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THE WORLD BANK
Washington, D.C.

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Washington DC 20433
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McNamara Papers

Mr. McNamara's Chronological ^{file (Incoming)} Information
file from, January - December, 1976 (Jan-1)

The World Bank Group
Archives
1771544
A1995-258 Other #: 2 3000.1B
President's papers - Robert S. McNamara Chronological files (incoming) - Chrons 14

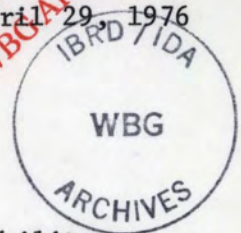
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OFFICE MEMORANDUM

40
1/1/77
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CONFIDENTIAL

DATE: April 29, 1976



TO: Mr. McNamara

FROM: P. N. Damry *P. N. Damry*

SUBJECT: Capital Increase *4/28*

As a postscript to my earlier memorandum on the desirability of an informal meeting with Part II Directors, I should like to add that giving effect to a change in lending rate only from July 1 would be an important consideration for the acceptance of a change. At the meeting some of the Part II Directors will be urging reasons (apart from the procedural ones) that Mr. Knapp will adduce) why an earlier change is undesirable. They are reasons like the anomaly of introducing a new rate in mid May and changing it again on review, on July 1. I have suggested that they would need something a little more convincing.

4/29

*Gen. Cap. Inc.
refer study until after annual Mtg
IDA II -
serious probs
of balance in BR 3/1, strongly suggest
it in all forms
Paris at Clark did
analysis -
newest journal is at stake
We need your help*

OFFICE MEMORANDUM

CONFIDENTIAL

TO: Mr. McNamara

DATE: April 29, 1976

FROM: P.N. Damry *P.N. Damry*
*u.r.*SUBJECT: Capital IncreaseDECLASSIFIED
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1. Cautious soundings of some of the Part II Directors indicate a strong desire to meet you informally. I advise a meeting in your conference room rather than lunch.
2. The trouble is that on fundamentals there is a split within the Part II Directors. Messrs. Franco, Sojit and Gavidia correctly see the 5.8 billion program as the paramount objective of our present endeavours to get a quick decision, with the concurrence of the US, on the selective capital increase. These three Directors will find it harder to face their governments with a smaller lending program than with an enhanced lending rate. Dr. Sen on the other hand thinks the world will not crumble if the program is smaller. Mr. Al-Atrash is obsessed with an intellectual argument against the lending rate increase at this juncture when the capital market is relatively easy. Messrs. Razafindrabe, Khelif and Mekki have inflexible instructions from governments who like Dr. Sen's are perhaps not quite so directly interested in the total quantum of Bank lending and, again like Dr. Sen, are more worried about the political repercussions of .5 spread or a 9% lending rate; whether they genuinely believe that exposure of "unfair pressure" before UNCTAD or in some such forum to which Sen was clearly referring when he talked about "other places", I do not know. They are being naive if they think criticism in UNCTAD of a 'take it or leave it' attitude on the part of the Part I countries is going to shake the US or other Part I countries who believe on the merits of the case that an interest increase of over .25 is necessary, or else that it must be accepted if we are to get the US' vote on a capital increase.
3. I think Franco should be encouraged to urge the informal meeting to recognize the paramount importance, as a short-term aim, of the 5.8 lending program, both with regard to 1977 and as providing a suitably high take-off point for the future.
4. Tactics for Tuesday May 4, would depend on one of two hypotheses: either we believe the US will not go below .5 spread OR that they will: in the former case, I strongly advise not putting .375 to the vote first because that would probably be carried by a majority: the 'marginals', Drake and de Groote, would shift from their compromise position, .50, to their preferred position, .375. Actually, it would be correct Parliamentary procedure to take a vote on the amendment, .50 spread, first, before the main proposition which, in your April 8th paper, was for a .375 spread. In putting .5 to the vote first, we shall probably be strongly opposed by Mr. Al-Atrash.
5. If, however, it is possible that the US can persuade itself to accept .375, then we clearly ought to ask for a vote on .375 first.
6. I append a sheet showing the status of voting and excerpts from Tuesday April 27.

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TALLY OF DISCUSSION OF
IBRD LENDING RATE FORMULA: SPREAD - APRIL 27, 1976

<u>1/2% Spread</u>	<u>Votes</u>	<u>3/8% Spread</u>	<u>Votes</u>	<u>1/4% Spread</u>	<u>Votes</u>	<u>Others</u>	<u>Votes</u>
de Groot ^{a/}	10,335	? Drake ^{b/}	12,849?	Sojit	6,607	Al-Atrash ^{d/}	10,123
Hori	10,480	Janssen	13,903	Franco Holguin	7,562	Choi ^{e/}	10,269
Green	8,154	Witte	11,302 ^{c/}	Gavidia	8,338	Khelif ^{f/}	8,800
Ryrie	26,250		38,054		22,507	Thahane ^{g/}	9,766
Rota	13,446	- Drake?	12,849			Razafindrabe ^{h/}	8,208
Cooper	64,980		25,105			Sen ^{i/}	11,644
Wahl	13,042					Sigurdsson ^{j/}	10,087
	<u>146,687</u>						<u>68,897</u>

add DRAKE (?)

12,849
159,536

Total Votes: 276,145

- a/ de Groot stated: "...a solution has to have an interim increase as proposed by Cooper to 9% from the beginning of next fiscal year on, while the application of the new formula would be put into operation as soon as we have reached an agreement on the results of the studies that will be undertaken."
- b/ Drake stated: "... in the spirit of compromise and in a sense of urgency to settle these questions, would be prepared to consider a 50 basis points spread..."
- c/ Witte stated: "...Since we have this income (income from paid-in capital), I am convinced that even a spread of 3/8% is rather on high side. As a consequence, a spread of 0.5% as a compromise is therefore difficult to accept..."
- d/ Al-Atrash stated: "...I am ready to consider at the appropriate time a formula to be discussed and the appropriate time is during the review of the Bank's financial policies..."
- e/ Choi stated: "... We prefer to be given more time to consult with my authorities and also to carefully study the implications of the formula"
- f/ Khelif stated: "... I am not in a position to comment on this formula"
- g/ Thahane stated: "...At this time, I am not in a position to take a decision on the adoption of the formula itself"
- h/ Razafindrabe stated: "...lacking instructions from my authorities.... We would appreciate a discussion (on it) be postponed by a few weeks..."
- i/ Sen stated: "...I would like to see a chart which will give for the last 10 years... what will be the position of these proposals (3/4%, 3/8%; 1/4%) followed"
- j/ Sigurdsson stated: "...In view of this situation, I therefore reserve my final position pending eventually new instructions based on the situations as it is developing yesterday and today"

Tel:
Office 35043
House 65352

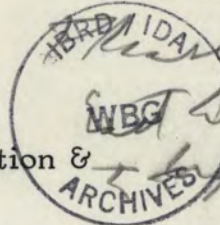
4/12/76 Mr. Clark
Hon. Bruce R. McKenzie
P.O. Box 30135,

492/1/90 NAIROBI
9th April, 1976

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SEP 24 2002
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Personal & Strictly Confidential

Robert S. McNamara, Esq.,
President,
International Bank for Reconstruction &
Development,
1818 H. Street,
North West,
Washington DC. 20433,
U.S.A.



My
Dear *Bob.*

East African Community Railways
Loan

You are aware since leaving Government I have maintained very close contacts with His Excellency the President, Ministers and other influential persons in Kenya. As a result of these contacts and due to our own personal friendship, I am taking this opportunity of writing to you on a strictly personal and confidential basis about the present position of the East African Community Railways loan.

You will undoubtedly have heard that President Amin has had a series of serious attacks on Kenya (cutting enclosed) and that currently all three countries are reviewing the East African Community Treaty. This review team, which consists of 3 ministers from each territory, are holding series of meetings and they are due to report their recommendations later this year.

However, at the present time the Uganda Government, either through inability or blunt refusal, are refusing to pay their one-third share of the railway loan and the World Bank has intimated its intention to enact its rights under the joint and several guarantees requesting Kenya and Tanzania to make additional further contributions in lieu of Uganda.

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Hon. Bruce R. McKenzie
P.O. Box 30135,
NAIROBI

- 2 -

Furthermore, the World Bank has threatened that unless Kenya and Tanzania makes such payments, then other loans in the IBRD pipeline will be jeopardised.

Bob, I can assure you that not only will Government resist making such a payment, but no minister will be prepared to face our Parliament and say we have paid in lieu of Uganda. I honestly believe the Government would rather face any consequences than meet such a commitment.

Could I beg of you to send somebody senior for confidential discussions with Mwai Kibaki, our Minister of Finance.

Believe me with all that is going on in Africa, coupled with the fact that there is presently an extended drought in the country, Kenya is really having to struggle to remain one of the few African countries which has both political and economic stability, law and order, and a genuine and meaningful relationship with the West. We have our problems and Kenya is no paragon of virtue but my God we keep fighting and trying to improve the lot of the ordinary man.

