facts must be considered.

Simple "everything is under control" answers are not sufficient. Serious questions have been raised. They must be answered. There is still time to protect the investment in Bangladesh and the stability in the sub-continent by preventing the unnecessary starvation death of potentially millions of Bengalis, by providing enough foodgrain by importation to meet the shortfall deficit.

The U. N. has chosen a conservative route and that route is about to fail dramatically. Immediate meetings with the U. N. personnel must share all the facts and evaluate the appropriate response to the understanding of those facts.

If I can be of any help in this regard please contact me.

Sincerely,



Jonathan Berall, M. D., M. P. H.

1969--Chief Medical Officer for the
International Relief Operation-
Nigeria Biafran Civil War:
Final nine months

1970-71--Special consultant in Nutrition
and Epidemiology, PAHO,
INCAP (Guatemala)

1972--Exploratory field trip to Bangladesh
for London Tehnical Group, Advisory
group to the British Charities (Oxfam,
War on Want, Save the Children's
Fund, etc.)

Note: There are other ways to approach this problem that are not included in the enclosed papers: 1) Consideration of prices/wages/food needs. Prices are at famine levels: between 2-3 times normal/wages one-half normal. 2) Consideration of the most recent imported and in-country stock position; (stocks falling quickly: 200 thousand ton decrease [40% of the total] during the past seven weeks, during high importation time). 3) Considering the sad truth of criminality in Bangladesh: smuggling rice into India. The U. N. has not considered this FACT of present Bengali reality in their determinations of foodgrain need. It is not true that imported food will all

October 17, 1972

find its way to the Indian markets: it is principally rice that goes to India, and it is principally wheat that is imported. There is less likelihood that government stocks (imports) will go astray, especially with the government recently imprisoning members of the government for smuggling activities.

Also, if 10% of the imported foodgrain is stolen, the remaining 90% does get to the people. No relief operation has ever been without its stealing. 10% is a low figure (50% "loss" is the estimate in South Vietnam; 20% was the estimate in Nigeria-Biafra).

The UN operation has claimed the capacity to import as much as 500,000 tons per month from the point of view of importation logistics. The Bengalis have demonstrated the capacity to distribute the amounts of imported foodgrains that are necessary to prevent famine (350,000 tons distributed in July, and the number increasing every month as the logistics of internal transportation and communication become easier (railroads, bridges being rebuilt, etc.)).

The problem is today approachable, but time is very short.

✓ Enclosures

cc: Mr. Robert MacNamara

P.S. I have seen Allen Berg and talked with Henry Gasser about this matter. Also, Robert Acosta has been approached by Alf Reyes Revilla in this regard. (World Bank permanent)

B

11 Oct '72

Incountry foodstocks have decreased from the middle of August to the beginning of October by 200 thousand tons, from 520 thousand to 320 thousand tons, a 40% reduction. The estimated foodgrain arrivals during this same six week period was over 400 thousand tons. The offloading then was the imports plus the change in the incountry foodstocks; over 600 thousand tons, or over 100 thousand tons per week.

The United Nation Relief Operation planned to import 250 thousand tons per month for the months September, October and November. In each month they will be falling 150 thousand tons short. The result would be that at the end of November the incountry stocks would have shrunk to below 100 thousand tons, representing three days' food supply for the people of Bangladesh.

This would be the situation were the situation stable. It is not. The hungriest days are ahead. The meager personal food stocks that may have accumulated following the harvesting of the Aus crop are by this time gone or close to zero.**

It is at this time every year that the rates of malnutrition increase dramatically. It is at this time that the government food program doubles its normal output but fails to maintain the stable rate of malnutrition of the summer months.

During the next seven weeks the people of Bangladesh will become more and more dependent on the imported foodgrains to maintain their minimal diets.

The total need for the next two months will be 2 million tons.

The incountry foodgrain stocks are now 350 thousand tons.

The U.N. plans to import 250 thousand tons each month or 500 thousand tons in the next two months.

The total available food grain will be 850 thousand tons, the need 2.0 million tons.

The NET DEFICIT is 1,150,000 tons.

There are some people who maintain that there are large hidden rice stocks in Bangladesh. They maintain that the crop estimates were low and that there really is more food in Bangladesh than it would seem. Granting that the estimates of the crop yields made by the various involved parties - USAID, World Bank, UNROD and the Bangladesh government - were low, this hidden surplus would surely have been eaten away by the illegal rice trafficking that has been the sad reality in Bangladesh during the past months. (Estimated loss of 10% of the domestically produced rice.)

All available data suggest that foodgrain stocks must today be close to zero (total production, total need, feed, seed, wastages and leakages, rice prices raised to famine levels, CDC report in June showing that 71% of the families randomly interviewed had no foodstores... and the increased rates of clinical malnutrition demonstrated in that same report...).

To depend on the unsupportable "Feelings" of men centrally placed with regard to decisions regarding the foodgrain needs of Bangladesh during the next two months is not permissible. Their wrong "feeling" could result in famine.

In requesting additional foodgrain for Bangladesh, we are asking that the present amount of food imported be increased by approximately thirty percent (30%) and that the financial addition be of the order of between five and ten percent.

If there is famine in Bangladesh all the work and all the food and all the money that have been spent will have been for nothing. People will die and the stability of the Indian subcontinent threatened by a reactive political change in Bangladesh.

** The three low rice crop yields during the past eleven months total 9.3 million tons. When from this figure the amount of rice that went for seed, feed and wastage, estimated at 10% (0.9 million tons) is subtracted, the total foodgrain available for consumption is 8.4 million tons. The United Nations and the government of Bangladesh state that the present population figure is 77.5 million people in Bangladesh. The U.N. assumes a minimal daily foodgrain requirement of 15 oz. per day. This means that the total foodgrain need for a twelve month period is 12,086,500 tons, or roughly 1 million tons per month.

From the beginning of December 1971 to the present time is 10.5 months. The foodgrain need has been 10.5 million tons during this same time period.

The total importation of foodgrain to date has been 2.0 million tons.

The domestic foodgrain production has been 8.4 million tons.

The total available foodgrain has been 10.4 million tons. The need is 10.5 million tons.

The people of Bangladesh can have virtually no personal foodgrain stocks at present.

