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McNamara Papers

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MEMORANDUM FOR THE RECORD

Meeting with Prime Minister Palme in Stockholm, June 7, 1972

Present: Messrs. Palme, McNamara, Lidbom (Consultative Minister), Klackenborg (Director of Aid, Ministry of Foreign Affairs), Sohlman (Division Chief for multilateral aid, Ministry of Foreign Affairs), and Ferm (assistant to Mr. Palme)

Mr. McNamara thanked Mr. Palme for hosting the Environment Conference and for the support Sweden had given to the Bank Group and to development in general. Mr. Palme said he had read Mr. McNamara's UNCTAD speech and liked it very much.

Mr. McNamara said the Bank needs Sweden's continued support and help. The problems of distribution of income both within and between countries must be attacked and the conditions of small farmers, the unemployed and the underemployed must be improved. More knowledge is needed before effective action can take place. Sweden could play an important role in cooperating with the Bank in research on these topics.

In response to Mr. Palme's question as to what could specifically be done, Mr. McNamara mentioned several fields of research:

1. Data on unemployment and underemployment. What could be done to reduce the flood of unemployed to the cities?
2. Non-formal education. A prime example is Ethiopia, where 87% of the six-eleven year olds do not attend school, which means that in the 21st Century illiteracy will plague the same 87%. He mentioned that the Bank currently spends \$300,000 a year on cooperative programs with UNICEF.
3. Nutrition and its relation to the population problem. Above all, research is needed in the motivation of families to adopt birth control methods. In India mortality rates are such that 6.8 births are necessary in order to ensure that one son survives. By coincidence this equals the actual birth figure per family, which indicates strong relationship among infant mortality, nutrition and population growth. There is severe protein deficiency between the sixth month of pregnancy and the fourth month of life. The Indian population project is designed to study the effectiveness on various approaches to these problems and Mr. McNamara expressed gratitude to Sweden for participating in the project. The rural population in India will continue to grow more rapidly than the availability of new land. The Green Revolution has not affected dry-land farmers and their motivation for rational agriculture is lacking because they do not have titles to land nor access to credit. New institutions are needed to do research on how to improve the conditions of 200 million Indians who live under these deplorable conditions. Mr. McNamara said he was hoping for continued cooperation between Sweden and the Bank in the future, both in projects and research.
4. Urbanization. Mr. Palme asked whether Mr. McNamara thought that the urban influx was likely to continue. Mr. McNamara said that he thought this would be very likely and that this in fact was the fourth area of research which he wanted to discuss. In Dakar where 30% of the people are squatters the Bank has recently completed preparation of a site and services project which will provide minimum assistance towards improved housing. It is essential that the growth of the number of private automobiles in urban areas be limited until cities have time to design mass transit systems. Lagos, Bangkok and Calcutta are examples of cities on the verge of being clogged by traffic.

Mr. McNamara said he hoped that institutions in developing countries could undertake part of the research. Mr. Palme felt that, given the small amounts that Sweden can contribute to development, the country is bound to play a marginal role. He was positive to the idea of participating in research since this could provide a stronger multiplier effect than direct project work. A committee had been constituted to provide recommendations on the Swedish development research strategy and was expected to submit its report in September/October 1972.

Mr. McNamara drew the parallel between the 20 years of research to develop the new strands of wheat and rice which provide the base of the Green Revolution and research in the population field where he believed the same degree of success could be achieved. Mr. Palme told of Sweden's mistakes in the 1930s when it tried to motivate Pakistani to adopt family planning methods using the same arguments which had been successful in Sweden a few years earlier. In conclusion, Mr. Palme said that the Swedish Government was positive to the idea of cooperative research but would want to study each research proposal on its own merits. Mr. McNamara suggested that interested countries and institutions could select projects which suited their own objectives from a large list of research ideas.

Mr. Palme asked how the Bank's education activities were progressing. How can education be distributed to larger segments of the population? Which levels of education should receive priority? What types of curricula need to be developed? Mr. McNamara mentioned projects for educational television in the Ivory Coast and Niger. The technical problems of installation of transmission facilities were relatively easily overcome but the crucial need was for software since it is vital that rural children are not given an urban education. Mr. Palme asked whether a native African child can accept television as a medium and Mr. McNamara replied that the Ivory Coast experiment proved that acceptance of the television screen is rapid. However, the efficiency of television education is yet unknown. He stressed that the Bank would not engage itself in educational television projects if adequate emphasis is not placed on software.

Mr. Palme asked about progress on the Third IDA Replenishment. Mr. McNamara replied that the authorization bill has been signed but that appropriation has not been completed. The U.S. Treasury could in principle ratify at present but does not want to bypass Congress. In the meantime the Bank is presenting projects to its Board of Directors with the condition that the U.S. must have ratified the Third Replenishment before funds can be disbursed. The advance contributions from Sweden and other countries had largely been committed. In response to Mr. Palme's question as to whether ratification would take place before Congress adjourns, Mr. McNamara said that he was hopeful but not at all certain that this would happen. If not, IDA would be in a very serious position. He said that there is a process of changing values currently going on in the U.S. which will lead to a renaissance in ideas. In the short term, however, the attitude of youth is destructive and does not focus on problems sufficiently to mobilize support for economic aid.