Therefore Bob, I sincerely ask that such a senior person be sent out here for talks before any precipitive action be taken.

I am very sorry to land you with this worry but if it could help I could even privately come to Washington and explain future to you in detail the present situation.

Kindest regards to you both,

Yours *aye*

Bruce

B.R. McKenzie

THE
STANDARD
9-4-76

Amin insults Kenya again!

Special Correspondent, KAMPALA, Thursday.
PRESIDENT Amin of Uganda has unleashed another campaign of hate and misrepresentation of facts against Kenya, and all the fresh insults are being given lavish currency by his regime's propaganda machinery.

News of President Amin's meeting with members of an international gang which pleaded with him not to divulge the identity of any of the persons in the "delegation", was today being repeated by the regime's propaganda machinery.

The "delegation" allegedly briefed Field Marshal Amin on Israeli "activities" in East and Central Africa.

Using his meeting with the "delegation" as a camouflage, President Amin heightened his attacks on Kenya, alleging that the projected Sudan-Kenya road link was an Israeli project, and repeating unsubstantiated charges that a number of Palestinians who passed through Kenya never reached their Uganda destination.

According to usually well-informed Ugandan sources, however, many foreigners (including African foreigners) have occasionally been abducted and eliminated while on Ugandan soil.

Amin's new attacks on Kenya have created considerable concern among Ugandans here who had been praying for an early normalisation of relations with Kenya.

He said that the delegation had informed him that the proposed road link between Kenya and Sudan was meant to isolate Uganda, Zaire and other neighbouring States.

Amin said he was sure President Nimeiry of the Sudan was not aware of this "conspiracy" and pledged to inform him as soon as possible and the Arab League.

Before President Amin usurped power from President Milton Obote and when he was Commander of the Uganda Army, he (Amin) used to convey Israeli armaments to the AnyaAnyas rebels in South Sudan and was principally the man responsible for the prolonged fight in that part of the country.

After the civil war he recruited many of his kith and kin Nubians into the Uganda armed forces and these same people are the ones responsible for his reign of terror in Uganda today.

On February 15 this year, Amin claimed that parts of Southern Sudan were Uganda territory until 1926 when the



• PRESIDENT AMIN

British transferred them. He said another part stretching to the Ethiopian border was also transferred as far back as 1919. He also claimed that South Sudanese were Ugandans and he planned to go to war to liberate them.

On the same day, Amin laid claim upon huge chunks which he claimed were part of Uganda, and had been transferred illegally to Kenya by the British colonialists.

During early March Kenya sent a strong ministerial delegation to Sudan headed by Foreign Minister Muniya Waiyaki to explore ways of strengthening bilateral relations.

When Dr. Waiyaki returned to Kenya from the Sudan on March 5, 1976, he said the talks had been centred on establishing communication links, the exchange of vital information on agriculture, forestry and experts in different fields.

April 29, 1976

The Honorable
Bruce R. McKenzie
P. O. Box 30135
Nairobi, Kenya

Dear Bruce:

I am sorry to have been so long in answering your very thoughtful letter, but I, too, have been wrestling with this agonizing problem of the East African Community's default. It has indeed taken up a lot of the time of the most senior members of my staff, and Stanley Please, the Acting Vice President for East Africa, has been in personal contact with Mwai Kibaki continuously and as recently as the first week of April.

We all here fully understand the extraordinary political difficulties you face which, you say, make it impossible for Kenyan ministers to be seen picking up the tab for Uganda. But I am sure you realize that we face an equally intractable problem. The World Bank simply cannot afford to accept a default by joint or several guarantors, without terminating its lending and disbursements. In the coming year I shall have to raise \$4 billion in private capital markets; this would be impossible if our credit were impaired by an open default which we attempted to ignore.

There are our joint problems. But, of course, we also share the problems of East Africa's development, which is one of the Bank's, and my own, highest priorities. It must not be damaged; but it will be unless we can solve the problem of debt repayment.

How can we do this? I do not believe it is beyond our joint and several wisdoms to devise some acceptable scheme which gives us what we both need. Your side, as you say, cannot be seen as putting up Uganda's share; we cannot accept non-payment. It is not impossible to find a way out of that maze, but it must be done quickly.

I suggest that since William Clark is coming to Nairobi on May 5th you have a talk with him, and see how we can proceed. William could not carry out detailed negotiations in view of his responsibilities as leader

Mr. Bruce McKenzie

- 2 -

April 29, 1976

of the Bank delegation to UNCTAD, but he could report directly to me on his talks and on who could carry out the negotiations and where.

This issue must be settled very soon without lasting damage to East African development or to the Bank. We both agree on that. Let us speedily find a way forward.

With best wishes,

Sincerely,

Signed "Bob"

Robert S. McNamara

RMcN:bmm

cc: Mr. Clark
Mr. Please



DEPARTMENT OF STATE

Washington, D.C. 20520

492 / 1/9
File

March 25, 1976



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

Dear Bob:

I have just returned from a six-week trip through the big population countries of Asia, and I would greatly appreciate an opportunity to discuss with you some conclusions drawn from this trip. If you could spare me a bit of your time, I would be delighted to call at your office whenever convenient.

Meanwhile you may be interested in the enclosed summary of my impressions of population problems and programs in Asia. My concern is not to discuss the intractability of the problem, but rather to address what can be done about it. As a matter of fact, what the Bank and AID can do--although very important--pales in comparison to what must be done by the host governments. This raises a number of questions about our diplomacy, our priorities, and our organizational approach--all of which I greatly look forward to discussing with you and having the benefit of your advice.

With warm regards,

Sincerely,

Marshall Green
Coordinator of Population Affairs

Enclosure

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DEPARTMENT OF STATE

Washington, D.C. 20520



March 25, 1976



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

Dear Bob:

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With warm regards,

Sincerely,

Marshall Green
Coordinator of Population Affairs

Enclosure

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December 16, 1975

MEMORANDUM FOR THE RECORD

SUBJECT: Meeting with Robert McNamara, President,
World Bank, December 16, 1975

Responsive to my request for a meeting with Mr. McNamara, he invited me to lunch at his office today. On arrival, I was pleasantly surprised to see that his secretary is now Miss Blanche Moore who formerly worked in the EA front office. Our luncheon in an adjoining room in his palatial suite was a *deux*.

When conversation got around to population issues, Mr. McNamara was clear, strong, and unequivocal re the crucial need for greater progress in this field, but he confessed bafflement as to how things could be moved forward. In fact, he felt that in 1970 prospects for advance were brighter than today. Aspirations of that period are not now being fulfilled.

In his opinion, two of the principal obstacles to progress are: (1) attitudes of leaders, together with bureaucratic inefficiency; and (2) lack of means for adequately monitoring and measuring the effectiveness of programs and the determinants of fertility.

After identifying IBRD's extensive involvement in population activities--through loans, studies and reports, and serving (often as chairman) in donor group arrangements--Mr. McNamara said that all these efforts are of little avail if governments do not establish effective programs and give them adequately strong backing. In this connection, he mentioned how President Bhutto of Pakistan is so politically vulnerable that he does not want to get out in front on an issue like family planning which does not have political appeal and where tangible benefits, at least over the short-run, cannot be clearly identified. In other countries, like Egypt, the negative influence of one man can hold up all progress (he did not recall the name of the official in Egypt except that he was an official below the ministerial level). The most hopeless case of all is Bangladesh, where governments keep changing and there is no political stability currently or in prospect.

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This caused him to re-emphasize that the most important single element in any LDC's program for dealing with population growth is a strong stable government, particularly in view of the need for sustained effort and continuity of purpose in dealing with this kind of long-range problem.

Mr. McNamara's comments also reflected his well-known addiction to sound analysis based on factual information. He mentioned Sam Keeney, father of family planning in Taiwan, as a man who had made an enormous contribution to population programs in Taiwan, the Philippines, Thailand, and Indonesia through advice to those governments on a sound, administrative approach to family planning. He thought it was most important that I get in touch with Mr. Keeney on my Asian trip.

Mr. McNamara was skeptical about the value to be derived from the World Fertility Survey since it would be a one-time effort. Continuing evaluation systems are required, and it is up to each of the LDC's facing serious population growth problems to establish more accurate means for data collection and analysis relating to population issues, including fertility determinants.

Mr. McNamara suggested that there should be published biannually a detailed objective monitoring report on progress or lack thereof in world population activities. Such a report would undoubtedly bring out the fact that we are running behind the population clock. Despite progress in a few countries, the general picture is bleak and people should know it. Such a biannual monitoring report should be widely publicized. When he mentioned that perhaps the Population Council or a Canadian research organization was well equipped to do this job, I suggested that perhaps it would come better from an international organization. When he questioned whether UNFPA had the courage and objectivity to do the job, I said that the IBRD itself had done some excellent work on population developments and policies and in any event, if our target was LDC's, especially those afflicted with excessive population growth, the task would best be left to a realistic international body like the IBRD.