Jon Berall, MD MPH
tel: 617-495-2021

11 Oct 7

FOOD NEED and DOMESTIC RICE PRODUCTION: 1 Dec '71 - 1 Dec '72

Food Need: 12,086,500 million tons/year or 1.0 million tons per month.
(population 77.5 million
minimum requirement 15 oz/ day/Person)

Domestic rice production:

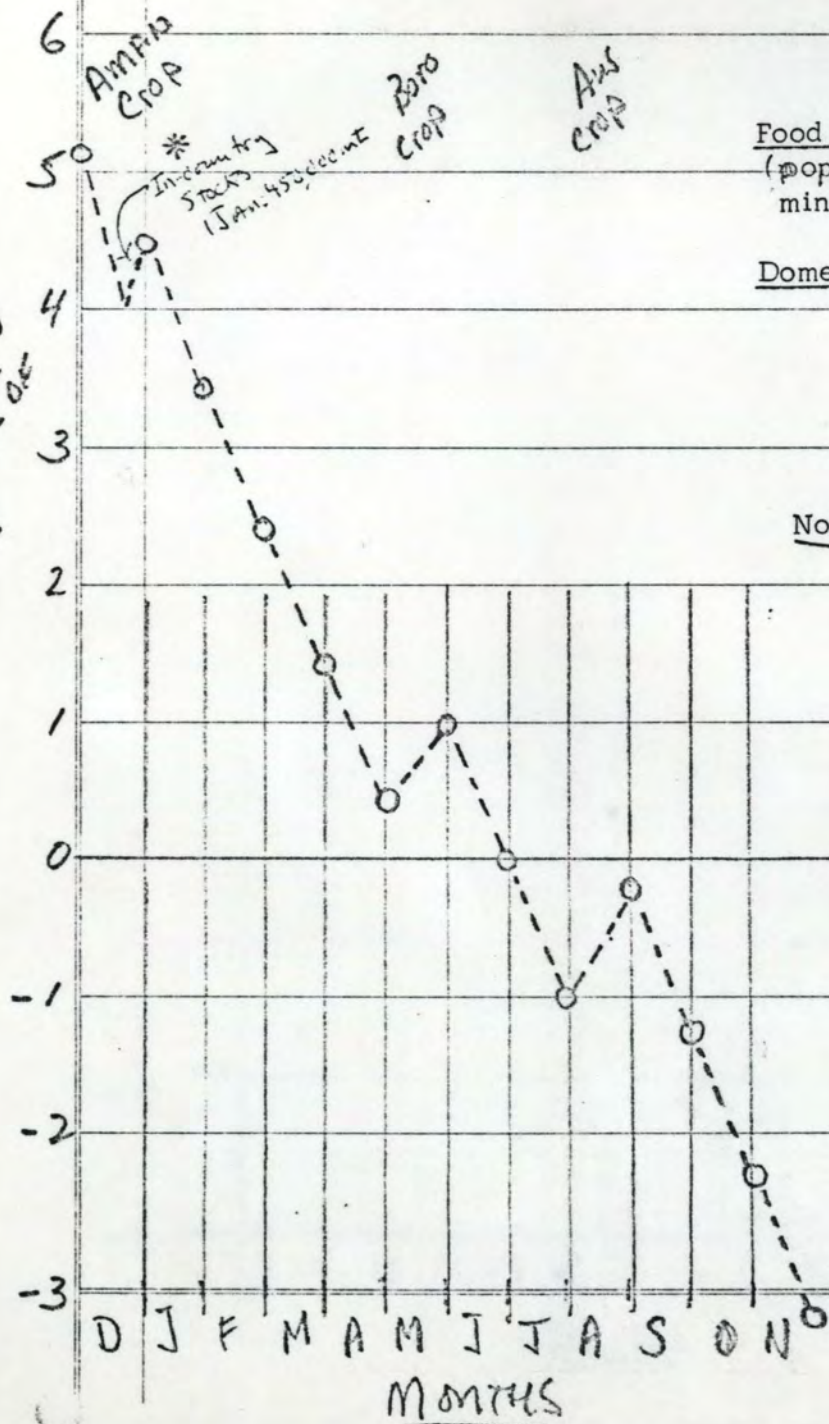
Aman crop (Dec 71-Jan '72):	5.7 million tons (USAID)
Boro crop (May '72)	: 1.6 million tons (UN, USAID)
Aus crop (August '72)	: <u>2.1 million tons</u> (Bangladesh Govt)
<u>Total</u>	: <u>9.4 million tons</u>

minus 10% for seed, feed, wastage: TOTAL: 8.46 million tons

Note: No deficit until July. The effect of the importation program which has imported 1.7 million tons up until 1 September was to prevent famine in July, before the Aus crop was harvested.

See following graph.

Total deficit without imports : 3.6 million tons



FOOD GRAIN
TENS
MILLIONS OF

BANGLADESH

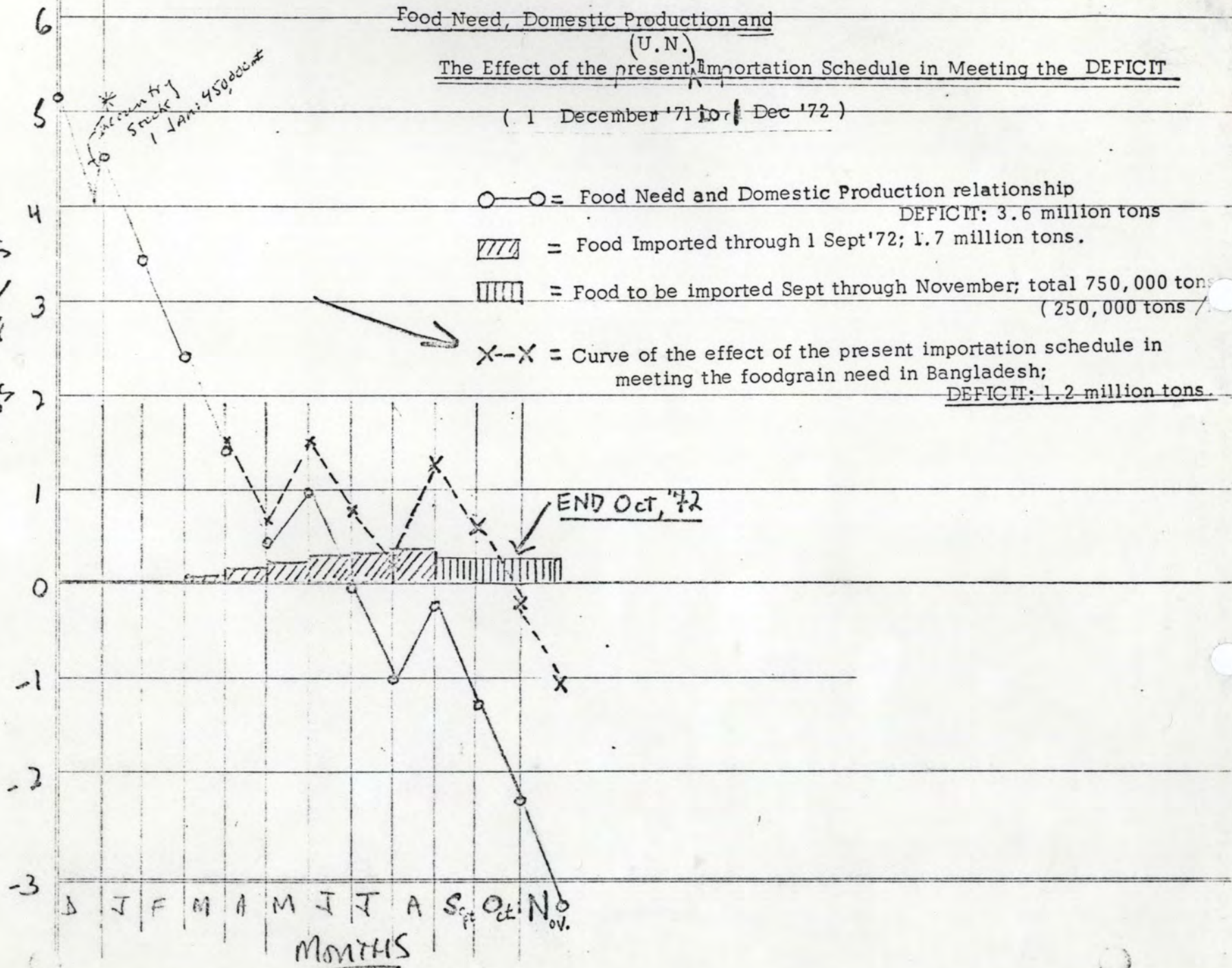
#2

Food Need, Domestic Production and
(U.N.)