Mr. Palme asked about the likely reconstruction problems in the "post-Vietnam era." Mr. McNamara felt that this would not pose a major problem in terms of mobilizing financial support from the U.S. and would not be dependent on the outcome of the war short of North Vietnam completely overrunning South Vietnam. It is much more difficult to enlist support in the U.S. for assistance to India and Bangladesh. Mr. Palme asked whether at present there is a feeling of distrust for India in the United States. Mr. McNamara said that some U.S. political leaders seem to feel that India is difficult to deal with, that it has destroyed Pakistan and that it is misusing economic assistance. Economic aid to India has dwindled since the war, especially due to cutbacks by the U.S. India's foreign exchange reserves are high at present, but at a high cost in

terms of economic growth. The Bank Group will have committed some \$400 million to India in FY72, thereby being the largest source of funds, while this role should rightfully be played by the U.S. Mr. McNamara said he felt that the U.S. should participate in the rescheduling of India's debts and reinstate the \$87 million of assistance pledged in 1971 but withdrawn in connection with the war between India and Pakistan. However, he said that the U.S. is playing a major role in the reconstruction of Bangladesh.

Mr. Palme asked how Sheikh Mujib Rahman is succeeding. Mr. McNamara said that in January when he was there to encourage Bangladesh's entry into the Fund and the Bank the Sheikh was the Government. At present it is uncertain as to whether he can stay in power given the political vacuum and economic chaos which reigns in Bangladesh. Famine is not imminent but the prospects for a revival of jute exports are not good.

Mr. Palme asked about the situation of the U.S. economy and its currency. Mr. McNamara replied that unemployment is still high at about 6% and prices are increasing at a rate of more than 3% annually. Consumption and production are increasing but the balance of payments deficit is likely to remain for some time. The main issues affecting the election will be unemployment and price increases. Mr. Palme asked whether the Moscow and Peking visits would have effect on the election. Mr. McNamara thought that they had dampened the Vietnam issue, especially since the Democrats were in power when the war started. The argument "I brought you peace" is a strong one. There has been complete reversal on the attitude towards China in the U.S. The SALT agreements are also an important achievement. Mr. Palme said he thought the SALT agreement is economically motivated for the Russians, and both agreed that it is high time to coordinate defense budget limitations. Mr. McNamara said he had tried to achieve this in 1962 and that now, as well as then, there is a danger that U.S. defense programs already decided upon will necessitate future increases in defense allocations.

Mr. Palme asked whether the United States has five- and fifteen-year defense plans like those that Sweden is preparing. Mr. McNamara confirmed that the U.S. has long-term defense planning and said that Brookings research indicates a strong increase in defense spending in the future. Since there has in effect been a tax rate decrease during the last ten years, there is a risk that necessary future increases in defense expenditure will cause a serious budget deficit and require substantial tax increases. Levelling defense expenditures combined with development of new weapons systems lead to necessary reduction in personnel. This must be planned well in advance.

Mr. Palme mentioned that the SIPRI statistics show substantial increases in defense expenditures of the developing countries. Mr. McNamara said that he had spoken on this subject in Copenhagen and pointed out the higher rate of increase in the developing countries than in the developed countries.

AL
June 16, 1972

MEMORANDUM FOR THE RECORD

Meeting with Foreign Minister Wickman in Stockholm, June 7, 1972

Present: Messrs. Wickman, McNamara, Klackenberg, Ekeus

Mr. Wickman asked what progress was being made in the ratification of the Third IDA Replenishment. Mr. McNamara answered in two parts: first, the slow U.S. legislative process had delayed ratification but IDA project work is continuing and projects are being approved by the Board in anticipation of ratification; second, there is an attitude in the United States of disenchantment with multilateral aid which may lead to a decrease in support for multilateral aid.

Mr. Wickman then asked Mr. McNamara whether he thought a Part I country meeting would be useful. Mr. McNamara replied that he had told Mr. Tornqvist that he felt that such a meeting could not usefully be held before the U.S. ratified the the Third Replenishment and, secondly, if the meeting were held, some care would have to be taken in the choice of topics. As an alternative he had suggested that a meeting could be held between representatives from the Nordic countries and the Bank's management. Many topics were likely to lead to damaging division of opinions if discussed in the full forum of representatives of Part I countries. For example, it would be possible to discuss IDA allocations to India, Pakistan, Bangladesh and Indonesia but certainly not to go further into the details of IDA allocation. Another example of a controversial issue is nationalization. In this connection, Mr. McNamara mentioned that in fact no IDA country is affected by disputes over nationalization at present. This, however, is not true of the Bank.