Mr. McNamara offered very little in the way of comment on IBRD population projects. He did mention the importance of projects that were within the means of governments to support. He had some doubts about integrated health-nutrition-family planning projects, especially where family

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WBG ARCHIVES

planning might be of secondary interest or might lose through integration with health services. He did not seem interested in discussing how family planning might ride "piggyback" on IBRD-supported construction and other projects. He felt that FP activities actually involved small sums of money and that we shouldn't be stymied by cost factors. The real problem was to get governments to put their backs into the job. They should not rely on costly hospitals and especially on doctors, since trained personnel are scarce and their numbers cannot be increased quickly. He strongly supported concept of trained auxiliaries in the FP field.

I gave Mr. McNamara a brief rundown on my new assignment and the way I propose to tackle the job. His comments, such as they were, were supportive and consistent with my own. He suggested that we meet periodically. Meanwhile, he hoped that Dr. Kanagaratnam, Head of the World Bank's Population Division, and I could discuss these problems in greater detail with particular regard to what the World Bank could do to be of greater help in the population field.

mg

Marshall Green

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DEPARTMENT OF STATE

Washington, D.C. 20520

SUMMARY OF IMPRESSIONS ON POPULATION AND
RELATED ISSUES DERIVED FROM SIX-WEEK TRIP
THROUGH SOUTHEAST ASIA AND SOUTH ASIA

by

Ambassador Marshall Green
Coordinator of Population Affairs

The population situation in Asia may be pretty bleak from a statistical viewpoint; it is more encouraging if one looks at the actual scene as I have done over the past six weeks. Perhaps the best way of summarizing my conclusions is to list the positive factors and then the negative factors. I will then focus on the key problem of how to achieve widespread adoption of a small family norm of two or three children, concluding with certain recommendations.

I. The Plus Side.

(a) All leaders in the seven countries I visited (Philippines, Singapore, Indonesia, Thailand, Bangladesh, India, and Pakistan) favor strong family planning measures.

(b) Family planning has enlisted the active support of a great many dedicated people, especially women working in family planning associations, and as motivators, midwives, as well as doctors and demographers.

(c) There is widespread knowledge of family planning in all the countries visited. Perhaps as many as 90% of the adults have at least heard about it, and there is less and less resistance to the idea of contraception.

(d) Contraceptives are widely available, although they have not come within reach of most people in the more remote rural areas.

(e) There is a gradual lowering of both birth rates and death rates, and an actual decrease in population growth rates in the Philippines, Thailand, and Singapore.

(f) An array of innovative approaches are being introduced or tested out. Many of them offer promise. One deserving special note is the development in Indonesia of wives' clubs at the village level, which promote family planning as well as other community services.

(g) Biomedical research is particularly active in India and Singapore. There may be some important breakthroughs in contraception, although the period of testing involves many years.

(h) There seems to be wider understanding and interest in population issues in all our missions. Some of our best officers are working in the population field.

II. The Negative Side.

(a) Unemployment and underemployment are growing rapidly in all countries, and environmental deterioration is serious. Perhaps the most glaring aspect of Asian overpopulation is the surge of humanity into cities that are already choked with migrants from the countryside. This could have serious social and political consequences.

(b) Obstacles to reducing fertility rates persist: Traditionalism, ignorance, fears, male machismo, and the desire for many sons to provide for their parents in their old age.

(c) Administrative difficulties. The need for more men and women of managerial competence to carry out effective national development programs, including family planning.

(d) Overconcentration of doctors and nurses in the big cities: 40% of all Philippine doctors are in Manila, 60% of all Thai doctors are in Bangkok, and 80% of all Indian doctors are in the large Indian cities. Perhaps one-half of the new doctors in some areas are migrating abroad. As a result, there is a lack of rural medical staffs and hospitals or of centers for the delivery of integrated health/family planning/nutrition/sanitation services through the countryside and for the local training of paramedics in areas where they live and should work.

(e) Massive health and sanitation problems, and the need for greater efforts in the field of preventative medicine.

III. The Key Problem Is How to Achieve Widespread Adoption of a Small Family Norm of Two or Three Children.

Repeated opinion sampling in Asia shows an average desire for four children. (Some will dispute this conclusion, but it was certainly the answer I got when I posed the question hundreds of times along the trip.)

Now it is progress to have a desired family size of four rather than six, but four is still too many, particularly since ignorance, carelessness, or whatever adds a fifth, sixth, or seventh child above the claimed desired norm of four.

There can be the best contraceptive supply system. There can be the best means of contraception. But if people, for whatever reason, want to have two or three sons as a minimum (picking up several daughters in the process), then the problem is not going to be licked--only mitigated to an uncertain extent.

So how are people going to change their attitudes? Well, of course, education, information, better rural outreach of supply, etc., are going to help. Better integrated health/family planning/nutrition will also help in the longer run, although family planning and growth rates may suffer in some places over the short term. Better economic development, including rural electrification, has reduced birth rates in several areas through stimulating a desire for better conditions of life, which includes limiting family size to achieve that aim.

So all of these conventional approaches offer hope in the long run, but the problem is how to get things going faster in the short run. Three principal lines of attack seem to be particularly successful in achieving accelerated progress. They are:

(a) Strong direction from the top. The national government makes its position clear and strong, maintaining discipline down the line to get things done. East Java's success in lowering population growth rates

to 1.4% today is due in large part to wise, strong leadership, including that of Governor Noer.

(b) Strong grassroots movements from below. I already mentioned wives' clubs and other community-type approaches which are succeeding in a number of areas. It is essential to root family planning in the social-economic-cultural milieu of the people in their villages. This also creates peer pressures to restrict family sizes in the economic interests of the community.

(c) The "loving-tender care" approach at the middle. This involves getting enough competent multi-purpose health workers, including midwives, at the village level who can tend to the general simple health needs of the village and can individually advise women in that community on family planning from the time of marriage, to the birth of the first child (advise on spacing for health of mother and child), and to various forms of contraception, including free voluntary sterilization when the desired family size is reached. This is the kind of individual attention that is producing some very good results in the communities where they have able paramedics. It does require clinic and hospital back-up and therefore involves considerable expense. But it is in the long run the most humane and perhaps effective way.

All three approaches seem to be simultaneously required if results are to be most satisfactory.

IV. Recommendations.

Our approach to the population issue must be based on mutuality and respect for the rights and duties of other countries in developing their own policies and programs. Every country faces somewhat different problems whose solutions must accommodate to the realities, peculiarities, and circumstances of that particular country.

We cannot solve the problems of Asia, or Africa, or Latin America. We can, however, help the problem solvers of Asia, or Africa, or Latin America.

Clearly, the American people want to be of help in improving conditions of life for men and women in desperate need. Hundreds of charitable, medical, education, and church groups in our country demand action to assist, as does our own Congress which every year

admonishes the Administration to ensure that our AID programs benefit poorer people around the world and not line the pockets of the rich or the corrupt or merely respond to short-run political considerations.

In population, of all fields, there is a great opportunity for the United States and other donor countries, as well as international organizations and private groups, to lend an even more effective helping hand.

The United States welcomes moves that are being undertaken, albeit belatedly, in every country I visited to integrate family planning with health and nutrition. People are far more receptive to this approach, which is logical and humane. It is also cost-effective in the long run since all three--health, family planning, and nutrition--can be served by one administrative structure, with doctors and health workers in a position to perform all three services. ✓ *Inds*

Questions have been raised with regard to the amounts of food aid we should be giving to countries in need. Unquestionably, we should help avert famine. However, we must find the optimum levels of assistance, lest by giving too much food we detract from the efforts and stimuli of receiving countries to maximize their own food production.

Because unemployment looms as such a major problem in Asia and elsewhere, a strong case can be made for increasing our food-for-work programs under Title II. Title II involves more administrative problems than Title I, but Title II has the advantage of translating life-sustaining food into useful projects like irrigation which helps receiving countries increase their own food production. But we also need to increase the proportion of population assistance funding, vis-a-vis food aid, to have optimum impact on resolving the larger problem.

A compelling case can be made for allocating more funds for applied biomedical and population sciences research than we are today, and our efforts and those of other countries should continue to be carefully coordinated to lend maximum effective assistance to the ✓

total worldwide effort, especially to find inexpensive, effective means of contraception that are safe, widely acceptable, and do not depend excessively on expensive medical structures. I sense that we are all on the threshold of some important breakthroughs in this field. ✓ Because safe testing takes years to complete and because the population problem is getting so acute, funding efforts should be front-loaded. What is achieved in the near future is going to have a far more dramatic impact on the problem than that which is achieved several years later.

