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Series: General correspondence

Sub-Fonds: Records of President Robert S. McNamara

Fonds: Records of the Office of the President

Digitized: November 20, 2012

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THE WORLD BANK
Washington, D.C.

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The World Bank
1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
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McNamara papers

Chronological file (incoming)
1975 (May - Dec.)

15

The World Bank Group
Archives



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A1995-258 Other #: 2

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President's papers - Robert S. McNamara Chronological files (incoming) - Chrons 15

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492/1/23
IBRD/IDA
WBG
ARCHIVES

D.1. j.nr. 104.Dan.3/2.

København, den 17. december 1976.

Kære Sven,

I fortsættelse af den korte samtale med McNamara i Manila, hvor jeg fik lejlighed til at nævne spørgsmålet for ham, har udenrigsminister K.B. Andersen nu i det i genpart vedlagte brev anmodet McNamara om at tale i Rådet for internationalt Udviklingssamarbejde i forbindelse med hans forventede besøg i Danmark i juni 1977. Du vil gøre os en tjeneste, hvis du følger sagen op og om muligt opmuntrer til en positiv besvarelse af udenrigsministerens henvendelse.

Der lægges fra formandskabet i Rådet for internationalt Udviklingssamarbejde betydelig vægt på ønsket om at kunne præsentere Robert S. McNamara som taler i rådet, og fra udenrigsministeriets side vil vi naturligvis i meget høj grad værdsætte gennemførelsen af et sådant arrangement.

*Glædes fulgt af god
nyheds omkom her
familier.*

Med venlig hilsen
din hengivne

Wilh.
Wilh. Ulrichsen

Mr. Sven Burmeister,
Personal Assistant to the President,
International Bank for Reconstruction
and Development,
1818 H. Street, N.W.,
Washington, D.C. 20433,
U.S.A.

Ref. D.1. 104.Dan.3/2

Copenhagen, December 17, 1977.

Dear President,

Looking forward to your participation in the IV Bellagio-conference, scheduled to take place in Denmark June 6-8, 1977, please allow me to take the opportunity to suggest whether it might be possible for you during your stay in Denmark to address the Danish Council for International Development Cooperation.

The Council for International Development Cooperation is a broadly composed consultative body representing all the main interests and groupings in relation to Denmark's participation in the international development cooperation. Besides general debates on Danish development assistance the Council holds conferences on specific development problems. Lately, the Council has been addressed by the President of Tanzania and the Director-General of WHO, and in January, 1977, the Administrator of UNDP will address the Council. The Chairman of the Council is Mr. H. Maegaard Nielsen, Managing Director of one of Denmark's leading banks, "Den danske Bank".

Also invited to the meeting in June, 1977, in the Council will be all the Members of Parliament, the Danish Board for International Development Cooperation, representatives from the Ministry of Foreign Affairs, and representatives of major Danish business interests and the Danish press.

Yours sincerely,

K.B. Andersen
Minister for Foreign Affairs

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

492/1/22
Return
me 1/10

JOHN SPARKMAN, ALA., CHAIR

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ROBERT P. GRIFFIN, MICH.

United States Senate

COMMITTEE ON FOREIGN RELATIONS
WASHINGTON, D.C. 20510

PAT M. HOLT, CHIEF OF STAFF
ARTHUR M. KUHL, CHIEF CLERK

December 6, 1976

12/23
Supted
J. [unclear] 1/11

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



Dear Bob:

It has been a long time since we had an opportunity to talk over IBRD issues. Compromises seem to have been reached on the expanded capitalization of the Bank and IDA V. I would be interested in hearing your opinion on the adequacy of these packages. I also noted in the press the parting "salute" of the Japanese Executive Director. Obviously, some of the issues we discussed in Colorado last year are still alive and well.

I would also like to discuss with you my concerns over the general state of the world economy. Nothing is so harmful to the lesser developed countries than slow or no growth in the OECD. I believe that national policy-makers are thinking too narrowly by concentrating on national recovery. What is needed is an OECD-wide recovery. The United States is economically interdependent with the world. Our export sector is three times as large as our housing sector. Why not consider energizing our economy through expansion of world aggregate demand as well as domestic demand?

What I believe should be proposed is a coordinated U.S./Germany/Japan package of fiscal and monetary measures coupled with an expansion of monetary flows to the less developed world. I envision the latter aspect of this program taking place through significantly expanded bilateral and multilateral aid efforts, the IBRD being the centerpiece in this effort. But there are major questions to be answered. Is the total concept sound? How much can the LDCs productively absorb? What is the multiplier effect in the developed countries of LDC investment? What are the legislative lags, the planning lags and the actual expenditure lags? How can "additionality" be guaranteed? Would a general reflation of the world economy lead to a general inflation? How can we guard against this?

RECEIVED
DEC - 8 1976
WBG

WPS/MS
12/6/52

United States Senate

COMMITTEE ON FOREIGN RELATIONS
WASHINGTON, D. C. 20510

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CLYDE W. BARNETT, MISS.
LLOYD M. BENTLEY, MISS.
HUGH SCOTT, VA.
JAMES H. EASTLAND, MISS.
CHARLES McNARY, IND.
ROBERT F. GOODE, MISS.

TAT M. HOYT, CHIEF OF STAFF
WALTER M. KOHL, CHIEF CLERK

December 6, 1952

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

Dear Bob:

It has been a long time since we had an opportunity to talk over IBRD issues. Compromises seem to have been reached on the expanded capitalization of the Bank and IDA V. I would be interested in hearing your opinion on the adequacy of these packages. I also noted in the press the parting "salute" of the Japanese Executive Director. Obviously, some of the issues we discussed in Colorado last year are still alive and well.

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INCOMING MAIL UNIT

1952 DEC - 9 AM 9:04

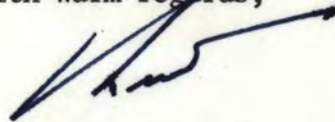
RECEIVED

The questions, of course, are endless. I only have one economist at my disposal, Chuck Meissner. While he has aided me in conceptualizing this idea of a revitalization of the world economy, he has numerous other duties for the Foreign Relations Committee and lacks access to computer equipment. I hoped that you would see enough value in the idea that you might have some of your staff economists consider it.

May I suggest we get together for lunch in January to discuss the IBRD and the world economy. Any date after January 10 would be acceptable. Possibly, your office could call mine to arrange a time and place. In the meantime, any coordinating on a staff level can be done through Chuck Meissner at 224-5381.

Lorraine and I both wish you and Margaret our best for the holidays and the New Year. Hope to see you in January.

With warm regards,



Charles H. Percy

*We'll be in Japan from
Sat Dec. 14 to Dec 17*

OFFICE MEMORANDUM

492-11/21

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TO: Files

DATE: October 15, 1976

FROM: R. Picciotto, Director, ASP

SUBJECT: Eastern Waters - Visit of Mr. Abbas

1. On October 12, 1976, Mr. Abbas (Flood Control and Irrigation Adviser to the Government of Bangladesh) accompanied by Mr. Karim (Economic Minister in the Embassy) met with Mr. Stern. Mr. Abbas had come to the US as part of the Bangladesh special delegation to the UN headed by Admiral Khan in connection with the Farakka dispute.
2. Mr. Abbas began by saying that the Bangladesh demarche in the UN was entirely due to the intransigent attitude of India. GOB had no illusions about the effectiveness of the UN in such matters and insisted that the ultimate purpose of the approach was to induce third parties to offer their good offices and help resolve the bilateral impasse. The inscription of the Farakka issue on the agenda of the General Assembly Political Committee reflected a sympathetic response among many delegations. Nevertheless, nothing concrete had yet developed and GOB still wished the World Bank to act as a mediator given its prestige, technical expertise and access to financial resources. Mr. Abbas stressed that World Bank involvement would considerably facilitate the mobilization of a favorable public opinion within Bangladesh.
3. Mr. Abbas then expressed dismay at GOB's failure to present its case effectively among knowledgeable observers. He was at a loss to understand why the GOB position had recently been pictured as "rigid". The visit of Admiral Khan to Dacca prior to the New York visit was an indication of the good faith of the Bangladesh Government and its long standing determination to seek a satisfactory solution in a bilateral framework. Indeed, GOB hoped that India was prepared to send a delegation to Dacca soon to continue the dialogue. India not Bangladesh had been the intractable party over 25 years of fruitless bilateral discussions. The unilateral diversions at Farakka last year and India's refusal to share information on these diversions was a flagrant violation of previous understandings reached at the highest political level.
4. Turning to the latest Indian proposal, Mr. Abbas made the following points:
 - (a) The Indian note handed to the GOB delegation referred to the augmentation of the lower reaches of the Ganges as the key to the resolution of the low flow problem. This was a reference to the Brahmaputra Ganges link which Bangladesh considered to be outside the scope of the Ganges discussion.
 - (b) The note also introduced a formula for sharing the Ganges waters during the lean season which did not provide Bangladesh with reasonable supplies and which was based on an equalization of flows at Hardinge Bridge and at Farakka, thus depriving Bangladesh of the considerable benefits of regeneration.