Mr. McNamara said that he would be very interested to hear Swedish views on actions which should be taken to improve IDA's policies. Sweden had on occasions expressed the view that IDA should be organizationally separated from the Bank. His own view was that the standards for IDA and Bank lending should be equally high. His argument in discussing with those who invest in Bank bonds would be that it is irrational even from the investor's point of view to build bridges or invest in other tangible assets in a socially explosive environment.

Mr. Wickman said that he would like very much to see more rapid progress in IDA work in the "soft sectors." Mr. McNamara said that progress is limited only by our lack of knowledge in these fields and therefore with the support of Sweden, Canada and other interested parties he would like to embark on several research projects.

Since Prime Minister Indira Gandhi would be arriving in Stockholm the following week, Mr. Wickman asked for views on India. Mr. McNamara said that India is extremely important for several reasons. First, it is the only developing country of comparable size apart from the Peoples' Republic of China and, second, few governments in developing countries are as sensitive to social issues. Third, economic progress is hampered by a number of bottlenecks, of which one is the relatively low allocation of foreign aid. Mr. Wickman asked whether India is not in fact heavily dependent on aid. Mr. McNamara confirmed this but said that in the present situation when aid has been cut down India is trying to change its policies to do without it. The U.S. will argue that India does not need aid because of its large foreign exchange reserves, which is incorrect. The country needs the reserves as a buffer in the present situation of uncertainty.

Mr. Wickman asked how the debt rescheduling negotiations are progressing. Mr. McNamara replied that Mr. Coombs is working for the Bank as a consultant and coordinator.

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Mr. Wickman said he had visited Romania recently where he had been told that they had approached Mr. McNamara to discuss Romania's possible membership in the Bank and Fund. Mr. McNamara said that he had been approached by the Romanian Ambassador and the Romanians will come to Washington on the 15th of June. It seemed, however, that the Romanians had not discussed the matter with the Soviet Union. Mr. McNamara saw no reason why they should not be able to become a member and borrow from the Bank.

AL
June 16, 1972

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MEMORANDUM FOR THE RECORD

Meeting with Mr. Klackenberg in Stockholm, June 8, 1972

Present: Messrs. McNamara, Klackenberg (Director of the International Development Corporation, Department Ministry of Foreign Affairs), Sohlman (Division Chief for Multilateral Aid, Ministry of Foreign Affairs), and Rylander (Member of Mr. Sohlman's Division)

Mr. Klackenberg said that the main objective of Swedish development assistance is to help the developing countries achieve their own objectives of economic growth and social justice. On the bilateral side this can be most effectively done through choosing countries whose governments have acceptable development objectives. Similarly, on the multilateral side the objectives of the institutions through which Swedish aid is channelled are of prime importance. There had been proposals in the Swedish Parliament to withdraw Swedish assistance from IFC and IBRD, mainly because of the charges that these agencies are influenced by the U.S., advocate a capitalistic form of development and promote the interests of the capital-exporting countries. The four main arguments of those who had supported Sweden's remaining a member of these institutions had been first, the multinational quality of the institutions, second, the fact that Sweden could benefit from participation in the work of these institutions, third, that Sweden could promote increased contributions, especially to IDA, and, finally, that Sweden could influence IDA policy in a direction of increased social concern, for example by insisting that income distribution effects be taken into account in project evaluation. Obviously, these Bank Group supporters were dependent on the validity of their own arguments and Mr. Klackenberg questioned whether the Bank Group is presently living up to the objectives of the Second Development Decade which are an important component in Swedish aid strategy. Would it perhaps be easier to fulfill those objectives if there were a more marked separation between IBRD and IDA? He argued that it would be much more difficult to change Bank policy than IDA policy. The most important areas where Sweden considers IDA superior are: (1) the terms of loans (IBRD does not in fact supply ODA); (2) voting arrangements--Sweden would like to see a more even distribution of votes between developed and developing countries; (3) IDA is and should be catering to a different group of recipients, namely the smaller and poorer countries; (4) the methods of procuring funds differ--the fact that IBRD must depend on capital markets is a serious disadvantage. Mr. Klackenberg wondered how far it would be possible to change the group of recipients and the procurement of funds without serious effect on support for IBRD. He also mentioned that the Swedish Central Bank is a conservative element in Sweden and claims that IBRD should act as a bank.

Mr. McNamara replied that he agreed with Sweden's reasons for staying in the Bank Group. With regard to Mr. Klackenberg's points (1) and (2), he held that the Bank Group benefits from Sweden's membership as well and said that the Nordic countries have stimulated other countries to do more and change their attitudes. Small countries like Sweden and the other Nordic countries and Canada can be very strong as leaders of opinion, not only in the development field.

