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THE WORLD BANK

Washington, D.C.

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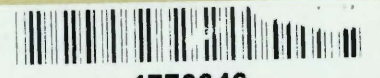
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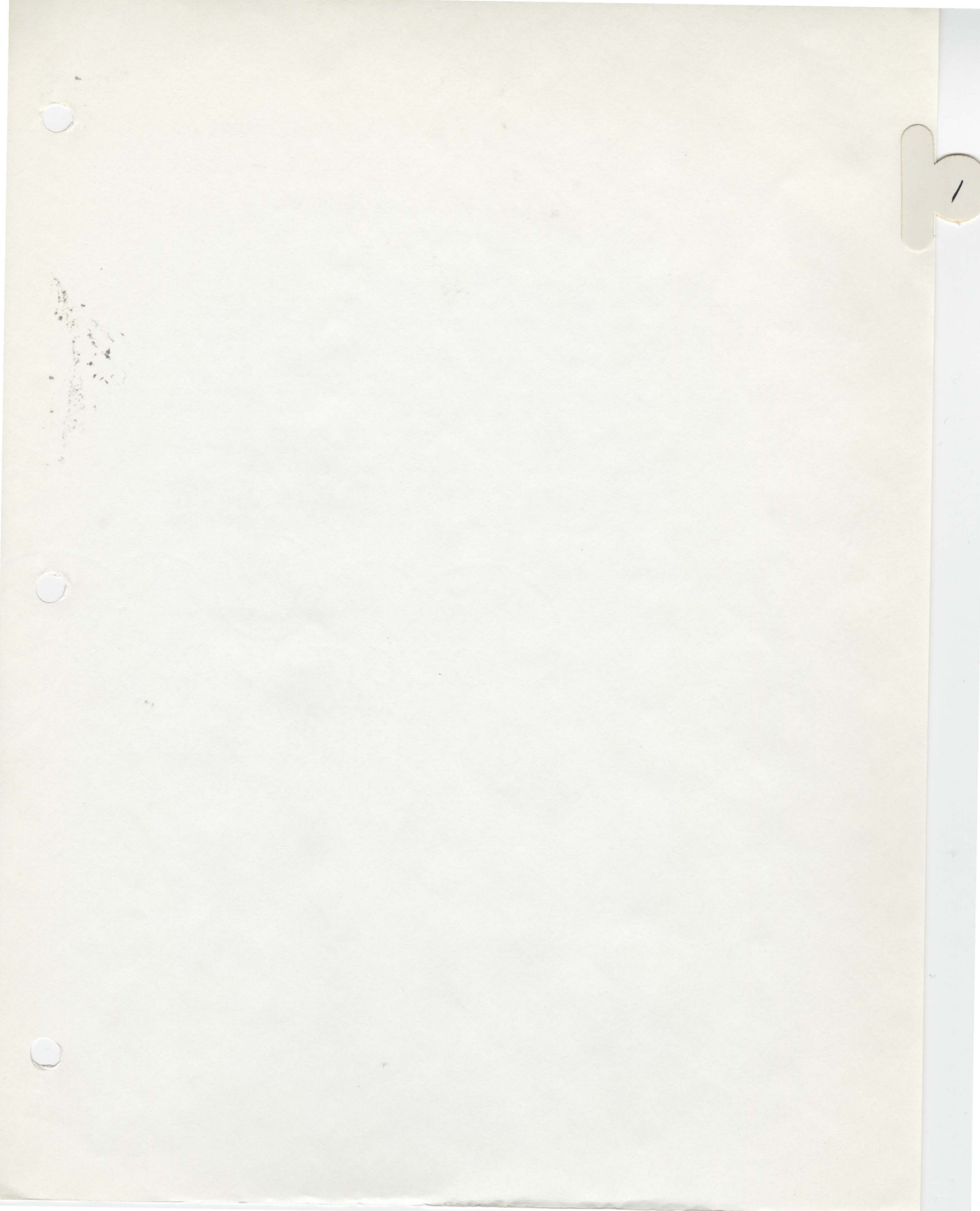
Contacts with member countries: Bahamas - Correspondence 01

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BAHAMAS

BAHAMAS

1. 5/23/69 Sir Francis Cumming-Bruce, Governor of the Bahamas



Bahamas

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara (through *gjk* Mr. Alter)

DATE: May 23, 1969

FROM: E. Peter Wright *EPW*SUBJECT: BAHAMAS - Possible Request for Bank Assistance

