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Hollis B. Chenery papers - McNamara Discussions

1973 (Sept-Dec.)



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Hollis B. Chenery Papers - McNamara discussions / notebooks / memoranda - 1973  
(September - December)

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JULY-  
DECEMBER 1973



DEC 20 1973



Mr. Robert S. McNamara, President

December 18, 1973

Ernest Stern, Senior Adviser, VPD

Population

1. Attached is a draft outline of the proposed white paper on population which would also form the basis for your Bucharest speech.

2. The outline takes into account the paper which Mr. Berelson sent to you under cover of his letter of December 7. As you know, we also invited Mr. Berelson down, and a number of us had lunch with him to discuss the approach we might take in the speech to the World Population Conference. The Berelson paper is written for a popular audience; and while it covers a number of the same points that we have listed in the outline for the white paper (no two comprehensive papers on population are likely to cover very different subjects), we believe there are a number of areas where the Berelson paper could be substantially improved on. The Berelson paper is quite good in its description of the very broad trends in fertility, the historical pattern of population growth, the compilation of expenditure data on population programs and the concluding rhetoric about the importance of continuing population planning efforts. However, the paper is in our view quite poor on the relationship of population growth to development, on the impact of population programs and on such specific long-term problems as contraceptive technology and population education. The paper also does not have much country-specific data on which analysis can be based.

3. We have, therefore, concluded that the Bank white paper would be sufficiently different from the proposed Population Council manuscript to warrant proceeding. Both on the relationship of population to development and on the impact of programs we probably can go further than the Population Council manuscript, and these topics would be the focus of the speech. We view the Bank white paper as an essentially internal draft of analytical material on which the Bucharest speech would be based. Depending on the material we are able to develop, we might subsequently decide to issue the white paper itself.

4. In order to assure that we integrate the best and most current thinking on population matters, we have developed a tentative list of consultants (attached) which we would like to utilize to prepare parts of the material and to comment on the completed paper. It is impossible to estimate at this stage with any precision the total expenses involved, but a very tentative guess puts it at \$20,000 for travel and consultant fees. You indicated that you were prepared to make additional

financing available for the completion of the paper, and certainly our present budget does not contain anything like this sum for unanticipated activities.

5. If you agree with the approach, we can initiate work quickly. Work on some of the components is, of course, already in hand as part of the agreed work program on Population. A first draft would be available on April 1, and a final version of the paper by April 30. The speech could then be prepared at the technical level during May.

6. We should like to meet with you at your convenience to discuss the outline and related matters. Although Mr. King would have overall responsibility for the work, it would be desirable to ask Messrs. Baum and K. Kanagaratnam to the discussion so that we can start with a common understanding.

Attachment

EStern/mp

bcc: Mr. Chenery ✓

WHITE PAPER ON POPULATION

I. INTRODUCTION

II. POPULATION GROWTH IN THE CONTEXT OF ECONOMIC AND SOCIAL DEVELOPMENT

A. Patterns of recent demographic trends:

Population trends: world trends; developed versus developing countries; trends in selected large developing countries; trends in selected countries typical of different growth patterns.

B. Recent trends in fertility rates: world trends; also aggregated by regions and grouped according to income levels; trends in selected large developing countries; trends in selected countries typical of different family planning program organization.

C. Trends in mortality.

D. Effects on age structure and hence on lag between reaching replacement levels of fertility and a stationary population.

E. Relative growth of rural and urban populations.

III. THE INTERRELATIONSHIP BETWEEN DEMOGRAPHIC TRENDS AND THE DEVELOPMENT PROCESS:

A. What population growth has meant since 1950

- (i) The costs:
1. resources, food, environment
  2. dependency burden
  3. public services: education, urban services, etc. both costs incurred and the current needs



4. problems of employment creation,  
income distribution and poverty.

(ii) Benefits sometimes suggested - population growth  
as a stimulus to development?

1. Pressure for technological advance
2. Economies of scale
3. Youthful vigorous society
4. Summary: some key differences  
between postwar LDCs and historical  
experience elsewhere.

(iii) Effect of development on population growth;  
Effect on fertility and mortality;  
What we know about fertility determinants.

B. What population growth may mean for the development  
process over the next 25 years.

#### IV. FERTILITY REGULATION: POLICIES AND PROGRAMS, THE GLOBAL PICTURE:

- A. Development of population policies in developing countries.
- B. Current status of population policies and programs:  
National support; Country coverage; Population coverage.

#### V. PROGRAM PERFORMANCE IN COUNTRIES WITH FAMILY PLANNING PROGRAMS FOR SEVERAL YEARS:

- A. Factors related to recent fertility trends: relative  
contributions of demographic factors, socio-economic  
factors and family planning programs in countries with  
adequate data;<sup>1/</sup>

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<sup>1/</sup> We are planning to supplement these sections with some case study  
material, which could be issued separately or as appendixes:  
analyses of (i) inter-district variation in program performance  
in Indonesia; (ii) district performance in India (if forthcoming  
in time, otherwise interstate variation), and (iii) contrasting  
experience in Trinidad, Barbados and Jamaica.  
We are also exploring the possibility of including some work by  
a Consultant on China.

- B. Program performance as indicated by family planning service statistics and other indicators: comparative analysis of program input and output; comparative analysis of program output and population characteristics; 1/
  - C. Organizational and management aspects of current national population programs:
    - (i) Policy making bodies
    - (ii) Implementing bodies
    - (iii) Financial aspects
    - (iv) Family planning methods
    - (v) Personnel and training
    - (vi) Education and communication aspects
    - (vii) Research and evaluation
  - D. Summary: Factors associated with success or failure in program performance.
- VI. NON-PROGRAM APPROACHES TO FERTILITY REDUCTION. INCENTIVES: BOTH POSITIVE AND NEGATIVE, BOTH TRIED AND PROPOSED, AFFECTING BOTH MARITAL FERTILITY AND THE AGE OF MARRIAGE.
- VII. STATE OF CONTRACEPTIVE TECHNOLOGY:
- A. Acceptability
  - B. Risks
  - C. Cost
  - D. New developments in pipeline

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1/ See footnote 1/ on page 2.



VIII. POLICY IMPLICATIONS:

A. National: (i) Commitment

(ii) Program improvement

(iii) Non-project approaches.

B. International:

(i) The development community

(ii) The Bank.

Possible Consultants to Work on Paper

Interrelationship of Population and Development:

- P. Schultz, (US) University of Minnesota
- R. Repetto, (US) Harvard
- I. Nadiri, (Afghanistan), New York University

Fertility Control: Policies and Programs

- P. Schultz, (US) University of Minnesota

Program Performance:

- J. Krishnayya (India) - Institute of Management,  
Ahmedabad
- R. Reptto, (US) Harvard
- P. Chen, (Taiwan) University of Michigan
- V. Soni, (India) London School of Economics

Tentative Panel to Comment on Paper:

- B. Berelson - Population Council
- Ron Ridker - Resources for the Future
- C. Chandrasekaran - UNFPA
- K. Davis - University of California, Berkeley
- J. Bogue - University of Chicago
- R. Freedman - University of Michigan
- D. Glass - London School of Economics
- G. Ohlin - Upsala University



DEC 17 1973

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT  
ASSOCIATION

INTERNATIONAL FINANCE  
CORPORATION

12/27

To Dr. Chenery

Do our debt statistics include  
Euro-currency borrowings by LDC  
govts (or guarantees by LDC  
governments). If not, should  
we not defer approval of  
new IDA or IBRD projects for  
govts which refuse to supply  
such information.  
Lm

CC: Stem

Trans - Action

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Warren C. Baum and *for* Hollis Chenery *ES*

SUBJECT: Financing of Phase III of the Labor  
Capital Substitution Study

DATE: December 14, 1973  
*18*

As you requested, we have accelerated the pace of this study in order to speed up the availability of operational results. In our memorandum to you of February 1, 1973, we indicated that this could be done only with a substantial increase in both staff and financial inputs.

In view of the very favorable response and interest in this study of various member countries as communicated to us through their Directors, we have been actively pursuing the possibility of using bilateral funding to complement the limited funds of the research budget. This effort was formalized by circulating to various interested Executive Directors the attached proposal dated October 17, 1973, which calls for \$1,890,000 in bilateral funding over the period FY74-FY77, combined with \$580,000 of Bank funding.

After preliminary discussions with the Governments concerned, we are proposing the following financing program. It is tentative at this stage, but we hope to firm up this plan in the near future.

IBRD	\$580,000	(not including Bank staff time valued at \$400,000).
Japan	400,000	(\$130,000 plus per annum for three Japanese Government fiscal years).
Germany	400,000	(\$130,000 plus per annum for three German Government fiscal years).
U.K.	400,000	(\$130,000 plus per annum for three U.K. Government fiscal years).
Sweden	100,000	(\$100,000 in Swedish Government FY75).
Other	190,000	(Not yet specified).

The Bank contribution is based on an annual rate of \$150,000 (\$130,000 in FY74) to be financed out of the research budget.



Although we are confident that funds in the orders of magnitude indicated above will be forthcoming from the donor countries, the working out of the details involves long and complex negotiations. Donors wish to have identifiable "slices", have preferences for countries, and have varying time lags in obtaining budgetary funds. Our negotiations with the Canadian Government, for example, over financing of the Highway Design Study in India have taken close to two years and only now are nearing completion.

The funding required on an annual basis is as follows:

FY74	\$240,000
FY75	720,000
FY76	915,000
FY77	<u>595,000</u>

Total \$2,470,000

Our present estimate of the situation is that we will not be able to obtain the needed donor country financing prior to FY75 with most of the funds becoming available in late FY75 or early FY76. (Mr. Hori has indicated to us, however, that there is some possibility that the Japanese Government could make a contribution prior to the close of our FY74).

The timing of the availability of funds is placing a serious constraint on the planning and development of this important phase of the study. We have put together a team of exceptional quality and built up considerable momentum. A slowing down in the work at this stage to accommodate the availability of funds from bilateral sources would seriously endanger the study's efficient progress.

Mr. Jaycox and his staff will continue to press for a timely commitment on the part of the donor countries but, in the meantime, we are faced with a critical shortage of financing for the rest of FY74 and the first half of FY75. We need to have assurances of the availability of an additional \$110,000 for the rest of this fiscal year in order to keep the teams in the field beyond January 1. The research committee funds have been committed and are not available for this purpose in this fiscal year.

We therefore propose that \$110,000 from the contingency funds for this year be allocated for this purpose. To the extent that funds from Japan or other bilateral donors become available during the fiscal year, these funds would not be drawn upon. For FY75 we propose that the Bank increase its contribution from \$150,000 to \$300,000, again depending on the availability of bilateral funding. Any increases in funding by the Bank in FY74

Mr. Robert S. McNamara

- 3 -

December 14, 1973

and FY75 would be met by proportionate reductions in the following years keeping the Bank contribution the same (\$580,000) over the four-year period.

Of the three additional staff required to manage a program of this size, two have been met by a reallocation of priorities in the Transportation and Urban Projects Department and a further staff position will be requested in the FY75 budget.

Attachment

cc: Messrs. Stern  
J. Adler  
Blaxall  
Jaycox  
Harral

ACHurchill:gm



October 17, 1973

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Substitution of Labor for Equipment in Civil Construction

A Study Proposal

I. Introduction

1. Increasing attention has been paid in recent years to the question of appropriate technology for construction and manufacturing in developing countries. The principal issue of concern is to find suitable technologies which would utilize to the maximum extent the abundant surplus of labor available in many of these countries. The World Bank has sought to examine this problem in a study of the substitutability of labor and equipment in civil construction. Two phases of the study have been completed. This proposal summarizes the results of the effort thus far and outlines future work that is to be carried in the final phase of the study. Since most of the research funds available to the Bank in this field have been fully used up in the first two phases, active collaboration and participation of other bilateral and multi-lateral aid agencies is being sought in continuing this work.

2. The study is attempting to establish the technical feasibility of alternative civil construction technologies utilizing different combinations of labor and equipment and in turn to relate these technically feasible solutions to relative factor scarcities so that the economically optimum technology can be determined in any given case. The cost of delays in project execution are included and practical problems in the organization and management of construction projects are being examined. The interrelationships between choice of technology and project design are also being investigated. The study emphasizes the development of efficient technologies which not only yield greater employment but also higher labor productivities.

II. Background

3. Phase I of the study focused on a survey of existing literature and problem formulation for road construction.<sup>1/</sup> Its findings were that the substitution of labor for equipment is technically feasible for a wide range of construction activities for roads of various qualities. However, economic feasibility depends on relative factor prices and factor productivities under different conditions. Unfortunately, engineering data normally available are inappropriately structured or too poorly defined with respect to specific environmental conditions to permit a quantitative analysis of the

<sup>1/</sup> C. G. Harral, et. al., "Study of the Substitution of Labor and Equipment in Road Construction, Phase I: Final Report," (IBRD, multilith October 1971).

substitution possibilities. Specific environmental parameters are critically important, including the physical environment, the size or scale of the project and the time available to complete it, work incentives, organization and management, and health and nutritional standards of the labor force.

4. The Phase II study therefore has focused on direct field observations of ongoing construction activities to obtain the production relationship between varying inputs of capital (equipment) and labor and the output of different tasks of civil construction. Observations have been taken at several road, dam and irrigation canal construction sites in India, Indonesia and Nepal. The outputs of each activity; the inputs of labor, equipment and material; and the associated environmental parameters have been carefully recorded. Analysis of these data have been completed and a report is currently being prepared.<sup>1/</sup> In Indonesia, a substudy is being conducted to determine the effect of health and nutritional standards on productive potential of the labor force.<sup>2/</sup>

5. Findings to date of the Phase II study are:

- (a) Techniques currently in use in civil construction are either highly labor-intensive or highly equipment-intensive; no significant "intermediate" techniques have been observed in the present study. Where attempts have been made to combine traditional labor-intensive methods with modern equipment operations, e.g. hand-loading of trucks, the resulting "mixed" method obtains such inefficient use of the equipment that it in fact requires more capital than a fully equipment-intensive operation and is highly inefficient.
- (b) Traditional labor-intensive techniques currently in use are not economically competitive with modern capital-intensive techniques, even in labor abundant economies when labor is "shadow priced" at a fraction of market wages. This is because (i) existing labor-intensive techniques are employed in an atmosphere where primary emphasis is on employment creation rather than efficient use of labor, and (ii) existing methods are primitive and do not employ elemental mechanics effectively, if at all. These factors result in extremely low labor productivities.

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<sup>1/</sup> The report is expected in late 1973.

<sup>2/</sup> Preliminary results are given in D. Karyadi and S. Basta, "Nutrition and Health of Indonesian Construction Workers: Endurance and Anemia," IBRD Staff Working Paper No. 152 (April 1973).



- (c) Management and supervision of large labor forces requires special skills, experience and organization, quite different from equipment-intensive operations. Labor-intensive methods should not be attempted without careful advance planning, organization and training, particularly in regions where these methods have not been commonly practiced.
- (d) Even in labor abundant countries there are frequently shortages of labor at different times and places; indeed, the social cost ("shadow value") of labor fluctuates widely with season and location. Unless construction authorities are prepared to pay higher wages during peak periods (e.g. the harvesting season), projects may suffer costly interruptions. "Shadow value" correction of market prices becomes a complicated proposition, and application of a single norm could lead to harmful results.
- (e) Health and nutrition standards have a significant impact on productivity of the labor force. Anemia, induced by a combination of parasitic infestation and iron deficiency, has been shown to be widespread, often in severe stages among construction workers in at least one country. Experiments suggest that programs of improved nutrition can have a significant impact on labor productivity in these cases.