Finally, our support must be extended through various channels--bilaterally in some cases, multilaterally in others, using government channels in some cases and voluntary organizations in others. The United States continues to be by far the largest single donor in the field of population activities, though our percentage of the total world effort declines somewhat every year. That is as it should be. We should press other countries to contribute more, but we will not be effective in doing so unless we continue to give enough--and that means more than we are doing today. Receiving countries, too, should give population programs greater financial support.

I am firmly persuaded that, if we recognize the realities of the population problem as I have sought to outline above, we can expect better support for effective population programs both in our own country and amongst other donor countries.

In the last analysis, the main problem is not ours, but that of receiving countries. But for those who want our help and deserve it, we should never be found wanting. We all have too much at stake to do otherwise.

V. The Missing Ingredient--A Final Recommendation.

My travels through Asia deeply convinced me that the community approach has been the missing ingredient in most programs. I refer to strengthening local communities--usually the village--and creating within that village a spirit of social and economic cooperation.

People do not understand macro-economics--and will not respond to arguments based on national economic considerations--but they do understand and care for those things that happen within their own visible horizons. In other words, they do understand community needs and social and economic factors--or if they don't they can

learn to understand. As one of our AID officials said in Indonesia: it is a matter of turning on the villagers by their assuming responsibilities for themselves.

Besides, national governments and provincial governments come and go--

Individuals come and go--

But communities go on forever.

We all know how population programs must continue for many years before they really take effect--and that is one more reason why the carrying out of national population policies should be left to the maximum extent possible to the communities. Naturally, the existence of a strong village social and political structure makes this approach far easier to attain. Peer pressures develop within that village for restricting the size of families, since there is widening awareness that excessive family sizes impair the social and economic prospects for the community. A solid village organizational structure also provides effective means for accurately registering births and deaths in a village, as well as for distributing contraceptives and for monitoring their use.

For those concerned with authoritarianism in Asia, it would be most welcome if democracy could thrive at least at the village level, with people making more and more decisions about the day-to-day issues of their villages that immediately affect their lives.

Throughout my trip, I found myself continually drawn to village life--and I have seen more of Asian village life than I have in 37 years of diplomatic service.

I am convinced that, while the community approach may not be the answer, it is an important part of any answer.

It is often surprising what people can do collectively when they are given a bit of leadership and encouragement to act. That will probably have to come from the outside at the outset, but it will unlock, I am sure, in many communities, capabilities that are already latent and only need to be released.

March 1976

THE WORLD POPULATION CRISIS: THE AMERICAN ROLE

Ambassador Marshall Green
Coordinator of Population Affairs
Department of State
to the
Cleveland Council on World Affairs
Cleveland, Ohio

March 30, 1976

I. DIMENSIONS OF THE CRISIS

The world population passed the four billion mark last Saturday, according to the Population Reference Bureau. It took us from the dawn of time until the year 1830 to reach the one billion mark. A hundred years later in 1930 we were two billion; thirty years later in 1960 three billion; and today we are four billion. It now looks as though we will reach five billion in 1987 and six billion in 1997. Longer-range projections of population at current growth rates produce horrendous results. "Some day there will be standing room only," announced one of our officials to an audience in Vermont. From the back of the room an elderly lady observed: "Well, that ought to slow 'em down a little."

The world population crisis has been generated, not by any general rise in birth rates around the world, but rather through a sharp drop in death rates. Thus, one of mankind's greatest successes--a massive

reduction in death rates over the past century due largely to scientific and technological advances--has paradoxically provided the seeds of what could be mankind's greatest disaster: excessive population growth. There seems to be a general, widespread awareness of this fact but not enough action. For it is also paradoxical that this issue, so intimately involved in sex, seems to have so little sex appeal.

There is a certain intractability about the population problem that defies analogy with any other issue on the world's agenda. Environmental pollution, for example, smarts our eyes, fouls our rivers and lakes, creates health hazards. We are accordingly compelled to take immediate action--even legal action. The arms race and nuclear build-up involve massive risks that demand the immediate attention of world leaders and entail enormous costs that fall directly on taxpayers who react.

But the population explosion? It can't even be heard. Yet, everyday it produces a net increase of 200,000 inhabitants on this limited planet.

Too many people still see population as someone else's problem, not their own--or something that we can think about tomorrow, for today there are too many other issues demanding our full attention. Such procrastination can only lead to disaster for us all, wherever we may live.

Impact on Food Supplies

Perhaps the most recognizable challenge of rapid population growth will be whether there will be enough food in the years ahead, particularly for poorer nations which are not now self-sufficient in food production. What will be the fate of those countries as population presses increasingly against the limits of available land, water, and agricultural capital as well as other resources? Some commentators believe that today between 10 and 20 million people die annually from causes directly or indirectly related to undernourishment. World food reserves are at their lowest levels in years. Fish stocks and catches have peaked and are now declining.

Yet, population growth entails ever-growing demands for food. Whether or not these demands can be met will depend not only on increasing food production but also on success in limiting population growth. Unless the developing countries can do this, their annual import requirements of cereals will exceed 100 million tons by the end of the century. Apart from the question of whether developing countries could pay for such levels of food imports, there is

the question of whether such levels would be available for export. Much of the world is increasingly dependent on the United States and Canada--one geographic-climatic zone--for food imports. North American grain exports for 1976 are estimated at 100 million tons, but most of these exports go to Europe and Japan. So how can anticipated food demands be met in the decades ahead? Only through increasing world-wide food production and lowering population reproduction.

Impact on Environment

No doubt the main cause for global pollution has been industrialization and rising living standards. It is thus the developed, not the developing, countries which have been the principal polluters. But in the developing countries, efforts to increase food production for growing numbers of people often result in deforestation and floods, the overgrazing of land and the advancing of deserts, and the encroachment of expanding urban areas on former food-producing land.

Social, Political Impact

Less evident are the social, political, and strategic consequences of excessive population growth.

Today, migration from rural areas to cities is often a disruptive factor in developing societies. The current surge of humanity into already overcrowded cities overtaxes social, education, and sanitary services and contributes to urban unemployment, juvenile delinquency, crime, and social unrest. The latter often translates into political difficulties resulting either in chronically weak and therefore politically unstable regimes or increasingly authoritarian governments. Friction and even wars between nations have often been marked by population pressures, and we now live in a world where nuclear weapons are proliferating.

Impact on Economic Development

Many developing nations argue that the key solution to reducing population growth rates is economic development, and it is true that economic development has usually--but not always--been attended by drops in birth rates. On the other hand, population growth rates in many countries make it all the more difficult for those nations to achieve their economic goals.

Rapid population growth has an adverse effect on almost every aspect of economic and social progress.

Specifically, it:

- lowers per capita GNP growth rates,
- absorbs large amounts of resources needed for more productive investment in development,
- increases the income disparity between rich and poor,
- reduces family savings and domestic investment,
- absorbs large amounts of scarce foreign exchange for food imports (or the loss of food surpluses for export), and
- intensifies unemployment and underemployment in many developing countries where not enough productive jobs are created to absorb the annual increments in the labor force.

Virtually all countries have population problems of sorts. We in the United States are no exception, as the recent report on "Population Growth and the American Future" by the Rockefeller Commission points out. In the United States, there has been a drop in the birth rate to parallel the drop in the death rate so that our rate of increase is now only about .7 percent. But we do have distribution problems so that some areas, particularly our larger cities, are

showing strains in providing government services to an increasing number of people within limited budgets, have serious pollution problems, and seem increasingly threatened by crime. We also face some increasingly serious issues created by the rapidly growing populations of countries to the south of our own. Yet, our interest is focused most sharply on the population problem around the world for the many ways in which it will affect the entire planet.

II. THE U.S. ROLE

Perhaps we spend too much time dwelling on the magnitude of the population problem and not enough time focusing on the real question: What can be done about it? It is my conviction that something can be done about it--otherwise I would not have taken on the assignment of coordinating population affairs and chairing the newly established U.S. Interagency Task Force on Population Policy. This Task Force, which includes representatives of sixteen U.S. Government agencies, has international (not national) responsibilities. Its creation exemplifies our concern with worldwide population issues.

It would be dangerously simplistic to suggest that the many problems I have already discussed like food shortages, environmental deterioration, static economic development, social unrest, and political extremism can be solved by controlling population growth alone. There are many other issues that must be taken into account, but population problems are deeply involved in them all.

The United States' approach to world population issues is based on mutuality and respect for the rights and responsibilities of other countries in developing their own policies and programs. Every country faces somewhat different problems whose solutions must accommodate to the realities, peculiarities, and circumstances of that particular country.

We cannot solve the problems of Asia, or Africa, or Latin America. We can, however, help the problem solvers of Asia, or Africa, or Latin America. They are the ones that must take the lead, speak up clearly, and commit adequately of their own resources in dealing with their problems. We stand ready to help.

We also recognize that there is no single solution, no simple solution, and no short-term solution to the population problem. It is one that calls for the combined talents of scientists, economists, doctors, educators, government workers, and private voluntary organizations. Above all, it calls for greater involvement of leaders and diplomats than there has been over the past several decades.