The Effect of the present importation Schedule in Meeting the DEFICIT

(1 December '71 to Dec '72)

100 MILLIONS OF TONS OF FOODGRAINS



The Foodgrain Situation in Bangladesh During the Year Prior to the
Harvesting of the Anam Crop in late Nov. 1972

Total Foodgrain Need: 12,086,500 metric tons

pop: 77.5 million
minimum food grain need: 15 oz/person/day
(most current UN/Bangladesh gov't figures)

Domestic Production:

Anan crop Dec. '71-Jan. '72 (source: USAID)	= 5,690,000 metric tons
Boro crop May '72 (source: gov't Bangladesh)	= 1,600,000 metric tons
Aus crop Aug. '72 (source: Bangladesh gov't)	= 2,100,000 metric tons
<u>TOTAL</u>	<u>= 9,390,000 metric tons</u>

Seed Need and Wastage:

estimated at 10% of domestic production = 939,000 metric tons

Total Domestic Foodgrain Available for consumption = 8,451,000 metric tons

Total Need minus Domestic food Production available for consumption: deficit

12,086,500
- 8,451,000
<u>3,635,500</u> metric tons: <u>deficit</u>

Foodgrain Imports committed until end Nov. '72: 2,450,000 metric tons
(source: U.N.)

NET DEFICIT: 1,185,000 metric tons

The deficit in the total minimal foodgrain available for consumption (1,185,000 metric tons) represents an overall foodgrain deficit of 10 percent. The Bengal famine of 1943 that claimed 3 million lives had an overall foodgrain deficit of 6 percent.

Note: these figures do not consider the desired increasing of in-country food stocks. Also, the seed, feed and "wastage" figure is low, especially considering the illegal rice trafficking during the past year.

Note: the anan rice crop will be harvested unevenly.
Certain areas will harvest in the second week of December.
Rice appears in the markets in the middle of December.
Internal rice distribution will not be effective until middle December.
In some areas there will be need for imported foodgrain until mid-December.

16 Sept, 1972

Comment on the UNROD paper: " Food Situation in Bangladesh
(Jan '72- December '72)

This paper determines the amount of foodgrain that must be provided by importation. This estimation is made by estimating the total foodgrain need of the population and subtracting from this number the amount of foodgrain available for consumption (the total domestic production minus the grain needed for seed, feed and wasteg^{ae}).

The difference is the amount of foodgrain that must be imported during the calander year 1972.

The important error in this approach is that largest rice harvest comes from the aman crop, which is principally harvested in December. The December harvest of over three million tons will not be available for consumption earlier in the year. You cannot eat in October and November what will be harvested in the following December.

The question before us today is : will there be enough foodgrain in Bangladesh--produced domestically and imported-- to prevent famine during the period before the harvesting of the aman rice crop in the first week in December (the rice crop is to be late this year).

Including the rice harvested in December 1972 in figures relevant to this discussion is neither appropriate nor permissible.

Relevant aman crop harvest figures for this question would be the aman crop of Dec '71-Jan'72. Given that tenmillion Bengalis were in Indian refugee camps during the harvest period and the planting period before that, and also that over 20 million people were displaced from thier land for at least one month during the same time period, it is surethat the last ~~th~~ aman crop was well below normal(let alone the high normal figure used in the UNROD paper under discussion).

USAID estimstes the Dec '71- Jan'72 aman crop to have been five million, 700 thousand tons (5.7 million tons).

The difference between these two figures(6.9 and 5.7 million tons) is theerror in prediction that is being made by the UNROD operation.

Net Deficit: 1.2 million tons.

note: For some reason the UNROD operation has chosen to ignore the sad reality of Bangladesh today, that among the people there are criminals, men who have sold rice to India: smugglers. Smuggling and stealing are not unique to the Bangladesh Relief operation. Smuggling and stealing are part of every such operation(Estimated "loss" 50 % in treating Vietnamese refugees, "Loss" was 20 % during the Nigerian- Biafran Civil War. Estimates of "loss" in Bangladesh are 10%.)

John B. ...

Source: UNROD

Foodgrain Situation in Bangladesh

(Jan. 72 - Dec. 72)

450,000 mt.

Stockpile 1 Jan. 72

Domestic Production

Aman (1971) 6,900,000 mt
 Boro " 1,600,000 mt
 AUS " 2,100,000 mt
 Wheat 100,000 mt

(Jan, Feb, Nov, Dec)
'72 '72 '72 '72

10,700,000 mt

Loss 10% accid, waste 1,070,000 mt

9,630,000 mt

9,630,000 mt

Sub-total 1

10,080,000 mt

Requirement for 77.5 million people
at 15 ccs./person/day

11,340,000 mt

Recommended stock build-up (10%) 600,000 mt

12,440,000 mt

sub-total 2

12,440,000 mt

Deficit to be met from external
sources is sub-total 2 minus
sub-total 1

= sub-total 3

2,360,000 mt

Arrival arrivals Jan. - Aug. 72 1,700,000 mt

Expected arrivals Sept. - Dec. 72 877,500 mt

2,577,500 mt

sub-total 4

2,577,500 mt

Bangladesh: Food

U.N./Government assumptions: population of 77.5 million
minimal daily foodgrain requirement of 15 oz.

If assumption is that the population is 75 million, and the minimal need is 14 oz., then:

Total Yearly Need: 10,887,860 million tons*of foodgrain
Monthly Need: 0.91 million tons of foodgrain

Time Period: 1 December 1971 to 31 July 1972

Total Need: 7.28 million tons

Domestic rice production: <u>Aman crop</u> (Dec. '71-Jan. '72):	5.7 million tons
(source: USAID)	
<u>Boro crop</u> (May '72):	<u>1.6 million tons</u>
TOTAL	7.3 million tons

Imports: 1.4 million tons

Total foodgrain: 7.3 (rice)
1.4 (wheat)
8.7 million tons

Feed/seed wastage estimated at 10% of domestic production: 0.73 million tons
Smuggling estimated at 10% (minimum): 0.73 million tons

$$8.7 - 1.46 = 7.24$$

Note: Incountry stocks did not

change during the period

- This figure (7.24) extrapolates to 10.85 million tons for the year. This means that personal foodstocks at the end of this period must have been approximately zero.