5. In response to Mr. Abbas, Mr. Stern made the following points:

- (a) He believed that India's genuine national interest would not be served by the perpetuation of a water dispute with its neighbor and that India's top level policy makers viewed the avoidance of factional strife in the Eastern Region of the subcontinent as a priority objective. The prospect of a stable and prosperous Bangladesh would complement GOI's own efforts to develop the economic and social infrastructure of India's Eastern Region. Thus, while much remained to be done to bring the parties together, the objective conditions for a settlement satisfactory to all parties were favorable.
- (b) The recent Indian proposal was encouraging in several respects. Particularly significant was the implicit acceptance by India of the shaping of a long-term solution through consideration of proposals made by India, Bangladesh and other parties. (This could be an indication that India might be prepared to involve a disinterested third party, such as the World Bank.) Also responsive to Bangladesh concerns was the absence of any explicit reference to the Link Canal. Finally, from the standpoint of the lower riparian, the formula proposed by India for limitation of lean season withdrawals represented considerable progress over past proposals. In sum, there were grounds for hoping that the gap between the two parties could be bridged through further technical consultations and quiet diplomacy.
- (c) From this standpoint, the successive demarches of Bangladesh at the Colombo Conference and the UN were clearly counter-productive. Hopefully, the damage could be minimized by conducting the UN discussions in a low key manner.
- (d) The Bank remained willing to play a technical and financial role in the long-term development of the basin at the request of both parties and provided no artificial restrictions were placed by either side regarding the scope of the studies required. Specifically, the Bank would not accept the exclusion of the Brahmaputra Ganges link in long-term studies of the basin. Similarly, the inclusion of Nepal storage within the scope of the studies would eventually have to be agreed by all parties.
- (e) While Bank assistance in the formulation of an interim water allocation agreement might be the by-product of an early involvement in long-term studies, it would not be helpful for Bangladesh to insist on a rigid link between the working out of a satisfactory interim solution and the initiation of long-term studies.

6. In conclusion, Mr. Stern expressed the hope that GOB would see fit to put no preconditions or restrictions on the possible role of the Bank in

the long-term studies of water resource development in the basin and that General Ziaur Rahman would be in a position to inform Mr. McNamara accordingly in early November. Mr. Abbas thanked Mr. Stern for his lucid analysis of the situation and his helpful attitude and said he would brief his authorities in time for GOB to develop a positive response in advance of Mr. McNamara's visit.

RPicciotto:cta

cc: Messrs. McNamara, Knapp, Blobel (o/r), Dunn, Alisbah, Stern

492/1/20

INTERNATIONAL MONETARY FUND

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION INTERNATIONAL DEVELOPMENT ASSOCIATION



Prior to August 30, 1976:

Mail Address:
JOINT SECRETARIAT - ANNUAL MEETINGS
IMF - IBRD AND AFFILIATES
WASHINGTON, D. C. 20431 U.S.A.

Cable Address:
INTERMEET
WASHINGTONDC (USA)

Telex Addresses:
(RCA) 248331 IMF UR
(IFT) 440040 FUND UI
(WUI) 64111 INTERFUND

After August 30, 1976:

Mail Address:
JOINT SECRETARIAT - ANNUAL MEETINGS
IMF - IBRD AND AFFILIATES
P. O. Box No. 7510
MANILA INTERNATIONAL AIRPORT
PHILIPPINES

Cable Address:
INTERMEET
MANILA (PHILIPPINES)

Telex Addresses:
(RCA) 7227613
(ITT) 7420400
(WUI) 7227613

United Kingdom Delegation
Manila, October 6, 1976

Dear Bob

Mr. Prentice has asked me to pass the following message to you:

"Congratulations on your address to the IBRD Board which maintains the high standards of analysis and exposition we have come to expect on these occasions. You can continue to count on United Kingdom support for the concentration of aid on the poorest countries and for a substantial Fifth Replenishment for IDA. Reg Prentice."

Yours and Dick

Richard King

Mr. Robert S. McNamara
President
International Bank for
Reconstruction and Development
Room D-326, PICC
Manila

*To Mr. Prentice
Your message of support, which reached me in Manila, was greatly appreciated.
Best wishes
Bob McNamara*



THE SECRETARY OF THE TREASURY
WASHINGTON

492/1/19



September 30,

Dear Bob:

As you know, we have felt for some time that a major international effort is needed to expand world-wide capacity in minerals if rising world needs are to be met. The sensitivity of developing countries to private foreign investment in their mineral deposits and the possibility of harassment and expropriation of resource investments after such projects have matured are a deterrent to resource development in poor countries. We believe new forms of investment are needed to overcome the mutual reluctance of investors and host governments.

At the seventh special session of the UN General Assembly last September, we proposed that the World Bank Group play a fundamental role in this effort, mobilizing funds from private and public sources, acting as intermediary between private investors and host governments, and linking private and public efforts by providing cross guarantees of performance. More recently, at the UNCTAD meeting in Nairobi, we expanded on this theme and proposed an International Resources Bank to promote more rational, systematic, and equitable development of resources in developing countries. The Resources Bank would encourage joint ventures between private investors and host governments, define the rights and obligations of the participants, and provide guarantees of performance. We have always seen this function as one to be undertaken by the World Bank Group.

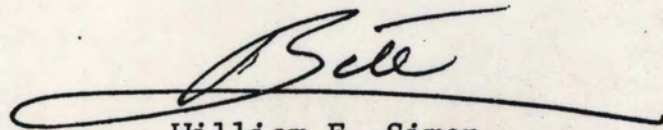
Our proposal was illustrative in its broad outlines of the kind of scheme that could meet the basic needs of the developing countries and the international community. It was not a fully elaborated proposal.

Henry Kissinger and I would appreciate it if you would direct your attention to the proposal, elaborating it in the light of the experience of the World Bank Group, and the IFC in particular, making such modifications as you might consider desirable, and determining how the function could best be performed within the World Bank Group structure.

We look to the IBRD/IMF Development Committee to produce an intergovernmental consensus on the IRB. We believe that your study will play a central role in the Committee's deliberations and decision.

With best regards,

Sincerely yours,

A handwritten signature in dark ink, appearing to read 'Bill', with a long, sweeping horizontal flourish underneath.

William E. Simon

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

September 24, 1976

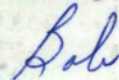
Dear Maury:

In your letter dated September 17, you suggested that I lead the discussion at the Tokyo Tidewater meeting on the subject of "Reappraisal of Development Strategy and Types of Assistance."

Would it not be wise to ask someone else, for example, either Michanek or Pronk, to take the lead in such a discussion -- I have served as a discussion leader at several Tidewater meetings and I do not wish to dominate or appear to dominate the proceedings.

With best wishes,

Sincerely,



Robert S. McNamara

Mr/ Maurice J. Williams
Chairman
Development Assistance Committee
2, rue Andre Pascal
Paris XVI

cc: Mr. Wm. Clark

RMcN:bmm

OCDE

ORGANISATION DE COOPÉRATION
ET DE DÉVELOPPEMENT ÉCONOMIQUES

Téléphone : 524 90-70

Comité d'Aide au Développement
Le Président

492/1/18
OECD

ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT

Télégrammes : DEVELOPECONOMIE
Télex : 620160 OCDE PARIS

2, rue André-Pascal, PARIS-XVI^e

Development Assistance Committee
The Chairman

17 September 1976

The Honorable
Robert S. McNamara
President
IBRD
1818 H Street, N.W.
Washington, D.C. 20433

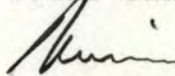
Dear Bob,

Thank you for your telephone call yesterday. Please find enclosed the questions which the Japanese have proposed for the Tidewater meeting December 3-5. We have agreed that it would be excellent if you could lead the discussion on "Reappraisal of Development Strategy and Types of Assistance." Van Lennep will open the discussion on the first topic, "Situation and Prospects for Improving Relations with Developing Countries" and Minister Yoshino will review the "Direction of Economic Cooperation Towards Asia Under the Situation after 'Vietnam'."

The Development Committee, as you said, provides a fair challenge in gaining Ministers' attention for appropriately selected policy issues. Generally there is a groping for new structures and new means of cooperation but the essential ingredients remain: agreement on objectives, careful preparation for selective progress within the limits of the possible, and advance briefing of key officials concerned. If I am elected Executive Secretary, it will be a pleasure to work with you on these problems.

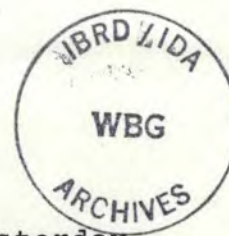
Warm regards,

Yours sincerely,


Maurice J. Williams
Chairman

encl. a/s

SECTION
COMMUNICATIONS
10 15 25 35 45 55 65 75 85 95



OCDE

ORGANISATION DE COOPERATION
ET DE DEVELOPPEMENT ECONOMIQUES

OECD

ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT

Téléphone : 224 90-70

Télégrammes : DEVELOPECONOMIE
Télex : 620160 OCDE PARIS

2, rue André-Pascal, PARIS-XVI^e

Comité d'Aide au Développement
Le Président

Development Assistance Committee
The Chairman

17 September 1976

The Honorable
Robert S. McNamara
President
IBRD
1818 H Street, N.W.
Washington, D.C. 20433



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Warm regards,

Yours sincerely,

Maurice J. Williams
Chairman

SECTION
COMMUNICATIONS
1976 SEP 21 PM 4:01

encl. 2/2

EIGHTH TIDEWATER CONFERENCE
QUESTIONS FOR DISCUSSION
December 3-5, 1976

Shimoda, Japan

1. Situation and Prospects for Improving Relations
With Developing Countries

(a) How do we evaluate the results of the conference-dialogues of 1976; including the UN Conference on Trade and Development, UN Trade and Development Board, and the Conference on International Economic Cooperation?