The stage has at long last been set for more effective action by the nations of the world. One hundred and thirty-six nations agreed in late 1974 at the World Population Conference in Bucharest on a so-called "World Population Plan of Action" which calls upon nations to establish population policies and to recognize the right of every man and woman to plan the size of their families and to have the means for doing so. In short, family planning has gained worldwide acceptance.

Today, many countries have drawn up sound population policies and programs. Family planning has enlisted the active support of many leaders and a great many dedicated people, especially women working as doctors, demographers, midwives,

motivators, as activists in family planning associations, and above all, as mothers. Knowledge of family planning is widespread, and means of contraception are ever more widely available, although they have not yet come within reach of most people in the more remote rural areas. As a result of these developments, there has been a gradual lowering of both birth rates and death rates in many countries and an actual decrease in population growth rates in some countries.

Having said all this, success or failure in dealing with excessive population growth lies, in the last analysis, with decisions and actions taken by the individual. What motivates the individual to have as many children as he or she has? What does family planning mean to the poor man or woman who sees many sons as the only road to old-age security? How do educational levels impact on the problem? To what end do better health and nutrition, especially of children, tend to reduce fertility rates? All these items and many other factors will have a direct or indirect bearing on the individual decision.

Thus, our general contributions to social and economic development will, at this most basic level,

have a salutary impact on the population problem, quite apart from their other virtues or advantages. But we also know that overall development is not likely to proceed fast enough to have a decisive effect on slowing population growth. Indeed, economic growth is sometimes not sufficient to keep up with growing population with the result that per capita standards of living decline instead of improve.

The United States, accordingly, welcomes moves that are being undertaken in many countries to integrate family planning with health and nutrition. People are far more receptive to this approach which is not only humane but also cost-effective in the long run, since all three--health, family planning, and nutrition--can be served by one administrative structure, with doctors and especially other health workers in a position to perform all three services.

The United States also welcomes movements in many countries of the world to strengthen the local communities--usually the village--and to create within that village a spirit of social and economic cooperation. Among many other advantages, family

planning has better chances of success when it is rooted in community life and when people can see within their own visible horizons how limiting family size improves health and economic prospects for everyone in that community.

The very permanence of the community is an important consideration. National governments come and go. Individuals come and go. But communities go on forever. We all know how population programs must continue for many years to take real effect. A solid community organization also provides effective means for group involvement and mutual hand-holding, as well as for making family planning services locally available, and for monitoring and encouraging their use.

We recognize the great importance of increased efforts in the fields of biomedical and population sciences research. We will continue carefully to coordinate our efforts with those of other nations and international organizations with a view to finding family planning methods that are safe, widely acceptable, and do not depend excessively on expensive medical structures. Because safe testing takes years to complete and because the population problem

is so acute, what is achieved in the near future is going to have far more beneficial results than than which is achieved several years later.

In the long run, what we and other donors can do to be of help will be minimal compared to what a country does to help itself. Obviously, we cannot give support unless such support is requested. Types and amounts of support must then be determined on the basis of need, effective utilization, as well as what the assisted country is doing to help itself.

The United States population assistance has totaled over \$800 million in the past ten years, reaching a high of \$125 million in FY 1973, decreasing to \$110 million in FY 1975. We aim to reverse this downward trend this fiscal year, though Congress will have the final decision. We are seeking to encourage other donor nations and international organizations to be more generous; and they are likely to do more if we do more, as indeed we should in terms of this critically important world issue. We see this increasingly as an undertaking that requires the combined efforts and contributions of many countries and even greater involvement and support for the

United Nations Fund for Population Activities, the World Health Organization, the United Nations Development Programme, the World Bank and the Regional Banks, UNICEF, as well as private groups like the IPPF and the Population Council. I want to pay special tribute to the many Americans who give their support to private voluntary organizations that are doing a great service for humanity.

It so happens that countries facing the gravest population issues are the ones most in need of help: not just in family planning, of course, but in food, agriculture, education, health, and development generally. For those who want our help and deserve it, we must not be found wanting. We all have too much at stake to do otherwise.

Ladies and gentlemen:

To this formal statement of our Government's policy on world population issues, I wish to add a personal footnote.

I have just returned from a round-the-world trip that took me to the big population countries of Asia. There, in the course of six weeks, I visited more

villages and city slum areas than I did in my 37 years of diplomatic service. I finally saw the real Asia, which has always been there, but I had been passing on the other side of the street.

My travels deeply convinced me that we all must pay far greater attention to what is happening in the villages of the world, which is where most Asians, Africans, and Latin Americans live. Already there are dynamic stirrings in the villages of Asia for men to break free from apathy and hopelessness and for women to break free from the servitude of endless, timeless, and mindless childbearing. There are the beginnings of wide interest in responsible parenthood; and in some countries, like Korea and Indonesia, family planning is actually spearheading community development and promoting village political life. This is a vast undertaking, and yet it does not depend on impossibly large sums of money--after all, worldwide, less than half the cost of one aircraft carrier is being spent each year on family planning by all the governments and private agencies of the world, donors and recipient nations alike.

What it does require is the involvement of people in solving their own problems. Unquestionably, the two most encouraging things I saw on my trip were: the great numbers of people--especially women--interested in responsible parenthood, and the opportunities for improving conditions of life through strengthening the political, social, and economic life of the villages--in other words, community development including family planning.

I am convinced that, while the community approach may not be the answer, it is an important part of any answer. It is often surprising what people can do collectively when they are given a bit of leadership and encouragement. That will probably have to come from the outside at the outset, but it will unlock in many communities capabilities that are already latent and only need to be released.

Let me take you finally to the poorest country of Asia, to a country sometimes referred to as a basket case: Bangladesh. This is a nation of 83 million souls living in the deltas of the Ganges and Brahmaputra Rivers--a nation the size of Wisconsin that hasn't got a rock, a stone, or a

pebble, for it is all alluvial soil. Our Embassy's fact sheet will tell you that there are 1200 people to the square mile, but during the annual floods, there are 25,000 people to the square mile of unflooded land, which is then shared with even greater numbers of cattle and snakes. Many of these people are condemned to die if family planning is not far more widely practiced than it is today. The Bangladesh Government knows it and is realistically seeking to act, though the time is late.

I look back from the extremities of my trip haunted by a memory, an ineffaceable memory, of the visit to a little riverine village in the heartland of Bangladesh. I was surrounded by swarms of children, and I remember particularly the upturned face of a little girl who never looked away, smiling, and holding in her arms a baby brother plagued with an eye infection. He kept rubbing his inflamed eye with the back of his hand. But the little girl kept smiling--a madonna of tomorrow.

I can never accept that these children are basket cases.

There is hope, but only if there is responsible parenthood. This is our concern and everybody's concern, but it is up to the nations and people of Asia and elsewhere to get on with the job.

We stand ready to help to the extent they seek, need, and properly use that help.

492/1/8

February 28, 1976

Dear Chuck:

Upon my return to the office earlier this week, I called to discuss with you the concept of an International Resources Bank, which you outlined in your letter dated February 14. When I found that you were out of the city, I asked Ernest Stern to be prepared to provide comments to members of your staff. Following your return, perhaps you could arrange for them to get in touch with him.

I had also hoped to report to you upon the status of the World Bank's Selective Capital Increase, which Henry Kissinger discussed with me and which I understand he also discussed with Bill Simon. I shall be leaving for Latin America Tuesday, to be gone approximately ten days. I hope we may meet together shortly after my return to discuss this and related matters.

With best wishes,

Sincerely,

Robert S. McNamara

The Honorable
Charles W. Robinson
The Under Secretary of State
for Economic Affairs
Washington, D. C.

cc: Mr. Stern

RMCN:bmm

UNDER SECRETARY OF STATE
FOR ECONOMIC AFFAIRS
WASHINGTON



February 14, 1976

Dear Bob:

Sometime ago I mentioned to you our interest in developing a concept of an International Resources Bank and later the idea of a Special Multilateral Energy Fund to stimulate exploration and development of oil and gas projects in the developing world. I am enclosing a skeleton outline of one way in which the Energy Fund might be used to encourage oil and gas projects. This could provide the supplemental source of foreign exchange earnings for some of the developing nations and at the same time influence the oil supply/demand balance which could serve to moderate future oil price increases.

I know that you have members of your organization who are expert in this field, and it would be very helpful to us to have their views regarding this idea, which is in an embryonic stage.

Regards,

Sincerely,

A handwritten signature in blue ink that reads "Charles W. Robinson".

Charles W. Robinson

Enclosure:

"International Resources Bank"

The Honorable
Robert McNamara,
President, International Bank for
Reconstruction and Development,
701 - 19th Street, N.W.,
Washington, D.C. 20433

INTERNATIONAL RESOURCES BANK

The Problem

Political risk is inhibiting the flow of private sector investment, technology and management into the development of raw materials and energy in many developing countries.