Time Period: 1 August-last week of November (Aman crop harvest)

Personal foodstocks: zero	Period Total.....3.55 million tons
Aus crop: 2.1 million tons	Feed/seed waste.. 0.30
Imports: 1.0 million tons	Smuggling..... <u>0.30</u>
Incountry stocks: <u>0.45 million tons</u>	NET TOTAL.....2.95 million tons
Period Total	3.55 million tons

* All tonnage quoted is in metric tons.

Period total of available foodgrain for consumption: 2.95 million tons

This extrapolates to 8.82 million tons yearly, well below the minimal requirements for a population of 75 million people eating 15 oz. of foodgrain per person per day (above). Need for this period is 3.64 million tons.

NET DEFICIT: 0.70 million tons

Time Period: 1 September-end of November

Need 2.73 million tons.

Imports: 0.70 million tons

Aus crop minus August consumption: 2.1 minus 0.91 = 1.19 million tons

Incountry stocks: 0.45 million tons

TOTAL: 2.34 minus 10% feed/seed/waste and 10% smuggling = 1.88 million tons available for consumption.

Time Period: 1 October-end of November

Need: 1.82 million tons

1.88 minus September use (0.91) gives the amount of foodgrain available for October - November: 0.97 million tons.

NET DEFICIT: 0.85 million tons, or Eight hundred fifty thousand metric tons

Time Period: the month of November

Need: 0.91 million tons

Food available:

.06 million tons

NET DEFICIT: 0.85 million tons

Note: this is a minimum estimate:

Assumptions:

- 1) population 75 million*
- 2) Requirement 14oz/person/day - over the period of one year.*

Jon Berall, MD, MPH.

The prices of rice in Bangladesh

have increased precipitously, averaging between 80 and 90 taka per maund...or an increase of more than 100 % over the normal rice price.

Rice is more and more unavailable to the people of Bangladesh. Wheat is the foodgrain that must (can alone) fill the nutritional food gap. All the wheat in Bangladesh is imported.

As rice becomes more unavailable in the coming months wheat need will increase; wheat importation will have to increase.

The total foodgrain need for the population of 75 million people of Bangladesh is one million tons per month. In normal times rice accounts for over 90 % of this foodgrain need. Given the very high present prices and the very low daily wages, it is clear that little rice will be available to the common man and his family,

It can be anticipated that as much as 50 % of the foodgrain need will have to be met by imported wheat in the late September to late November time period. 50% of one million is 500 thousand tons per month.

The present planning of the UN Relief Operation is to import between 500 and 700 thousand tons into Bangladesh in the next four months. This sum will be far short of the need during the coming three months.

In June, July and August the total imports into Bangladesh ^{foodgrain} were 1.08 million tons. During the same three months the Food Distribution Program of Bangladesh distributed over 900 thousand tons, in-country stockpiles increasing only 100, thousand tons.

The distribution figure has been increasing and can be expected to increase in the coming months, if there is adequate food supply... over 350 thousand tons of foodgrain was distributed in the month of August, the beginning of the nutritionally bad season (which ends in late November). Importation must meet

~~most~~ distribution if reasonable food stocks are to be maintained and famine be prevented. If importation is not quickly increased the foodstocks will rapidly be further reduced and there will be famine.

6 Sept 1972

j. Berall, MD., MPH.

During the past three weeks the total in-country food stocks have decreased from 520 thousand tons to 420 thousand tons, a reduction of 100 thousand tons, or roughly 20 percent.

During the past three weeks have remained at the new highest levels, a greater than 100 percent increase over normal times. These rice prices are now higher than the rice prices during the previous famines in East Pakistan. Coupled with the reduced daily wages (maximally one half the normal daily wage) the price-wage situation is ominous.

The rice crop harvested at the end of August was reported by the govt of Bangladesh to have yielded 2.1 million tons of rice. The UN forecast of 31 May predicted a yield of over 4 million tons.

The maintenance of high rice prices is good evidence that personal rice stores are very low. At the present high prices of rice surplus rice would be expected to enter the market, driving the prices down.

The coming months are the most difficult from the nutritional point of view, malnutrition rates increasing fourfold in spite of the doubling of the food distributed by the Governmental Food Program.

The present in-country foodstocks and the present UNROD directed importation schedule will not be adequate to meet the increasing food demand/need.

8 September 1972

The situation as of today is unchanged but closer to the critical period, November.

Rice prices remain at famine levels, over 100% increased compared to normal times.

Daily wages remain 50% of normal

In-country stockpiles have decreased to under 350 thousand tons (from 520 thousand tons six weeks ago).

Personal foodstocks are at or near zero.

UNROD importation schedules call for importing 250 thousand tons in October and 250 thousand tons in November, or from today, approximately 400 thousand tons.

The foodgrain available for consumption will be the present in-country stocks plus the imported foodgrains, or approximately 750 thousand tons.

The need during the coming seven weeks will be for approximately 1.8 million tons.

The Net Deficit is one million tons.

11 October 1972

Jon Berall, and

OFFICE MEMORANDUM

490/7/21

TO: Mr. Robert S. McNamara

DATE: October 12, 1972

FROM: Denis Rickett

SUBJECT: Discussion with Mr. John Petty

Mr. Petty had luncheon with me today. We discussed a number of questions concerning IDA Replenishment.

10/13

2. He asked me first whether I knew what was happening on the Hill today. We agreed that the prospects for the appropriation for the first tranche of IDA-III had been affected by the dispute between the Senate and the House over the provisions of the military assistance authorization. The FY1973 Aid Appropriation Bill was, therefore, not likely to be passed until sometime in the new year. The alternative would be to have a continuing resolution which might take one of two forms. The resolution might appropriate funds either (a) at whatever was the lower of the levels contained in the Senate and House versions of the Bill. Since both the House and the Senate had funded IDA in full, there would be no loss of funds for IDA. Or (b), the resolution might provide funds for IDA at the same level as in the previous fiscal year. Since there had been no IDA appropriation in the previous fiscal year, this would not be a satisfactory solution.

3. Mr. Petty then asked me what I thought were the chances of "getting back the year we have lost". I said that I thought that there were two answers to this, depending on the position adopted by the U.S. Administration. On the one hand, they might say that they would have difficulty in asking Congress for an appropriation for the Fourth Replenishment of IDA in FY1975 in view of the agreement in the House/Senate Conference to appropriate funds for the Third Replenishment of IDA in the three fiscal years 1973, 1974 and 1975. If this was their position, there should be no difficulty in meeting it. We had for sometime considered that the phasing of the "payments" to IDA over the same three-year period as that in which the funds were committed was an artificial and unnecessary arrangement. It would be quite possible to agree that the appropriations for the Fourth Replenishment of IDA should be phased differently and that the first instalment should be paid in FY76. What mattered to IDA was that we should get fresh commitment authority in FY75.

4. The position would be much more serious if the U.S. Administration said that they were not willing to ask Congress to pass any further legislation for the replenishment of IDA until FY76 or, in other words, that the United States would not join in providing fresh commitment authority for the Association before 1st July, 1975.