(b) Where do we go from here in our policy efforts to achieve more coherent relations between industrial and developing countries?

(c) How should we cope in the future with various crucial issues such as debts, commodities including a common fund, and enhanced opportunities in trade, investment and technology?

Discussion Leader: Mr.

2. Reappraisal of Development Strategy and Types of
Assistance in Relation to Diversification Trend
Among LDCs

In which direction should we reassess development strategy in compliance with the diversification trend among LDCs, in particular;

(a) How do we assess the effects and limits of multi- and bi-lateral assistance; of loans and grants, and of project and program assistance for low income countries?

(b) How do we consider the appropriate fields for assistance and other instruments of development cooperation with middle income countries?

Discussion Leader: Mr.

3. Direction of Economic Cooperation Towards Asia
Under the Situation after "Vietnam"

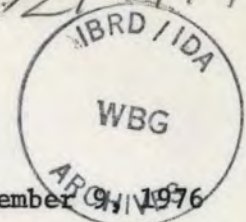
(a) How should we conceive the relationship with Asia in terms of development assistance and trade?

(b) How should we cooperate with regional co-operational bodies in Asia such as "ASEAN"?

Discussion Leader: Mr.

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492/1/17



OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: September 9, 1976

FROM: Shirley Boskey, IRD *SB*

SUBJECT: CIEC, September Session; Instructions to the Bank Delegation

9/12
File
Enforced U.S. aid
1. No reference to
as it is made
position
4.4/1/17
support
for BK
in situation
way
Comm.
inches
3.2/2/17
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1. The OECD document on indebtedness of LDCs (CES 76-80) mentioned in Carriere's earlier cable, which you asked to see, is no longer operative (and in any case we have not yet received it). It has been replaced by a working paper prepared by the (Belgian) Chairman of an OECD working group. The texts of the new paper (see telex 2160) and of Carriere's comments on it (his telex 2164) are attached.
2. Carriere has told us that the Bank delegation to the CIEC might be asked, even as early as Monday afternoon, to comment on those proposals of the paper which contemplate Bank involvement.
3. In summary, the new OECD paper distinguishes between acute debt crises situations and situations of a longer term nature. As regards the treatment of the former, the proposal approved by the working party does not seem to call for any additional responsibilities on the part of the Bank. As regards longer term situations, on the other hand, the proposals (none of which was adopted by the working party and which therefore represent only the views of individual delegations) do call for the Bank to take on a new role.
4. In the case of longer term problems, the U.S. has proposed a "screening process" in which a developing country which considered that it had such a problem would submit its case "to the IBRD or another appropriate multilateral development finance institution mutually agreed upon." The institution would examine the data and, if appropriate, would contact the aid donors to discuss the needs of that developing country within the framework of consortia, existing consultative groups or ad hoc group meetings.
5. Canada has proposed another method: "systematic evaluation". It is suggested that the Bank, with the assistance of IMF, would undertake country-by-country studies starting with the poorest (unless a country indicated it did not wish to be considered). The completed studies might be referred to the Boards of the Bank and Fund which might jointly determine whether debt relief action is to be recommended in each case.
6. The working paper also contains proposals made separately by the U.S., the EEC, Canada and Sweden on action to be taken in identified cases, following the screening of systematic evaluation, on measures to prevent the re-emergency of debt servicing problems (Canada) and on the need of a general political commitment to provide additional resources (Sweden).

7. We seek your approval for the following. The Bank delegation would take the opportunity to present a summary of the position you are taking in the Manila speech and of your views as reflected in the speech. This statement could use the poorest nations-middle income countries dichotomy developed in the speech. This should help focus the dialogue on more substantive aspects of the problem. If you agree, a statement will be prepared for your approval.

8. In addition, if the delegation is pressed to comment on the proposals made in the OECD paper described above, it will indicate that the Bank's staff would be ready to examine with care, and then to make its views known on, any proposal which gathers general acceptance by both sides in the Commission. Within its means and, where appropriate with the approval of its Board, the Bank staff will be willing to assist in the implementation of arrangements agreed in the Conference. The Bank delegation will be careful to present this view in a positive manner. It will make clear that it cannot pronounce on schemes submitted by individual delegations or by groups of delegations before there is consensus, and that, in any case, the Bank staff has not had time to consider adequately the contents of the OECD paper.

Attachments

Cleared with and cc: Mr. Burki
cc: Mr. Haq

LPChatenay/SEBoskey/SJBurki:mmh



SMITHSONIAN INSTITUTION
Washington, D.C. 20560
U.S.A.



December 22, 1976

Mr. Robert McNamara
2412 Tracy Street
Washington, D. C. 20008

Dear Mr. McNamara:

Since our conversation last August concerning the "Fluid Coal" process, Mr. Willing Foulke sent me the enclosed letter to forward to you. I have delayed doing so in hopes that we might receive news of some kind from the Bureau of Standards. Perhaps you would consider giving them another nudge.

With all best wishes for the New Year,

Sincerely yours,

Peter Powers
Peter G. Powers
General Counsel

(Attached is Mr. Foulke's note of his call to NBS last August.)

492/1/17



FLUID COAL CORPORATION

Care of
Mr. Willing B. Foulke
109 Greenridge Road
Wilmington, Delaware 19805/ U.S.A.
Tel.: 302-995-1672



October 21, 1976

Dear Mr. McNamara,

Mr. Peter Powers, Chief Counsel of the Smithsonian Institution, has advised me of his meeting with you on August 9, 1976, at which time you told him that it would be perfectly understandable to you if we did not wait to move in directions other than yourself with the Fluid Coal Corporation promotion. The members of the Joint Venture decided with me that we would rather wait until the Bureau of Standards determines the relative value of the Fuel Preparation Process before contacting you further through Mr. Powers or Mr. Ripley concerning our offer to you to head our project.

Reports of the meeting in Manila of the 31st Joint Sessions of the International Monetary Fund and the World Bank indicate that you are pushing for a large increase in the Bank's capital. We want you to bear in mind that the Fluid Coal Corporation's offer to you stipulates that you, personally, will be in a position to determine the distribution of the net of that corporation after the payment of minimum annual royalty to the Joint Venture and that this distribution may be as much as \$13.3 billion during the assumed 10-year life of the patent. 10% of this potential amount is \$1.3 billion per year.

You would be able to donate this money to the International Bank for Reconstruction and Development so this amount could be placed in a surplus account or used to build up the reserves of the Bank, and would never have to be repaid, as would be the case if stocks or notes or certificates of indebtedness were issued to cover these monies.

To me, this is a tremendous opportunity which we have offered to place in your hands, as it relieves the Bank from having to provide a major portion of the funds which will be required by the International Monetary Fund. Further, if you wish, you will be in a position to donate these funds, free of charge or pay back, directly to the needy nations of your personal selection, relieving them of the necessity of increasing taxation or inflation of their currencies.

I personally have written the foregoing, with the approval of my associates in the Joint Venture, to amplify the advantages to the needy nations you will be helping should you accept our offer. We think therefore that you will find it important for your purposes to contact the Bureau of Standards re my NBS File No. 1088 and ascertain the progress they are making in the evaluation of Patent No. 3,932,145 issued in my name January 13, 1976.

In the event, or when, they advise you to your satisfaction that the process is technically and economically sound, we trust that you will, at your earliest convenience, accept our offer or a mutually acceptable modification of it covering the operation of the Fluid Coal Corporation and the distribution of its profits to be used at your discretion for those in need.

In closing, I am, Sir

Yours respectfully,

A handwritten signature in blue ink, appearing to read "Willing B. Foulke". The signature is fluid and cursive, with the first name "Willing" being the most prominent.

Willing B. Foulke

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

October 21, 1976



SMITHSONIAN INSTITUTION

Washington, D.C. 20560
U.S.A.



23 August 1976

Mr. Robert McNamara
2412 Tracy Street
Washington, D. C. 20008

Dear Bob:

I greatly appreciate your taking the time to meet with Peter Powers on August 9 to discuss the matter of Mr. Willing Foulke's patent for a "fluid coal" process. Peter has informed me of your willingness to discuss the matter further upon completion of the National Bureau of Standards evaluation. We have been in communication with Mr. Foulke, and he agrees that it would be premature to proceed before the evaluation is complete. He has promised to keep in touch with us on developments.

With all best wishes and gratitude for your assistance, I am

Sincerely yours,

S. Dillon Ripley
Secretary

August 9, 1976

Sven,

Mr. McNamara asks that you get in touch with Mr. Powers in about a month's time to see how this stands.



Smithsonian

October 21, 1976

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

OFFICE OF THE PRESIDENT

August 9, 1976

NOTE

Mr. McNamara met today with Peter Powers, General Counsel of the Smithsonian Institution, to discuss Mr. Willing Foulke's "fluid coal" process.