### III. Future Work

6. The conclusions of our Phase II study clearly indicate that labor-intensive construction techniques traditionally practiced in many developing countries are not economically competitive with equipment-intensive technology under most conceivable factor prices and environmental conditions. Yet, there is a pressing problem faced by most developing countries of creating productive employment opportunities for large segments of unemployed and underemployed population. In the next phase of this study (Phase III), major emphasis is to be placed on development and demonstration of more efficient labor-intensive and intermediate civil construction technologies appropriate to labor abundant, capital scarce economies. The labor market, which to a large extent will determine the economic viability of labor-intensive intermediate technologies will be investigated. Government policy instruments to achieve the socially optimum choice of technology will be studied.

7. Labor Productivity Studies: Commencing at the labor-intensive end of the spectrum, the study will explore increments in labor productivity associated with:

- (a) Improved organization and management at the project and subproject level. Scheduling and sequencing of activities in a project will be analyzed and work sampling and time and motion techniques will be applied to individual tasks. The cost of recruitment, mobilization, organization and supervision of large labor forces will also be examined.
- (b) Employment of improved tools and machinery, from simple hand tools and hand wheeled conveyors to small-scale power machinery adapted to use by unskilled labor, with a view to obtaining higher productivities of labor and increased efficiency of equipment. Machinery and techniques in use in construction prior to development of large-scale power machinery, will be reviewed as well as currently available technology, and research and development of new "intermediate" technology will be undertaken as necessary.
- (c) Improved nutritional standards of labor. It is proposed that a limited diet intervention program be undertaken by reducing or eliminating deficiency of a set of nutrients and observing its effect on labor productivity.

8. Labor Market Studies: Effect of choice of technology on supply conditions of labor requires further investigation. In particular, the effect of employing large labor forces on the supply price of labor at the project level and the macro level will be analyzed. The labor market for unskilled labor and lower level supervisory staff will be investigated to determine, separately for migratory and local workers, seasonal and geographic variations in demand and supply, wages and other emoluments, costs of recruitment, the extent of unionization and the objectives and attitudes of such unions. Wage differentials for different categories of skill, and between migratory and local laborers, will be quantified.

9. Alternative policy instruments available to international development agencies and LDC government construction agencies to insure the choice of appropriate technology will be studied in the context of specific cases. These include shadow pricing schemes (in design, tendering and execution phases), tax and subsidy schemes, force account construction, and further R & D activities.

10. Implementation: Success of any new intermediate technology will depend on its acceptance by the local engineers and planners. In this study emphasis will be given to carefully planned demonstration of the technology developed on one or more ongoing projects. It is recognized that many proposals which have been made in the past to employ labor-intensive construction technology in developing countries have been proposed on an ad hoc basis



without careful planning and analysis. This approach may lead to higher project costs, unscheduled delays and other management problems and therefore, has the danger of reinforcing ingrained bias of many planners and engineers against labor-intensive technology. Demonstration projects undertaken in this study will be carefully monitored so that it would be possible to compare their performance with both capital-intensive and traditional labor-intensive construction methods.

11. It is expected that the study will develop more efficient technology and organization procedures for civil construction suited to labor abundant economies. The results of the study will be disseminated widely to the public works departments, private contractors and research institutions and management consulting organizations. In conjunction with the demonstration projects, several workshops and training courses will be organized for the benefit of local engineers and planners. It is anticipated that after completion of the study, further research and development will be carried out by local research institutions. An attempt will be made to encourage equipment manufacturers in the developed as well as the developing world to undertake research and development activities on construction machinery appropriate to labor abundant economies.

#### IV. Work Program and Budget

12. The Phase III study will be undertaken in stages and will be extended successively to three or more countries. A small central team of experts will lead the research, conducting brief exploratory studies, training a counterpart team and initiating longer term studies in each country. These longer term studies would consist primarily of one to two year demonstration projects conducted by the counterpart teams with continuing support from the central team.

13. The central team will consist of a team leader and three specialists, all full time, who will have such short term expert assistance as necessary. The central team will train and lead local counterpart teams in four areas:

- (a) productivity measurements;
- (b) organization and management studies;
- (c) hardware development and testing;
- (d) health and nutrition studies (to determine effect on labor productivity).

Ultimately, a fifth counterpart team in each country may be developed to study the adaptation of project design to accommodate labor-intensive and intermediate technologies, but this function will initially be handled by the central team itself.

14. Attachment I depicts the work program over the entire four year period. Phase III-A, commenced in India in collaboration with the Director



General of Border Roads in October 1973, encompasses six months of exploratory studies at ongoing construction projects in northern India aimed at improving the productivity of traditional labor-intensive methods and laying the basis for further research and demonstration projects. The sequencing and scheduling of construction activities will be analyzed, major construction tasks will be subjected to time and motion studies, and small experiments with simple tools and equipment will be conducted. Comparative data on labor productivities and costs by different methods will be collected. Major objectives of this phase of the research are to determine the extent to which the costs of predominantly labor-intensive methods can be lowered through better management, and to measure the marginal product of small increments of capital. The most promising techniques will be selected for further testing and development in small demonstration projects.



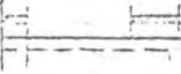







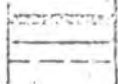
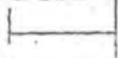


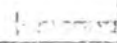
15. During Phase III-B two or three typical projects scheduled for construction in 1974-75 will be undertaken as demonstration projects, including one road construction, one irrigation canal, and if resources permit, at least one confined site at an earthfill dam construction. Each of the projects will be "paired" with two comparable projects being constructed respectively by equipment-intensive and traditional labor-intensive methods. Care will be exercised in the selection and execution of the projects to ensure that conditions are as comparable as possible. The design (but not design standard) of the project will be adapted to accommodate the method of construction being tested, e.g. macadam materials and design may be substituted for equivalent densely graded crusher run pavements. Construction is expected to require one to two years for each project. The central study team would initiate the study during the period February-April 1974, and would return at intervals to give further guidance to the study. The local team, where necessary assisted by one or two expert construction engineers, would be responsible for the execution of the experiment.

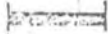


16. Budget requirements for Phase III encompassing field research and demonstration projects are shown in Attachment 2. When undertaken in three countries, the total cost is estimated at \$2.47 million, or approximately \$825,000 per country. \$1.9 million (77 percent) represents foreign exchange costs and \$575,000 (23 percent) local costs. These estimates do not include normal construction costs of projects being studied, which would be incurred in any case. Moreover, they include a relatively small allowance for procurement and development of experimental hardware, on the assumption that much of this could be provided from the normal costs of construction. In addition the Bank is budgeting 20 man months per year for participation in and supervision of the study.

Attachments

1. General:plm

WORK PROGRAM PHASE III  
STUDY OF THE SUBSTITUTION OF LABOR & EQUIPMENT IN CIVIL CONSTRUCTION

Phase	Country	Sept 73	Jan 74	July 74	Jan 75	July 75	Jan 76	July 76	Jan 77	July 77
	Preparation for Field Studies	A								
III. A. 1	Experimental Studies - India (organization and management; tools development and testing; productivity data collection)									
B. 1	Demonstration Projects - India Selection and Design Construction									
III. A. 2	Experimental Studies - Country 2 (same as III. A. 1 above)									
B. 2	Demonstration Projects - Country 2 Selection and Design Construction									
III. A. 3	Experimental Studies - Country 3									
B. 3	Demonstration Projects - Country 3 Selection and Design Construction									

Central team   
Construction engineer   
Local team 

Project: Phase III Study in Three Countries<sup>1/</sup>

(Thousands of U.S. dollars)

	<u>FY 74</u>	<u>FY 75</u>	<u>FY 76</u>	<u>FY 77</u>	<u>Total</u>
A. Productivity Data Collection (incl. counter- part team in support of B.C.D. below)	95	160	195	165	615
B. Organization and Management Studies	65	85	105	90	345
C. Equipment Development and Testing	115	180	220	195	710
D. Demonstration Projects (design adaptation & supervision of construction)	60	170	270	145	645
E. Health and Nutrition Studies	10	15	-	-	25
F. Labor Market Studies	35	40	55	-	130
Total	380	650	845	595	2,470 <sup>2/</sup>
Bank Staff (man months)	20	20	20	20	80

<sup>1/</sup> Some costs are fixed, so that total costs would not change proportionately if the study is undertaken in less than or more than three countries, or if some parts of the study were omitted.

<sup>2/</sup> This excludes Phase I and Phase II studies which have involved 71 man months of IBRD staff time and \$275,000 in external costs.



FORM No. 75  
(2-60)

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INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE  
CORPORATION

INTERNATIONAL DEVELOPMENT  
ASSOCIATION

ROUTING SLIP		Date Dec. 13, 1973	
NAME		ROOM NO.	
Mr. McNamara			
To Handle		Note and File	
Appropriate Disposition		Note and Return	
Approval		Prepare Reply	
Comment		Per Our Conversation	
Full Report		Recommendation	
Information		Signature	
Initial		Send On	
REMARKS			
<p>Attached is the information that you requested from Mr. Tims on projections of external debt.</p>			
From Hollis B. Chenery			

## OFFICE MEMORANDUM

TO: Mr. Hollis B. Chenery

DATE: December 12, 1973

FROM: Wouter Tims

SUBJECT: Selected Data on External Debt Projections for Sample Panel Groupings

1. I attach the debt information Mr. McNamara requested. The first table summarizes debt indicators for each of the country groups which are reported in the November 26 draft of "Review of IBRD/IDA Program, FY74-78"; the five subsequent tables detail the components of those indicators.

2. The indicators do decline in the earlier years, troughing in 1974; they rise moderately thereafter. But for the 41 countries taken together there is little change in the ratio of debt-service payments to debt outstanding and disbursed (DS/DOD): a projected increase in interest payments by the higher-income countries is counterbalanced by projected relative declines in principal repayments both by the middle- and lower-income countries. For the latter, that decline coincides with relatively strong projected export performance, particularly in 1975-1980; hence the ratio of debt-service to exports for these countries also declines in those years.

Attachment

cc: Messrs. Adler  
Schulmann  
Stern  
Miss Yudin

SELECTED DATA ABOUT EXTERNAL DEBT  
(Value in \$ U.S. billions, current prices)

Oil-producing countries

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	Annual Average Growth Rate	
												1970- 1975	1975- 1980
<u>Imports</u>													
Price index <sup>1/</sup>	108.56	113.84	117.67	141.00	151.80	146.40	149.50	154.73	160.15	165.75	171.56	6.2	3.2
Current value	6.50	8.07	9.43	13.13	16.68	19.30	23.65	29.37	36.48	45.31	56.27	24.0	24.0
<u>Exports</u>													
Price index <sup>1/</sup>	99.67	119.83	135.54	194.76	294.08	325.06	359.10	396.67	437.73	483.98	535.46	27.0	10.5
Current value	7.13	9.71	11.82	19.07	30.80	36.26	42.83	50.55	59.66	70.59	84.14	38.0	18.4
<u>Debt &amp; Debt Service</u>													
<u>Net Disbursements</u>													
Public	0.89	0.87	1.53	1.04	1.23	1.47	1.84	2.27	2.75	3.39	4.15	10.5	23.0
Other M & LT	0.0	0.0	0.0	0.03	0.04	0.06	0.08	0.09	0.14	0.24	0.22	-	30.0
(Total)	[0.89]	[0.87]	[1.53]	[1.08]	[1.27]	[1.53]	[1.91]	[2.36]	[2.89]	[3.63]	[4.36]	[11.4]	[23.0]
<u>Debt Outstanding and Disbursed</u>													
Public (DOD)	3.59	4.53	5.35	6.40	7.63	9.10	10.93	13.21	15.96	19.35	23.50	20.0	21.0
Other M & LT	0.0	0.0	0.0	0.03	0.07	0.13	0.20	0.29	0.43	0.67	0.89	-	48.0
(Total)	[3.59]	[4.53]	[5.35]	[6.43]	[7.69]	[9.22]	[11.14]	[13.50]	[16.39]	[20.02]	[24.38]	[21.0]	[21.0]
<u>Debt Service<sup>2/</sup></u>													
Interest (i)	0.15	0.21	0.21	0.25	0.31	0.39	0.49	0.62	0.78	0.97	1.21	21.0	25.0
Principal (P)	0.33	0.49	0.58	0.67	0.67	0.75	0.76	0.83	0.94	1.11	1.36	17.9	12.7
Total	0.48	0.70	0.79	0.92	0.98	1.14	1.25	1.45	1.72	2.08	2.57	18.8	17.7
<u>Indicators<sup>2/</sup></u>													
I/DOD	5.6	5.7	5.4	4.7	4.8	5.1	5.4	5.7	5.9	6.1	6.2	-2.0	4.0
P/DOD	12.1	13.7	15.3	12.6	10.5	9.8	8.4	7.6	7.1	5.9	7.0	-4.0	-6.5
DS/DOD	17.7	19.4	20.7	17.3	15.3	14.9	13.7	13.3	13.0	13.0	13.3	-3.5	-2.0
DS/Exports	6.7	7.1	6.7	4.8	3.2	3.1	2.9	2.9	2.9	2.9	3.1	-14.0	0.0

1/ Base Average 1967-1969 = 100

2/ Based on Public Debt Only



SELECTED DATA ABOUT EXTERNAL DEBT  
(Value in \$ U.S. billions, current prices)

41 Countries

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	Annual Average Growth Rate 1970-1975- 1975-1980	
<u>Imports</u>													
Price index <sup>1/</sup>	108.0	111.4	115.2	138.5	149.1	143.9	146.5	151.7	157.2	162.9	168.9	5.9	3.3
Current value	40.47	44.46	49.77	65.17	75.53	79.68	89.49	99.56	110.76	122.19	135.20	14.5	11.2
<u>Exports</u>													
Price index <sup>1/</sup>	107.7	106.6	121.6	156.4	162.9	154.0	159.5	164.1	168.8	173.8	179.0	7.4	3.1
Current value	35.38	36.44	45.13	63.06	71.74	73.53	82.01	90.36	100.35	111.18	123.00	15.7	10.9
<u>Debt &amp; Debt Service</u>													
<u>Net Disbursements</u>													
Public	3.86	3.89	4.65	5.58	5.87	6.74	8.40	9.29	9.90	10.88	11.79	11.8	11.8
Other M & LT	0.40	0.55	3.33	1.62	1.47	1.14	0.75	0.76	0.99	0.37	0.71	23.0	-9.5
(Total)	[4.26]	[4.43]	[7.98]	[7.20]	[7.34]	[7.88]	[9.15]	[10.05]	[10.89]	[11.24]	[12.50]	[13.1]	[ 9.7]
<u>Debt Outstanding and Disbursed</u>													
Public (DOD)	40.28	45.56	51.36	56.95	62.81	69.56	77.95	87.25	97.14	108.02	119.81	11.5	11.5
Other M & LT	1.57	2.14	5.26	6.88	8.36	9.50	10.24	11.00	11.99	12.36	13.06	44.0	6.6
(Total)	[41.85]	[47.60]	[56.63]	[63.83]	[71.17]	[79.05]	[88.20]	[98.25]	[109.14]	[120.38]	[132.88]	[13.6]	[10.9]
<u>Debt Service</u> <sup>2/</sup>													
Interest (i)	1.44	1.62	1.74	2.04	2.32	2.63	3.01	3.47	3.99	4.52	5.11	12.7	14.3
Principal (P)	3.39	3.51	4.24	4.73	5.02	5.49	5.95	6.58	7.23	8.00	8.90	10.2	10.1
Total (DS)	4.83	5.12	5.98	6.78	7.33	8.12	8.96	10.06	11.23	12.53	14.00	10.9	11.5
<u>Indicators</u> <sup>2/</sup>													
i/DOD	4.0	4.0	3.7	4.0	4.1	4.2	4.3	4.4	4.6	4.6	4.7	1.0	2.3
P/DOD	9.3	8.6	9.1	9.2	8.8	8.8	8.6	8.4	8.3	8.2	8.2	-1.0	-1.5
DS/DOD	13.3	12.6	12.8	13.2	12.9	12.9	12.9	12.9	12.9	12.9	12.9	-0.5	0.0
DS/Exports	13.2	13.3	12.5	10.3	9.8	10.5	10.4	10.6	10.7	10.7	10.9	-4.4	0.8

<sup>1/</sup> Base Average 1967-1969 = 100.