5. Mr. Petty was not able to tell me which of these positions the Administration was likely to take. He agreed, however, that if they took the second line, our answer should be that the Third Replenishment agreement

President has seen

was quite clearly intended to provide resources to be committed over the three fiscal years 1972, 1973 and 1974. It would not be consistent with the agreement to propose now that those resources should be committed over four years instead of three. Nor would it be consistent at least with the spirit of the agreement to say that the United States would not itself be willing to provide fresh commitment authority before 1st July, 1975. We were entitled to argue that this would be equivalent to a cut of one quarter in the annual amount of the commitment authority which in the Third Replenishment it had been agreed to provide.

6. Mr. Petty asked me what I thought were the prospects of the link. I said that as you had said in your closing remarks we had been encouraged by the growing support which there appeared to be for it. The speech of the Belgian Governor had been particularly helpful.

7. Mr. Petty said that he himself thought that the link should take the form of a direct transfer of SDRs to international institutions. We should not, however, underestimate the opposition to such a proposal from the richer developing countries who did not benefit from IDA. Countries such as Brazil, the Argentine, and Mexico would much prefer to have a revision in the proportions in which SDRs were allocated to the various member countries so as to give more to the developing countries. I asked him if he thought that those countries would be attracted by the institution of some form of third window in the World Bank Group which might be financed in a number of ways. He said that this obviously depended on how such loans on intermediate terms were likely to be distributed.

8. Mr. Petty asked me what level we were thinking of for the Fourth Replenishment. I said that we had not committed ourselves to a precise figure but that there were a number of good reasons for advocating a substantial increase. Somewhat to my surprise he said that he hoped that the United States would be prepared to support a high figure for the Fourth Replenishment at least at the outset. In other words, we should not be afraid to set a rather high target even if it were not achieved in full. He agreed that the negotiations were likely to be more difficult this time than they had been on the previous occasion and thought that the attitude of so many of the developing countries to private foreign investment would be a particular source of difficulty. He thought also that organized labor in the United States was inclined to question the effect on U.S. employment of financing industry in developing countries employing low-cost labor. I said that my impression was that some labor organizations at any rate had supported the Third Replenishment.

9. Mr. Petty reverted to an idea in which he had been much interested in the past, namely the distribution of the residual assets of the European Payments Union and said that he thought that this was now making headway and that only the legal procedures remained to be settled. It did not appear, however, that this operation would be of much direct benefit to IDA. It

could, however, be quoted as showing that contributions to institutions such as the EPU or IDA, which appeared to be outright grants, might in the end produce some return of funds to the contributors. (This seemed to me to be a rather remote possibility in the case of IDA.)

10. Finally I mentioned the opposition which we were encountering on the part of the U.S. Administration to the "Bank last" proposal which was hardly in accordance with the attitude which they had taken in December 1970. He agreed but said that there was already much closer scrutiny not merely of appropriations but of forecasts of expenditure under appropriations. This "sharper focus on the expenditure budget" would be intensified if Congress enacted some form of expenditure ceiling.

cc: Messrs. Adler
Nurick
Stern

2354

OFFICE MEMORANDUM

490/7/24

TO: Mr. Robert S. McNamara

DATE: October 18, 1972

DNR

FROM: Denis Rickett



SUBJECT: Method of Use of Bank Profits Transferred to IDA

I spoke to Mr. Reynolds this afternoon (Mr. Wieczorowski being away) and reminded him that it was now a week since we had discussed with them the question of the method of use of Bank profits transferred to IDA from the net income of FY72.

2. Mr. Reynolds said that the papers were with Mr. Schultz and that he had spoken to the Treasury that morning to ask them for an early decision. He added that the advice to Mr. Schultz was not to agree to the Bank's proposal and he thought it unlikely that Mr. Schultz would reverse that position. He had been assured that the arguments put forward by the Bank in favor of the proposal would be fully set out in the submission. He repeated that in the expenditure cutting operations now going on to try to get within a ceiling of \$250 billion for total expenditure anything which increased expenditure, in however small an amount, would be unwelcome.

10/18

cc: Messrs. Nurick
Blaxall

President has seen

2317

OFFICE MEMORANDUM

490/7/23

TO: Mr. Robert S. McNamara

DATE: October 12, 1972

FROM: Denis Rickett

*DRR*SUBJECT: Method of Using Bank Profits Transferred to IDA

16/13

I discussed this question with Mr. Wieczorowski yesterday. Mr. Hal Reynolds, Mr. Nurick and Mr. Blaxall were also present. I said that we had been looking at the statement which he handed over to us in December 1970 (copy attached) which had formed the basis of his remarks at the meeting of the Board on the following day. In that statement he had said that the U.S. authorities believed that the proposal to use the Bank profits last rather than pro rata to country contributions would be acceptable in connection with the Third Replenishment. He would remember that when the matter had been discussed in the Board at that time, there was a good deal of support for the proposal and some disappointment that the United States did not feel able to agree to it. There had, in fact, been a postponement of 60 days to enable the United States to reconsider their position. In the event, we had had to be content with the statement that the United States was likely to be able to agree to this proposal in connection with the Third Replenishment. I thought that there would be some concern in the Board if it emerged that the proposal had once more encountered opposition from the United States.

2. I also made the point that the United States had, in the past, been in favor of a high level of transfer of Bank profits to IDA and that the proposal to draw on those profits last made it much easier to justify a high level of transfer. The proposal had, in fact, the advantage of reconciling IDA's need which was for commitment authority with the Bank's need which was to retain the cash in the Bank until IDA really needed it. I also said that it seemed to me that the budgetary and economic effect of the proposal on the United States was very small indeed. The figures we had given them showed that in FY73 the estimated call on the U.S. Third Replenishment contribution would be \$106 million as compared with \$94 million on the pro rata basis. This was a difference of \$12 million which, in the context of total estimated calls on Part I countries of around \$200 million, was well within the margin of error of our forecasts of future calls.

3. Mr. Wieczorowski asked whether we needed an early answer. I said that, as he knew, the matter had been mentioned at the Joint Procedures Committee since it was an item on the agenda of the Annual Meeting. We should, therefore, like to deal with it within a reasonable time. We should be quite willing to wait, however, if there was a prospect of getting the right answer. Mr. Wieczorowski asked whether the paper regarding the Bank transfer could be circulated to the Board without any reference to

President has seen

the method of using the transfer. We reminded him that in the past certain Directors (Mr. Knight and others) had taken the view that there was a connection between the amount of the transfer and the method of its use.