They agreed Mr. Powers would tell Mr. Foulke that, in his present position, Mr. McNamara is unable to devote any substantial time to the project, but that when the Bureau of Standards report becomes available, we will examine it to determine whether we consider it worthwhile to take any further action. Mr. Powers will be in touch with Mr. McNamara at that point.

B.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

OFFICE OF THE PRESIDENT

August 5, 1976
9:45

Mr. McNamara:

Dillon Ripley asks that you call him
at his home in Connecticut.

Mr. Ripley
~~XXXXXXXXXX~~
203: 567 8208



Call Powers 5:30
7/5 *Mr. 8/9*
OK
b.

INTERNATIONAL BANK FOR
RECONSTRUCTION & DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

OFFICE OF THE PRESIDENT

July 28, 1976

Mr. McNamara:

Mr. Ripley called from Connecticut. He does not anticipate being in Washington until some time in September.

However, he is very keen that you should see the General Counsel of the Smithsonian, Peter Powers, who is really the person who should talk to you about the question of fluid coal and energy.

Mr. Ripley would be happy to speak with you on the phone about this, or you can get in touch with Mr. Powers directly to schedule an appointment.

According to Mr. Ripley, Mr. Powers will be available on August 2, 3, 5, 6, 9, and 12.

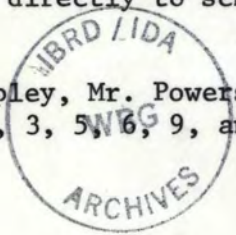
ps

Mr. Ripley: 203-567-8208
Mr. Powers: 381-5866

--

Mr. Ripley also said that he had talked to you while you were Secretary of Defense about Aldabra Island. Some time this fall he wants to come and talk about it again.

7/29
Almanah -
return to me
along with Ripley's
letter
on 8/5
Em



INTERNATIONAL BANK FOR
RECONSTRUCTION & DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

OFFICE OF THE PRESIDENT

July 19, 1976

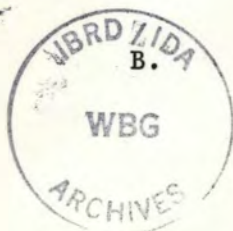
Mr. McNamara:

Mr. Ripley is in Rome, not returning until July 26 - will probably go direct to Connecticut for about a month.

His secretary will be in touch with him on Monday or Tuesday, to see if he would care to come to Washington for meeting with you on July 28, as she says he is very anxious to do this.

We won't know until next Monday.

Miss Nissley
381 5215



7/27 Mr. Ripley will be in touch with us sometime during August. B.

(Further back-up material on Loren's credenza.)

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

OFFICE OF THE PRESIDENT

7/17

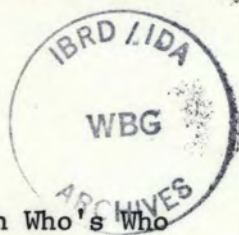
Frank, ask Repley if
he + Powers could join
me for lunch Wed 7/28
Return this
to me 7/27

Don



OFFICE OF THE PRESIDENT

July 12, 1976



Mr. McNamara:

1. Mr. Foulke is not listed in Who's Who in America.
2. I talked with Mr. Lewett at the Bureau of Standards who told me that Mr. Foulke's proposal is under evaluation by the Office of Energy Related Inventions. No report is expected in the next few months, but he promised to keep us informed. He also told me that granting a US patent does not in any way guarantee the soundness of an invention.
3. I have looked through the documents and they do not contain any analysis of the cost effectiveness of "fluid coal" compared with either oil or coal. At the very least, you can say that you will not consider the proposal until a feasibility study has been undertaken and a report from the Bureau of Standards has been received.
4. You may wish to ask Mr. Maddux to prepare an interim reply to Mr. Foulke's letter.

SB



SMITHSONIAN INSTITUTION • WASHINGTON, D.C. 20560

8 July 1976

Mr. Robert McNamara
2412 Tracy Street
Washington, D.C. 20008



Dear Bob:

I know that you are just back from Europe as I am just about to leave, and so I do not wish to disturb you until you have had a chance to rest and relax. I am returning to the United States on July 23rd, after two busy weeks in London and Rome at meetings. My purpose in writing you is to hope that we could get together, informally, you and I, along with my General Counsel at the Smithsonian, Peter Powers (who is well known to Margaret), to discuss what may be an extraordinarily interesting proposal.

Over the past few years, Peter Powers has come to know well a gentleman of Philadelphia extraction, called Willing Foulke. He has been an inventor for many years and is now 78. He has recently obtained the United States patent for a "fluid coal" process, which may or may not be a revolutionary invention. It involves a very simple combination of oil and coal, which could have immense ecological/environmental importance for the future of the United States, if not the World. If the points which he brings out in his letters and background materials are sustainable, then indeed he may have an answer to the difficulties and problems of energy development, both here and abroad. Mr. Foulke is concerned that most of any profits which might be developed from the creation of a corporation of some sort to manage and develop this process should be devoted to public purposes, and he has expressed considerable interest in a potential devotion of parts of such profits to the purposes and causes represented by the Smithsonian Institution.

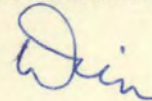
You may not be aware that since 1874 in speeches and other pronouncements, as well as research and studies, the Smithsonian

Institution under its Secretaries, from Joseph Henry on, has been deeply concerned in the problems of smoke pollution from coal and other energy sources. Joseph Henry railed against the use of soft coal in city furnaces and fire places. Later on Dr. Walcott, the Fourth Secretary of the Smithsonian sponsored and worked with Frederick Cottrell the inventor of a process for scrubbers for smoke stacks, now coming into prominence with the new concern for environmental pollution. The Research Cottrell Corporation of which traditionally the Secretary of the Smithsonian has been a Director, is the direct outgrowth of this work, and has now come into its own in latter years.

I am particularly interested in Mr. Foulke's approach towards yourself which we would like to detail to you at the time of a possible meeting. Could we have lunch together, either here or in New York City sometime after my return, July 23rd. I do believe the matter warrants your attention, and would hope that you would be able to take the time to consider it. In this connection, Mr. Foulke has submitted some of the background material on his patent "fluid coal" process to the Bureau of Standards, and I believe a telephone call from you to Mr. George P. Lewett, Chief, Office of Energy-Related Inventions might elicit an impartial objective impression of the patent.

With all good wishes and hoping to hear from you, I am,

Always sincerely yours,



S. Dillon Ripley
Secretary

Enclosures

P.S. My secretary, Miss Nissley at 381-5215 will know where to reach me.

D.



THE ADMINISTRATOR

492/1/15



29 July 1976

Dear ~~Bob~~,

... I thought you might be interested in having a copy of my remarks at the FAO Council in Rome, which I addressed on 14 July.

With kind personal regards, I am

Yours sincerely,

Bradford Morse

Mr. Robert McNamara
President
World Bank
1818 H Street, N.W.
Washington, D.C. 20433.

SECTION
COMMUNICATIONS
1976 JUL 30 10 38 AM

RECEIVED

N 25/1/12



THE ADMINISTRATOR



25 July 1976

Dear Sir,

I thought you might be interested in having a copy of my remarks at the FAO Council in Rome, which I addressed on 14 July.

With kind personal regards, I am

Yours sincerely,

Bradford Morse

Mr. Robert Malmgren
President
World Bank
1818 H Street, N.W.
Washington, D.C. 20433

COMMUNICATIONS SECTION
1976 AUG -4 AM 10:36

RECEIVED

Administrator's Statement to the
69th Session of the FAO Council

Mr. President, Distinguished Delegates, Mr. Director-General, it is a great pleasure for me to address this Council. Not only is this my first opportunity to be with you but I also understand that it is not customary for the Administrator of UNDP to appear before the FAO Council. Since I assumed my functions at the beginning of this year, however, I have felt it was important, if at all possible, for me to address those governing bodies of the Specialized Agencies which have met over the last six months, in order to acquaint them with developments in the financial situation of UNDP. I have done so because the difficulties experienced since the end of last year obviously affect all component parts of the UN development system very closely, and I consider it my responsibility to acquaint each of our partner Agencies personally of the progress achieved and of the prospects for the future. The latter, I am glad to say, now looks distinctly brighter than a few months ago.

In the context I have just outlined, my visit to you today is probably the most important of all, for the Food and Agriculture Organization of the UN is our largest single partner in our endeavours to serve the peoples of the developing countries. As an Executing Agency of UNDP, FAO has handled a larger portion of UNDP resources than any other Agency in the United Nations Development system in response to the priority requests of governments. The total funds channelled through FAO by UNDP and its predecessor organizations over the last quarter of a century now nears a billion dollars.

Obviously, the contribution of the organization whose work you oversee cannot be expressed in monetary terms alone. There are countless examples of how FAO-executed projects - financed and coordinated by UNDP - have been of enormous help in assisting developing countries to lay the foundations for growth in fields of agriculture, forestry, fisheries, agricultural industries and in rural development generally.

/...