<sup>2/</sup> Based on Public Debt Only

SELECTED DATA ABOUT EXTERNAL DEBT  
(Value in \$ U.S. billions, current prices)

Lower-income countries

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	Annual Average Growth Rate	
												1970- 1975	1975- 1980
<u>Imports</u>													
Price index <sup>1/</sup>	109.7	110.1	112.8	135.6	146.0	140.8	143.6	148.8	154.3	160.0	165.9	5.1	3.4
Current value	8.76	9.65	10.54	13.68	15.83	16.25	17.87	20.30	23.28	25.62	28.52	13.1	11.9
<u>Exports</u>													
Price index <sup>1/</sup>	104.4	106.6	118.8	141.2	148.9	155.5	162.6	169.1	175.7	183.1	190.8	8.3	4.2
Current value	7.64	7.89	9.30	12.43	14.61	15.15	17.00	19.06	21.55	24.02	26.89	14.7	12.1
<u>Debt &amp; Debt Service</u>													
<u>Net Disbursements</u>													
Public	1.50	1.62	1.79	2.18	2.17	2.42	2.71	2.91	2.97	3.23	3.46	10.1	7.5
Other M & LT	0.0	0.0	-0.02	0.03	0.08	0.10	0.12	0.14	0.15	0.15	0.15	-	7.3
(Total)	[1.50]	[1.62]	[1.77]	[2.21]	[2.25]	[2.52]	[2.83]	[3.05]	[3.11]	[3.38]	[3.60]	[11.0]	[7.5]
<u>Debt Outstanding and Disbursed</u>													
Public (DOD)	16.01	17.97	20.21	22.39	24.56	26.98	29.69	32.60	35.57	38.80	42.25	11.0	7.8
Other M & LT	0.0	0.0	0.16	0.19	0.26	0.37	0.49	0.63	0.77	0.92	1.06	-	24.0
(Total)	[16.01]	[17.97]	[20.37]	[22.58]	[24.83]	[27.35]	[30.18]	[33.23]	[36.34]	[39.72]	[43.32]	[11.3]	[9.6]
<u>Debt Service</u> <sup>2/</sup>													
Interest (I)	0.37	0.40	0.39	0.51	0.57	0.63	0.70	0.78	0.88	0.96	1.06	11.2	10.7
Principal (P)	0.68	0.73	0.80	1.02	1.12	1.25	1.31	1.42	1.51	1.54	1.60	12.9	5.1
Total (DS)	1.06	1.13	1.19	1.53	1.69	1.89	2.01	2.21	2.38	2.50	2.66	12.3	7.1
<u>Indicators</u> <sup>2/</sup>													
I/DOD	2.6	2.5	2.1	2.5	2.6	2.6	2.6	2.6	2.7	2.7	2.7	0.0	0.8
P/DOD	4.8	4.5	4.4	5.0	5.0	5.1	4.8	4.8	4.6	4.3	4.1	1.2	-4.2
DS/DOD	7.4	7.0	6.5	7.6	7.5	7.7	7.5	7.4	7.3	7.0	6.8	0.9	-2.5
DS/Exports	13.8	14.2	12.7	12.2	11.5	12.3	11.7	11.5	11.0	10.3	9.8	-2.5	-4.5

1/ Base Average 1967-1969 = 100

2/ Based on Public Debt Only

SELECTED DATA ABOUT EXTERNAL DEBT  
(Value in \$ U.S. billions, current prices)

Middle-income countries

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	Annual Average Growth Rate 1970- 1975	1975- 1980
<u>Imports</u>													
Price index <sup>1/</sup>	105.4	109.2	112.8	135.6	145.8	140.7	145.6	151.1	157.0	163.1	169.5	5.9	3.8
Current value	10.18	11.00	12.44	16.10	18.20	18.85	21.36	23.54	25.86	28.39	31.16	13.1	10.6
<u>Exports</u>													
Price Index <sup>1/</sup>	104.6	99.6	119.1	154.7	160.1	151.9	156.4	160.7	165.0	169.5	174.3	7.8	2.8
Current value	8.24	8.75	11.60	16.11	17.95	18.38	20.57	22.39	24.31	26.54	29.12	17.4	9.6
<u>Debt &amp; Debt Service</u>													
<u>Net Disbursements</u>													
Public	0.46	0.67	1.18	1.31	1.33	1.43	1.52	1.75	2.00	2.47	2.60	25.0	12.7
Other M & LT	0.13	0.05	0.07	0.0	0.02	0.02	0.02	0.04	0.06	0.08	0.08	-24.0	32.0
(Total)	[0.59]	[0.72]	[1.24]	[1.31]	[1.35]	[1.45]	[1.54]	[1.79]	[2.06]	[2.54]	[2.67]	[19.6]	[13.0]
<u>Debt Outstanding &amp; and Disbursed</u>													
Public (DOD)	6.77	7.60	8.77	10.07	11.41	12.84	14.36	16.11	18.11	20.57	23.17	13.9	12.5
Other M & LT	0.55	0.59	0.48	0.48	0.50	0.52	0.53	5.58	0.64	0.71	0.79	-1.0	8.8
(Total)	[7.32]	[8.19]	[9.25]	[10.55]	[11.90]	[13.35]	[14.89]	[16.68]	[18.74]	[21.28]	[23.96]	[12.8]	[12.4]
<u>Debt Service<sup>2/</sup></u>													
Interest (I)	0.22	0.29	0.33	0.39	0.47	0.55	0.64	0.73	0.84	0.95	1.09	21.0	14.8
Principal (P)	0.71	0.75	0.99	0.91	0.92	0.99	1.09	1.17	1.34	1.46	1.65	7.0	10.7
Total (DS)	0.92	1.04	1.32	1.30	1.39	1.54	1.73	1.91	2.17	2.41	2.74	10.7	12.2
<u>Indicators<sup>2/</sup></u>													
I/DOD	3.6	4.3	4.3	4.4	4.6	4.8	5.0	5.1	5.2	5.3	5.3	5.9	0.8
P/DOD	11.6	11.1	13.1	10.4	9.1	8.7	8.5	8.2	8.3	8.0	8.0	-5.5	-1.0
DS/DOD	15.1	15.4	17.4	14.8	13.8	13.5	13.5	13.3	13.5	13.3	13.3	-2.0	-0.5
DS/Exports	11.6	11.8	11.3	8.0	7.7	8.3	8.3	8.5	8.9	9.0	9.3	-6.5	2.3

<sup>1/</sup> Base Average 1967-1969 = 100

<sup>2/</sup> Based on Public Debt Only



SELECTED DATA ABOUT EXTERNAL DEBT  
(Value in \$ U.S. billions, current prices)

Higher-income countries

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	Annual Average Growth Rate	
												1970- 1975	1975- 1980
<u>Imports</u>													
Price index <sup>1/</sup>	108.59	112.96	117.26	141.00	151.80	146.40	147.90	153.08	158.43	163.98	169.72	6.2	3.0
Current value	21.53	23.81	26.79	35.39	41.50	44.58	50.25	55.72	61.63	68.18	75.49	15.7	11.1
<u>Exports</u>													
Price index <sup>1/</sup>	110.39	110.21	124.25	161.99	166.17	154.47	159.79	163.85	167.91	172.27	176.66	6.9	2.7
Current value	19.49	19.80	24.23	34.52	39.18	39.99	44.44	48.91	54.49	60.62	66.98	15.5	10.9
<u>Debt &amp; Debt Service</u>													
<u>Net Disbursements</u>													
Public	1.90	1.60	1.69	2.10	2.37	2.89	4.17	4.63	4.93	5.18	5.74	8.8	14.7
Other M & LT	0.27	0.50	3.28	1.59	1.38	1.02	0.61	0.58	0.79	0.14	0.48	30.0	-14.0
(Total)	[2.17]	[2.10]	[4.97]	[3.69]	[3.74]	[3.91]	[4.78]	[5.21]	[5.72]	[5.32]	[6.22]	[12.5]	[9.7]
<u>Debt Outstanding and Repaid</u>													
Public (GOD)	17.50	19.89	22.38	24.48	26.85	29.74	33.91	38.54	43.47	48.65	54.39	11.2	12.8
Other M & LT	1.02	1.55	4.63	6.22	7.60	8.62	9.22	9.80	10.39	10.73	11.21	55.0	5.4
(Total)	[18.52]	[21.43]	[27.01]	[30.70]	[34.44]	[38.36]	[43.13]	[48.34]	[54.06]	[59.38]	[65.60]	[15.7]	[11.4]
<u>Debt Service<sup>2/</sup></u>													
Interest (i)	0.85	0.92	1.02	1.14	1.28	1.44	1.66	1.96	2.28	2.61	2.96	11.1	15.5
Principal (P)	2.00	2.03	2.44	2.80	2.98	3.25	3.55	4.99	4.39	5.01	5.65	10.2	11.7
Total	2.85	2.95	3.47	3.95	4.26	4.69	5.22	5.94	6.67	7.62	8.61	10.5	12.9
<u>Indicators</u>													
i/GOD	5.3	5.2	5.0	5.1	5.2	5.4	5.6	5.8	5.9	6.0	6.1	0.4	2.5
P/GOD	12.5	11.4	11.8	12.5	12.2	12.1	12.0	11.8	11.4	11.5	11.6	-0.5	-1.0
DS/GOD	17.9	16.6	16.8	17.6	17.4	17.5	17.5	17.5	17.3	17.5	17.7	-0.5	0.2
DS/Exports	13.5	13.6	13.0	10.6	10.1	10.8	10.8	11.2	11.3	11.6	11.9	-4.5	2.0

<sup>1/</sup> Base Average 1967-1969 = 100

<sup>2/</sup> Based on Public Debt Only

# SUMMARY EXTERNAL DEBT INDICATORS<sup>1/</sup>

(percentages)

Annual Average  
Growth Rate  
1970-1975-  
1975-1980

Country-group and indicator	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1970- 1975	1975- 1980
Higher-income countries													
i/DOD	5.3	5.2	5.0	5.1	5.2	5.4	5.6	5.8	5.9	5.0	6.1	0.4	2.5
P/DOD	12.5	11.4	11.8	12.5	12.2	12.1	12.0	11.8	11.4	11.5	11.6	-0.5	-1.0
DS/DOD	17.9	16.6	16.8	17.6	17.4	17.5	17.5	17.5	17.3	17.5	17.7	-0.5	0.2
DS/Exports	13.5	13.6	13.0	10.6	10.1	10.8	10.8	11.2	11.3	11.6	11.9	-4.5	2.0
Middle-income countries													
i/DOD	3.6	4.3	4.3	4.4	4.6	4.8	5.0	5.1	5.2	5.3	5.3	5.9	0.8
P/DOD	11.6	11.1	13.1	10.4	9.1	8.7	8.5	8.2	8.3	8.0	8.0	-5.5	-1.0
DS/DOD	15.1	15.4	17.4	14.8	13.8	13.5	13.5	13.3	13.5	13.3	13.3	-2.0	-0.5
DS/Exports	11.6	11.8	11.3	8.0	7.7	8.3	8.3	8.5	8.9	9.0	9.3	-6.5	2.3
Lower-income countries													
i/DOD	2.6	2.5	2.1	2.5	2.6	2.6	2.6	2.6	2.7	2.7	2.7	0.0	0.8
P/DOD	4.8	4.5	4.4	5.0	5.0	5.1	4.8	4.8	4.6	4.3	4.1	1.2	-4.2
DS/DOD	7.4	7.0	6.5	7.6	7.5	7.7	7.5	7.4	7.3	7.0	6.8	0.9	-2.5
DS/Exports	13.8	14.2	12.7	12.2	11.5	12.3	11.7	11.5	11.0	10.3	9.8	-2.5	-4.5
41 countries													
i/DOD	4.0	4.0	3.7	4.0	4.1	4.2	4.3	4.4	4.6	4.6	4.7	1.0	2.3
P/DOD	9.3	8.6	9.1	9.2	8.8	8.8	8.6	8.4	8.3	8.2	8.2	-1.0	-1.5
DS/DOD	13.3	12.6	12.8	13.2	12.9	12.9	12.9	12.9	12.9	12.9	12.9	-0.5	0.0
DS/Exports	13.2	13.3	12.5	10.3	9.8	10.5	10.4	10.6	10.7	10.7	10.9	-4.4	0.8
Oil-producing countries													
i/DOD	5.6	5.7	5.4	4.7	4.8	5.1	5.4	5.7	5.9	6.1	6.2	-2.0	4.0
P/DOD	12.1	13.7	15.3	12.6	10.5	9.8	8.4	7.6	7.1	6.9	7.0	-4.0	-6.5
DS/DOD	17.7	19.4	20.7	17.3	15.3	14.9	13.7	13.3	13.0	13.0	13.3	-3.5	-2.0
DS/Exports	6.7	7.1	6.7	4.8	3.2	3.1	2.9	2.9	2.9	2.9	3.1	-14.0	0.0

<sup>1/</sup> Based on public and publicly guaranteed debt. Where DOD is debt outstanding and disbursed, i and P are respectively interest and principal repayments and DS is debt service.

## OFFICE MEMORANDUM

*HKH-bondar*  
*(✓ Paper and*  
*CAD file in scy's*  
*office)*

TO: Mr. Robert S. McNamara

DATE: December 13, 1973

FROM: Mervin E. Muller *Mervin E. Muller*SUBJECT: Summary of Attached Computing Activities Five-Year Program Paper and Work Program

A five-year program paper for Computing Activities has been developed and the details of the work program are now under review. Before this review process proceeds too far, there are some basic issues, summarized in point 5 below, which I feel need your attention and which I would like to discuss with you at your earliest convenience. Also, I would like to confirm that my long range goals and objectives for computing, on which the work program is based, are still consistent with yours as I understand them from our previous conversations.

The major points covered in the paper and the issues needing to be discussed are summarized below.

1. Present Status of Computing in the Bank

The background and development of this Department is summarized, including an indication of the considerable progress that has been made in overcoming past deficiencies in staff, application systems, and equipment and its use. By the Fall of 1974 the Bank should be in a position to realize the full benefits of its investment in computing, since a foundation for computing will be completed both to support current applications and to facilitate future development.

2. Proposed Primary Goals for the coming Five Years

- (1) Shift emphasis to provide an increased level of support to the operating departments so that the current level of support is more than doubled in FY75, and is increased 2.7fold over FY74 by FY78. Support to the Development Policy staff remains approximately at the current level, and support to the financial and administrative areas will decrease by approximately 40% by FY78. (See Summary Table, page 27.)
- (2) Stress improvement of data quality and availability, and better techniques for data analysis.
- (3) Have computing recognized as a fundamental Bank resource, to be planned and allocated so that data are respected as a Bank-wide resource for the fullest possible use. Integrate applications, where possible.
- (4) Emphasize the use or development of general-purpose software to obtain additional capabilities at reduced cost or with time savings.



### 3. Staffing and its Implications for the Work Program

The work program was developed within the constraint that there is to be no major increase in staff committed to computing. Accordingly, the professional staff increase is held to a minimum (3 positions). However, to stay within this constraint requires a willingness to incur some criticism for delaying or stretching out the implementation of some user requests. (The current backlog of work, without taking on new assignments, would take the existing staff over six years to complete.)

### 4. Requirements to Achieve the Work Plan

The above goals (as well as others identified in the work plan, see Section 5, page 15) are attainable with the cost projections shown in Table 4 (page 29), if: 1) the completion dates for some new application systems can be delayed; 2) it is acceptable to provide proportionally less staff support to the administrative areas; 3) investments are continued in the development of general purpose programs which provide economies, and 4) work is continued to increase the sharability of data among applications and the integration of application systems to ensure more consistent data and to reduce requirements for maintenance staff.