A memorandum for the record of your meeting this morning with the Governor of the Bahamas is attached. Unless we take active steps to dissuade them, it looks as if the British Government will be prepared to sponsor a request from the Bahamas for Bank assistance in education. We shall then have to decide whether or not we should be prepared to send some sort of economic mission down to the Bahamas to explore their development needs and means of financing them, and at the same time to offer some advice on how to deal with their economic problems. This might be a case where we could find some eminent outsider of suitable nationality (at any rate, non-US/non-UK) to head a small mission, with one or two members of the Bank staff and possibly someone from Unesco. We will be exploring this possibility at the staff level over the next few weeks and will be ready with a specific recommendation by the time we hear officially from the Bahamas Government, assuming that we do.

cc: Messrs. Knapp
Steckhan
Cope
Demuth
Alter
Ballantine
Wyss

President has seen

OFFICE MEMORANDUM

TO: Memorandum for Record

DATE: May 23, 1969

FROM: E. Peter Wright *EPW*SUBJECT: Meeting of Mr. McNamara with Governor of the Bahamas

Sir Francis Cumming-Bruce, Governor of the Bahamas, accompanied by Mr. E. W. Maude, called on Mr. McNamara in the Bank at 11.45 a.m. on Friday, May 23. Mr. Wright was also present at the meeting.

Sir Francis Cumming-Bruce said that he hoped to interest the Bank in sending a small mission within the next few months to advise the Government of the Bahamas on how to deal with the economic problems arising from the massive inflow of private capital into the islands. This was a critical moment in the political evolution of the Bahamas, which were due for full independence in three or four years, and the Government of the Progressive Liberal Party had been handling the situation with moderation and responsibility since it came to power two years ago. However, Ministers were being exposed to considerable pressures from racketeers and other outsiders interested in getting a foothold in the Bahamas, and there were real risks of corruption, political subversion and social disorder if things were allowed to get out of control. It was particularly important, in these circumstances, that the Government should do more for the welfare of the local population, which had not been adequately cared for by the previous administration, and the Bahamas were planning to request assistance from the Bank in financing part of the cost of an education project.

Mr. McNamara said that he saw two main difficulties in the way of the Bank responding to such a request. The first was that the Bahamas were not a member of the Bank, and a Bank loan to the Bahamas would have to be guaranteed by the British Government. Second, the Bahamas were a relatively wealthy country and should be able to raise locally or by borrowing on commercial terms abroad whatever funds they needed to finance their economic development. Bank loans contained a concessional element, and it might be difficult to justify concessional lending in a case like this. So far as an advisory mission was concerned, there was also the problem of staff availability. The Bank was organizing a program of regular annual economic missions to its more important member countries, and staff would be very scarce. However, the Bank had sent an advisory mission to Kuwait some years ago and would probably be sending an economic mission to the Trucial States later this year, and if the Government of the Bahamas, with the support of the United Kingdom, approached the Bank for assistance in education, Mr. McNamara undertook to consider whether some sort of mission might be organized along the lines suggested by Sir Francis.

May 23, 1969

Subsequently, Sir Francis Cumming-Bruce and Mr. Maude met with Mr. Wright and it was agreed that the next step would be for the Government of the Bahamas to decide whether they wanted to proceed with the request for Bank assistance in education, and if so, for them to have this request sponsored by the British Government. Sir Francis indicated that his Government had in mind a five-year investment program in education costing about \$40 million, of which the Bahamas would be financing a substantial part out of their own resources. Mr. Wright informed him that Bank assistance for education had been mainly focussed on the secondary, technical and vocational levels, and as illustrations of the type of projects which the Bank financed gave him copies of the technical reports on education projects in Guyana and Trinidad and Tobago.

cc: Messrs. Knapp
Steckhan
Cope
Demuth
Alter
Ballantine
Wyss

commercial

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara (through Mr. *Alter*) DATE: May 22, 1969

FROM: E. Peter Wright *EPW*

SUBJECT: BAHAMAS - Your Meeting with the Governor

The following may be useful as background for your meeting on Friday, May 23, with Sir Francis Cumming-Bruce, the Governor of the Bahamas (he is a British civil servant whose previous post was High Commissioner for the United Kingdom in Nigeria).

(a) The population of the Bahamas is around 175,000, of whom four-fifths are black. Population growth in recent years has been rapid (5 per cent a year), partly as a result of immigration. There are no official national income statistics, but GNP per capita appears to be considerably higher than in most of the Caribbean islands - possibly even above Puerto Rico (one estimate put it at around \$700 a year as long ago as 1959). Most of the population is engaged in the tourist industry, construction and service trades, and there is little regular unemployment. The islands live mainly off tourism (over a million visitors in 1968), real estate development, and banking and commerce, the latter having been attracted to the Bahamas as a tax haven. A number of US corporations have established sizeable manufacturing enterprises in the islands (e.g., a \$60 million oil refinery now under construction, a cement plant, a factory for the production of birth control pills and others for the manufacture of sugar and salt), and the Government is trying to encourage more industrial development. There is very little agricultural activity, mostly of a commercial kind (e.g. growing fruit and vegetables for the US market). There is some commercial fishing.