As to the separation of Bank and IDA, Mr. McNamara said that it would be politically impossible at the moment, but in principle he would have no opposition to a greater autonomy for IDA. He thought that the different lending terms of IBRD and IDA would remain in the future, although there may be a need for an intermediary set of terms. He agreed that the distribution of votes is imbalanced and said that he is doing his utmost to keep the share of the LDCs up despite the pressures from Part I countries which, when contributing more funds, expect to receive more votes. This has been true of Germany and Japan. The U.S. share would decrease if the U.S. succeeds in

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reducing their share of contributions to the Fourth IDA Replenishment. On earlier occasions he had managed to take increased votes to help countries from the votes of other developed countries, but it would be politically very difficult to reduce the aggregate share of the developed countries in favor of the less developed countries, however desirable that may be to some countries.

With regard to the recipients, Mr. McNamara reminded Mr. Klackenberg that the Bank does lend to countries which Sweden has chosen as most favored recipients, i.e., Kenya, Tanzania, etc.

Mr. McNamara said that it seems that the Swedish Central Bank is one of the most conservative in the world. Some 65-66 central banks hold World Bank two-year bonds to an aggregate amount of \$800 million but none are held by the Swedish Central Bank.

In conclusion, Mr. McNamara said that his strategy would be to improve and perfect as far as possible the policies of IDA and let IBRD policies follow suit. In the past this had not met any resistance or serious difficulties.

Mr. Klackenberg said that idealistically one would desire a redistribution of income between countries and, in principle, you should then not charge interest to the poor but provide aid as grants. He sounded hopeful of the future of the African Development Fund. Mr. McNamara said that the very problem of the African Development Bank had been that it was under completely African control and consequently had not been able to raise money in capital markets, nor to any great extent from governments. The amount which had been obtained by the African Development Fund (\$100 million over three years) was minute in relation to the needs of the continent and to the commitments of other sources of finance.

Mr. McNamara explained his policy in the Board Room of avoiding direct votes. By attempting to achieve a consensus, he now needs to call for votes less than 15 times a year.

Mr. Klackenberg brought up the subject of nationalization where it was well known that the Nordic governments had repeatedly argued that IDA credits should not be influenced by nationalization disputes. Mr. McNamara reminded Mr. Klackenberg that no IDA country is at present affected by nationalization disputes. Besides, it is governments, not investors who protest. The main problems of nationalization are with those countries which are rich in minerals or oil, while poor countries have little to nationalize and usually act with reasonable equity.

Mr. Klackenberg asked whether Mr. McNamara felt that the Bank Group as a whole should promote foreign private investment. Mr. McNamara replied that on the contrary the Bank had moved in the direction of lending also to government-owned enterprises, both in lending through development finance companies and in direct lending, such as Indian and Yugoslavian government corporations.

Mr. Klackenberg said that Sweden would not bring up the subject of nationalization for Board discussion but would of course state its opinion if the subject were discussed. Mr. McNamara said that, while it is impossible to change Bank policy without a destructive discussion, much can be done informally. As an example he mentioned the Iraq nationalization of the IPC. A Bank lawyer went to Iraq immediately as the conflict emerged to obtain a statement that Iraq was intending to deal equitably with the problem. Similarly, a Department Director went to Tanzania to obtain President Nyerere's assurance that the Tanzania Housing Act would not become a formal obstacle to Bank lending. As especially difficult situations he mentioned other countries where the protesting parties are in fact making new investments while stubbornly repeating their protests in the Bank.

Mr. Klackenberg maintained that Chile is one country which needs financial support for its liberal policies. Mr. McNamara agreed but said that Chile, like Pakistan, is suffering from economic chaos and even without the expropriation issue Chile would not be creditworthy.

On Mr. Klackenberg's suggestion that the Bank's strategy would be to do just enough in the social areas in order to keep the LDCs content and please the bankers, Mr. McNamara said that this is not true and even among bankers there is a trend towards a policy of promoting social well-being which is gaining support among the large bankers in the U.S. Similarly, he did not feel that the trend in LDCs towards government-owned enterprises and government control over the economy would necessarily deter investors. As an example he mentioned the Yugoslav Investment Bank.

The discussion switched to the Third IDA Replenishment. In response to Mr. Klackenberg's question Mr. McNamara said that, if the U.S. ratifies, then IDA does have the commitment authority it needs. He then explained the details of the ratification procedure and said that, even if the notes are deposited late, it will not hamper IDA activity since the cash need is small. However, if the U.S. manages to turn the Third IDA Replenishment period into four years, then the loss to the developing countries over FY72-FY78 period may be as high as \$2.4 billion.