### 5. Major Issues to be Discussed

- (1) The increased support to operating departments (as noted in paragraph 2 above) and the implications of the associated priority trade-offs.
- (2) Additional investments planned to improve the quality and usability of Bank data.
- (3) The value of continuing investments in both general-purpose tools and the integration of applications.
- (4) The role of the Priorities Committee in setting and reviewing computing priorities.
- (5) Implications of the choice between: (a) minimum staff increases with resultant penalties in service and user dissatisfaction, and (b) sufficient staff increases to meet requests for new applications and services.

cc: Mr. H.B. Chenery

*MCN binder*

Mr. Robert S. McNamara, President

December 12, 1973

Hollis B. Chenery, VP, Development Policy by ES

Proposed Annual Meeting Speech Topics

1. Attached are sketches of three possible topics: Urban Poverty, Education, and World Developments and the Poor.
2. There are advantages and disadvantages to each topic:
  - a) Education is a vital issue which you never have addressed. The problem has been that while we could list the complaints easily enough, and even indicate proposed solutions in a general sense (e.g. non-formal education), the world did not have enough experience with alternative approaches to be specific about an action program. Although work on the revised Education Sector Paper is in progress, the outline and the supporting material suggests the situation has not changed much. Nonetheless, a speech highlighting the problems can be done and may serve to focus attention on new approaches.
  - b) Urban Poverty is a logical sequel to the speeches at the last two annual meetings, and is therefore an attractive possibility. It would answer the charge that we focused only on one aspect of poverty this year and ignored many important interrelationships. It would be logical then to follow in 1975 with an overall assessment of progress and its impact on the poor.

The problem with this topic also is with the prescriptive side. We have developed some data on selected urban areas, we are beginning to accumulate some experience from our urban projects and some of the general work on income distribution and other matters sheds light on urban poverty. The actions we can suggest with some confidence would significantly improve policies now prevalent. However, we do not have definitive prescriptions. This should not necessarily lead us to reject the topic; only to realize that the immediate action program is likely to be modest.

*Attachments in file 1974 AM Speech*

December 12, 1973

- c) World Developments and the Poor is conceived as a review of progress since 1970, and the impact of possible supply shortages on the low income countries. Quite a lot of information is available from our country projections, and we could present a good analysis of developments - actual and prospective. The advantage of this topic is its timeliness, the obvious need for a review of developments with emphasis on the poor, and the desirability of having someone of stature address the impact on developing countries of such major structural changes as oil and fertilizer shortages and food constraints. The disadvantages of the topic are that we are unlikely to be able to propose a comprehensive plan of action and that the situation on some of the issues will remain fluid.

3. We should like to meet with you at your convenience to discuss the choice of topics - a firm selection for 1974 and a tentative one for 1975 - and to agree on the approaches for the topics chosen. As we discussed at our last meeting, work could be started both on the 1974 and the possible 1975 topic to assure better material for these complex subjects than even a six-month lead time permits us to compile.

#### Attachments

cc: Mr. W. Clark  
cc and cleared with: Mr. Baum

EStern/lm

bcc: Messrs. Stern, Haq, Tims  
Ms. Hughes



DEC 11 1973

Mr. Robert S. McNamara, President

December 11, 1973

Ernest Stern, Senior Adviser, VPD

Salary Indexing

*File*  
*(Robert McNamara)*

At the pre-Board briefing of October 30 you asked that we review the practice in different countries in regard to wage indexing, and the relation of this to "incomes" policies in times of inflation. A short note on this topic, prepared by the Public Finance Division, Development Economics Department, is attached. The country coverage is limited, particularly in regard to civil servant salaries, but it would take considerable additional work to make a comprehensive inventory of wage policies. Since the issue on Bank salaries is essentially political, and this type of material presumably is only useful for background discussion, I thought we would not undertake further work until you had reviewed this note and determined whether additional material is needed.

Attachment

cc: Mr. R. Clarke

EStern/lm

bcc: Messrs..Chenery ✓  
Yenal

## Salary Indexing and Inflation

### Pros and Cons of Wage Indexing

1. At times of rising prices the real incomes of wage and salary earners fall if their earnings do not keep up with the rate of increase in the cost of living. This is, in general, viewed as an undesirable outcome from the equity point of view. Moreover, a fall in the real price of labor in some activities may also distort resource allocation. Although in most instances the reactions of the groups whose real incomes are reduced set in motion pressures - of market or non-market type - which tend to redress the deterioration in the absolute or relative values of the real wages or salaries, the system through which these compensatory changes take place and the timing of these adjustments have implications for equity and efficiency as well as stabilization policies aimed at controlling inflations.
2. In periods of price stability, the cost of living does not figure significantly in the wage-salary negotiations, which deal with other conditions. In periods of rapid price escalation, however, the cost of living as a determinant of bargaining positions assumes special importance. Wage/salary indexing (often described as the cost of living clause in wage contracts) which provides for some kind of automatic adjustment according to a price index, is one method of dealing with the problem in an explicit and systematic manner.
3. The attraction of wage indexing is that under this system contractual earnings are compensated for by the rise in prices on a regular basis, requiring relatively moderate adjustments, rather than resulting in abrupt changes at irregular intervals. The difference between contractual arrangements which include indexing and those which do not is not whether

the wages should be adjusted for inflation or not - since the market will ultimately force some adjustment - but when these adjustments take place. Wage indexing is thought to minimize the inequities caused by increases in the cost of living and the distortions in resource allocation brought about by inflation. It also enables wage negotiators to concentrate on the need and scope for revising the real wage rates. By reducing uncertainty at least in one element of future changes, indexing may also facilitate long-term agreements.

4. The opponents of wage indexing, on the other hand, view it as a system where the momentum of past inflations is built into the economy by institutionalizing the interactions between the prices and the wages. According to the critics of indexing, linking wages to consumer price indices reinforces inflationary trends, and is a barrier to policies aimed at reducing the rate of inflation.

5. On balance the pros and the cons of wage indexing probably are exaggerated in terms of the performance of the total economy. Wage indexing is one method among many of adjusting wages to the price increases. In general, wages as a whole get adjusted to the inflationary trends in the long run whether the wage contracts contain explicit cost of living clauses or not. This is particularly true for the better organized, politically more powerful labor groups; for the informal, unorganized sector, wage adjustments may lag but these are also the groups which are not likely to be able to negotiate an indexing system. Even when the wage contracts contain escalation clauses, it is not difficult for governments to interfere in the implementation of these contracts for brief periods if this is warranted either to achieve a quick reversal in expectations or for other short-term policy requirements. Nonetheless, it is clear that when indexing becomes most important to labor, i.e., in periods of rapid price inflation, it is



most likely to be inconsistent with necessary "wage-restraint" policies.

#### Wage Indexing Experience

6. The extent of indexing in the industrialized countries varies a great deal. At one end of the spectrum are countries like Belgium and Denmark where indexing has been prevalent in one form or another since the end of the Second World War. In Belgium, indexing applies to about 90 percent of the wage earners. In Denmark, the cost of living adjustments are made twice a year, based on a "wage regulating index" which is the consumer price index adjusted to exclude the indirect taxes and subsidies. Some wage contracts in France include cost of living safeguards in the form of threshold clauses which provide for the revision of salaries of certain categories in the event that the cost of living rises by more than a certain percent. Indexing of all kinds was very widespread in Finland until 1967 when most forms of indexing were abolished as part of a stabilization program following the devaluation. Indexing of wages is also common in Italy, Norway, and the Netherlands. On the other hand, cost of living clauses are almost non-existent in Austria, Germany and Japan.

7. In the United States, the popularity of wage indexing has risen in years of inflation. The three peaks in the post-war period - when the number of wage earners covered by the cost of living clauses reached about 40-50 percent of the workers under major union contracts - occurred during the years of the Korean boom, the late fifties - especially 1958 - and the recent inflation. At present about 4.3 million workers employed under major bargaining agreements are covered by escalation clauses. The total number of wage earners whose incomes are linked to prices is estimated at about five million. In addition, some state and local government employees and the pensioners under the two major Federal pension schemes (about 1.9 million

retired civil servants and military personnel and about 28 million social security beneficiaries) are also protected by escalation clauses.

8. In the context of the incomes and prices policies in European countries, the attitudes toward wage indexing have been ambivalent. The widespread practice of indexing in Finland was abolished in order to implement the stabilization program following the 1967 devaluation. The Danish Government also tried (as part of its 12-point stabilization program in 1970) to abolish the escalator clause in wage contracts, but was not successful. In the United States, this was never a serious issue. As one author puts it, "The War Labor Board rejected the cost of living tie, the 1946 Wage Stabilization Board ignored it, the Korean Board encouraged it, and the Nixon Board assumed it within specified limits."

9. At the beginning of 1967, after the rise in consumer prices began to accelerate in the United States, the Council of Economic Advisers explicitly stated that the wage guideposts should not be adjusted to recognize the recent increases in living costs. Following the three-month freeze on prices and salaries during Phase II of the prices and incomes policy which lasted until January 1973, the statutory limits on the wage increases were 5.5 percent per year plus an allowance for fringe benefits of 0.7 percent as compared with a price increase expectation of 2.5 percent per annum. The outcome was, on the average, an annual increase of 6.4 percent in hourly earnings and 3.4 percent in the consumer prices. These trends were perfectly compatible with cost of living clauses in the wage agreements. After a relaxation of guideposts in Phase III, the United States is now applying, on a selective basis, the same ceilings on wage increases as in Phase II.

10. Since 1972, Britain has gone through two phases of the income and prices policy and the third phase has just started. The First Phase



imposed a freeze on all pay as well as prices for a period of 90 days from November 1972. The Second Phase included a statutory requirement that the total annual cost of pay increases for any group of employees be limited to the sum resulting from the payment of £1 per week plus 4 percent of the average pay bill per head for the group over the previous year, with a maximum for any one individual of £250 per year. This formula, designed to improve the relative position of the lower paid, would permit an increase in wage rates taken as a whole of about 7.5-8 percent. There was no explicit recognition of the escalation clause. In the Stage III regulations announced last month, the pay increase ceilings are set at 7 percent or £2.25 per week, with a maximum of £350 a year for each individual. In addition, threshold agreements (cost of living clauses) are allowed as follows: up to 40p a week if the price index rises by 7 percent in the 12 months; further payment of up to 40p for every percentage point rise in the index beyond 7 percent.

11. Threshold agreements were introduced for the first time to the incomes policy in Britain in order to cushion consumers against the effect of a sharp rise in the cost of living. This was explained in the Government Consultative Document as follows: "The Government recognise the public anxiety about the possible effect on prices at home of any future increases in the world prices of commodities that we have to import. They therefore propose to provide a safeguard, and the proposals below include arrangements for threshold agreements under which additional payments could be made if there were an exceptional increase in prices. Such arrangements run the risk of adding to domestic inflation if import prices rise unexpectedly fast. But Government think it right, in the interest of fairness, to accept this risk for the next 12 months in the special circumstances of Stage 3."



12. By setting an absolute ceiling to the permissible increase in wages for each individual (£350 per year) and by providing an absolute floor to the permissible increase of wages (£2.25 per week) the incomes policy of Britain in Stage III describes a system where the percentage increase in wages declines from low incomes to high incomes. Roughly at about £1,000 per year the maximum increase in wages can be as high as 15 percent. Between £2,000 and £5,000 per year the increase will be around 7 percent. Beyond a salary of £5,000 per year, the increase allowed as a percent of incomes will decline. As stated in the Green Paper, this is a fundamental principle of the Government policy. Moreover, the threshold agreements permitted under the new system will aggravate this discrimination against the high wages and salaries, since the cost of living benefits are also expressed in absolute sums rather than in terms of percentages of wages.

13. The evidence concerning the effect of wage indexing on the increase in wage rates is inconclusive. It is not clear that the wage increases during inflationary periods have been higher either in the countries or in the industries where escalation clauses were prevalent. Although indexing was not widespread in Austria or Germany, and had limited application in Britain, wage adjustments to rising prices were necessitated in those countries as well, often by frequent renegotiations of contracts. In the United States, wage statistics from 1941 to 1972 show distinctly larger percentage increases in pay in the construction industry where cost of living escalation has been practically non-existent, than in the other situations, which, with one exception, had escalation for part or all the period. In 1970, 1971, and the first part of 1972, the average percentage increase in base pay (or pay and benefits) was distinctly larger in those settlements that did not incorporate escalation than in those that provided for cost of living adjustments.

### Civil Service Salaries

14. Both in Britain and in the United States, the philosophy underlying the public policy toward the adjustment of the salaries of government employees seems to emphasize the comparability of the government salaries with the pay levels in the private sector. There is no explicit index-linking of government salaries either in the United States or in the United Kingdom. The Federal Pay Comparability Act states that: "Federal pay rates [should] be comparable with private enterprise pay rates for the same levels of work." The standards of salary adjustments are less explicit in Britain. Although many official reports, including the report of the Royal Commission on the Civil Service 1953-55 (the Priestley Report), have emphasized that "the primary principle of civil service pay should be a fair comparison with the current remuneration of outside staffs employed on broadly comparable work" the lack of principles and the triumph of expediency is still quite evident.

15. In the United States, the adjustment for the Federal salaries ordered by the President for 1974 is 4.77 percent. This is the rate of increase recommended by the Office of Management and Budget and the Civil Service Commission, which serve jointly as the President's agent for Federal pay, taking into account the recommendations of the Advisory Committee on Federal Pay as stipulated in the Federal Pay Comparability Act of 1970. In fact, the Federal Employees' Pay Council's request for a one-time cost of living bonus of \$198 per employee over and above the 4.77 percent increase was rejected both by the Pay Agent (comprising the Office of Management and Budget and the Civil Service Commission) and the Advisory Committee on Federal Pay on the grounds that they could find "no legal authority under which a supplement could be granted" and since "pay in private industry to



which Federal pay is compared takes into account changes in living costs, in addition to other factors." Thus, the principle of comparability seems to include an indirect provision for taking care of increases in the cost of living.

16. Since 1964 all the annual salary adjustments for the Federal employees in the United States have been across-the-board increases for all those covered. However, a compression of the scales at high salary levels has occurred due to the \$36,000 ceiling on executive, legislative, and judicial salaries. At present all workers in Grades 17 and 18 and those in the top 5 steps of Grade 16 receive the same pay; these workers will receive no increase until the problem of the pay ceiling is resolved. The 1974 pay increase will add those in Step 4 of Grade 16 to the group at the pay ceiling.

17. In the United Kingdom, salary adjustments for the civil servants will not be subject to the restrictions of Stage III ceilings. They are exempted under a special clause of the incomes program which permits the cases of "anomalies" to be treated differently, subject to the approval of the Pay Board. As a result of the biennial salary review by the Pay Research Unit, the civil servants were about to receive a salary increase of about 20 percent last January (1973) when the stabilization measures intervened. Under the Stage II regulations, the civil servants had to settle for the E1 plus 4 percent maximum which they were granted in April 1973. Under the "anomalies" provision of Stage III policy, some 400,000 civil servants are now expected to get raises as high as 20 percent.

#### Relevance to Compensation Policy in the IERD

18. To achieve the twin objectives of fairness to the employees and efficiency for the institution, the fundamental principle of compensation policy in the Bank should be the maintenance of comparability or competitiveness



with the pay levels in other relevant markets. This is also a basic principle of salary administration in the United States and the United Kingdom civil service. In times of relative price stability, a system of periodic reviews that would examine all the relevant factors for the analysis of comparability may be an adequate system, although the question of how and with whom the comparisons are made will always be a complex one. In periods of rapid inflation, however, the difficulty of making objective comparisons is compounded. Not only does the choice of markets selected as points of reference become more complicated, but the timing of the studies which serve as bases for reviews as well as the interval of the revisions assume additional importance. For these reasons, a system which deals with the inflation factor separately and on an automatic basis may be a fairer, simpler, and even more efficient method of keeping the comparability of the pay levels. This may be all the more important for the Bank, where the alternative methods of reviewing comparability would involve dealing with exchange rate questions. In other words, on the assumption that the pay levels in comparable markets will be affected by the rate of price inflation, an automatic indexing of the salaries in the Bank to some relevant price index may provide an easy and efficient means of maintaining comparability.