I think, for example,

I think, for example, of our partnership with the Government of Honduras, starting back in 1950, to survey and make practical feasibility studies of the great forest resources of the Republic, culminating only the other day in the \$415 million capital investment agreements with the Inter-American Development Bank and the Venezuelan Investment Fund for what will be the largest pulp and paper industry of its kind in Central America. I think, too, of the many years we have worked together, with the Government of Egypt, to perfect a system of tile drainage -- at a cost to UNDP of \$1 million -- which has now resulted in \$271 million of joint IDA and Egyptian investment in a scheme that has already opened up over 340,000 acres of land for productive use, and with an additional \$13 million in World Food Programme assistance to protect these new areas against schistosomiasis. I think of the two and a half million dollars of UNDP resources expended through FAO in a seven-year search for improved land and water use in Rajasthan, which has resulted in models that are now incorporated in Indian five-year planning covering some 35 million acres and benefitting more than 5 million small farmers.

But I have a second, very special reason to speak to this distinguished Council. I wish to express to you our warm appreciation of FAO's prompt response of readiness to help when, some seven months ago, UNDP faced an immediate and serious liquidity shortage. That was indeed a gesture of partnership for which I thank the governing bodies and Secretariat of this organization.

Mr. President, Distinguished Delegates, the months since that welcome helping hand was stretched out to us have been strenuous indeed. But those efforts have borne fruit. This is not my judgement alone, but is the recorded view of the Governing Council which concluded its deliberations only a few days ago in Geneva.

I do not want to dwell on the past, but it is necessary to give a brief analysis of what happened at the end of last year. Two main factors combined to cause the crisis. The first was a remarkable and gratifying surge in the rate of delivery by the Agencies - FAO, for example, showed a 39 per cent increase over 1974. This in itself was

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gratifying, particularly

gratifying, particularly after the relatively slow rate of programme delivery in the early years of the first Country Programme cycle. But it coincided with soaring cost inflation. During the same year of 1975, expected income from some major donor sources did not materialize, while contribution arrears and the accumulation of non-convertible currencies increased. It was the convergence of these factors that brought about our difficulties and the painful necessity of curtailing programme expenditures.

The abruptness of these developments arose from deficiencies in financial information and control, both within UNDP itself and also between UNDP and the Executing Agencies, which forecast, record and report project expenditures. As a result, the system did not receive warning of the process I have just described until the crisis was well upon us.

In a complex mechanism such as the UN Development system, the provision of timely and precise financial data is far from simple. Since February, however, we have had useful and intensive discussions with the Specialized Agencies, including FAO, designed to improve our information system. These are continuing, with the help of a senior consultant who himself served many years in a sister Agency, and I am confident that, by the end of the year, we should be able to improve the financial information flow decisively.

It would be a mistake to conclude, however, that an efficient early warning system would have averted the problem. It would simply have signalled it earlier, and constrained the surge of delivery in 1975 that countries obviously needed, for this consisted of projects included in the Country Programmes and, in many cases, delayed from previous years by the bottlenecks in delivery which - ironically - the Specialized Agencies were just beginning to resolve. It should be fully realized that, over the whole first United Nations Development Co-operation Cycle (1972-1976), government contributions attained the growth foreseen for those years; and that UNDP will have delivered the full amounts of the Indicative Planning Figures, almost to the dollar. Yet

/...

because of inflation,

because of inflation, the real value of the Programme - in the tangible terms of experts, fellowships and equipment - will be less in 1976 than in 1972, despite the increase in monetary resources.

Where do we stand now?

First, within the next two months I expect to complete a series of re-organizational steps within UNDP designed to coordinate programme, finance and treasury under my own direct supervision.

Second, we are actively working on the improvement of the UNDP-Agency financial information network, as I have already mentioned.

Third, I have reduced UNDP's administrative budget by 2 million dollars this year and by 4 million dollars next year; and I have been asked by our Governing Council to devise a comprehensive plan, in consultation with our Agency partners, for a progressive reduction in overall administrative costs in relation to operational programme expenditures. As a part of this task, the Governing Council has specifically asked me to recommend terms of reference for an in-depth study of expert costs and the future role of the international expert in United Nations technical co-operation.

Fourth, I vigorously renewed the initiative already undertaken by my predecessor last year to obtain the authority of the Governing Council for limited short-term borrowing to offset any temporary liquidity shortage with which the programme might be faced in the future. I am glad to be able to inform you that the Governing Council has agreed to recommend such authority to the General Assembly, although the authority would be available only in very limited circumstances. I am hopeful, however, that I shall not have to resort to it.

Fifth, in order to avoid a repetition of the painful programme curtailment that perforce had to be imposed at the end of last year I have, over the past months, undertaken vigorously and urgently very careful scrutiny of our likely resource and commitment picture for 1977. I am aware that our Agency partners have been anxiously awaiting the outcome of this review in order to make their own plans but I am sure they appreciate the acute complexity of the task. Apart from the financial imponderables,

/...

a further complicating

a further complicating factor is that 1977 will see the beginning of a new IPF cycle, in which, by the decision of the Governing Council, there will be a considerable redistribution of UNDP's resources in favour of the least developed countries. For the time being, also, the uncertainties about the accuracy of the expenditure reporting and forecasting reaching us has made this task more difficult. And the cardinal importance of avoiding mistakes is self-evident. I am glad to say that country expenditure ceilings were communicated to the Resident Representatives and the Specialized Agencies on 4 June. This should provide the basis for early and orderly planning of activities in 1977.

But by far the most encouraging developments of all took place in the recent session of the Governing Council itself. From the first hour of the first Plenary Meeting, when His Excellency, the Minister for Development of the Netherlands, Jan Pronk, personally expressed full confidence in UNDP and announced a substantial additional contribution for 1976, the session witnessed a remarkable collective expression of support, by virtually every Delegation. Other special contributions announced during the meeting by the Netherlands and other developed and developing countries have now reduced the original planning shortfall of 40 million dollars for 1976 to some 19 million dollars.

With the arrangements made with the World Bank and several of the Regional Development Banks for the deferral into 1977 of reimbursements normally due to them in the current year, the actual cash deficiency should be virtually eliminated. I am naturally hopeful, however, that further special contributions will increase our actual resources still further, and I shall spare no effort to that end. I have been especially encouraged that governments of developing countries, including some of the hardest-pressed, have decided either to share or advance the costs of projects they deem vital. Several donor governments have offered to take up project costs bilaterally. These arrangements, together with special measures for least developed countries, mean that the total programme for 1976 will total \$435 million, some US\$ 65 million above IPF and Programme Reserve availabilities.

Mr. President, I have spoken largely in financial terms because those are the imperatives which have conditioned our operations in a

/...

very acute way

very acute way over the last months and will continue to demand close attention in the near future. But there can never be any doubt in any of our minds that the solution of our financial problems - and I repeat that I am confident that they will be solved - will in itself be meaningless if it does not result in an effective and dynamic programme of technical cooperation, responsive to the needs of the developing countries. That ^{last} clause is brief but it constitutes a formidable challenge for all of us engaged in this common endeavour: peoples, governments and international organizations. It requires imagination and dedication, flexibility, and an unremitting search for new, more effective, and mutually cooperative methods of work which will provide an ever more effective programme, with the lowest possible overheads.

For the UN Development system, the demands and the responsibilities are correspondingly great. In my opening remarks to the last session of the UNDP Governing Council, I made a special pledge to seek a new era in UNDP-Agency relations. Because we are a part of one system, I believe that UNDP should be a sympathetic and responsive partner to the Specialized Agencies. But because of the size of the resources entrusted to UNDP - the largest single volume of resources for grant cooperation anywhere in the UN system - and for which I, as Administrator, am accountable - UNDP must also be a demanding partner, in the interests of the developing countries and their peoples whose needs must be our first and overriding concern. We must all pull together towards that common end. That, in turn, means an increasingly coherent and united response from the UN development system at all levels and particularly at the country level. I have been encouraged by the declarations made and the decisions taken in this regard at the recent session of the UNDP Governing Council, echoing the spirit of the Consensus of 1970, and in the speeches made in the last few days in this hall, particularly in the opening speech of my distinguished colleague, the Director-General, Mr. Edouard Saouma. There can be no better omen for the new era which is heralded by so many other significant portents, such as the New International Economic Order and the proposals now under discussion for the restructuring of the UN Development system.

/...

Mr. President, I regard

Mr. President, I regard it as a most happy coincidence of history that my own term of office as Administrator of UNDP should have started at about the same time as that of Mr. Saouma's as Director-General of FAO. During the last months I have had numerous opportunities to admire the dynamic leadership of the Director-General and his single-minded pursuit of the ambitious objectives he has set for this organization. I am confident that, with good will on both sides and a common and unswerving dedication to the cause of development, we shall jointly be able to forge even closer and more effective links between FAO and UNDP, with the mutual purpose of increasing the effectiveness of our service to the developing countries and their peoples.

For my part, I pledge to this distinguished Council, and to my distinguished colleague, Director-General Saouma, as we embark on the next United Nations Development Co-operation Cycle, that there will at all times be from the Programme that I lead the utmost candour, the full respect for the high standards of the Food and Agriculture Organization, and my unyielding determination to insure that our partnership achieves a record in service that will truly seek to meet the enormous needs of the peoples we serve.

Let us firmly resolve to stand as one in the face of the massive poverty, hunger, and malnutrition which stalk our planet at this very moment.

Thank you, Mr. President, Distinguished Delegates, for giving me this opportunity to speak to you.