Mr. Klackenberg suggested the possibility of a Part I country meeting since the Annual Meeting would not be suitable as a forum for discussion. Mr. McNamara warned of the danger that the developing countries would feel towards a Part I country meeting as they do towards the Group of Ten. Many issues could not be discussed without causing serious disagreements. It would be possible to discuss the allocation of IDA funds to India, Pakistan, Bangladesh and Indonesia, but it would be difficult to go into any further detail. Mr. Klackenberg suggested discussing local-cost financing. Mr. McNamara concluded by saying that he would be willing to call a Part I meeting after the ratification by the U.S. of the Third IDA Replenishment and, if the Nordic countries so desire, arrange a meeting between their representatives and the Bank management before the Part I meeting. There would be no official papers prepared in advance and he suggested that the Nordic countries raise the issues which they feel may productively be discussed. Finally, he suggested the Nordic countries could well make direct contact with other Part I governments.

On the China membership issue, Mr. McNamara said that he above all would like to avoid a destructive debate in the Annual Meeting. Possibly he would attempt to have a committee appointed to start work on a solution before the Annual Meeting. In general, governments have not given the matter sufficient thought. The Bank is continuing to disburse on its President's own authority with informal arrangements for security from Taiwan.

In response to Mr. Klackenberg's question, Mr. McNamara said that, during the reconstruction phase in Indochina, it would be possible for the Bank to lend to North Vietnam only if it becomes a member of the Bank.

Mr. Klackenberg expressed satisfaction with the outcome of the study on preferences in procurement and said that the Nordic countries would most likely vote for the proposal except if Denmark decides that its allegiance to the Economic Community is too strong to support, in which case the Nordic group will have to abstain.

Mr. Klackenberg said that in general Sweden would like to see more rapid progress in social content of Bank projects and mentioned the example of the Botswana livestock project, a joint operation where there had been some disagreements between Bank and SIDA staff.

Since Sweden had no formal arrangement for coordinating research in the development field, Mr. Klackenberg suggested that, when a group has been formed, it work with the Bank through Mr. Tornqvist. Mr. McNamara agreed and said that he would prefer informal arrangements and the use of developing country institutions if possible. Research could deal with unemployment, rural development and income distribution. He saw no problem of coordination with the United Nations.

In concluding Mr. McNamara asked that Mr. Klackenberg informally try to influence the Central Bank to purchase World Bank two-year bonds and revise its conservative attitude to the Link.

AL
June 20, 1972

12

Visit to the Bank of the Michanek Committee

Monday, 10 July 1972

Participants and agenda:

1. Mr. Ernst Michanek and three staff associates of the Committee which bears his name will spend July 10th in the Bank reviewing our experience and views on the Bank's relations with the United Nations Fund for Population Activities (UNFPA). The central focus of the discussions will be on the possibility of developing some more formal mode of collaboration between the Fund and the Bank (see Mr. Stanley Johnson's memo, Attachment No. 2). Some points the Bank will hope to cover are summarized in Attachment No. 3.

2. The terms of reference of the Michanek Committee are summarized in Attachment No. 1. Mr. Michanek is of course Chairman of the Swedish International Development Authority (SIDA). He will be accompanied here by the following Committee staff members:

Dr. George Brown
Director, Population & Health Sciences
International Development Research Centre, Canada

Mrs. Wendy Marson
Staff member, IDRC

Mr. Stanley Johnson
IPPF, London, and a former Bank staff member

3. Bank staff participating in the talks will include:

Mr. Demuth
Director, Development Services Dept.

Mr. Chadenet
Deputy Director, Projects

Dr. Kanagaratnam
Director, Population & Nutrition Projects Dept.

Mr. Baldwin
Deputy Director, Population & Nutrition Projects Dept.

Mr. Zaidan
Division Chief, Population & Nutrition Projects Dept.

Mr. Riley
Chief, Technical Assistance Division, Development Services Dept.

Mr. Sandberg
Division Chief, East Asia and Pacific Dept.

Mr. Alisbah
Loan Officer, East Asia and Pacific Department

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Mr. Michanek will see Mr. McNamara briefly at 12:00.

4. The general topics to be discussed are outlined in Attachments 2 and 3. The proposed agenda for the day is as follows:

- 9:30 a.m. - Welcome by Mr. Chadenet and introductory statement by Mr. Michanek
- 9:45 a.m. - Main elements in the Bank's approach to financial assistance in the population sector: project lending; hardware and software; institution-building and "leverage"; projects as elements in systems; hard money and soft. (Chadenet, Kanagaratnam or Baldwin)
- 10:00 a.m. - Review of specific Bank/UNFPA relationships in the 7-8 countries in which our paths have crossed. (Zaidan and Baldwin)
- 11:30 a.m. - Bank views on institutional relationships among U.N. agencies in the field of population, with some reference to Bank/UN relationships in other sectors. (Demuth)
- 12:00 - Private meeting between Mr. Michanek and Mr. McNamara (other participants continue discussions)
- 1:00 p.m. - Lunch in I.M.F. private dining room. Mr. Demuth will be our host; other Bank guests will include Messrs. Chadenet, Kanagaratnam, Baldwin, Zaidan, and Riley, and Mrs. Shirley Boskey (Development Services Dept.) and Mr. William Clark (Director, Info. & Pub. Affairs)
- 2:30 p.m. - Resume discussions in Room D-956. Exploration of more formal collaboration between the Bank and UNFPA, led by Mr. Michanek and his associates.
- 3:30 p.m. - Private meeting between Mr. Michanek and Mr. Demuth (D-1128). Coffee for other participants in the small conference room next to Dr. Kanagaratnam's office (D-901)
- 4:00 p.m. - Continuation of discussions on Bank/UNFPA collaboration.