19. The two arguments likely to be levelled against this system are (a) that the pay levels in the markets relevant for Bank employees may not be correlated with the price increases, and (b) that the pegging of pay levels below the price increases may be a deliberate policy of the member countries to achieve price stability. As regards the first argument, there is no reason to expect that the Bank employees are in a category whose employment opportunities outside the Bank would necessarily suffer as a result of inflation in the long run. If there are structural changes brought about by inflation which explicitly call for a reduction of the pay levels for Bank

employees - which would be unlikely - these situations can be dealt with in the periodic reviews of the real value of the salaries.

20. As regards the measures of wage-restraint aimed at reducing the inflationary pressures, it is obvious that the only link is a political one. Measures of wage-restraint in European countries are no more relevant in determination of Bank compensation levels than inflation rates in these countries are. To the extent these price or wage developments affect the conditions in the "comparable markets" for Bank employees, they can be dealt with in the periodic reviews of real wages. As far as United States income policies are concerned, the Bank is a relatively small institution and in no sense would it have a significant impact on the local economy or be considered a pace-setter. If wage indexing, formal or informal, quarterly or annually, is considered appropriate, the results should not be affected by any particular member's incomes policy.

21. In Britain the incomes policies of recent years have restricted the adjustment of wages and salaries at high levels and have favored the wage increases in the low-income groups. A similar compression has occurred in the pay schedules of the Federal employees in the United States, although for very different reasons (i.e., top salaries are tied to Congressional salaries and Congress does not consider it politically feasible to increase its own salaries at present). The salary adjustments of last May and the very recent one in the Bank have also followed this pattern by giving higher percentage increases to the employees in lower salary brackets. This may be justified as an income distribution policy - which seems to be the philosophy behind the attitude of the British Government. An income distribution policy in the context of the Bank, of course, does not make sense. If there are valid reasons for the compression of salary ranges, this should be dealt with explicitly in the review of real salary differentials and not under the guise of wage-restraint policy which is irrelevant to the institution.



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: December 4, 1973

FROM: Hollis B. Chenery 1026

SUBJECT: Bank Operations FY 1974-1978

1. The draft paper submitted to you by P & B poses three important issues: (i) the procedure for formulating our long-term plans, (ii) the relationship of the various component parts of the paper, and (iii) the disposition of policy issues which emerge during the preparation of the plan. I will comment only on what can be done to improve the present paper, but we should also reach some agreement on the future procedure before we discuss the paper with the Board.

2. Procedure. The preparation of this draft of the planning paper has been essentially non-participatory. While each Region has prepared its estimates, based on the CPPs, the constraints placed on the regional programs have not been discussed with the Regions nor is one Region aware of the limitations that another faces. Equally important, the constraints have not been explored in terms of consistency, alternative impact on LDCs or contribution to Bank development objectives. Holding regional shares of the total constant is only one of several possibilities, and not one that would emerge from a current reconsideration of needs and absorptive capacity. It may be that the Regions can offer no alternatives, or that we would not want to present any to the Board, but the effort should be made to pose alternatives for internal management considerations.

3. Analytical Framework. There is little relationship in the present draft between the three major parts of the paper - the lending level, the composition of the lending program and the economic projections. Essentially, a decision was made to hold the lending constant in real terms. While the economic projections are not inconsistent with the lending level, neither do they support the selection of this particular level. Since no alternatives are explored - something a number of Board members urged last time - there is less justification of the lending level than in the 1971 paper. Because of the great uncertainty about global economic developments, it might be better not to refine the projections but to replace them with a brief discussion of alternative scenarios of world economic development and their ramifications for the developing countries. I suggest that we discuss this option at tomorrow's meeting.



4. Policy Issues. In the preparation of the 5-year lending program many policy issues emerge which are decided implicitly. Certainly for major issues this is not the appropriate way of handling them. It may be that we do not want to put any of these issues to the Board, but that does not mean they should not be considered explicitly at the management level. Such issues include:

- (a) What differences would it make if we lent an additional \$5-10 billion in this period? Since IDA is limited, which LDCs would benefit? How would it affect them? What impact on their debt structure? Conversely, what would be the impact of lending less?
- (b) What difference does it make if we shift regional patterns? What are the creditworthiness constraints to shifting more money to Asia and Africa, which contain larger numbers of poor, small-scale farmers?
- (c) What is the relation of large-scale Euro-currency borrowing by major Bank clients to our lending?
- (d) What would happen if we were to lend less to the oil-producing countries?

cc: Messrs. Knapp, Baum, Adler, Tims, Stern.

EStern/HBChenery:tk

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: November 29, 1973

FROM: Hollis B. Chenery *ES*SUBJECT: INDIA Country Program Paper: Major Policy Issues

1. The India CPP asserts, with commendable candor, that despite a substantial capital inflow over the past two decades and a reasonable domestic savings effort, the chances of any significant improvement in India's development performance are dim. Because the timing of the India CPP and its supporting Basic Economic Report coincides with the preparation of the Fifth Plan, I feel that a number of major policy issues should be raised at this stage.

2. India has and will continue to obtain up to 40 percent of IDA's resources (the CPP proposes 34 percent for FY74-78). Moreover, the Bank Group will be providing India with some 90 percent of the projected net transfers during the next five years as compared with only 25 percent over the past five years (CPP, p. 16). A closer assessment of the Bank Group role in - and responsibility to - India is, therefore, clearly warranted. I suggest three specific areas in which our policy might be reconsidered:

- (a) The CPP's statement that "our leverage to press for fundamental and broad policy changes is limited" (paragraph 57) should be clarified. If clear-cut policy changes are identified as crucial to improved performance, the Government should be informed that the size of Bank Group lending will be determined on the basis of its success in implementing the required reforms.
- (b) The CPP's contention that "the most effective vehicle for influencing specific policies is through lending for individual projects" (paragraph 58) should be reconsidered. Bank Group lending to specific industrial projects, for instance, has exceeded \$1 billion over the past 10 years. Yet, "it is quite clear that industrial policy has been largely responsible for the poor performance of the sector" (paragraph 24). Past experience suggests that reliance on project lending may not be the most effective vehicle to bring about significant policy changes in India.

- (c) The generally held assumption that we are anxious to commit the annual tranche of IDA availabilities by the end of each fiscal year may limit our influence on Indian policy. Since India accounts for more than one-third of this tranche, the achievement of the annual IDA commitment target depends heavily on submitting enough loan proposals for India to the Executive Directors by June 30. Our bargaining position on policy issues would be stronger if Management let it to be known unofficially that attainment of the IDA commitment target for India is not an overriding consideration and that other claimants for the funds are available.

3. The consistently high-quality economic reporting on India provides a wealth of information which needs to be digested to produce concise statements as to what we would recommend to the Government of India in specific areas. These statements should be prepared during the next few months and should be discussed with the Government before the finalization of the Fifth Plan. In this regard, I would stress two sectors:

#### Industrial Exports

4. Discussions on this subject, at the highest levels, were recommended in the course of last year's CPP review. Although such discussions were initiated, they led nowhere since the Indian reaction was that "the Bank's willingness to be helpful was appreciated but that these matters were under review by the Government" (paragraph 57). What is needed is a clearly formulated policy brief stating to the Government our assessment of the effectiveness of the various policy measures taken over the past few years and a set of alternative policy decisions which we feel should be implemented.

#### Rural Development

5. Of the total farm land of India, almost 50 percent is cultivated by small holders (less than 5 hectares) representing close to 80 percent of India's farm families. Without their involvement and participation, the Indian rural scene cannot possibly improve. India's recognition of the problems of rural unemployment, low productivity, and agrarian discontent has been reflected in the high priority given to a wide range of rural development programs in the Fourth and Fifth Plans. Apart from attempts at land reforms, the crash program for



Rural Employment, the Drought-Prone Areas Program, the Small and Marginal Farmers and Landless Laborers Agencies Schemes and the Pilot Dry Farming Programs, all of which were initiated under the Fourth Plan, represent the Government of India's strategy for coming to grips with the problem. These programs are operating with various degrees of success because of limited resources, poor project preparation and execution (Economic Report 1973, para. 5.45).

6. There has always been a major gap between India's capacity to articulate programs and its ability and willingness to implement them. In our policy dialogue with the Government, we should focus on the institutional support and financial backing that these programs should receive from the Government if they are to stand any chance of implementation. Our own contribution to such programs is rather limited (\$150 million out of a total of \$1500 million in agriculture lending). Maybe this is all that India requires, but we should be prepared to recast our own lending program and increase our contribution for rural development if this is required for a more effective implementation of the objectives set forth in the Fifth Plan.

cc: Messrs. Knapp, Aldewereld, Baum, Cargill, Diamond, Adler (2),  
Haq, Stern.

AMeguid/MHaq/HBChenery:pa/tk

NOV 6 1973

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT  
ASSOCIATION

INTERNATIONAL FINANCE  
CORPORATION

OFFICE OF THE PRESIDENT


November 5, 1973

TO: Messrs. Baum, Chenery, ✓ Adler, Broches, Clarke, Damry,  
Gabriel, Willoughby, Kearns

Attached is the Nov. 1 version of a Monthly Report on assignments for your unit. The President would like to receive the report regularly as of the first of each month. Please have it sent to me at least two days in advance of the report date, starting with the report as of December 1, 1973.

Please check the attached for accuracy and completeness. It should contain all items on your work program which will eventually go to the President or in which you think he should be interested. In particular, all items in the monthly issue of the Policy Paper Inventory issued by Mr. Haq should be included and consistent.

Please asterisk all changed or new items or dates.

  
Anders Ljungh

*STelm - Action*

*There are no meetings  
I don't see...*

*should be assigned  
each item to an  
individual DTS member  
(not you or me)*

*1 de*

## MONTHLY REPORT OF SELECTED PRESIDENT'S WORK ASSIGNMENTS: DPS

(As of ~~October 1, 1973~~  
November

<u>Subject</u>	<u>Individual Responsible</u>	<u>Sched. to President</u>	<u>Remarks</u>
1. <sup>Promotion in</sup> Export financing / Bank participation projects	Haq	9/18/73	<del>Includes Israeli pro-</del> posals. Discussed 9/13. Stern & Qureshi to do further work.
* 1.b Israeli credit proposal	Stern	12/73	
2. Cocoa-Bank financing	Tims	12/73	Board discussion 3/19/74
3. Housing-Bank policy	Gulhati Stevenson	10/73- 11/73 *	Board discussion 3/12/74
4. Health-Bank policy	Gulhati Stevenson	9/74	first draft to President 9/74 Board discussion 12/74
5. LLDC's-Bank role	Haq	11/73	
6. Natural resources and enclave projects-Bank role	Haq	12/73	Depends on decisions re minerals paper 11/1
7. DFC's -Bank role	Gulhati Stevenson	9/73 11/73 *	Ready 9/73, PRC review delayed by Annual Meeting
8. Economic Integration	Canas Balassa	12/73	
Development Strategies in Semi-Industrial Countries	Canas Balassa	4/74	
10. The Financial System and Public Finance	Gulhati Stevenson	Done	Outline for financial sector paper.
11. Public Works as a Policy Instrument	Gulhati Stevenson	6/74	
12. Land tenure	Gulhati Stevenson	12/73	
13. African Rural Development	Gulhati Stevenson	3/74	
14. Policy Alternatives in Educational Development	Gulhati Stevenson	10/73	Part of education sector paper; jointly with CTS
15. Employment and Income Dist.	Gulhati Stevenson	9/74	
16. Issues in Family Planning	Gulhati Stevenson	12/74	1st step towards defining white paper + speech.
17. Small-scale Industry	Gulhati Stevenson	3/73 12/73 *	Has been circulated to PRC staff
18. Industry in Small LLDC's	Gulhati Stevenson	1/74	
19. Industrial Policy and Economic Integration in Western Africa	Canas Balassa	4/75	
20. Urban Land Policies	Gulhati Stevenson	2/74	



MONTHLY REPORT OF SELECTED PRESIDENT'S WORK ASSIGNMENTS: DPS  
(As of October 1, 1973)

<u>Subject</u>	<u>Individual Responsible</u>	<u>Sched. to President</u>	<u>Remarks</u>
21. Review of Research Program	Stern	11/6/73	Draft cleared by Pres. 10/25/73 Board Discussion 12/4/73
22. Reporting Format on Major Economic Trends	Tims	10/15/73	Approved for circulation to Board.
23. Potential for Increased LDC Exports from a more liberal trade policy	Tims	11/16/73	For Tidewater Conf.
24. Trade-Offs Between Lending to Small and Large-scale Agriculture	Haq		Done
25. Collaboration with IMF in Economic work	Haq	10/31/73 12/73*	
<u>Guidelines</u>			
26. Plans for including demographic work in economic reports	Chenery		
<u>Annual status report on Bank Population Activities</u>	Stern		
28. Revised FY74 Population Work Program	Stern	11/73	Jointly with CPS
29. Publication of Bank Statistics	Chenery	6/74	
30. Program to implement Annual Speech 1973	Chenery (Down)	11/26/73	For meeting 12/3
31. Public Services Afforded by Country as Function of Level of Income	Chenery		
32. Adaptive Technology-Bank Action	Chenery		
33. Effect of Parity Changes on LDC's	<sup>Tims</sup> Chenery		Memo sent to Pres.
34. "Bow-wave" effect of Bank participation in debt re-sched.	Chenery		
35. Explore analogy between regulation of national and international foodstuffs markets	Chenery		
36. Export Projections for LDC's	Stern	12/1/73	
37. Alternative outlines for 1974 speech	Chenery (Baum)	11/26/73	

MONTHLY REPORT OF SELECTED PRESIDENT'S WORK ASSIGNMENTS: DFG  
(as of August 1, 1973)

<u>Subject</u>	<u>Indiv. Resp.</u>	<u>Sched. to Pres.</u>	<u>Remarks</u>
39. Analysis of arguments for and against indexing of salaries.	Chenery		



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

OFFICE OF THE PRESIDENT

October 31, 1973

Dear Mr. Ross:

Your letter of October 15 to Mr. McNamara arrived on the same day for which you announced your visit (which I gather did not materialize). Mr. McNamara has asked me to be in touch with you on the specific questions you have asked in your letter to him.

First, on the general question of the Bank's work on global developments, we do indeed have a small unit, the International Economy Division in our Economic Analysis and Projections Department, which looks at global and broad regional developments in international trade and capital flows. The focus of this work, given the character of this Bank as an institution which channels capital to developing countries, is largely on the economic relations between developed and developing countries; our knowledge and experience is concentrated in the latter group of countries. For our data and projections related to the developed countries, we do rely to a major degree on other international agencies both within and outside the UN system; we are for example in regular contact with OECD, the DAC and the European Economic Community.

For the developing countries in which the Bank operates, alternative projections are made on a country-by-country basis, but we have not as yet attempted to standardize the assumptions on which these alternatives are based. Therefore we do not have alternative global projections, although a program for work of that kind has recently been made. In case you would like to inform yourself further on these and related issues, I suggest you contact Wouter Tims, the Director of the Department responsible for this part of our work.

Mr. Douglas N. Ross  
Executive Secretary to the  
Senior Executives Council  
The Conference Board  
845 Third Avenue  
New York, N.Y. 10022



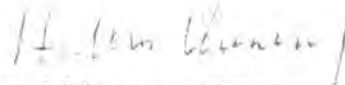
Mr. Douglas N. Ross

- 2 -

October 31, 1973

I attach a note to this letter which provides you with the background for the projected GNP figure for the developed countries in 1980, together with our latest detailed projection in current prices.