A Proposed Solution

The creation of an International Resources Bank (IRB), including an Energy Fund, under the aegis of the World Bank that would develop programs to mitigate this political risk.

A Suggested Model for the IRB

1. Capitalization, in equal proportions, by OPEC and industrialized nations.
2. An IRB Governing Board composed of representatives of OPEC, industrialized and developing countries.
3. An Energy Fund within the IRB. Its purposes would be to create a new psychological environment regarding the development of additional energy supplies and to bring existing energy sources into production so as to alter the existing energy supply-demand balance and energy prices.
4. The Energy Fund might operate within the following framework:
 - A private company or consortium of companies, the host country, and the IRB would agree on a plan to explore for new sources of energy in the host country.
 - The expense of exploration would be borne by the company or consortium.
 - If new sources of energy are discovered, the company or consortium would be entitled to an agreed percentage of the off-take from the project for their role in its discovery.
 - The company or consortium discovering the new energy source would implement a previously agreed arrangement with the host country to supply management and technology to develop and operate the project for a fixed fee or a percentage of the profit or product, thus sharing the technical and commercial risk with the government or host country entity involved in the project.

-- The IRB would provide the capital necessary to develop the new energy source, taking bonds (guaranteed by the borrowing government or the government of the country in which the project is established) denominated wholly or in part in terms of petroleum (and gas). The amount of product represented by these bonds would be indicated by a price formula, or the market price at the time the bond is redeemed. The bonds would bear interest commensurate with their lack of political risk.

-- The bonds would be sold by the IRB to the company or consortium managing the project, to other private companies or to governments, who would accept the commercial risk.

-- The IRB would sell the bonds with recourse as to political risk. That is, if the borrowing country failed to honor the bond or took arbitrary action that prevented the company or consortium from benefitting as agreed, the loss would be borne by the IRB.

Such an Energy Fund could accomplish the following objectives:

1 -- Encourage exploration for new sources of oil and gas in high political risk areas.

2 -- Establish a firm program for companies to new sources of energy free of political risk.

3 -- Immediately create a more hopeful climate in developing and developed countries regarding the development of additional energy supplies.



THE VICE PRESIDENT
WASHINGTON

492/1/7

February 17, 1976

Dear Bob:

Ed Logue and I have been talking about your proposal to reduce urban poverty in developing nations. Ed told me how much he admired your speech on this subject to the World Bank Governors last September. He is particularly fascinated because of his experience as Chet Bowles' staff assistant in '52 - '53, and then on the Calcutta study for the Ford Foundation when Chet was out there again in '65.

I just have to say that Ed is a man of extraordinary talents and abilities - one of the most creative and imaginative people I know. He did a superb job setting up the UDC, and, of course, his record before that in Boston was excellent. I have the highest regard for him, and I can't help but think that he would be uniquely qualified for the urban poverty program you had in mind in your September speech.

You may have already completed your planning for this program, but, if there is any possibility at all that Ed could play a key role, as either a senior executive or a consultant, I would be delighted to come to talk to you about him. He is at Penn part-time this Spring, and available full-time in May.

With deep appreciation and warm regard,

Sincerely,

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

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WASHINGTON THE VICE PRESIDENT

WAS/1/7

February 17, 1976

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With deep appreciation and warm regards,

Sincerely,

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Washington, D.C. 20435
1818 H Street, N.W.
The World Bank Group
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INCOMING MAIL UNIT
The Honorable Robert McNamara
President



united nations
nations unies
naciones unidas

92/1/6
IBRD/IDA
world food council
conseil mondial de l'alimentation
consejo mundial de la alimentacion

HEADQUARTERS
Via delle Terme di Caracalla
00100 ROME
Cable: FOODAGRI ROME
Telex: 61181 FOODAGRI
Telephone: 5797

NEW YORK LIAISON OFFICE
U.N. Headquarters
NEW YORK, N.Y. 10017
Telephone: (212) 754 - 1234

Rome, 5 February 1976

Dear Bob,

The International Fund for Agricultural Development took a good many steps forward these past two weeks. Monty Yudelman will be able to give you a full report. It looks now as though the Fund will be a reality in a few months. Its final shape and character will depend, of course, on the Preparatory Commission to be set up by the Meeting of Plenipotentiaries and on the management selected for the Fund.

With this major landmark largely behind us we can now devote more of our attention to the World Food Council and preparations for its next session in June. In this connection I want to return to the issue I raised in my January 8 letter to you: the possibility of your funding an additional staff member for us during the remainder of 1976.

For reasons too complex to explain in this letter we do not have the competence, geographical distribution, nor organizational objectivity we need for successful, substantive preparations for the next session. Harry Walters has literally searched the world for a minimum staff with the right qualifications to do the job and has come up with some very good people. The small provision for new staff allowed in our UN budget, along with a modest grant from the Clark Foundation, will cover most of these on a short term basis, but I very much count on you to help us with one person.

Last year you indicated you would consider providing a second person through the next Council session. The uncertainties surrounding the Council, its staffing, funding and even the substance and timing of its next session made it pointless to bring anyone aboard until early this year. Some of these uncertainties still plague us, but we must now move quickly.

/2.....

Mr. Robert S. McNamara
President
World Bank
1818 H Street N.W.
Washington 20433

*4/2/76
Liaison
2/24/76*

There is a very capable young Ethiopian, Tesfai Teclé, who recently took an assignment with FAO, having had to leave Ethiopia unexpectedly because of the turmoil there. Walters originally came across him at the Bank. He worked with Uma Lele on the African Rural Development Study and is well thought of by John Mellor, Jim Hendry and others. He did his graduate work at Cornell and has been working actively in rural development in Ethiopia.

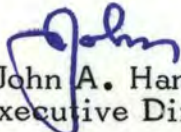
We need him urgently and can obtain him about mid-February, but we do not have the budgetary flexibility to do this now nor is it possible or appropriate that he be loaned to us from FAO. I hope you will consider our hiring him with your underwriting the cost rather than requesting an additional person from the Bank. This should be less disruptive of your operations and, since Teclé is already located in Rome and has a modest grade considering his abilities, there should be a number of advantages to this arrangement. His contract with FAO is at the P-3 level.

In view of the disruptions Teclé has already experienced and since he has only recently (about 5 months ago) joined FAO, it is imperative that we provide him with something more permanent than a few months appointment. I therefore want to assure him a position through the end of this year, which I am not able to do without your help. Beyond that I will tell him that if he is as useful as we expect him to be, he can reasonably expect that there will be a continuing role for him with the World Food Council.

If this has your approval we will ask FAO to assign Teclé to the World Food Council for the next several months with the assurance that eventually the World Bank will reimburse FAO for his salary, etc. As you may know, FAO has in effect a "freeze" on all personnel. We will work out arrangements in such a way so as not to complicate the problem for Ojala's department. After a few weeks, when the "freeze" is lifted we may want to suggest that from that time forward we may prefer to have the Bank pay him directly. When and if that time comes, we would hope we can provide some compensatory adjustment that will provide him with an economic incentive for his transfer to our staff.

I expect to be in the USA the latter part of this month and will try to arrange for a personal visit with you.

Sincerely,


John A. Hannah
Executive Director



OFFICE MEMORANDUM

File

TO: Mr. Robert S. McNamara

FROM: Eugene H. Rotberg *EM*

SUBJECT: Merrill Lynch

DATE: January 16, 1976

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STRICTLY CONFIDENTIAL

WBG ARCHIVES

This refers to your memorandum of January 14. I thought it would be useful to set forth my first reactions, though I do not wish to make a firm recommendation to you at this point. I have taken the liberty of sending this note to Dave Sommers. Dave would be particularly helpful in suggesting alternative ways of accomplishing the objective which you might seek should you decide to go forward with the change.

By way of introduction I might note that some of the points involve mixed questions of fact and opinion; others, with some research, can be proven or disproven; a few reflect my own personal evaluation of the way others will look upon the proposed change and these views, of course, may not necessarily be shared by others.

PRO: Appointing Merrill Lynch as a Managing Underwriter

(1) There will be a wider distribution of our bonds. Merrill has an excellent penetration of the small and medium-size institutional market. These institutions do not now buy World Bank bonds. They are located in the Mid-West, South and Far West. Further, Merrill is the only firm which can place bonds with individuals. They have over 200 branch offices and 6,000 salesmen. Our bonds are rarely sold to individuals as our managing underwriters do not have a branch office system. The other underwriters in the syndicate find it time consuming and, therefore, unprofitable to solicit individual accounts for the relatively small gain which might accrue to the salesman. Merrill Lynch's mass marketing concept on the other hand permits them to solicit and work with individual customers.

(2) The increased number of buyers, in absolute terms, will increase volume in the secondary market as these new buyers will sell, switch, and buy against other securities in the secondary market. They will do so through Merrill, who will facilitate such trading through their market-making role.