Attachments (3)

July 6, 1972

Extract from the U.N. Secretary General's Progress Report on Implementation of a General Assembly Resolution (no. 2815 of 14 December 1971) Concerning UNFPA

Para. 9

"In carrying out its function to assist developing countries with population programmes, UNFPA takes into account the recommendations of an Advisory Board, which was set up by the Secretary-General to advise on policy matters related to the Fund. Members of the Board include eminent individuals invited to serve in their individual capacity, as well as the heads of the regional economic commissions and of UNESOB...."

Paras. 14-16

14. "In March 1972, a Committee of the Advisory Board of UNFPA was established to review the Fund's operations. The Secretary-General has requested this Committee to make recommendations on the steps to be taken for achieving the objectives set forth by the General Assembly. The following members of the Advisory Board are serving on this Committee: Mr. Ernst Michanek (Sweden), Chairman; Dr. Alberto Lleras-Camargo (Colombia); The Rt. Hon. Lord Caradon (United Kingdom); Mr. Soleiman Huzayyin (Arab Republic of Egypt); Madame Turkia Ould Daddah (Islamic Republic of Mauritania); Mr. John D. Rockefeller, 3rd (United States of America); and Mr. B. R. Sen (India).

15. "The Committee has been requested to report on the following matters: (a) the planning and programming procedures of UNFPA, including collaboration with and utilization of the resources of the United Nations, its specialized agencies and interested non-governmental organizations; (b) the capacity of UNFPA and the collaborating organizations in the United Nations system in the effective execution of programmes and projects, including the possibility of project implementation as appropriate by UNFPA and non-governmental bodies; (c) the ways of ensuring the effective execution of the regional and field responsibilities of UNFPA; (d) the role of the Fund in relation to UNDP country programming; (e) the decision-making process within UNFPA, including the composition and functions of the Advisory Board and the Programme Consultative Committee and the possible use of ad hoc advisory groups; (f) the role of UNFPA in support of programmes to increase the availability of qualified experts and personnel in less developed countries; (g) the responsibilities of UNFPA with regard to financial and personnel matters.

16. "The Committee may also consider making recommendations concerning ways in which UNFPA may more effectively discharge its responsibilities for leadership within the United Nations system and provide a focus for co-ordinated international efforts to deal with population problems. It may further consider the role of UNFPA in relation to the World Population Year, 1974, bearing in mind resolution 1672 (LII) of 2 June 1972, in which the Economic and Social Council designated the Executive Director of UNFPA as having responsibility for preparations for the Year."

UNFPA/IBRD CO-OPERATIONBACKGROUND

1. Since 1968, both the World Bank and the UNFPA have undertaken growing activities in the field of population. In the case of the Bank, the starting point can be seen as Mr. McNamara's speech to the Board of Governors in 1968. In the case of UNFPA, the starting point can be seen as the establishment of the Population Fund in 1967 and - more specifically - with the handing over of the Fund in 1969 to the Administrator of UNDP and the appointment at the end of 1969 of its first Executive Director. Over the next several years, it seems clear that the Bank and the Fund will together occupy principal places, as far as external assistance for population activities is concerned. The Bank/Fund axis can be seen as the focus around which lesser constellations such as programmes of foundations and bilateral aid agencies can be grouped. The key question is how can UNFPA and the Bank build most usefully on the experience of co-operation and partnership they have already achieved?

2. Historically, UNFPA's first concern was to support population activities undertaken by other organizations of the United Nations system. This was one of its original objectives. In recent years, however, the orientation of UNFPA is beginning to tend more towards giving direct support to Government programmes. In this, UNFPA's mode of operation will not be very dissimilar from that of the Bank. We may reach a point where the bulk, rather than a minority, of UNFPA's funds are given direct to Governments, who after due process of consultation seek assistance wherever they may best find it, whether inside or outside the United Nations system.

BENEFITS TO UNFPA.