Yours sincerely,



Hollis B. Chenery  
Vice President, Development Policy

Attachment

cc: Mr. McNamara

WTims:lr:di

Attachment page 1

The table attached shows GNP for developed countries individually in current U.S. dollar prices and exchange rates, for the period 1971-1980. Transformed into constant 1971-dollars and exchange rates, the totals are as follows:

	Nominal GNP	GNP Annual Increase	Deflator Index	Real (1971-prices) GNP
1971	2,252		100.0	2,252
1972	2,591	8.6	108.6	2,385
1973	3,110	12.8	122.5	2,538
1974	3,566	8.1	132.4	2,693
1975	4,102	6.6	141.2	2,905
1976	4,491	6.1	149.8	2,998
1977	5,018	5.9	158.6	3,164
1978	5,609	5.9	168.0	3,339
1979	6,272	5.9	177.9	3,526
1980	7,016	5.9	188.4	3,724

Given the uncertainty surrounding the projection of prices and exchange rates, the figure for 1980 is rounded to \$3,500 million.

Table 11

Nominal GNP of the Developed Countries: 1972-1980  
(billions of U.S. dollars)

	<u>Estimated</u> <u>1972</u>	<u>Projected:</u> <u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
U.S.-Canada <sup>1/</sup>	<u>1,255.8</u>	<u>1,409.9</u>	<u>1,609.5</u>	<u>1,792.3</u>	<u>1,986.6</u>	<u>2,197.8</u>	<u>2,431.4</u>	<u>2,689.9</u>	<u>2,976.1</u>
United States	1,151.8	1,292.2	1,475.1	1,641.6	1,818.4	2,010.4	2,222.7	2,457.4	2,717.0
Canada	104.0	117.7	134.4	150.7	168.2	187.4	208.7	232.5	259.1
Japan-Oceania <sup>1/</sup>	<u>353.3</u>	<u>472.4</u>	<u>563.3</u>	<u>661.7</u>	<u>768.8</u>	<u>891.4</u>	<u>1,033.7</u>	<u>1,198.7</u>	<u>1,390.1</u>
Japan	299.4	405.8	483.8	568.4	660.4	765.8	888.0	1,029.7	1,194.1
Australia	45.7	57.1	68.1	80.0	92.9	107.8	125.0	144.9	168.0
New Zealand	8.2	9.5	11.3	13.3	15.4	17.9	20.8	24.1	28.0
Western Europe <sup>1/</sup>	<u>958.8</u>	<u>1,199.8</u>	<u>1,360.9</u>	<u>1,522.9</u>	<u>1,696.1</u>	<u>1,885.5</u>	<u>2,096.5</u>	<u>2,330.8</u>	<u>2,592.3</u>
Austria	20.4	27.3	31.5	35.8	39.9	44.5	49.6	55.2	61.5
Belgium	35.6	45.2	51.6	58.1	64.8	72.0	80.1	89.0	99.0
Denmark	20.8	26.6	30.4	34.3	37.4	40.7	44.3	48.2	52.5
Finland	13.1	15.9	18.4	21.1	23.4	25.8	28.5	31.5	34.8
France	199.6	253.5	291.0	329.2	370.5	416.3	467.8	525.6	590.6
Germany	259.5	342.2	388.8	435.2	484.8	539.0	599.4	666.5	741.1
Iceland	0.7	0.9	1.0	1.2	1.3	1.4	1.6	1.7	1.9
Italy	116.0	130.7	146.2	162.6	182.8	205.3	230.4	258.6	290.3
Luxembourg	1.3	1.6	1.8	2.0	2.2	2.4	2.6	2.8	3.1
Netherlands	45.5	59.1	67.7	76.4	84.6	93.4	103.2	114.0	125.9
Norway	15.3	19.8	22.4	25.0	27.8	30.7	34.0	37.6	41.6
Portugal	7.6	9.2	10.6	11.9	13.6	15.4	17.4	19.7	22.4
Sweden	40.5	48.7	54.6	60.3	66.7	73.7	81.4	89.9	99.3
Switzerland	30.2	37.0	42.0	47.0	51.4	56.2	61.4	67.1	73.4
United Kingdom	152.7	182.1	202.9	222.8	244.9	268.7	294.8	323.4	354.9
Memo: Other Europe <sup>2/</sup>	(231.0)	(291.3)	(332.0)	(373.1)	(413.1)	(456.2)	(504.1)	(556.7)	(615.4)
Other									
Kuwait	3.5	4.0	4.4	4.7	5.0	5.4	5.7	6.1	6.6
South Africa	19.2	24.3	27.5	30.7	34.1	37.8	41.9	46.5	51.5
TOTAL - excluding Kuwait and South Africa <sup>1/</sup>	2,567.9	3,082.1	3,533.7	3,976.9	4,451.5	4,974.7	5,561.6	6,219.4	6,958.5
TOTAL <sup>1/</sup>	2,590.6	3,110.4	3,565.6	4,012.3	4,490.6	5,017.9	5,609.2	6,272.0	7,015.6

Source: Tables 7, 8, 9 and 10.

<sup>1/</sup> Computed as sum of components.<sup>2/</sup> Western Europe less France, Germany, Italy and the United Kingdom.



OCT 18 1973  
cc MR. STEIN

*Please handle &  
send out a note  
re: reply  
Drew*

THE CONFERENCE BOARD

October 15, 1973

*7-11-15*

*Harp*

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

Dear Mr. McNamara:

Former Treasury Secretary, Fowler, speaking before the Conference Board Conference on the Business Outlook in Canada on "World Capital Requirements" both quoted you and cited World Bank figures.

As a step in developing inclusive world-wide data for the Senior Executives Council meeting October 31, 1973, could you please supply me with a breakdown of your \$3.5 trillion projected 1980 GNP for affluent nations, as well as the assumptions on which the projection was based? Further, does the World Bank have a group taking a global look at the demand for and supply of capital (as well as assessing, from the supply side, what capital requirements may be involved in various alternate assumption sets)?

I'll be in Washington this Thursday, October 18 and will give your office a call. If convenient, I'd like to talk to one or two members of your research staff.

Yours sincerely,

*DNR*

Douglas N. Ross  
Executive Secretary to the  
Senior Executives Council

DNR:JC

OFFICE MEMORANDUM

*Noted*

TO: Mr. Robert S. McNamara

DATE: October 29, 1973

FROM: Hollis B. Chenery *HBC*

SUBJECT: Bank Support of Livestock Development

*10/30*

I generally endorse the approach to livestock development that is taken in the October 19 paper by Alter and Baum. One basic question is whether the shift in weights among Bank objectives (page 5) is adequately reflected in current practice in selecting projects in this and other sectors. The use of our standard method of project evaluation does not give adequate weight to incomes of the lowest groups, but the adoption of new criteria presently being discussed may have considerable impact on this sector. In general, it seems to me that these factors are adequately recognized in the paper.

cc: Messrs. Alter  
Baum  
Yudelman  
Stern

*President has seen*

HBChenery:tk

## OFFICE MEMORANDUM

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cc: Messrs. Alter  
Baum  
Yudelman  
Stern

*Filed with  
Policy Papers and  
RURAL DEVELOPMENT  
[inserted in separate bound]*

HBChenery:tk



INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT  
ASSOCIATION

INTERNATIONAL FINANCE  
CORPORATION

OFFICE OF THE PRESIDENT.

10/20

To Dr. Mendonça I have  
collected many  
your comments on  
these proposals  
" Rm 2

(Copy, as requested, given  
to Mr. Stern. D.  
10/23)

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Hollis B. Chenery

SUBJECT: Board Paper on Research

DATE: October 25, 1973

As you requested, I am forwarding a draft of the Board paper on research, which is scheduled to be distributed by November 14. It would be most helpful to us if you had a chance to read it and give us your comments before you leave.

The attached project abstracts are still in an early draft; they need to be edited and the format standardized. I believe they will be useful in providing a more detailed understanding of selected projects than is possible in the general narrative.

### Attachments

cc: *Mr. Knapp*  
cc: Mr. Stern

EStern:tk

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: October 8, 1973

FROM: Hollis B. Chenery and Warren C. Baum

SUBJECT: Programs for Rural Poverty: The Nairobi Speech

We have been considering in a preliminary way the follow-up action required to implement the broad approach to increasing the production of small farms outlined in your speech to the Board of Governors in Nairobi. We have concluded that we should prepare, with the Regions, a program setting forth in detail the specific steps we intend to take in support of the goals and objectives indicated in your speech. The program should cover the following five major areas of Bank activity:

- i) Global dimensions of the small farm problem;
- ii) Economic and sector work;
- iii) Lending operations;
- iv) Policy papers;
- v) Research.

A. Global Dimensions

In the first place, we should consider what further can be done to provide a better understanding of the global dimensions of the small farm problem. In particular, what overall size of program is required to achieve the goal of a 5% rate of growth in output from small farms by 1985; what are its major components; what are the major constraints; how is it to be financed; what contributions are to be made by development aid; what are the trade-offs, etc? Assuming further investigations to be desirable, we need to determine to what extent the Bank should undertake this work or which parts of it can be shared with FAO or other groups.

B. Economic and Sector Work

Concern for the small-scale farmer must be made an integral part of our country and sector work. First, we need urgently to improve our knowledge of the conditions of small-scale farming, the technological constraints, the absorptive capacity of small farmers, and the policy framework. We therefore should develop a detailed set of guidelines for the general economic missions. The guidelines should spell out the statistical data which will be needed and the factors on which the analysis should focus. This information will provide, over time, a better comparative understanding of the problems, and a basis for both revised country program papers and a dialogue with governments on appropriate policies. Moreover, the instructions can be prepared reasonably quickly and will alert regional and project staff that a serious and sustained implementation program lies ahead. The implementation of these guidelines may require changes in the size, composition and duration of Bank missions as well as collaborative arrangements with national organizations.



A review will be undertaken of the economic and sector work program over the next five years to make sure that it will reflect these priorities; special attention will be paid to agricultural sector surveys in the countries with large numbers of small-holders.

While proceeding along these lines we must be careful not to spread ourselves too thinly. We should therefore select, in agreement with the Regions, 4-6 countries representing different rural poverty problems and mount in-depth studies of the rural sector, with special emphasis on small-scale farming. The principal criterion of selection should be the country's willingness to consider a comprehensive action program aimed at increasing small farm production. If we can identify 4-6 countries who share our objectives and who are aware of the scope (political and economic) of the effort necessary, we should propose a joint study team which would prepare, in 9-12 months, an action program for the Government defining necessary policy changes and programs to increase small farm production and how such programs will affect existing development priorities. The Government would have to commit itself to consider the conclusions of the study, and the Bank would agree that its lending program to the country would be so designed as to provide maximum support of the action program.

#### C. Lending Policies and Operations

We will need to review with the Regions the existing lending programs for FY1974-78, as well as lending policies affecting the rural sector. We will try to determine to what extent and in what way these programs will contribute toward raising the output of the lowest rural income groups. This review will encompass the size, content and composition of each program with special attention being given to analyzing who are likely to be the primary beneficiaries. Following this we shall determine what changes might be necessary to fulfill the objectives specified in your speech. The final result should be a revised five-year lending/operations program which will reflect the emphasis on expanded support for small-scale producers in agriculture; a program which embodies both quantitative and qualitative goals that reflect the objectives of your presentation in Nairobi. The work already done in connection with the establishment of the Rural Development Division in Central Projects Staff has already given us a good start in this direction. The Rural Development Division of Development Policy Staff is also being strengthened for this purpose.

We will also examine the most appropriate ways and means of ensuring that any proposed lending program is instituted, executed and monitored and whether any changes in operational policies and procedures are called for. On the latter point, a principal problem may be one of internal communication, to ensure that staff are aware of the degree of flexibility which in fact exists in our operations and procedures. We will also give attention to an improved monitoring system, which will record the progress of projects in dealing with the key development objectives.

#### D. Policy Papers

Our current policy paper inventory includes several papers relating to the small farm problem, such as those on land reform, credit to small farms, rural development, as well as on lending for village water supply and village electrification. Issue papers on public works as a policy instrument, land

tenure, African rural development, and new orientations in education also bear on the subject. We need both to review the terms of reference of on-going policy work to make sure that they focus on the problem of rural poverty and to consider what further policies need to be clarified in order to take more effective action to help increase production on small farms.

#### E. Research

Your speech stated the need for a strategy of rural development as part of a general reorientation of development policy toward income redistribution. This is an active topic of research in the Development Research Center, following our joint work with the Institute of Development Studies at Sussex. One phase of this research will try to determine the amounts of internal resource transfers needed to improve the share of the lowest income groups and the mechanisms available to bring about such transfers. We will try to devise a type of analysis that can be applied to the countries selected for special attention. In addition there will need to be a special effort to analyze the requirements for evolving local institutions that can be used to raise the productivity of the rural poor, including the legislative framework in which these institutions operate.

#### F. Other Dimensions

The foregoing has been addressed primarily to the problems of the small farmer, the center-piece of the Nairobi speech. A comprehensive attack on poverty (i.e. the lowest 40% of the population) must also be concerned with the landless and the urban poor. The latter can be reached not only through direct investment in urban infrastructure but also through policies which ensure that the supply and cost of public services bring them within reach of the poorest classes. Parts of this are in hand in the form of research and policy work already under way (e.g. on the pricing of public services). With respect to the lending program, we will need to devise ways of determining, at least better than we can now, who are the ultimate beneficiaries of proposed projects in such fields as power, water, transport, and education; we must then consider what changes in lending emphasis are necessary to focus it more directly on the target income groups.

These are our preliminary thoughts on the very broad outlines of a program of action to implement the Nairobi speech. If you agree, we shall proceed, in consultation with the Regions, to fill in the details and provide you with a specific action program by the end of the year.

HGvanderTak/EStern/WCBaum/MYudelman:1b

cc: Messrs. Knapp, Ballantine, Jaycox, Rovani, Stern, van der Tak

cleared with and cc: Messrs. Gulhati, Haq/Hablutzel, Yudelman, Ljungh  
cc: Messrs. Duloy/Ahluwalia; T. King.



## OFFICE MEMORANDUM

Mr. Chenery

TO: Mr. Robert S. McNamara  
(through Mr. H.B. Chenery)

FROM: Mahbub ul Haq, Director, PPPRD

SUBJECT: Bank Lending to Large vis-a-vis Small-scale Agriculture

DATE: September 28, 1973

CPT: 2

1. In your note of July 30 on Mr. Alter's comment on your Annual Speech (copy attached), you asked that Program Review draw your attention to "any case where we, or an LDC nation we are lending in, has reduced the resources which could be effectively applied to increase the productivity of smallholder agriculture because of the trade-off argument."

2. We have discussed this issue with the Regional Offices and the CPS and also surveyed a number of recent projects in agriculture. It is extremely difficult to find any concrete substantiation of the "trade-off argument" (i.e. cases in which Bank project selection and appraisal procedures and/or governments' development policies have resulted in diverting funds from small to large-scale commercial agriculture on grounds of expected higher rates of return), because the choices are generally made by loan officers in the pre-appraisal stage in the light of what they understand to be the major objectives of the Bank. Projects for small farmers are more difficult to organize than for large commercial farmers, and the easier road may be chosen tacitly by operational staff and governments without full evaluation of alternatives. To the extent that this is so, it would be desirable to issue instructions that such choices, wherever they exist, should be analysed, quantified, discussed with governments and put up to management for specific decisions.