4. Mr. Wieczorowski said that he would consult further with the Treasury and would get in touch with us. He asked Mr. Reynolds for his comments. Mr. Reynolds replied that he did not think that the arguments which we had advanced would be persuasive to the U.S. Government. Mr. Wieczorowski added that Congress was not in the mood to do much for international institutions. It appeared, from further discussion, that the U.S. Government would think it necessary to consult the Appropriations Committee before agreeing to a change in the method of drawing Bank transfers.

cc: Messrs. Nurick
Blaxall
Adler (o/r)
Gabriel

USE OF BANK TRANSFERS TO IDA

490/7/22

1. We have considered the Bank's proposal to move from a pro rata to a "Bank last" procedure for Bank transfers to IDA and concluded that such a change would probably be acceptable in connection with the Third Replenishment but not in connection with the current replenishment.
2. As far as the Second Replenishment is concerned, the IBRD transfers were a significant part of the package that we presented to our Congress in seeking and obtaining authorization. We believe it undesirable to have to inform it of any significant change in the conditions to which it agreed at a time when we are about to seek authorization to participate in the Third Replenishment.
3. We believe, however, that the proposal would be acceptable in connection with the Third Replenishment and are prepared to present it to our Congress on that basis. We do not anticipate that Congress would object.
4. Our calculations, moreover, indicate that such a delay might be in the Bank's advantage in that the major impact of the change would coincide with the Bank's large borrowing requirements in the mid-seventies. We would, accordingly, appreciate it if the Bank could provide us with its official cash flow projections to help us in our Congressional presentation.

490/7/20

September 7, 1972



Dear Rudy:

You have asked for my suggestions for subjects to be discussed at the meeting planned for Friday evening, October 27. I suggest the following:

1. Will the flow of Official Development Assistance to the developing countries reach the UN objective of .7% of the developed countries' GNP by 1975. If not, what will be the level of such aid and what will be the effect of the failure to meet the objective. What, if anything, can be done to increase the level of ODA and/or minimize the adverse effects of deficiencies.

2. Is there a conflict, in the LDC's, between maximizing economic growth on the one hand and achieving a reasonably equitable distribution of income on the other. What are the facts regarding distribution of benefits of growth in the developing countries. What action, if any, should the UN agencies recommend to increase the equity of the distribution of the benefits of growth.

3. Would it be desirable to establish some mechanism for producing a periodic "State of Development" report by an outstanding, objective, non-political group of people (along the lines of the Pearson Commission, but with broader geographic representation). If such a report is desirable, what sort of machinery for its production should be established.

There are many other subjects which we might discuss during our evening together, and I will quite understand if you do not include any one of the above suggestions on the agenda.

Sincerely,

Robert S. McNamara

Honorable Rudolph A. Peterson
Administrator
United Nations Development Programme
United Nations, New York 10017

bcc: Mr. Demuth



THE ADMINISTRATOR

*All to Mr. Kenneth
Disk, do you have
any suggestions.
Lud*

DP/141/32

4 August 1972

Dear Bob,

In Myer Cohen's letter of 28 July, he spoke of the informal gathering which we plan for Friday evening, 27 October, as suggested by you during our meeting in London last April. We will plan an early cocktail-dinner combination starting about 5:30 p.m. at the Links Club, to provide us with a full evening for a free exchange of views on any area of general interest.

We have no fixed framework or agenda in mind. We would like to have any suggestions from you as to subject or type of problem which you would like to have discussed. Hopefully, it will be a relaxed evening of give and take, and run on as long as the spirit moves.

Will you please let me have your thoughts on this score by the first week of September, and in the meantime, please confirm if you can plan to be with us.

Yours sincerely,

Rudolph A. Peterson
Rudolph A. Peterson

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

SECTION
COMMUNICATIONS
1972 AUG 11 10:18
RECEIVED



THE ADMINISTRATOR

DP/1/1/35

4 August 1972

Dear Bob,

In Myer Cohen's letter of 28 July, he spoke of the informal gathering which we plan for Friday evening, 27 October, as suggested by you during our meeting in London last April. We will plan an early cocktail-dinner combination starting about 5:30 p.m. at the Links Club, to provide us with a full evening for a free exchange of views on any area of general interest.

We have no fixed framework or agenda in mind. We would like to have any suggestions from you as to subject or type of problem which you would like to have discussed. Hopefully, it will be a relaxed evening of give and take, and run on as long as the spirit moves.

Will you please let me have your thoughts on this score by the first week of September, and in the meantime, please confirm if you can plan to be with us.

Yours sincerely,

Rudolph A. Peterson

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

SECTION
COMMUNICATIONS

1972 AUG -9 PM 1: 16

RECEIVED

Handwritten notes:
The...
Bank...
and...
had

2199

OFFICE MEMORANDUM

TO: Mr. McNamara

DATE: September 6, 1972

FROM: Richard H. Demuth *RHD*

SUBJECT: IACB Informal Meeting

*1. / DA - will it be part of the UN report?
if so what will be the effect; if not what should be done about it.
v. inequality*

I believe there are two subjects which might usefully be discussed at the informal meeting now scheduled by Rudy Peterson. The first is whether it would be desirable to establish some mechanism for producing a periodic "State of Development" report by an outstanding, objective and nonpolitical group of people (along the lines of the Pearson Commission, but with broader geographical representation) and, if desirable, what sort of machinery for the production of such a report should be established. I intend to propose to you in a few days some ideas for incorporation in your ECOSOC speech on this subject. If you accept the ECOSOC suggestions, you will be on record on the matter before the IACB meets.

7/6

A second subject of discussion at the IACB meeting might be how the UN, the UNDP and the agencies can effectively get across to the public the extent of their actual cooperation in development activities in the field. The ACC report, which is supposed to tell this story, is thoroughly ineffective because it does not have any country focus and it is at the country level that actual cooperation takes place. Whether through a revised ACC report or some special publication, the story should be told of the extent to which the UN family does in fact act as a system of related agencies. Scattered through the regional sections of our new form of Annual Report are numerous examples of Bank/UNDP/agency cooperation in the field. In fact, our report probably contains, quite incidentally, more information on real interagency cooperation than any other document now published in the UN system. A paper directed to that theme ought to be able to do a far better job and ought not to be very difficult to prepare.

RHD:tf

490/7/18

Mr. McNamara:

August 2, 1972

Meeting with AID, Treasury and State Department on Third IDA Replenishment

I was called by Mr. Wieczorowski's Technical Assistant who asked whether I knew what had transpired during your lunch with Mr. Shultz. Mr. Wieczorowski is in India and had not left any record of what you may have told him.

The reason for the request is that there is to be a meeting between Messrs. Hannah and Hennessy where allegedly the AID/State side will press for early ratification.

I said I did not know the outcome of your lunch but that I would mention these facts to you. You may wish to call Dr. Hannah personally or he could call you. Alternatively, I would be glad to transmit any information which you think may be useful.

AL

President has seen

WBG
D 1104
JINES

1901/7

August 2, 1972

Mr. McNamara:

WBG
V

Aiding with AID, Treasury and State Department on Third IDA Replenishment

I was called by Mr. Wiczorowski's Technical Assistant who asked whether I knew what had transpired during your lunch with Mr. Schuler. Mr. Wiczorowski is in India and had not left any record of what you have told him.

The reason for the request is that there is to be a meeting between Messrs. Hannah and Hennessy where allegedly the AID/State side will press for early ratification.

I said I did not know the outcome of your lunch but that I would mention these facts to you. You may wish to call Dr. Hannah personally or he could call you. Alternatively, I would be glad to transmit any information which you think may be useful.