3. There would be many benefits to UNFPA of some kind of formal collaboration with the Bank.

- (i) The Bank's continuing experience in appraising and analysing the economic performance and prospects of countries, as embodied in the economic reports and other documents, could be an important point of reference to UNFPA in attempting to establish its own priorities where different countries are concerned. The decision by the Bank, taken some years ago and re-emphasised in the recent Sector paper on Population, to upgrade the treatment of demographic factors in its economic work, is of particular relevance here. It is probably true to say that nowhere else in the United Nations system is there such a repository of knowledge and experience of countries' economic and social development. The UNFPA would be unwise to suppose that collaboration with any other institution in this regard would offer a satisfactory substitute.
- (ii) The Bank's long-standing experience of assisting governments in the preparation of projects, and in the business of project appraisal and supervision, would be a key factor in any formal Bank/UNFPA collaboration. It is true to say that, even though this activity falls within UNFPA's terms of reference, it has not yet been able to build up within its own headquarters a capacity for helping countries in the formulation of projects, or for project appraisal and supervision.
- (iii) If Bank/UNFPA partnership could be established for programme and project planning, there is a real prospect that the UNFPA would be able to move away from other forms of planning and preparation which, at the moment, seem to have somewhat

undesirable results. In particular, the practice of sending multi-agency missions where each individual agency representative regards himself as being a spokesman for a specific sectoral interest might be ended. We could look forward to a time where a joint Bank/UNFPA approach to key planning or finance ministries, or population boards, could result in a population programme which is balanced and which truly represents the wishes of the governments rather than the 'salesmanship' of one particular agency. In short, insofar as major country population programmes and projects are concerned, the main thrust would come from the pre-feasibility, feasibility and appraisal work conducted by the Bank/UNFPA. Insofar as other institutions were involved, it would be at a subsequent stage as they came to be called upon for assistance in the implementation of a particular programme.

- (iv) It remains true that the Bank has a reputation for 'rigour' in project appraisal which does not apply to the United Nations. There seems no a priori reason to assume that because the United Nations is providing grant money while the Bank provides loans or credits, standards of preparing and appraising projects should be different.

BENEFITS TO IBRD

4. There might also be some benefits to the World Bank. These would be as follows:-

- (i) The possibility that UNFPA grant money could be commingled with World Bank loan or credit money might considerably extend the range of possible World Bank operations in population. Specifically, where Bank (as opposed to IDA) countries might be reluctant to accept Bank loans on conventional terms - and this might especially be true of certain countries in Latin America - the prospect of being able to add in UNFPA grant money, to achieve in effect a 'blend' in respect of an individual project, might make the operation more attractive from the recipient's point of view.
- (ii) There would possibly be some political advantages to the Bank in being associated in a joint Bank/UNFPA operation. Though it might be argued that, within the past few years, the Bank's overall 'acceptability' in political terms has risen appreciably and though we might look for further progress on this front as the Bank proceeds towards 'universality' of membership, the United Nations still has some edge in this regard. Bearing in mind the location of UNFPA within UNDP and current attempts to improve UNFPA's image as a representative body, and bearing in mind also the special considerations applying to population, this advantage of political acceptability might be quite important.
- (iii) While the Bank has for sound reasons set its face against any major build-up of field staff, the UNDP has evolved a network of representatives and the UNFPA itself is in the process of increasing its field establishment. The precise 'mix' of mission and/or resident advice leading to the formulation of a programme or project will vary from country to country according to the circumstances. It is possible that a UNFPA field representative, situated in the office of the UNDP

serving the Resident Representative and Bank as well as UNFPA, could make an useful contribution to the business of project formulation. Equally, in the course of project implementation and supervision, it might be useful to have the services of a resident population adviser.

CO-OPERATIVE AGREEMENT

5. One way of achieving the kind of IBRD/UNFPA partnership outlined above would be for the Bank and UNFPA to enter into a formal co-operative agreement to finance a joint programming unit (on a fifty-fifty basis). Such a unit would draw upon the resources and expertise of both institutions (and especially the economic input of the World Bank). It would have as its task the preparation of major country population projects to the point of appraisal (or, possibly, to the point of financing). It would undertake this work for both UNFPA and IBRD, as the principal sources of finance, though we might also envisage a situation where the overall planning of the project - as evolved between the Bank/UNFPA and the government - would also make allowance for population assistance to be provided from other bilateral or multilateral sources.

6. In any co-operative agreement of the type described, numerous details would need to be worked out including size and location of unit, salaries to be paid, and details of finance. The establishment of such a unit would not, of course, preclude the Bank from making its own appraisals of population projects where it wanted to, nor would it prevent UNFPA from continuing to undertake those activities which are specially suitable for a grant-giving organization. Essentially, the joint unit would handle the major country projects coming through the pipeline. Whether or not the various components in these major projects would need to be split up as between UNFPA and the World Bank, or whether the cost could be shared on some simple formula, would depend on the nature of a project, the house rules then operating in the Bank and UNFPA, and the wishes of the Government itself.

7. Before any joint unit, or co-operative programme, was established between the Bank and the UNFPA, the role of the agencies, e.g., WHO, FAO, UNESCO, UNICEF, ILO, would need to be clearly defined. A co-operative agreement would not and could not involve 'multiagency' activities. The agencies should be seen as sources of expert advice, to be called upon by governments as and when necessary, once the overall dimensions of the project are established.