3. It would be fair to conclude nevertheless that agricultural project preparation has become increasingly sensitive to these issues. We carried out a survey of 43 appraisal reports prepared during the period January 1972 through June 1973 to see whether any trade-off could be detected between small and large-scale farming. Our overall conclusion was that there was a noticeable increase during this period in the number of projects emphasizing small-holder and rural development projects, as compared to Bank Group agricultural lending during FY 48-63 when agricultural project preparation was scarcely sensitive to distribution issues. We could find no indication that this reorientation would have an adverse effect on the rate of growth of agricultural production in the borrowing countries. There is no firm evidence that a trade-off exists, or that costs in small-holder projects (in relation to the amount committed or to the expected additional output) are higher than in projects designed for large-scale agricultural activities. These conclusions will need to be tested more rigorously. At present, few project reports contain the relevant analytical work



necessary for an explicit calculation of the trade-off. Consideration is being given, by the Agriculture and Rural Development Department, to examining this problem in the Latin American context.

4. In our quick survey of 43 appraisal reports, it was noticed that projects emphasized large-scale commercial agriculture in preference to small-holders on grounds of higher production, institutional constraints, and the length of the gestation period:

- The Appraisal of a Second Livestock Development Project, Ethiopia, December 4, 1972, aimed at establishing commercial ranches as an alternative to the present system which is based on numerous small herdsmen; "since there is virtually no commercial ranching in Ethiopia, practical experience of its feasibility is needed to show the potential and the direction for further development."
- The Appraisal of the Fourth Agricultural Estates Project, Indonesia, June 9, 1972, promoted the rehabilitation and expansion of a group of government-owned estates. As part of the project, squatters occupying 7,000 ha. will be evicted, with compensation "at standard government rates," in order to establish a new clove estate and to develop oil palm.
- The Appraisal of the Livestock Development Projects, Republic of Zaire, May 17, 1973, promoted the development of three large-scale government ranches because of the "considerable infrastructure constraints" in transforming the traditional livestock sector. The report concluded that beef production can best be increased at this stage through the large-scale sector.
- The Appraisal of the Second Mechanized Farming Project, Sudan, April 6, 1972, provided for the creation of large-scale farms on presently uncultivated rain-fed land. Although the report indicated that small-holder operations (through the provision of essential mechanical cultivation services on contract) may be feasible, it only provided for a limited experiment on 20 plots for small-holders.
- The Appraisal of the Second Agricultural Credit Project, Iran, January 13, 1972, recognized the need to strengthen the infrastructure and supporting services for the traditional or village sector, but supported investments in large-scale commercial agricultural and processing industry in line with Government policy for increasing production in the short run. 1/

1/ While the short-run emphasis is being placed on the development of agribusiness and the commercial sector, special effort by the Region is being made to identify projects aimed directly at helping the smaller farmers.

5. Against these examples, there are some attempts to redesign projects so as to emphasize the importance of supporting the small farmers on grounds of both higher production and income distribution. The commercial farming component (30%) of the Zambia Mixed Farming Development Project was excluded because the Region felt it "is not only addressing the wrong development problems in Zambia but, more importantly, is likely to be in conflict with the need to develop much more rapidly the small farmer sector." In the Latin American Region, several missions are currently engaged in preparing small-scale agricultural development projects in North-East Brazil. In the Asia Region, it is felt that financing mechanization in Pakistan can no longer be justified in the way we did in the early sixties, i.e., financing imported tractors at highly subsidized foreign exchange rates. In India, the Region is deliberately moving agricultural credit assistance to eastern states where farms are very small and fragmented. Projects in drought prone areas, where problems of rural poverty are especially serious, are given high priority. Where the advantages of economies of scale in processing are clearly established, special arrangements for linkages between small-holders and central processing units have been made, e.g., Indonesia Small-holder Tea Project and the proposed India Dairy Project. In Bangladesh, the Region is encouraging agricultural credit institutions, which the Bank is assisting, to move away from narrow security criteria to development criteria so as to give small-holders better access to credit.

6. These are some of the preliminary observations we can make at this stage. As you are aware, we are currently preparing, in collaboration with the CPS, a detailed action program to follow up the concerns expressed in your Annual Speech: the question raised by you is a fundamental one and can only be answered in the light of this proposed further work.

Cleared with and cc: Mr. Yudelman  
cc: Mr. Stern (o/r)

MHaq:veb



## OFFICE MEMORANDUM

Mr. Chenery

TO: Mr. Robert S. McNamara  
(through Mr. H. B. Chenery)  
FROM: Mahbub ul Haq, Director, PP&PR Department  
SUBJECT: Expanding Fertilizer Production

DATE: September 18, 1973

1. In your note of August 1 to Mr. Chenery, you asked:

"Do our Economic Reports (and lending programs) give proper weight to the need to expand fertilizer production in the LDC's?"

We have carried out a review of recent economic reports in the Program Review Division and would like to report to you some of our preliminary findings.

2. There was a tremendous expansion in fertilizer production facilities (Attachment 1), following a technological breakthrough in the early Sixties, which resulted in a serious over-supply and the shutting down of many plants. With increased demand, including heavy purchases of fertilizer recently by China, the situation changed in the latter part of 1972, and the price of fertilizer has now risen sharply. Consequently, until recently we have emphasized in our Economic Reports expansion in the use of fertilizer and the institutional and financial constraints hindering such expansion, rather than the question of increasing production per se.

3. Although the global production capacity has not apparently held back a faster expansion of fertilizer consumption in the LDC's in the past, it is still far short of the capacity required to sustain a level of agricultural production that is necessary to meet their food requirements during the next decade. Both Bank Economic Reports and the lending programs, whenever appropriate, need to direct attention to the gap between the optimum application rate and the actual usage of fertilizers so that serious constraints to increased food production in the LDC's do not arise from shortage of fertilizers. It appears that optimum fertilizer use will continue to be as serious a problem, if not more serious, as adequate production capacity and our Economic Reports should place adequate emphasis on both aspects.

4. In countries where potential production is economically viable, stimulating farmers' demand for fertilizers is being achieved by linking pricing policies, marketing and distribution programs with the establishment of production facilities, as the Bank Group has done in Indonesia and India and is contemplating for Bangladesh. Bank financing of fertilizer production has increased substantially from \$33 million (4 projects) in FY60-64 to \$111 million (7 projects) in FY65-69 and is expected to reach \$399 million (16 projects) in FY70-75. (Attachments 2a and 2b).



5. In the larger countries, special sector studies are being undertaken by the Bank. In Indonesia, a national fertilizer study was financed by IDA to provide a comprehensive program of investments in that sector, together with the necessary policy instruments for its efficient implementation. A similar study is currently planned for Bangladesh where additional production facilities are in the planning stage. In India, the Bank Study contributed to the formulation of India's fertilizer strategy for the Fifth Plan. These studies have had direct impact on Bank lending operations in these countries.

6. While country-specific studies will be continued, there is a need to develop a global policy and an expanded operational program in collaboration with selected governments and fertilizer producers to influence new programs and patterns of fertilizer production, consumption and financing. In view of important changes in the fertilizer industry as well as rapidly growing requirements in the developing countries, there is likely to be much greater need in the coming years for Bank Group assistance and support in this area than was the case in the past. This work has already been initiated as a joint effort between IFC, CPS and DPS and a preliminary report will be coming to you sometime next month.

cc: Messrs. Stern  
Yudelman  
Moeen Qureshi  
Gulhati

MHaq:veb

Production and Consumption of Commercial Fertilizers  
(million metric tons)

	Av. 1948/49- 1952-53	Av. 1961/62- 1965/66	1969/70	Av. 1948/49- 1952-53	Av. 1961/62- 1965/66	1969/70
	----- Production -----			----- Consumption -----		
<u>NITROGENOUS 1/</u>						
Africa 2/	-	0.1	0.1	0.1	0.4	0.6
Asia 3/	-	0.5	1.8	0.2	1.2	3.0
Latin America	0.3	0.5	0.7	0.1	0.6	1.2
Sub-total	0.3	1.1	2.6	0.4	2.2	4.8
Other Countries	4.2	14.1	26.5	3.9	11.8	21.0
World Total	4.5	15.2	29.1	4.3	14.0	25.8

PHOSPHATE 4/

Africa 2/	0.1	0.2	0.4	0.1	0.2	0.3
Asia 3/	-	0.2	0.5	0.1	0.4	1.1
Latin America	0.1	0.2	0.3	0.1	0.4	0.8
Sub-total	0.2	0.6	1.2	0.3	1.0	2.2
Other Countries	5.9	12.0	17.0	5.8	11.3	15.7
World Total	6.1	12.6	18.2	6.1	12.3	17.9

POTASH 5/

Africa 2/	-	-	0.1	-	0.1	0.2
Asia 3/	-	0.2	0.4	-	0.2	0.5
Latin America	-	-	-	0.1	0.3	0.6
Sub-total	-	0.2	0.5	0.1	0.6	1.3
Other Countries	4.8	11.0	16.2	4.4	9.6	14.2
World Total	4.8	11.2	16.7	4.5	10.2	15.5

ALL FERTILIZERS

Africa 2/	0.1	0.3	0.6	0.2	0.7	1.1
Asia 3/	-	0.9	2.7	0.3	1.8	4.6
Latin America	0.4	0.7	1.0	0.3	1.3	2.6
Sub-total	0.5	1.9	4.3	0.8	3.8	8.3
Other Countries	14.9	37.1	52.7	14.1	32.7	50.9
World Total	15.4	39.0	57.0	14.9	36.5	59.2

1/ In terms of Nitrogen (N).

2/ Excluding South Africa.

3/ Excluding Japan.

4/ In terms of P<sub>2</sub>O<sub>5</sub>.5/ In terms of K<sub>2</sub>O.Source: FAO, Production Yearbook 1970,  
FD, 1973-1974.

List of Fertilizer Projects Already Financed by Bank Group

<u>Date</u>	<u>Institution</u>	<u>Country</u>	<u>Project</u>	<u>Assistance \$ Million</u>
1952	IBRD	Iceland	Iceland Fert.	0.854
1958	IBRD	Italy	Trinicia Pot- ash; Montecan- tini Potash	Large Loan for 10 Projects of which 3 were Fertilizer
1960	IFC	Peru	Fertilizantes Sinteticos Fert.	4.08
1961	IBRD	Israel	Dead Sea Pot- ash	25.0
1962	IFC	Greece	Aevol Fert.	0.6
1963	IFC	Tunisia	NKP Engrais Fert.	3.5
1967	IFC	Senegal	S.I.R.S. Fert.	3.46
1967	IFC	Brazil	Ultra Fert.	11.25
1967	IFC	India	Indian Explosives Fert.	11.46
1967	IBRD	Congo	CPC Potash	30.0
1968	IBRD	Pakistan	Dawood Hercules Urea	32.0
1968	IFC	"	"	3.92
1969	IFC	India	Zuari Agro Chems. Fert.	18.91
1970	IDA	Indonesia	Pusri Fert.	30.0
1971	IDA	India	Cochin II Fert.	20.0
1972	IDA	India	Gorakhpur Fert.	10.0
1972	IBRD	Turkey	IGSAS Fert.	24.0
1973	IDA	India	Nangal Fert.	58.0
1973	IDA	Indonesia	Pusri Fert.	5.0*

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 292.034

\* Supplementary Loan



List of Fertilizer Projects in Bank/IDA Pipeline

Country	Project	Institution	Proposed Loan \$ Million	Status
Bangladesh	Bangladesh Urea	IDA	30.0	Preparation
Egypt	Talkha Urea	IDA	20.0	Appraisal
India	Trombay Fert.	IDA	30.0	Appraisal
India	Iffco Fert.	IDA	35.0	Preparation
India	Rajasthan Fert.	IDA	NA	Preparation
Indonesia	Fertilizer II	IDA	NA	Preparation
Morocco	Phosphate Fert.	IBRD	30.0	Appraisal
Pakistan	Multan Fert.	IDA	30.0	Appraisal
Romania	NPK Fert.	IBRD	30.0	Appraisal
Tunisia	Phosphate Fert.	NA	16.0	Preparation
			221	
			==	

*McNamara*  
*Notebook*

SEP 18 1973

Mr. Robert S. McNamara, President

September 18, 1973

Ernest Stern, Senior Adviser, VPD

Tea Projects in Developing Countries in Africa

1. You asked for a briefing note on the effect of tea exports on total African earnings. The note is attached, and Mr. Tims is available to discuss it further if necessary.

2. The essential point is in the last paragraph, i.e. even with the present African share in the tea market, a project would have to be extraordinarily good not to hurt other African producers. As the African share of the market, it will be practically impossible for any additional tea exports not to hurt all-Africa tea earnings.

Attachment

EStern/lm

bcc: Messrs. Chenery, Tims

ECONOMIC RETURN ON TEA PROJECTS  
IN DEVELOPING COUNTRIES IN AFRICA

Increase in exports of tea bring international prices to levels lower than they would be otherwise. For commodities like tea, which face a highly inelastic demand, the price loss is relatively large. The ratio between the gain from an increase in volume of exports and the loss from a price decline depends on the number of exporters which are taken into account.

In India and Sri Lanka, -- each accounting for about one-third of the tea export market -- virtually any expansion project will entail more losses than gains<sup>1/</sup>. This is not true for countries with much smaller shares of the world market, such as those in Africa. But if the interests of the developing countries in Africa are considered as a group, their share of the market is large enough to make expansion of tea exports unprofitable. Most tea grown in Africa is for exports, and the economic returns to a tea project in one African country are likely to be offset by losses to other developing countries in Africa as a whole. As the attached table shows, their share of African tea in total tea exports is expected to grow from about 14% at the end of the 1960's to about 26% in 1980. The price loss (in percent) associated with any volume increase (in percent) will grow correspondingly from 18% to 33%.

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<sup>1/</sup> As explained in the Annex to Board paper on "Financing of Tea", (R-73-206) Aug. 17, 1973; the larger the share of a country in total exports, the lower the elasticity of demand and, conversely, the greater the negative impact of any price decline resulting from increased exports on its total tea export earnings.



The economic return to a project will only be positive from the point of view of the African countries as a group to the extent that it exceeds the level necessary to cover these percentage price declines. Even today, a project would have to have at least a 30% rate of return to yield a net of 12%; this requirement will increase gradually until by 1980 a project would have to have at least a 45% rate of return to yield a 12% net if the impact on all African producers is to be taken into account. Such rates of return are highly unlikely. Thus, while individual African countries can still benefit from increasing tea exports, it is likely that even at present such increases take place at the expense of other African producers; in the future this will become a certainty.

TEA EXPORTS, PAST AND PROJECTED OF  
DEVELOPING COUNTRIES IN AFRICA

	<u>1967-69</u> (average) (in thousand metric tons)	<u>1980</u> (projected)
<u>A. Country Share in Exports</u>		
KENYA	26	77
MALAWI	17	25
MOZAMBIQUE	15	20
UGANDA	12	41
ZAIRE	7	20
TANZANIA	7	17
OTHERS*	3	11
<u>B. Combined Data for African LDC's</u>		
Total exports (,000 metric tons)	87	211
Share of world exports (%)	14.2	26.4
Elasticity of demand	5.6	3.0
Price offset to volume change (%)	18	33

NOTE: The data are taken from the same sources and are prepared by the same method as in Table 3 of the Board paper on "Financing of Tea" (R73-206) of August 17, 1973.

\* Burundi, Cameroon, Mauritius, Rwanda.

SEP 4 1973

## OFFICE MEMORANDUM

*hwn*  
*noted*

TO: Mr. Robert S. McNamara

DATE: September 4, 1973

FROM: E. Stern *ES*.SUBJECT: Global Economic Indicators

1. Following our telephone conversation of last week on data on major economic trends, I attach a set of proforma tables on the world economy for your use. The data is distilled from what is available in the present statistical system. The set of three tables is organized by the frequency with which data can be revised, as follows:

Table I: Global Indicators and Debt

This table consists of an historical base plus annual data and medium term projections (1978) which will, in general, only require updating once or twice per year.

Main indicators included are:

- a) Population;
- b) GNP, GNP per capita and savings, which will be obtained from the CPP system;
- c) Production, trade and prices for major commodity groups;
- d) External debt of LDCs, by regions, and service payments on outstanding debt.