AL

President has seen

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: July 21, 1972

FROM: J. Burke Knapp

SUBJECT: Meeting on Joint and Parallel Financing

Please find attached a copy of the "Summary by the Chairman" of last week's meeting on joint and parallel financing, which I propose to circulate to the participating countries. This includes, in the last paragraph, a record of my reservations regarding the Bank's sponsorship of joint financing schemes in which the United States Government refuses to participate.

The more I have thought of this subject, the more I feel it would be a mistake to force this issue with the United States. I think we can accomplish all of our essential objectives by casting our combined operations in the form of organized parallel financing.

We in the Bank have had our own reservations about pursuing joint financing schemes. They involve a great deal of detailed staff work, and in some cases some very hard bargaining on the percentage which is to be covered by the participating countries. Schemes for organized parallel financing are easier to administer and much more flexible in the sense that we can make an independent determination of the size of our loan, i.e. how much of the proposed project we shall cover from our own resources.

As I understand it, there are two particular objections which the United States makes to joint financing as compared to organized parallel financing. The first is that under joint financing we completely control every aspect of procurement under the project (just because our money is involved in every item of procurement), whereas under organized parallel financing our role with respect to procurement of the item subject to the parallel financing is only "supervision". Secondly, as you will have seen from Bostwick's statement, they condemn joint financing as merely a "refinancing" of the World Bank; this allegation (however misguided) cannot be brought against organized parallel financing.

I might add that even the French representative conceded that there were really points of difficulty about forcing a joint financing scheme in the face of United States opposition, and indicated that he would be quite satisfied if we ended up with organized parallel financing operations.

With respect to the last sentence of the attached Chairman's Summary, we have in mind selecting certain cases, preferably not too large and conspicuous, preferably in countries where it is quite clear that the borrower needs and wants the Bank's guidance in procurement and in arranging the bilateral credits, and preferably outside of Latin America.

7/14/72 To Mr. Knapp

2081

490/7/17

Note the change I suggest. I believe that...
JEROME
ARCHIVES
RKN

July 21, 1972

(The United States has a phobia about our past concentration of joint and parallel financing operations in Latin America, contending that their special political and trade relationships with this area make it more advantageous for them to negotiate bilateral credits independently of the Bank rather than being forced into a Bank-organized financing scheme.) When we have identified such cases, we will seek to organize parallel financing arrangements with the participation of all the major capital-exporting countries, including the United States, and then - if the United States refuses to play - fall back upon something along the lines proposed in the French memorandum.

Attachment

JBKnapp:di

Meeting on Joint and Parallel Financing Held at the
World Bank on July 12, 1972

Summary by the Chairman

A meeting of representatives of major capital exporting countries (see list of participants in Annex A) was held at the World Bank on Wednesday, July 12, 1972, under the Chairmanship of Mr. J. Burke Knapp, Vice President of the Bank. The meeting was convened at the request of a number of major capital exporting countries following their meeting in Paris on April 21, 1972.

The discussion commenced on the basis of an introductory statement by the Bank which had been circulated before the meeting and which indicated the Bank's readiness in appropriate cases, at the request of borrowers and with the cooperation of the major capital exporting countries, to organize arrangements for joint or parallel financing of projects in which financing from the World Bank Group would be combined with export credits from capital exporting countries. In the initial round of statements by the country representatives, there appeared to be a general concensus that it would be desirable for the Bank to perform this function, with some preference being expressed for the system of joint rather than organized parallel financing. However, the representative of one country (the United States) expressed firm opposition to participation in joint financing and a strong preference for "unorganized" parallel financing in which the arrangements for export credits associated with Bank-financed projects would be made by the borrower without the intervention of the World Bank. In the subsequent discussion, the United States representative added that he would not preclude

participation by the United States in organized parallel financing but that this could only be considered on a case by case basis.

The introductory statement presented by the Bank had envisaged that arrangements for joint or organized parallel financing would only be feasible on the basis of an agreement among all the major exporting countries but the French representative raised the question of whether the Bank could not organize joint or parallel financing arrangements on a more limited basis - i.e., without the participation of the United States in the agreement on the scheme. During the course of the meeting the French representative distributed a paper on this subject which, after minor revisions made after the close of the meeting, was circulated to participants in the form attached (Annex B). The country representatives, with the exception of the representative from the United States, generally indicated support for the procedure set out in the French proposal and undertook to report to their governments accordingly.

The Chairman concluded that it did not appear possible to reach agreement at the meeting on a body of general principles regarding joint or parallel financing schemes to be organized by the Bank. He indicated some doubt as to whether the Bank ^{could} ~~would be prepared to~~ sponsor joint financing arrangements as proposed in the French memorandum, under which the Bank would cover only ^{part of the cost} 50% of orders placed with suppliers in "Part I" countries, thereby requiring such countries not participating in the agreed scheme to provide export credits to cover the balance on orders placed with their suppliers. On the other hand, he felt that the proposals in the French memorandum with respect to organized parallel financing might provide a

promising possibility in cases where a major capital exporting country, e.g. the United States, might decline to participate in the agreed parallel financing scheme. He urged all participating governments to give further consideration to this matter and stated that the Bank would make proposals in due course, ^{(after consultation with the prospective borrowers,} for the association of export credits with selected Bank-financed projects.

2

Attachments

July 13, 1972

Memorandum from the French Delegation to the Meeting on
Joint Financing

Methods for joint and parallel financing (organised) in the absence
of a large supplier:

1. Joint Financing

- (a) The IBRD supervises the awards of contracts and their implementation.
- (b) The countries participating in the agreement define, in common, the conditions of bilateral credit.
- (c) Award of a contract is done by comparing cost and quality (excluding credit conditions) and covers all the bids whether from countries participating in the agreement or not.
- (d) In the case of a Part I country not participating in the agreement being awarded the contract, the supplier of this country:
 - receives cash payment corresponding to the share of the order financed by the IBRD provided that he offers credit on the share he finances on normal credit conditions under international practice.

2. Organised Parallel Financing

- (a) The IBRD supervises the awards of contracts and their implementation.
- (b) The countries participating in the agreement define, in common, the conditions of bilateral credit.
- (c) Award of a contract is done by comparing cost and quality (excluding credit conditions) and covers all the bids whether from countries participating in the agreement or not.
- (d) In the case where the country receiving the award has not signed the agreement referred to in (b) above, the IBRD makes sure that the credit conditions offered by this country are consistent with the average credit conditions in use under the international practice.

OCDE

ORGANISATION DE COOPÉRATION
ET DE DÉVELOPPEMENT ÉCONOMIQUES

Téléphone : 524 90-70

Télégrammes : DEVELOPECONOMIE
Télex : 62.160 OCDE PARIS

Comité d'Aide au Développement
Le Président

490/7/16
OECD

ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT

2, rue André-Pascal, PARIS-XVI^e

Development Assistance Committee
The Chairman

19th July, 1972



Mr. Robert McNamara,
President,
I.B.R.D.,
1818 H Street, N.W.,
Washington, D.C. 20433.

Dear Bob,

7/26
As a result of letters received and a number of personal conversations, there seems to be a consensus among Tidewater regulars that it would be best not to contemplate another meeting until several months after the U.S. elections. The recent scheduling of German elections in December supports this decision.