OCDE

ORGANISATION DE COOPÉRATION
ET DE DÉVELOPPEMENT ÉCONOMIQUES

Téléphone : 524 90-70

Télégrammes : DEVELOPECONOMIE
Télex : 620160 OCDE PARIS

2, rue André-Pascal, PARIS-XVI^e

Comité d'Aide au Développement
Le Président

Development Assistance Committee
The Chairman

18 June 1976

The Honorable
Robert S. McNamara
President
IBRD
1818 H Street, N.W.
Washington, D.C. 20433

Dear Bob,

As you can see from the enclosed note,
I remain optimistic about the prospect of raising
the ODA performance of DAC countries. Perhaps it
is an occupational hazard.

Crucial to a continuing upward trend for
ODA is the United States. While the combined per-
formance of DAC countries is up since 1973, that of
the United States declined and its performance in
1975 fell below the DAC average. This trend in U.S.
economic assistance has a more damaging effect on
American foreign policy in relations with the Third
World than most Americans apparently realize or care
to admit. Brilliant speeches and innovative new
proposals have not kept Third World leaders -- those
moderate and friendly to us -- from concluding that
the U.S. has been "niggardly" in its programs for
helping the poorer countries. When you consider that
much of the U.S. economic assistance program is
devoted to security rather than development objectives,
it becomes even clearer how inadequate the U.S. effort
is for helping the "poor majority". What is at issue
is an essential pillar in the moral foundation of
American foreign policy.

I know that the question of the inadequacy
of U.S. development assistance is central to your
concerns. It also should be central to the concerns
of the next Administration in its evaluation of the
adequacy of means for achieving American objectives --

492/1/14

6/16 to Mr. McNamara
IBRD/IDA
OECD
WBG

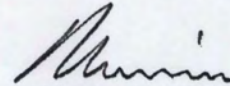
*Encouraged by Carter's
statements but not for DAC
in '80 countries to look
very carefully to not
best wishes,
Bob*

both directly, and as leader of the industrial world -- in relations with developing countries. As you well know, the United States must play its part in the Common Aid Effort of the OECD countries if it is to regain the influence and leadership which is essential to their common purposes. For it is the effort for development which counts importantly with most of the countries of the world.

I will do my best to illuminate the issue in the next DAC Chairman's Report. Beyond that, I would be pleased to support any effort to get the message across to the next Administration.

Best regards,

Sincerely yours,



Maurice J. Williams
Chairman

encl. a/s

AN UPWARD TREND IN
ASSISTANCE TO DEVELOPING COUNTRIES

by Maurice J. Williams
Chairman of OECD's Development
Assistance Committee

The view that the development assistance of DAC Member countries is on a downward trend proved wrong in 1974, and again in 1975. There has been a major change in the aid responsiveness of most DAC countries. The outlook for the next five years is a more adequate flow of aid -- on a rising trend -- more effectively addressing the needs and priorities of developing countries.

In 1974 and 1975 DAC Members raised their net disbursements of official development assistance (ODA) by over 40 percent. At \$9.4 billion in 1973; ODA rose to \$11.3 billion in 1974 and to \$13.5 billion in 1975. As a share of Gross National Product (GNP), this represents an increase from 0.30 percent in 1973 to some 0.33 percent in 1974 and 0.35 percent in 1975. Despite price inflation, aid rose in real terms. Considering that this occurred during a period of major recession and budgetary deficits for DAC countries, their determined response to developing countries needs must be recognized.

In 1975 two countries -- the Netherlands for the first time and Sweden for the second -- achieved the 0.7 percent target for official development assistance (Sweden with 0.81 percent, the Netherlands with 0.75 percent.) Particularly rapid growth also was recorded by Australia, Belgium, Canada, Denmark, New Zealand, and Norway. France has sustained a good performance in relation to the level of aid. Improved volume performance by these nine countries reflects conscious budgetary choices. They have adopted medium-term plans to further improve their contribution, which now accounts for about 40 percent of total ODA from all DAC Member countries. It appears likely that their

combined ODA will continue to increase in real terms at an annual rate of about 10 percent over the period 1976-80. Consequently, they will make substantial progress in increasing aid relative to the 0.7 percent target of GNP, adopted by the United Nations in 1970 for the Second Development Decade, while seeking to focus aid more sharply on specific needs.

Other DAC Members increased their outflow of ODA in both 1974 and 1975, including Germany, Japan, United Kingdom, the United States, Switzerland, Austria and Finland. Italy increased its aid in 1974 but not in 1975. For these countries the growth of GNP has only an indirect influence on the volume of aid and, hence, their future aid performance is more uncertain. In particular, the aid performance of the United States, Germany and Japan - the strongest industrial countries - has a dominant effect on combined DAC Member performance.

All DAC Member countries agree as to the importance of raising the level of assistance for countries most in need of longer-term structural development of their economies. There also is broad agreement that official aid should be considered in relation to other factors, including maximum expansion of the export earnings of developing countries and their efforts to mobilize domestic resources and energies. These factors must be seen as interrelated parts of a renewed cooperative effort between developed and developing countries.

DAC countries have taken a dual approach on the question of future levels of aid. Some, as noted above, plan their efforts in relation to targets of aid as a percentage of GNP, which provides a general indication of the relative burden for donor countries. Others are more likely to be influenced by specific needs for capital on concessional terms with which they can identify their assistance programs. Progress is being made towards focussing increased aid particularly on programs which address the basic needs of the poorest peoples and regions, for more adequate job opportunities, food production and improved income distribution.

Future projections, always difficult, are especially uncertain in times of great change: the past may not be the best guide to the future. While there is a strong bias in favor of projecting past unsatisfactory trends for aid into the future, this approach would overlook the major changes that have occurred in 1974 and 1975 -- in the responsiveness of DAC Members to developing country needs, their attention to fresh policy approaches, and their renewed awareness that development is best achieved by a complex of integrated actions affecting trade, commodities, and the transfer of technology, as well as by increased concessional aid.

Given these changes and the responses by most DAC countries, it appears almost certain that we will see a continuation of the trend of increasing aid -- more effectively linked to developing country needs, priorities and efforts -- that will raise the performance of DAC countries from the 0.30 percent of their combined GNP in 1973 to a proportion closer to 0.4 percent of GNP around 1980.

Also noteworthy has been the performance of DAC Members in total net flows of capital to developing countries. Total net flows in 1975 -- including Official Development Assistance, grants by private voluntary agencies, and capital provided at market terms -- were \$38.7 billion. This total flow is equal to 1.02 percent of DAC Members' combined GNP, compared to 0.81 percent in 1974. It is the first time the 1 percent target for total flows has been reached collectively by DAC Members, -- as was originally agreed by the United Nations in 1960 and endorsed by DAC Members.

At UNCTAD II in 1964, it was agreed that the target should apply to the transfer of financial resources from developed countries individually. While figures are not yet completed for individual countries, it appears that practically all increased their total outflow in dollar terms, sometimes very sharply, and that for at least seven countries -- Belgium, Canada, France, Germany, Netherlands, Sweden, and the United States (for the first time) -- these flows as a share of GNP were well above 1 percent.

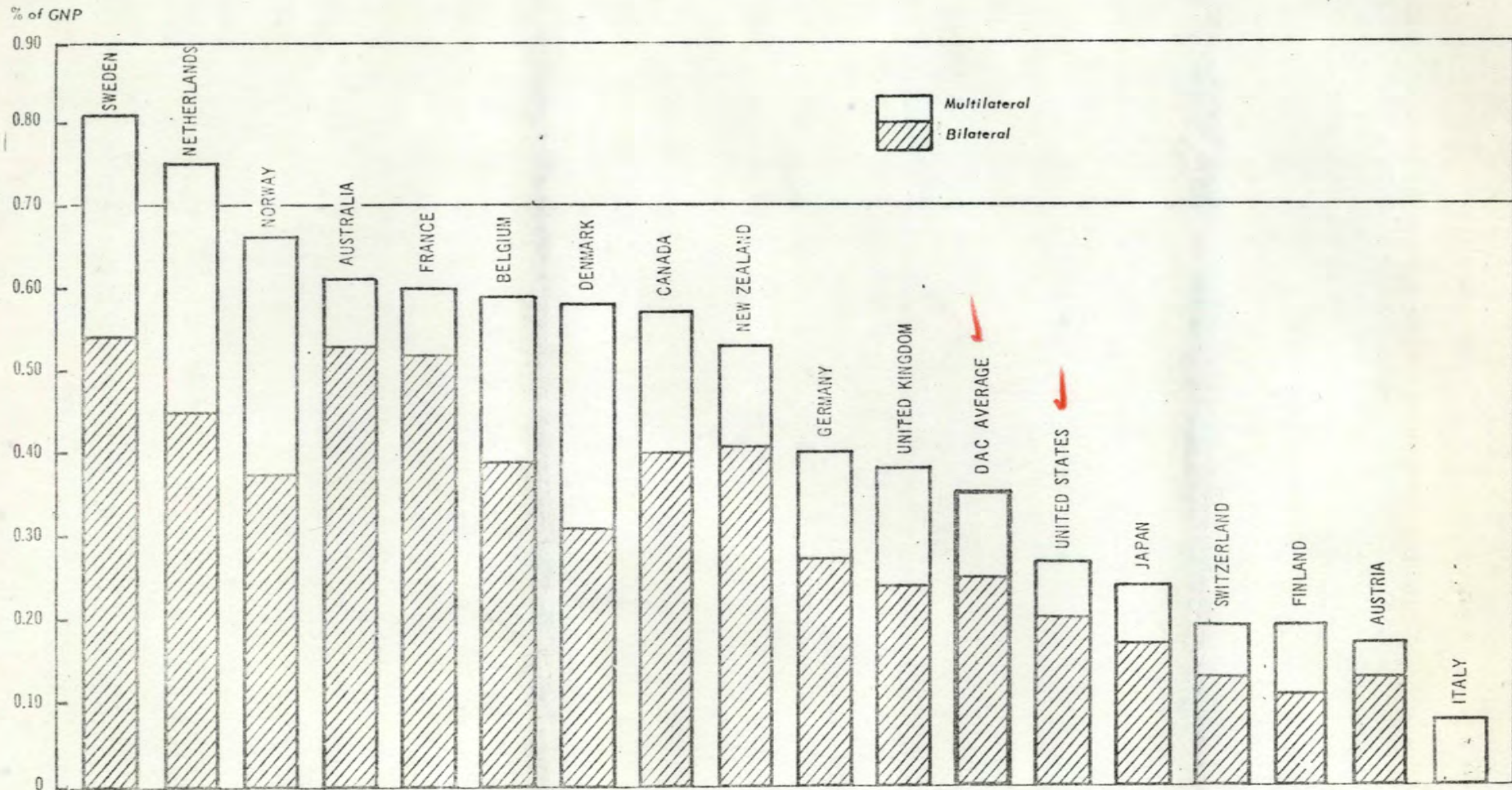
DAC Member countries initially undertook in the "Resolution on the Common Aid Effort" adopted in March 1961, to expand the flow of resources to developing countries and improve the terms and effectiveness of development assistance. They charged the DAC with responsibility to build understanding and support for the common effort. Since its inception, the Committee also has contributed to clarification of key development issues. Particular attention has been devoted to the needs of developing countries, promotion of their exports, levels and types of assistance, problems of indebtedness and private investment, as well as such sectoral issues as employment, education, agriculture, population, technology, and the poorest countries and peoples.