Table II: Production and Trade

The table provides more information by individual commodities and regions. It shows production by major crops and commodities, exports of major LDC regions, terms of trade for major categories and a freight rate index. This material can be updated quarterly.

Table III: Prices and International Reserves

This table contains information on international prices as well as domestic prices and changes in reserves by kind and by region. It can be updated monthly.

2. I would like to discuss this proposal with you. If you consider this an adequate set of data, you could



September 4, 1973

receive, from October 15 onwards, a monthly updating of the set, which in each month will clearly indicate the additions and revisions as compared to the previous issue. For easiest use, all index presentations are on an average 1967-1969 basis, as is the CPP system. A cover note will accompany each month's table to draw your attention to important developments. We would designate a single staff member in EAP as liaison for all such data, who also would be available to you to discuss modifications or to prepare special data presentations.

Attachments - 3

*bcc - Mr Cheney*

WTims:EStern:fm:di

WORLD ECONOMIC INDICATORS  
I. GLOBAL INDICATORS AND DEBT

Indicator	Unit	1967-69 average	1970	1971	1972	1973 est.	1978 est.
<b>Population -</b>							
Developed countries : number	(mill.)	x	x	x	x	x	x
: growth rate	(%)	x	x	x	x	x	x
Developing countries: number	(mill.)	x	x	x	x	x	x
: growth rate	(%)	x	x	x	x	x	x
Other countries : number	(mill.)	x	x	x	x	x	x
: growth rate	(%)	x	x	x	x	x	x
Total : number	(mill.)	x	x	x	x	x	x
: growth rate	(%)	x	x	x	x	x	x
<b>GDP (at av. 1967-69 prices and exch. rates) -</b>							
Developed countries : amount	(mill. \$)	x	x	x	x	x	x
: growth rate	(%)	x	x	x	x	x	x
Developing countries: amount	(mill. \$)	x	x	x	x	x	x
: growth rate	(%)	x	x	x	x	x	x
Other countries : amount	(mill. \$)	x	x	x	x	x	x
: growth rate	(%)	x	x	x	x	x	x
Total : amount	(mill. \$)	x	x	x	x	x	x
: growth rate	(%)	x	x	x	x	x	x
<b>GDP per capita (at av. 1967-69 prices and exch. rates) -</b>							
Developed countries : amount	(\$)	x	x	x	x	x	x
: growth rate	(%)	x	x	x	x	x	x
Developing countries: amount	(\$)	x	x	x	x	x	x
: growth rate	(%)	x	x	x	x	x	x
Other countries : amount	(\$)	x	x	x	x	x	x
: growth rate	(%)	x	x	x	x	x	x
Total : amount	(\$)	x	x	x	x	x	x
: growth rate	(%)	x	x	x	x	x	x
<b>National savings (at av. 1967-69 prices and exch. rates) -</b>							
Developed countries : amount	(mill. \$)	x	x	x	x	x	x
: growth rate	(%)	x	x	x	x	x	x
Developing countries: amount	(mill. \$)	x	x	x	x	x	x
: growth rate	(%)	x	x	x	x	x	x
Other countries : amount	(mill. \$)	x	x	x	x	x	x
: growth rate	(%)	x	x	x	x	x	x
Total : amount	(mill. \$)	x	x	x	x	x	x
: growth rate	(%)	x	x	x	x	x	x
<b>Investment incl. stocks (at av. 1967-69 prices and exch. rates) -</b>							
Developed countries : amount	(mill. \$)	x	x	x	x	x	x
: growth rate	(%)	x	x	x	x	x	x
Developing countries: amount	(mill. \$)	x	x	x	x	x	x
: growth rate	(%)	x	x	x	x	x	x
<b>Production -</b>							
Food per capita	(index 1967-69=100)	x	x	x			
Food		x	x	x			
All agriculture		x	x	x			
Mining		x	x	x	x		
Manufacturing		x	x	x	x		
All industry		x	x	x	x		
<b>Trade -</b>							
Exports of Developed market economies	(index 1967-69=100)	x	x	x	x		
Exports of Developing countries		x	x	x	x		
Exports of World		x	x	x	x		
<b>Prices -</b>							
Export price of primary producers	(index 1967-69=100)	x	x	x	x		
Food and beverages		x	x	x	x		
Agr. raw materials		x	x	x	x		
Minerals and metals		x	x	x	x		
All commodities		x	x	x	x		
Consumer prices		x	x	x	x		
Developed countries		x	x	x	x		
Developing countries		x	x	x	x		
<b>International Reserves of Developing countries -</b>							
Gold	(mill. \$)	x	x	x	x		
SDRs		x	x	x	x		
Res. positions in Fund		x	x	x	x		
Foreign exchange		x	x	x	x		
Total		x	x	x	x		
<b>External Debt of Developing countries -</b>							
Debt outstanding	(mill. \$)	x	x	x	x	x	x
Africa : official		x	x	x	x	x	x
: private		x	x	x	x	x	x
: Total		x	x	x	x	x	x
East Asia : official		x	x	x	x	x	x
: private		x	x	x	x	x	x
: Total		x	x	x	x	x	x
Middle East : official		x	x	x	x	x	x
: private		x	x	x	x	x	x
: Total		x	x	x	x	x	x
South Asia : official		x	x	x	x	x	x
: private		x	x	x	x	x	x
: Total		x	x	x	x	x	x
Southern Europe : official		x	x	x	x	x	x
: private		x	x	x	x	x	x
: Total		x	x	x	x	x	x
Western Hemisphere: official		x	x	x	x	x	x
: private		x	x	x	x	x	x
: Total		x	x	x	x	x	x
All areas : official		x	x	x	x	x	x
: private		x	x	x	x	x	x
: Total		x	x	x	x	x	x
<b>Service payments</b>							
Africa : official		x	x	x	x	x	x
: private		x	x	x	x	x	x
: Total		x	x	x	x	x	x
East Asia : official		x	x	x	x	x	x
: private		x	x	x	x	x	x
: Total		x	x	x	x	x	x
Middle East : official		x	x	x	x	x	x
: private		x	x	x	x	x	x
: Total		x	x	x	x	x	x
South Asia : official		x	x	x	x	x	x
: private		x	x	x	x	x	x
: Total		x	x	x	x	x	x
Southern Europe : official		x	x	x	x	x	x
: private		x	x	x	x	x	x
: Total		x	x	x	x	x	x
Western Hemisphere: official		x	x	x	x	x	x
: private		x	x	x	x	x	x
: Total		x	x	x	x	x	x
All areas : official		x	x	x	x	x	x
: private		x	x	x	x	x	x
: Total		x	x	x	x	x	x

## WORLD ECONOMIC INDICATORS

## II. PRODUCTION AND TRADE

Indicator	Unit	Annual data					Quarterly data				
		1967-69 average	1970	1971	1972	1973 est.	1972				1973
							II	III	IV	I	II
<b>Production</b>											
<b>Agriculture -</b>											
Food per capita	(index 1967-69=100)										
West Europe		x	x	x							
East Europe and USSR		x	x	x							
North America		x	x	x							
Oceania		x	x	x							
Latin America		x	x	x							
Near East		x	x	x							
Far East (excl. China P. Rep.)		x	x	x							
Africa		x	x	x							
All regions		x	x	x							
Food		x	x	x							
All agriculture		x	x	x							
<b>Commodities</b>											
Wheat		x	x	x	x						
Rice		x	x	x	x						
Coarse grains		x	x	x	x						
Sugar		x	x	x	x						
Coffee		x	x	x	x						
Cocoa		x	x	x	x						
Tea		x	x	x	x						
Cotton		x	x	x	x						
Jute		x	x	x	x						
Rubber		x	x	x	x						
<b>Non-agriculture -</b>											
All mining		x	x	x	x		x	x	x		
All manufacturing		x	x	x	x		x	x	x		
All industries		x	x	x	x		x	x	x		
<b>Commodities</b>											
Copper		x	x	x	x		x	x	x		
Iron ore		x	x	x	x		x	x	x		
Tin		x	x	x	x		x	x	x		
Lead		x	x	x	x		x	x	x		
Zinc		x	x	x	x		x	x	x		
Coal		x	x	x	x		x	x	x		
Petroleum		x	x	x	x		x	x	x		
Steel		x	x	x	x		x	x	x		
Motor Vehicles		x	x	x	x		x	x	x		x
Cement		x	x	x	x		x	x	x		
Urea		x	x	x	x		x	x	x		
Electricity		x	x	x	x		x	x	x		
<b>Trade</b>											
<b>Trade balances (export f.o.b. - import c.i.f.) -</b>											
USA	(mill. \$)	x	x	x	x		x	x	x		
EEC		x	x	x	x		x	x	x		
Total OECD countries		x	x	x	x		x	x	x		
Total Developed market economies		x	x	x	x		x	x	x		
<b>Developing countries</b>											
Africa		x	x	x	x		x	x	x		
America		x	x	x	x		x	x	x		
Asia		x	x	x	x		x	x	x		
Oceania		x	x	x	x		x	x	x		
Europe		x	x	x	x		x	x	x		
Total Developing countries		x	x	x	x		x	x	x		
<b>Exports -</b>											
Developed market economies	(mill. \$)	x	x	x	x		x	x	x		
Developing countries		x	x	x	x		x	x	x		
Africa	(mill. \$)	x	x	x	x		x	x	x		
America		x	x	x	x		x	x	x		
Asia		x	x	x	x		x	x	x		
Oceania		x	x	x	x		x	x	x		
Europe		x	x	x	x		x	x	x		
Total Developing countries		x	x	x	x		x	x	x		
<b>Terms of trade -</b>											
Unit value index of Developing countries' exports to Developed areas	(index 1967-69=100)	x	x	x	x		x	x	x		
Food and raw materials		x	x	x	x		x	x	x		
Fuel		x	x	x	x		x	x	x		
Manufactures		x	x	x	x		x	x	x		
Unit value index of Developed areas' exports to Developing countries		x	x	x	x		x	x	x		
Food and raw materials		x	x	x	x		x	x	x		
Fuel		x	x	x	x		x	x	x		
Manufactures		x	x	x	x		x	x	x		
Developing countries' terms of trade	(index 1967-69=100)	x	x	x	x		x	x	x		
All commodities		x	x	x	x		x	x	x		
<b>Balance-of-Payments (current)</b>											
OECD countries total	(mill. \$)	x	x	x	x		x	x	x		
<b>Ocean freight rate</b>											
	(index 1967-69=100)	x	x	x	x		x	x	x		



WORLD ECONOMIC INDICATORS  
III. PRICES AND INTERNATIONAL RESERVES

Indicator	Unit	Annual data					Quarterly Data					Monthly Data					
		1967-69	1970	1971	1972	1973	1972				1973		1973				
		Average				est.	II	III	IV	I	II	Mar.	Apr.	May	June	July	
<b>Prices</b>																	
Export price of primary producers (excl. petroleum)-																	
Food and beverages	(index 1967-69=100)	x	x	x	x		x	x	x	x	x	x	x	x	x	x	
Agr. raw materials		x	x	x	x		x	x	x	x	x	x	x	x	x	x	
Minerals and metals		x	x	x	x		x	x	x	x	x	x	x	x	x	x	
All commodities		x	x	x	x		x	x	x	x	x	x	x	x	x	x	
<b>Commodity prices -</b>																	
Food																	
Wheat	(index 1967-69=100)	x	x	x	x		x	x	x	x	x	x	x	x	x	x	
Rice		x	x	x	x		x	x	x	x	x	x	x	x	x	x	
Maize		x	x	x	x		x	x	x	x	x	x	x	x	x	x	
Sugar		x	x	x	x		x	x	x	x	x	x	x	x	x	x	
Coffee		x	x	x	x		x	x	x	x	x	x	x	x	x	x	
Cocoa		x	x	x	x		x	x	x	x	x	x	x	x	x	x	
Tea		x	x	x	x		x	x	x	x	x	x	x	x	x	x	
Beef		x	x	x	x		x	x	x	x	x	x	x	x	x	x	
Copra		x	x	x	x		x	x	x	x	x	x	x	x	x	x	
Palm oil		x	x	x	x		x	x	x	x	x	x	x	x	x	x	
Non-food																	
Cotton		x	x	x	x		x	x	x	x	x	x	x	x	x	x	
Jute		x	x	x	x		x	x	x	x	x	x	x	x	x	x	
Rubber		x	x	x	x		x	x	x	x	x	x	x	x	x	x	
Logs		x	x	x	x		x	x	x	x	x	x	x	x	x	x	
Mining																	
Copper		x	x	x	x		x	x	x	x	x	x	x	x	x	x	
Iron ore		x	x	x	x		x	x	x	x	x	x	x	x	x	x	
Tin		x	x	x	x		x	x	x	x	x	x	x	x	x	x	
Lead		x	x	x	x		x	x	x	x	x	x	x	x	x	x	
Zinc		x	x	x	x		x	x	x	x	x	x	x	x	x	x	
Petroleum		x	x	x	x		x	x	x	x	x	x	x	x	x	x	
<b>Consumer prices -</b>																	
Developed countries	(index 1967-69=100)	x	x	x	x		x	x	x	x		x	x	x			
Developing countries		x	x	x	x		x	x	x	x		x	x				
Africa		x	x	x	x		x	x	x	x		x	x				
America		x	x	x	x		x	x	x	x		x	x				
Asia		x	x	x	x		x	x	x	x		x	x				
Oceania		x	x	x	x		x	x	x	x		x	x				
Europe		x	x	x	x		x	x	x	x		x	x				
All Developing countries		x	x	x	x		x	x	x	x		x	x				
<b>Retail prices -</b>																	
Developed countries	(index 1967-69=100)	x	x	x	x		x	x	x	x		x	x	x			
Developing countries		x	x	x	x		x	x	x	x		x	x				
Africa		x	x	x	x		x	x	x	x		x	x				
America		x	x	x	x		x	x	x	x		x	x				
Asia		x	x	x	x		x	x	x	x		x	x				
Oceania		x	x	x	x		x	x	x	x		x	x				
Europe		x	x	x	x		x	x	x	x		x	x				
All Developing countries		x	x	x	x		x	x	x	x		x	x				
<b>International Reserves</b>																	
Gold																	
Developed countries	(mill. \$)	x	x	x	x		x	x	x	x		x	x	x			
Developing countries		x	x	x	x		x	x	x	x		x	x	x			
Total		x	x	x	x		x	x	x	x		x	x	x			
SDRs																	
Developed countries		x	x	x	x		x	x	x	x		x	x	x			
Developing countries		x	x	x	x		x	x	x	x		x	x	x			
Total		x	x	x	x		x	x	x	x		x	x	x			
Res. positions in Fund																	
Developed countries		x	x	x	x		x	x	x	x		x	x	x			
Developing countries		x	x	x	x		x	x	x	x		x	x	x			
Total		x	x	x	x		x	x	x	x		x	x	x			
Foreign exchange																	
Developed countries		x	x	x	x		x	x	x	x		x	x	x			
Developing countries		x	x	x	x		x	x	x	x		x	x	x			
Total		x	x	x	x		x	x	x	x		x	x	x			
<b>Total Reserves</b>																	
Developed countries		x	x	x	x		x	x	x	x		x	x	x			
Developing countries		x	x	x	x		x	x	x	x		x	x	x			
Total		x	x	x	x		x	x	x	x		x	x	x			



OFFICE OF THE PRESIDENT

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

SEP 11

*Mr. Tolson*

September 4, 1973

MEMORANDUM FOR MR. CHENERY

As part of your review of our economic mission reporting system, please examine in detail the degree to which we at present utilize the work of the IMF and the extent to which we could reduce duplication between the two institutions by utilizing it further. Consider also whether we are making maximum use of joint missions.

*Robert S. McNamara*  
Robert S. McNamara

cc: Mr. Stern