Several subjects have been suggested but I would not propose that we make a final choice until toward the end of the year. The three principal ideas are:

1. Improvement of U.N. system leadership in partnership for development, with three sub-headings -
 - a. U.N. role in general co-ordination internationally and at local level among donors and between donors and recipients.
 - b. Improved centralised U.N. leadership of action by U.N. agencies and by governments on certain key, multisectoral development issues such as job creation, rural development, family planning, least-developed countries, urbanism, science and technology, etc.
 - c. How to make UNCTAD more useful negotiating forum within U.N. framework, including division of substantive work between it and ECOSOC.

../..

President has seen

1972/7/16

OECD

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

OCDE

ORGANISATION DE COOPERATION ET DE DEVELOPEMENT ECONOMIQUES

2, rue André-Pascal, PARIS-XVI^e

Télégrammes: DEVELOPECONOMIE
Télex: 62160 OCDE PARIS

Téléphone: 524 90-70

Development Assistance Committee
The Chairman

Comité d'Aide au Développement
Le Président



Mr. Robert McNamara,
President,
I.R.R.D.,
1818 H Street, N.W.,
Washington, D.C. 20433.

Dear Bob,

As a result of letters received and a number of personal conversations, there seems to be a consensus among Tidewater regulars that it would be best not to contemplate another meeting until several months after the U.S. elections. The recent scheduling of German elections in December supports this decision.

Several subjects have been suggested but I would not propose that we make a final choice until toward the end of the year. The three principal ideas are:

1. Improvement of U.N. system leadership in partnership for development, with three sub-headings -
 - a. U.N. role in general co-ordination international-ally and at local level among donors and between donors and recipients.
 - b. Improved centralized U.N. leadership of action by U.N. agencies and by governments on certain key, multisectoral development issues such as job creation, rural development, family planning, least-developed countries, urbanism, science and technology, etc.
 - c. How to make UNCED a useful negotiating forum within U.N. framework, including division of substantive work between ECOSOC and ECOSOC.

1972 JUL 25 AM 7:58
COMMUNICATIONS SECTION

RECEIVED President has seen

2. What are long-term political and economic implications of especially close economic relationship between one or more developed countries and a group of developing countries, such as -
 - a. long-time U.S.-Latin America ties.
 - b. more recent EEC-Associated States arrangements, soon to be considerably enlarged in scope and perhaps in depth.
 - c. rapidly growing Japanese role in South-East Asia.
3. Relevance to motivations for and operations of development partnership of long-term evolution of relations between population, resources and the environment.

I hope you have a fine holiday.

Sincerely,



Edwin M. Martin

490/7/15



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



OFFICE OF THE PRESIDENT

JUL 5 1972

Dr. John A. Hannah
The Administrator
Agency for International Development
Department of State
Washington, D.C. 20523

Dear John:

Your letter of June 15, describes an area in which we are very much interested and in which considerable additional work is certainly desirable. The review of experience to date which you propose is most timely. We will be pleased to participate, to the extent feasible, in the preparation of the Spring Review on Agricultural Credit and in its technical field workshops.

We see no objection to coordinating the work of the proposed rural development study in East Africa so that it will meet the requirements of the Spring Review. I understand that the exploratory conversations with the staff of the Agricultural and Rural Development Division of the Economics Department have already led to agreement to make the material from this study available as one of the possible papers for the Spring Review. We are also prepared to contribute an analysis of our own experience with credit programs in India and Southeast Asia.

Since the basic purpose of the Spring Review is to evaluate AID's experience with a major program of worldwide significance, it would probably not be desirable for us to become a formal member of the steering group. However, whenever appropriate, we would be pleased to send an observer, and we have no hesitation in cooperating in any of the technical field workshops, as time and personnel permit.

The details of our contributions should be discussed as soon as possible with your coordinator, Mr. Rice, after he returns from his present trip.

To facilitate contacts between our organizations, I suggest that Mr. L.J.C. Evans, Director, Agriculture Projects Department, or, in his absence, his Deputy, Mr. Willi Wapenhans, coordinate our activities.

Dr. John A. Hannah

- 2 -

The importance of adequate credit facilities is increasingly recognized, and the record of the past urgently needs examination so that we can have a better informed view of the problems which the developing countries will face in the 1970's in making agricultural credit increasingly available to small-scale farmers. I am convinced that without credit programs, designed to increase agricultural productivity, we cannot hope to deal with rural poverty nor make small-scale farming a viable component of the economies of the developing countries. We, therefore, look forward to the Spring Review, and we will do all we can to help make it a success.

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

Estern:rgw

cc: Mr. Evans, APD
Mr. Stevenson, ECD
Mr. Votaw
Mr. Gilmartin

OFFICE OF THE PRESIDENT

6/19

To Dr. Cheung

Assuming you agree I
would like to incorporate in this
project. Please draft a
proposed reply, clear it
with Evans & send to me.
L. M. W.

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D. C. 20523

OFFICE OF
THE ADMINISTRATOR

JUN 15 1972



Mr. Robert S. McNamara
President
International Bank for
Reconstruction & Development
Washington, D.C. 20423

Dear Bob:

During each of the last few years A.I.D. has evaluated its experience with at least one major program of worldwide significance. The exercise is referred to as the Spring Review and is planned as a collaborative effort involving Agency headquarters, the country missions, the host governments and, to a varying extent, other donor agencies.

This year the Spring Review will focus on small farmer credit--on its role in small farmer development and on institutional alternatives for delivering it. In the process, we hope to give special emphasis to the problems of employment and income distribution among small farmers. The research and evaluation phase will span a period of eight months, culminating in a series of field workshops and a final conference in Washington in the early Spring of 1973.

The World Bank has had a long and worldwide association with credit programs aimed at small farmers. I understand that at least two of your Divisions are currently undertaking or preparing for a review of some of those programs. I would like to suggest that our study programs be coordinated where such linkage is mutually attractive. The A.I.D. Spring Review could be greatly enriched by incorporating the IBRD lessons and recommendations. And we are prepared to bring the design of the Review in line with the IBRD objectives, if it can offer lessons useful to IBRD that otherwise might not be captured.

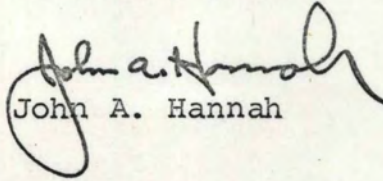
Members of the Planning Committee for the Spring Review have already been in contact with members of the staff in both the Agriculture Projects Department and the Economics

Department. From these conversations it would appear particularly useful to the Spring Review if we could (1) capture the lessons from the Bank's substantial experience with farmer credit in India and South East Asia, and (2) coordinate with the proposed rural development study in East Africa. Other collaboration by the IBRD staff might include forming part of our Steering Group and cooperation in one or more of the technical field workshops.

I realize that your Bank's staff time is normally committed well in advance to on-going programs but perhaps some of these possible activities coincide with your own objectives.

I very much hope that the IBRD will join us in this endeavor.

Sincerely yours,



John A. Hannah