(3) Since Merrill will tap a new source of buyers (medium-size institutions and individuals), there is a greater probability that our bonds can be placed in any market environment, e.g., where there is little institutional interest but substantial individual interest; when the economy is retrenching under conditions where the cash flow into medium-size institutions has not yet been interrupted, etc. Under our present arrangements, it would be difficult, if not impossible, to market our bonds without large institutional support in the bond markets.

(4) Merrill will make a strong secondary market because they have the capital to do so. They will commit that capital in buying World Bank bonds

from their customers, holding the bonds when necessary and, most important, swapping them against government securities - a market in which they are an acknowledged leader.

(5) The increased base of buyers will add to the Bank's political support as we will create a financial link between the World Bank and middle-America. This will enure to our benefit as the development of a broader financial base will inevitably lead to political support for the Bank and IDA. Merrill will market the Bank's name and in so doing will add to the public awareness of the role of the Bank. That knowledge will increase the overall consciousness of the American public for the need for development. Merrill is an ideal vehicle for effective conscious raising.

(6) Merrill will force the other managers to find new buyers as Merrill will call on and solicit many of the same customers. The natural process of competition for such customers will force our traditional managers to push harder and look more assiduously for new buyers.

(7) Merrill's reputation is not, in fact, sufficiently established. Therefore, they will work very hard to avoid failure. They, too, have an image problem in that they are considered by institutional investors more like Woolworth's rather than Abercrombie & Fitch. One way for Merrill to change that image is to perform well and continuously for an elegant institution.

(8) Merrill is permanent. Since they are a public company, their capital cannot be withdrawn. Thus, there is continuity in their operation. More important, there is no conflict between the managers of the firm spending a great deal of money to enhance efficiency and productivity and the owners of the firm. Efficient expenditures of time and money will enure to public shareholders; that is the job of their management. Non-publicly held companies are reluctant to spend money on "image studies," computer technology, management and marketing training for their sales force, etc., since these direct cash outlays are in fact expenditures which are made from the private capital contribution of a relatively few wealthy, elderly Wall Street entrepreneurs. That's not a good situation and leads to an inefficient husbanding of capital by privately held firms.

(9) Merrill Lynch has about 30 offices overseas which will assist in the placing of both dollar bonds and our bonds in other currencies.

(10) Finally, unless Merrill is made a managing underwriter, we will get few of the benefits described above as their capital is finite and already fully employed. Merrill will spend time, energy and money only when it feels that the client has offered or given them something in return, either in terms of direct monetary rewards or prestige which, in turn, over time, translates into such monetary rewards.

CON: Appointing Merrill Lynch as Managing Underwriter

(1) The addition of Merrill Lynch will seriously weaken all incentive and motivation for our other three managers. The change will be looked upon by them as a rejection of their performance and, in particular, their performance in the most recent issue. That would be unjustified. ?

(2) Our current managers have not failed.

(3) The addition of Merrill Lynch will - even if the managers were to technically "stay with us" - be solely profit-centered and that extra driving push, which is really needed to sell World Bank bonds, simply will not be there on behalf of our other managers. We will become just another client and Merrill cannot do the job alone. ?

(4) If any one of our current three managers were to walk out, either voluntarily or involuntarily, that firm, in order to protect its own reputation, will inevitably poor-mouth the Bank. Both of us will be losers. Our image is not such that we can afford a confrontation with investment bankers in the minds of the institutional investor. We have enough problems trying to convince institutions that we are not a social welfare agency. A rejection by an investment banker will hurt badly.

(5) The increased distribution of bonds will amount to nickels and dimes. While Merrill may come up with an additional 500 customers (see the number of trades they did and the size of those trades), the aggregate volume of "additional" business will be minimal. After all, we do have over 100 underwriters. Merrill duplicates their activities. What will Merrill cover that they aren't covering, other than the individual accounts? ?

(6) Individual customers are fickle. They generally buy bonds only when yields are 9 1/4% or more and otherwise rarely enter the bond market. In future years they will even be more selective, particularly if they have alternative investments in high-yielding or shorter-term instruments. They would even be bond buyers were the stock market viable for the last 3-4 years. There is no issuer in the world, other than the possible exception of the United States Government - and even that is doubtful - which has any substantial support from individual investors with respect to debt securities. The World Bank's real problem is its public image and there is not enough profit available to Merrill Lynch or anyone else to sell World Bank bonds efficiently to individuals and small institutions. The Bank is too complicated; there are many biases concerning it and the least sophisticated need the most education. Merrill will make 10 times as much profit by selling mutual funds or bond funds to these kinds of potential buyers, since solicitation in these markets will always be easier, cheaper and, therefore, more profitable to Merrill. Why not sell AT&T for the same profit, rather than having to spend hours with each small client to explain the Bank. Merrill's strengths are theoretically sound but in practice we won't get anything substantial out of it.

(7) Merrill is an aggressive hard-sell institution and, while that has some obvious advantages, they spend more time selling themselves to issuing clients than to customers. As you may observe, they showed no interest in the role of the Bank. Merrill has no "emotional commitment" to the Bank and will have none. We will become an available item of merchandise. Little else. Over time that will hurt our image more than help us. ?

(8) Merrill admits taking no risk. It doesn't like to hold securities in position and, therefore, is a high-turnover operation. This is shown by the fact that their major business is in telephone, utilities, and governments. Note that they commented with not inconsiderable admiration about Salomon Brothers' willingness to take positions and hold them. That is what is meant by use of capital which benefits an issuer -- not the setting up of branch offices which function as intermediaries between the investment preferences of customers. ?

(9) Merrill Lynch is too aggressive and cannot work with other firms. Their power causes them to be domineering. It is indispensable for the World Bank to have managing underwriters who work exceedingly close with each other.

(10) Merrill will drop the Bank implicitly (not explicitly) if there are better opportunities elsewhere. And there always are better opportunities. The reason is that Merrill has a variety of services to offer which are exceedingly profitable (selling odd lots, over-the-counter business, institutional commission business, sale of mutual funds, commodity trading, etc.), none of which are available options for our other three managers who cannot shift away from the World Bank or from any other major issuer and remain profitable.

(11) Merrill has little "class". By that is meant that Wall Street could interpret our choice of Merrill as our needing a mass marketing approach. This will be interpreted as a sign of weakness. It could well be said, and with considerable support, that since we cannot convince the large sophisticated institutions to buy our bonds, we now seek to attract the uninformed through Merrill Lynch. Merrill represents the unsophisticated and questions will be raised as to why we find it necessary to form a link with those kinds of potential buyers.

(12) Because Merrill is a public institution with public stockholders, they are under great pressures to maximize their profits. That would be to our disadvantage. If a dollar can be made on World Bank bonds, either in trading them or selling them, Merrill will do so. Why then make them a manager?

(13) If Merrill Lynch is so strong, why is it that Morgan Stanley and Salomon Brothers with one or two offices can essentially duplicate year-in and year-out (in terms of the volume of business done in the bond markets or

Mr. Robert S. McNamara

- 5 -

January 16, 1976

the number of bond issues) what takes Merrill 6,000 salesmen and 200 plus offices. Merrill essentially is getting the residual buyer which doesn't add up to much new money. They won't, in short, solve our alleged problem.

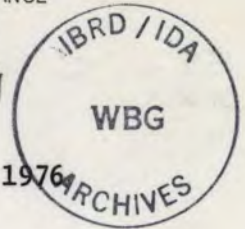
(14) In view of the fact that the World Bank has just finished the largest public issue ever done and has successfully marketed \$1.75 billion in 11 months, all on an exceedingly poor base of trading activity and an absence from the market for years, the change is not justified at this time.

cc: Mr. Cargill
Mr. Goodman
Mr. Sommers

EHRotberg:emk

OFFICE MEMORANDUM

492/9/4



TO Files

DATE: January 14, 1976

FROM: K. Kanagaratnam

SUBJECT: Meeting of External Advisory Panel on Population with Mr. McNamara -
December 17, 1975

Present: Messrs. B. Berelson, A. Chandra Sekhar, Göran Ohlin, F. Sai,
R. Freedman, Warren C. Baum, and K. Kanagaratnam.

1. Mr. McNamara welcomed the Panel members and expressed his appreciation for their readiness to give their time to help the Bank with their advice and guidance. In his view, he felt first of all the need for judgment on how effectively the LDCs are moving to reduce their Age Specific Fertility Rates - which of them are, which are not; of those that are, how are they proceeding to do so? He was very uneasy about the uncertain trend of LDC fertility generally and about the effectiveness of the Bank's approach to reducing it. He was aware of several plausible causal relationships between fertility and socio-economic factors, but uneasy because we do not seem to know about the linkages. This means we do not know where to put the emphasis with any degree of confidence.

2. Mr. McNamara said he hoped the Panel members would look at what we are doing and render advice on what we should do in the future. How and where should we put our money to maximize results? How should we gear ourselves up organizationally to cope with new directions? Are the LDCs moving effectively to cope with the problem?