(b) The Bahamas are a dependent territory of the United Kingdom with a substantial measure of self-government. Since January 1967, when the first general elections were held under the 1964 Constitution, the local government has been in the hands of the predominantly negro Progressive Liberal Party under the leadership of Mr. Lynden Pindling, who is the present Prime Minister. Previously the country was run by the business-dominated United Bahamian Party (the Bay Street Boys).

(c) A great deal of private money has been moving in and out of the Bahamas for banking purposes, as well as for investment in tourism, gambling, manufacturing and real estate. It is difficult, however, to credit the figure of \$5 billion mentioned in Sir Francis' letter.

President has seen

The Bahamas do not receive any financial support from the United Kingdom, and the government budget is financed mainly out of customs revenues and other taxes. Government revenues are quite substantial (around \$300 per head of population), but even so it should not be difficult, with so much wealth around, to raise locally or from borrowing on commercial terms abroad whatever additional funds can usefully be spent on economic development and welfare.

(d) The Governor is obviously looking to the Bank as a source of independent and authoritative advice which would carry weight with his Ministers, but the Bahamas have, of course, access to other sources of advice on economic and financial matters, including the British Government. As recently as March of this year, a report entitled "A General Diagnosis of the Economy of the Bahama Islands" was presented to the Ministry of Development in Nassau by a Puerto Rican consulting firm. In 1968 there was a report to the Ministry of Finance by an outside expert on "The Monetary Organization of the Bahamas", and a new monetary authority has recently been established in cooperation with the Bank of England.

May 23

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

ROUTING SLIP

Date

May 19, 1969

OFFICE OF THE PRESIDENT

Name

Room No.

call Maude's office

~~Mr. Steckhan~~

Mr. McNamara - Do you wish to meet with the Governor?

OR do you wish Rosen or Lope or Friedman to meet with him?

Action

RRS 5/19

Note and File

Approval

Note and Return

Comment

Prepare Reply

Full Report

Previous Papers

Information

Recommendation

Initial

Signature

Remarks

I have checked with Mr. Maude and he has received a copy of this letter. I have sent a copy to Mr. E. Peter Wright. Mr. Maude said he would be happy if Mr. McNamara could spare the Governor of the Bahamas about 20 minutes but, if he cannot, Mr. Maude thinks one of the Vice Presidents should see him (he actually said Mr. Knapp).

5/20 [Signature] 11:45 5-22 [Signature]

From

12:00 Edna

5/23

Peter Wright to pick him up here



GOVERNMENT HOUSE,
BAHAMAS.

13th May, 1969.

Dear Rickett;

Thursday afternoon 22nd May 5

I plan to be in Washington on Friday, 23rd May, and wonder if I could call about the possibility of arranging for the Bank to send down a small team to consider the economic problems of the Bahamas. If you and the Embassy agree, I would welcome the opportunity to call briefly on Mr MacNamara to enlist his sympathetic interest. (I gather that he visited the Bahamas shortly after assuming his office, so I hope that, as with President Nixon, the Bahamas has pleasant holiday associations.)

2. This Colony is liable to get soon into an awkward jam. The pace of economic development raises problems of great difficulty for so small an administration. It would be a great help to have the benefit of sophisticated and experienced advice on various aspects, for instance, how the Bahamas Government should seek to get grip of what is going on.

3. The main difficulties arise from the projected rate of development in the two islands of New Providence and Grand Bahama. They are both attracting a vast amount of American investment. While there is no reliable register of private projects, those currently projected for the next few years in New Providence are understood to amount to a total of some five billion dollars. The various projects have been prepared privately without coordination between the different entrepreneurs and with little regard to the necessary public infrastructure of utilities.

4. The Bahamas Government would like to apply for a loan from the Bank to provide funds for school buildings, as education is in process of great and overdue expansion. So there would be a context within which a reconnaissance team could operate.

5. While I naturally hope that there might be positive results from an application for funds, my primary interest in an approach to the Bank at this stage is in trying to get comments to guide Ministers in the handling of the economy.

I have written to Maude, but as the letter is classified he may not get it for a few days. It would be very nice if you could get down here yourself some time. I am sure you need an occasional change from Washington.

Yours sincerely,
1969 MAY 19 8:25

Sir Denis Rickett, K.C.M.G., C.B.,
Executive Director,
International Bank of Reconstruction & Development,
WASHINGTON D.C.

James Jennings Bruce