In assessing the role of the DAC in support of the common development effort, it is necessary to bear in mind the important fact that it can only operate within the framework of the political and economic policy decisions taken by its members. The DAC has demonstrated over the years that, within this framework, it is reasonably well-fitted to promote the collection and review of information on its members programmes and efforts, facilitate the exchange of experience among them, coordinate their development policies, and collectively seek, through successive evaluations, to encourage them to improve their performance in the transfer of resources for development.

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14 June, 1976

Chart I
 OFFICIAL DEVELOPMENT ASSISTANCE RELATED TO GNP
 1975



5/19

Taken by R McK on
Middle East trip,

3/20-24.

492/1/13
IBRD/IDA
WBG
ARCHIVES
May 24, 1976

AIDE MEMOIRE

On World Bank Borrowings in Kuwait

I believe it would be helpful if we could reach an understanding of the financial needs of the Bank and agree on an annual level of borrowing by the Bank from Kuwait over the next few years. The level of borrowing would of course be subject to regular review in the light of Kuwait's surplus position.

To finance its program of lending to developing countries the Bank needs to borrow about \$4 billion a year. Approximately one quarter of this sum is expected to be provided by the refinancing of maturing obligations held by the Central Banks of member countries which invest part of their reserves in Bank bonds. For the remainder of its borrowings of about \$3 billion a year the Bank must look to the private capital markets and to those oil exporting member countries that have a surplus of capital.

During the present fiscal year, ending June 30, 1976, the Bank has already borrowed over \$3.8 billion, of which about \$900 million from Central Banks. Much of the rest has been raised in the capital markets of developed countries, and only \$347 million was placed directly with OPEC countries, including a DM 400 million (\$153 million) placement in Kuwait. a/ This is in sharp contrast to fiscal year 1975 when the Bank borrowed over 40% of its total requirements of \$3.5 billion in OPEC countries. These borrowings contributed materially to the Bank's capacity to mount a larger lending program at a time of special difficulty for the non-oil producing developing countries.

We understand that Kuwait is likely to have a surplus of investible funds of \$5 or \$6 billion a year during the next several years. I hope the Government would be prepared to invest a part of this annual surplus in the Bank. For its part, the Bank could readily absorb, each year, \$300 million to \$500 million of investments from Kuwait.

This proposal for a significant investment of Kuwait's foreign resources in the Bank is based on the following considerations:

a) The Bank is the leading agency supporting the efforts of the less developed countries to improve their productive capacity and the standard of life of their peoples. The external capital requirements of these countries are very large if they are to sustain even a modest rate of growth, and they depend on the Bank to provide a continuing flow of resources at the maximum feasible level in support of their development efforts.

a/ Other than this borrowing, the Bank has had no issue in Kuwait since 1973.

b) Approximately 10% of the amount of IBRD's lending has been to members of the Arab League and about one-fourth to Moslem countries.

c) An international cooperative owned by Governments, the Bank looks to its capital surplus members to provide the resources which it transfers to developing country members through the financing of sound projects. In the early years of the Bank these surpluses were found only in North America, but in the last ten to fifteen years Germany, Japan and some of the smaller European countries have become, and will continue to be, important sources of borrowed funds. More recently, several oil exporting countries, including Kuwait, have accumulated large surpluses, and the membership looks to them to play an appropriate part in financing the Bank's lending activities.

d) From Kuwait's own point of view, the purchase of World Bank obligations forms a sound and profitable investment for part of its surplus funds, while providing major support for the less developed countries. The Bank's financial policies are based on the principle that it is a borrowing institution which must meet the test of the marketplace. Its obligations carry the highest credit rating in world capital markets. The reasons are straightforward:

1) The Bank has liquid investments of approximately \$6 1/2 billion which it maintains to meet its cash requirements, without the need to enter unstable or excessively high-cost capital markets.

2) As mentioned earlier, it has established a diverse and broad-based market for its obligations. Of the Bank's outstanding debt of approximately \$14 billion, the equivalent of \$5.4 billion is held directly by official government institutions or Central Banks. The Bank has also issued its obligations in the public markets of Belgium, Canada, Germany, Holland, Japan, Switzerland, the United Kingdom, the United States and elsewhere.

3) The Bank's capital provides direct support by way of a guarantee for its obligations. Under the Bank's charter, its outstanding loans may not exceed the total of its capital and accumulated reserves. Thus, the Bank's accounts receivable from its borrowers must be matched on a one-to-one basis by its equity. The Bank's capital is currently \$33 billion, and its Executive Directors have recommended an increase to \$41 billion. Of the present \$33 billion of capital, approximately \$28 billion is callable, and \$3.1 billion has been paid in. The Bank's retained earnings amount to approximately \$2 billion. The callable capital can only be used for the protection of the Bank's bondholders and not in connection with its lending operations or to meet administrative expenses.

4) The Bank pays particular attention to the creditworthiness of the countries to which it lends. Less creditworthy countries are assisted by the Bank's affiliate, the International Development Association (IDA). In its 30-year history the Bank has not had any losses on loans, and has a firm policy against debt rescheduling.

On the basis of its financial policies, its demonstrated financial strength, the diversity of its sources of funds, and its strong liquidity policy, the Bank ranks as one of the premier credits of the world. It provides, therefore, a unique investment opportunity with returns frequently higher than similar government-quality obligations. It offers the flexibility of a wide range of maturities to suit the preferences of potential investors and obligations in a variety of internationally traded currencies should the investor prefer to hold investments other than U. S. dollars. It also can and does make arrangements to ensure that its obligations are liquid and marketable. The Bank's obligations are marketed throughout the world, both in the new-issue market and the secondary market by leading investment banks, merchant banks and commercial banks in each country. These provide a ready facility for the sale of Bank bonds.

Taking account of Kuwait's desire to help the developing countries and to obtain market rates of return on its investments, I know of no better way of accomplishing these twin objectives than of investing in Bank bonds.

Robert S. McNamara

492/1/16

May 12, 1976



REMARKS TO THE TRILATERAL COMMISSION

Your Chairman asked me to say a few words about key elements of the current development assistance scene. He suggested I speak for five minutes.

I can be very brief.

In a word, the economic advance of the two billion people in the developing countries is disgracefully slow, particularly for the poorest among them, and needs to be accelerated both in their interest and incours. Except for the benefits which they will receive from increases in their exports associated with economic recovery in Japan and the West, I can see little prospect of that occurring soon.

Let me elaborate on this theme.

Equality of opportunity among men both within nations and among nations is becoming a central issue of our time:

- . At the national level it is leading to a questioning of previous growth strategies focussing on problems of mass poverty and a search for new development styles combining growth and equity.
- . At the international level it is highlighting the widening gulf between poor and rich nations and focussing attention on the desperate situation of the very poorest nations.

Per capita incomes in ^{many} the poorest nations have actually declined in the first half of the 1970s. And, although per capita incomes of the middle-income developing countries have grown during that period, the disparity in income between them and the developed nations, despite the recession in the latter, has substantially increased.

It is these facts which have brought the demands for the New International Economic Order and the series of international meetings to discuss the relationships between the developed and developing world: the Special Session at the United Nations last September; the North-South Dialogue in Paris; and the current UNCTAD meeting in Nairobi.