3. Dr. Berelson (Chairman) reported a good 1-1/2 day briefing by Bank staff on the population work of the Bank and the Panel had learned a good deal. He wanted some guidance on how they should go about their work.

4. Mr. McNamara said he was quite familiar with the past operations of the Bank; he would welcome their views on what the Bank has been doing, but he was more interested in what they think the Bank ought to be doing in the future. As background he suggested the Panel might find it useful to look at the major countries in which we have projects, e.g. India, Indonesia, Iran and Egypt. In looking at the past, it could serve as a guide to the future. Countries have to be helped to be more effective. We have to become more effective ourselves.

5. In response to a question about the post-Bucharest situation, Mr. McNamara said that the central message of Bucharest was not practical of implementation, i.e. to let development reach Western levels so that fertility would take care of itself. However, there are several complexities and paradoxes in the fertility/development equation. For example, why is fertility in Mexico higher than in India, despite the higher GNP in Mexico? The role of the status of women, of male and/or female education, of female employment, etc. in reducing fertility is not fully understood. What shifts within such policies as educational planning might have a fertility impact?

The nutrition/fertility link is probably more direct, through the impact of better nutrition on child survival. As the Bank lends several billion dollars for development projects each year, selective concentration on some of these areas might enhance our effectiveness; but to do that we must know with reasonable certainty that the actions are on the right track. Of course, development "in general" had incidental fertility results; we want to know if selective action can enhance the effectiveness of our assistance, and if so, what this action should be.

6. Some 900 million people live in absolute poverty in the rural areas. In the Bank's work in rural development our present projects aim to double the incomes of some 17 million people in 5-8 years. A by-product of this should be fertility reduction. Our rural lending will subsequently expand to some 100 million people whose incomes will be doubled. Are there more direct fertility-related actions we might take for this group than relying only on general development?

7. Mr. McNamara emphasized that we need to mobilize all resources to bring about a serious attack on the problem. He added that population planning was not a substitute for development but an essential condition for development to succeed. The Bank has 2,000 professionals in daily contact with our member countries. Can they be used more effectively to help lower fertility?

8. As for the relationships between the Bank and other major donors, Mr. McNamara did not want to do something that the Bank should not be doing in its field of responsibility. Moreover he did not want to do something in the Bank's normal field of responsibility if somebody else could do it better.

9. On what sort of report Mr. McNamara expects, he said size was not important. It should cover adequately:

- (i) What you think we should be doing, having seen our present operations.
- (ii) The general situation in developing countries in relation to population prospects, policies and programs.
- (iii) What can be done in areas of health, nutrition, education, increased income, etc. that have a reasonable prospect of having an impact on fertility.

Mr. McNamara acknowledged that these were difficult questions. He hoped the Panel would give positive guidance, but urged them to clearly identify those areas where they believed "the state of the art" would prevent them from doing so.

10. Timing of the Report: Mr. McNamara extended the deadline for submission of the Report to no later than July 1, 1976, but preferably earlier.

cc: Messrs. Baum
Burmester

492/1/3

DANIEL K. INOUE, HAWAII, CHAIRMAN
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MICHAEL J. MADIGAN, MINORITY COUNSEL

United States Senate

SELECT COMMITTEE ON INTELLIGENCE

(PURSUANT TO S. RES. 400, 94TH CONGRESS)

WASHINGTON, D.C. 20510

January 11, 1976



Mr. Robert S. McNamara
2412 Tracy Place, N.W.
Washington, D.C. 20003

Dear Mr. McNamara:

As you may know, the Senate Select Committee on Intelligence was charged, under S. Res. 400 of the 94th Congress, with studying "the extent of the Executive branch to engage in intelligence activities and the desirability of developing charters for each intelligence agency or department."

We would very much hope that we will be able to obtain your assistance in this study. The Subcommittee is in the process of studying the functions and activities of the various intelligence community departments and agencies, and reviewing the voluminous materials accumulated by the predecessor Senate Select Committee to Study Governmental Operations with Respect to Intelligence Activities. The members of the Committee and the Committee staff hope to be able to begin a dialogue on the issues of charters and guidelines with knowledgeable people like yourself.

A member of the Select Committee staff will be contacting you in the near future in order to provide you with more information about our work and to arrange an opportunity to discuss those important issues. We very much hope that you will be able to assist us in the task of strengthening our Nation's vital intelligence community, while at the same time insuring that it operates in ways consistent with the laws and Constitution of the United States.

Very truly yours,

Walter D. Huddleston
Chairman, Subcommittee on
Charters and Guidelines

Mark O. Hatfield
Vice Chairman

492/1/2

January 17, 1976

Dear Claude:

I, too, regret that you were not able to attend the meeting of the Development Committee in Kingston. However, had you been there, I am sure you would have been as frustrated as I.

The political problems and the forthcoming elections faced by the governments of Japan, the Federal Republic of Germany and the United States enormously complicate the work of all of us. It is most unfortunate that in this particular year we must negotiate refinancing of each of the three institutions of the World Bank Group. If you have any thoughts as to how we can be more effective in accomplishing this objective, I hope you will send them to me.

And I hope also that when you next come to the United States you will allow time for lunch or dinner with me. My wife and I would be delighted if you would find it convenient to stay with us.

With best wishes,

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

Mr. Claude Cheysson
Commission of European Communities
200 rue de la Loi
1049 Brussels, Belgium

RMcN:bmm

January 7, 1976



Dear Bob,

Having travelled extensively in Africa in the last two weeks, I am unfortunately not able to attend the meeting of the Development Committee in Kingston. The Commission will however be represented by our Director General for economic and monetary affairs Mr MOSCA and one of my personal assistants J.C. EUDE.

Since our week-end in Gymnich, a lot of work has been done in the Commission to start implementing the Lomé Convention. Programming missions have visited two-thirds of our so-called ACP countries so that I am now in a position to send a team of our experts for discussions on projects with your staff later this month in Washington. Our mission will be headed by Maurice FOLEY, deputy Director General in my department, who has been particularly active in the negotiation of the Lomé Convention.

In addition, a first discussion might be appropriate on economic development around the Mediterranean since the Community has almost achieved comprehensive cooperation agreements with Maghreb countries and enters in January in discussions with countries such as Egypt, Syria, Lebanon and Jordan in the Middle East.

I know from past experience that our team can expect full cooperation from Bank staff and I am confident that this joint effort will bear fruits.

With my best wishes for yourself, your family, and your continued enlightened leadership in the World Bank in 1976.

Yours most sincerely
Claude
C. CHEYSSON

Mr. Robert Mac Namara
President of the IBRD
Washington, D.C.



THE DIRECTOR-GENERAL



Rome, 18 December 1975

Dear Bob,

I am sending this personal note to say goodbye as I leave FAO at the end of this year.

I need hardly tell you that, among all my friends and colleagues in sister agencies, I consider the close and friendly relationship between us as a very special one. What the World Bank has done, under your personal leadership, for massive investment on agricultural and rural development in developing countries, with emphasis on the productivity of small-scale holdings, is well known. I consider myself fortunate to have had the opportunity during my term of office as Director-General of FAO to strengthen the bonds of cooperation between our two organizations in several important programmes which are making a significant contribution to the unrelenting struggle to free humanity from hunger and malnutrition. I would like to take this opportunity to express to you my appreciation for all the courtesy, friendship and cooperation which I have received from you during my term of office.

I shall of course greatly miss our personal contacts on many occasions, but sincerely hope that our warm relationships may continue in future.

I have not given much thought so far to my future plans. My immediate aim is to have some real rest for a few months before looking seriously at what the future may hold. I give below my permanent address at which I could be contacted.

Please accept my warmest wishes for the future and greetings for Christmas and the New Year.

A.H. Boerma

Mr. Robert S. McNamara
President
IBRD
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

SECTION
COMMUNICATIONS
1822 DEC 28 AM 8:00
"La Pergola"
Via Erodoto, 11
Casal Palocco
00124 Rome, Italy

RECEIVED



THE DIRECTOR-GENERAL

Rome, 18 December 1975

Handwritten signature

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Handwritten signature

A. H. Boerma

SECTION

COMMUNICATIONS

La Pergola
Via Erodoto, 11
00124 Rome, Italy
1975 DEC 26 AM 8:34

Mr. Robert S. McNamara
President
IBRD
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

RECEIVED

492/1/1

January 17, 1976

Dear Ad:

I greatly appreciated your "goodbye" note. But I know it won't be goodbye, for surely we shall have many opportunities to continue to work together in the future.

You must feel very proud, as you leave FAO, of the progress you made in pushing the world toward a realization of the disaster which lies ahead unless it organizes more systematically to meet the cereal grain requirements of the two billion people in the developing countries.

Do let me know of your future plans as soon as they crystallize. And do allow time for a visit with me when you next come to the United States.

With best wishes,

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

Dr. A. H. Boerma
"La Pergola"
Via Erodoto, 11
Casal Palocco
00124 Rome, Italy

RMcN:bmm