Although I have spoken before of the conditions of the one billion people in the poorest of the developing countries, I want to repeat them today. They are shocking:

- . Their infant mortality rate is 6 times as high as ours.
- . Their life expectancy at birth is one-third lower.
- . Their literacy rate is about half.
- . Their nutritional intake is below the minimum acceptable standards for about half their population.

A child at birth, by the sheer accident of where he is born, has only one-eighth of the chance of our children to survive beyond age 5. And hardly any chance at all thereafter to live a life of dignity.

Unless both the developing countries themselves and the OECD nations as well act in ways not now projected, there will be no substantial increase in the per capita incomes of these poorest nations in the next ten years.

A major part of the responsibility for economic advance must be assigned to the developing countries ~~themselves~~, but it is difficult to see how they can move forward without additional assistance from the OECD countries. Six years ago, in the General Assembly of the United Nations, these countries agreed that external concessionary aid amounting to .7% of GNP was both needed and would be supplied to the developing countries. This year that aid will not exceed one-half of that amount and the U. S. share will be closer to one-third.

Nothing that was said at the Special Session last September or that has been said during the North-South Dialogue in Paris to date, or that is being said this week in UNCTAD gives any basis for hoping that this situation will change.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

OFFICE OF THE PRESIDENT

May 4, 1976

Mr. McNamara:

Mr. Nurick is hoping for your approval as soon as possible. He would like to deliver this to Mr. Cooper himself this afternoon, so that Mr. Cooper may, in turn, reply to Cong. Obey.

B.

5/4

OK

Enw

492/1/72

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
FROM: L. Nurick *LN*
SUBJECT: Obey Letter; Arab Boycott

DATE: May 4, 1976



Charles Cooper called me today after the attached memoranda were written to say that the mark up of the Foreign Aid Bill is tomorrow, that Congressman Obey is very much interested in getting a response to his question this afternoon and that he is proposing to add an amendment to the Foreign Aid Bill which would require U.S. aid agencies publicly to announce that they will not accept the secondary boycott irrespective of local law and to urge a similar policy on international institutions being financed under the Aid Bill.

LNurick:mbc

cc: Messrs. J. Burke Knapp
Warren C. Baum
Willi A. Wapenhans
John E. Merriam/Peter Riddleberger

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
FROM: A. Broches
SUBJECT: Obey Letter; Arab Boycott

DATE: ~~AP~~ May 4, 1976

Attached for your approval is a draft (Annex A) dated May 3, 1976 of a reply to Mr. Reynolds in response to his memorandum to Mr. Nurick regarding the new Obey letter (Annex B). This has been cleared with Messrs. Knapp, Baum and Wapenhans.

When the draft was originally prepared Mr. Baum, Mr. Nurick and I wanted to include a paragraph stating that we are considering the advisability of stating our position on the boycott more clearly so as to leave no room for doubt about it with borrowing countries and prospective bidders. We had in mind a revision of the Procurement Guidelines for that purpose. This seemed desirable to us irrespective of the questions raised by Congressman Obey, although it might help in any future exchanges with him on the subject.

However, Mr. Knapp and Mr. Wapenhans, while not questioning the desirability of a close review of the guidelines, objected to the inclusion of such a paragraph in the response to Mr. Reynolds. Accordingly, the paragraph has been omitted from this draft reply because we did not want to delay the response to Congressman Obey.

In the meantime we are working on a draft amendment to the Guidelines.

LNurick:mbc

cc: Messrs. J. Burke Knapp
Warren C. Baum
Willi A. Wapenhans
John E. Merriam/Peter Riddleberger

A handwritten signature or set of initials, possibly 'A.B.', written in blue ink. The signature is stylized and appears to be written over a horizontal line.

DRAFT

May 3, 1976

MEMORANDUM

To: Mr. Hal Reynolds
From: Lester Nurick
Re: Congressman Obey Letter

This is in regard to the letter dated April 13, 1976 from Congressman Obey to Mr. Cooper regarding the Arab boycott which you recently sent to me for comment.

In the letter it is stated that it has come to Congressman Obey's attention that in Bank invitations to bid reference is made to the need for bids and/or contracts to accord with the laws of the country in which the program or project is to be carried out and that when the loan recipient is an Arab country which adheres to a secondary boycott against Israel, the Bank, in fact, is thereby endorsing, and in fact, imposing the boycott. As you know, the Bank does not itself issue invitations to bid, but it is a fact that the Bank has approved invitations to bid and contracts which state that the contract will be subject to local law. However, this does not mean that the Bank is endorsing or imposing the Arab boycott.

When a Government proposes to enter into a contract with a foreign contractor to procure services to be performed locally (say under a civil works contract), it is common practice for the Government to state in invitations to bid and in the contracts themselves that the contracts will be in accord with local law. This is a long-established and common practice,

not only in Bank financed contracts, but in governmental procurement contracts throughout the world. Indeed, even if the contracts contained no explicit reference to the applicable law, under accepted principles of conflicts of laws the contracts would in any case normally be subject to local law. Such provisions, therefore, are not by themselves objectionable.

Thus, the issue to be considered is the effect of the inclusion of such provisions in Bank financed contracts on the procurement policies of the Bank, particularly in relation to the boycott. It is correct, as Congressman Obey's letter implies, that the local laws of Arab countries include provisions which incorporate the boycott into their procurement procedures and contracts, although the manner in which these laws are applied in practice varies considerably.

We have recognized the problem which these laws create and accordingly have made clear to Arab borrowers the consequences of the application of the Bank's procurement policy, as we have explained to you on prior occasions. In particular, we have insisted that no boycott provisions other than primary boycott be applied to bidding on contracts to be financed from World Bank loans. Any application of such provisions after completion of bidding, which would cause an award of contract to be made to anyone but the lowest evaluated bidder, would render such contract ineligible for World Bank finance. This position has been made clear to borrowers from Arab countries and in its implementation we have objected to and caused the removal of specific boycott provisions in tender documents as well as contracts to be financed by the Bank. We understand that in its financing of projects in Arab countries, USAID follows essentially the same practices.

OFFICE OF THE ALTERNATE EXECUTIVE DIRECTOR FOR THE UNITED STATES

April 15, 1976

Mr. L. Nurick

With the Compliments of

Hal F. Reynolds

Per our conversation.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
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Congress of the United States

House of Representatives

Washington, D.C. 20515

April 13, 1976

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United States Executive Director
World Bank - Room E1112
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1 - Executive Director WBG or
2 - Permanent Office Copy

IBRD/IDA
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Dear Mr. Cooper:

In your letter of March 15, 1976, to me you stated:

"The Bank does not permit the inclusion, in tenders of bids for contracts to be financed by the Bank, of any condition that precludes participation by qualified suppliers because they do business or trade with Israel or are located in any country that trades with Israel. Furthermore, it is the Bank's policy to require that contracts be awarded to the lowest evaluated bidder, and it would refuse to finance a contract which was not so awarded by reason of a boycott of that nature.

"The Bank, however, by long standing policy has never felt that it could realistically object to a borrowing country excluding from bidding contractors or suppliers from another country or group of countries where general trade relationships between them are affected by a state or war, breaks in political relations or other similar situations. Under such circumstances, the Bank has traditionally accepted such an exclusion on Bank-financed contracts as long as competition is not seriously impaired. In line with this general policy, the Bank has financed and continues to finance contracts in Arab countries on which Israeli firms are excluded from bidding.

"The instances in which so-called 'primary' boycotts have been applicable in Bank operations are few in number but are not confined

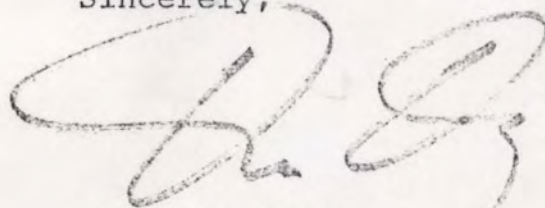
exclusively to the Arab countries. Other examples have included the exclusion of Indian firms from bidding on past Bank projects in Pakistan and the exclusion of Rhodesian firms from bidding on projects in several countries."

It has come to my attention, however, that in Bank invitations to bid, reference is made to the need for bids and/or contracts to accord with the laws of the country in which the program or project is to be carried out. When the loan recipient is an Arab country which adheres to a secondary boycott against Israel, the Bank, in effect, is endorsing and, in fact, imposing the boycott.

My correspondence with you and Mr. McNamara over the course of the last several months makes clear that the Bank does not condone the Arab boycott and, with the exception of the primary boycott against Israeli firms mentioned in the quoted passage above, would not participate in such discriminatory measures. I think you will agree, however, that, if my information is substantially correct, this aspect of the Bank's procedures is not consistent with stated Bank policy and is unacceptable.

I am therefore bringing this matter to your attention, and I would appreciate it if you would look into the facts and let me know precisely what they are. In addition, if my information is substantially correct, I request that you take whatever steps are necessary to eliminate this vestige of Bank cooperation with the offensive system of Arab boycott of firms and countries dealing with Israel.

Sincerely,

A large, stylized handwritten signature in dark ink, appearing to read 'D. R. Obey', is written over the typed name and title.

David R. Obey
Member of Congress

DRO/ar