8. A co-operative agreement between the Bank and UNFPA would, of course, obviate the need for any subsidiary agreements the Bank might have wished to conclude in the field of population and family planning, e.g., with WHO.

Stanley Johnson
June 30, 1972

Bank Points for Discussion with the Michanek Committee

1. We should spend an hour or so reviewing experience in the 7-8 countries where we have been active and which define our main relationships with UNFPA to date.
2. Despite the problems created by overlapping Bank/UNFPA jurisdictions, we should unreservedly welcome the Fund's existence. It offers two major advantages Bank/IDA financing cannot provide and which therefore involve no competition or "threat" -- (i) grant financing for a broad spectrum of population activities, and (ii) ability to operate in countries from which the Bank is presently excluded by virtue of our requirement that countries borrow from us for population and not simply for "health." Thus there is a large area of "natural complementarity" in our respective mandates.
3. The Bank should want member countries to make generous use of grant financing. This is normally the only form of external assistance appropriate for recurrent costs and it is welcome, when available, for non-recurrent costs, "other things being equal." But other things are not equal: independent UNFPA funding normally means (in the Bank's view) projects that have not been well-thought-out in advance and which will not be closely supervised. Poor programming and poor supervision are high prices to pay for attractive financing. This is the main reason the Bank wants to exert some influence over the software activities which are the bread-and-butter of UNFPA financing. We think we can make a much stronger contribution to institution-building than UNFPA -- and this function is important in population projects. In cases where the Bank and UNFPA work together, the Bank can help UNFPA strengthen its approach; this will involve some lengthening of the project-preparation period and greater discipline in the programming function.
4. Is it practical for the Bank to exercise its institution-building function by trying to "tighten up" a country's use of UNFPA funds by defining our projects to include certain high-priority components which would be financed by UNFPA but for which the government would be held accountable by us? This would legitimize Bank supervision of these components (but on a non-exclusive basis). Other UN agencies would doubtless find such an arrangement difficult to understand and accept. The problem becomes much easier if UNFPA finances governments directly.
5. If the Bank "retreats" to a position of financing only hardware (which is the "gap" in the world financial picture and our "natural" financial role) will we not abdicate our institution-building role? Should the Bank try to keep its financial role as narrow as possible while maintaining the broadest possible role in programming and project definition?
6. One of our problems is that the UN agencies want UNFPA to use only UN agencies as executing agencies and for technical assistance. We think this too restrictive; UNFPA has told us informally it does not feel restricted to UN agencies but that it is indeed under pressure to make maximum if not exclusive use of UN agencies. Some agencies resent it whenever suggestions are made that UNFPA go outside the UN system. This is regarded as disloyalty, at least on the part of some key agencies (e.g. WHO).

7. Should UNFPA funds be available to the Bank for project preparation activities? We have asked this of the Fund and been turned down. We have been invited to make use of UNDP funds instead; a request has been submitted but the prospects seem dim.
8. Nobody (either in the Bank or in UNFPA) has yet come up with a convincing model of the form Bank/UNFPA cooperation ought to take. We are still very much in an experimental phase. There is a lot of "ad-hocery" -- of working out different forms of cooperation in different countries. Generally speaking, the spirit of cooperation between the two organizations, and the personal relations among staff members, has held up remarkably well. But there seems mutual recognition that present working relations disappoint reasonable hopes for coordinated multilateral aid and that some formal resolution of outstanding issues is needed.
9. The problem of working out more satisfactory institutional relationships is partly technical (who finances what, who supervises what, when should there be joint missions and joint reports, etc.) and partly "political" (status relationships, formal mandates, personalities, evaluations of each others' motives and competences). The Bank must recognize the latter elements and must accept the reasonable "political" interests of UNFPA.
10. An important underlying problem is UNFPA's formal mandate to lead and to coordinate international assistance and the weakness of its capacity to exercise these functions. The Bank has no such mandate but is more qualified to perform these functions. Is the solution for us to be as self-effacing as possible on this issue but to exercise de facto influence wherever possible? Is this possible -- to be self-effacing and effective?
11. The Bank has developed formal cooperative agreements with FAO, Unesco, and WHO in the water supply field. Some people in the Bank believe the present problems in population are similar to early problems experienced in these other fields. This may be true, but it may not be: in all other fields the UN agency concerned was stronger and older than UNFPA, held an exclusive mandate in its sector, and none had competing money to work with. And there is no reason to adopt any of those arrangements as models unless they are judged to have worked reasonably well.

G.B. Baldwin
Population and Nutrition Projects Dept.

July 6, 1972

MEMORANDUM FOR THE RECORD

Subject: Discussions with Part I Members - Sweden

The Swedish Minister of Commerce, Mr. Kjell-Olof Feldt, called on Mr. McNamara on Wednesday, September 27th, at 2 p.m. The Minister had with him Mr. Sjölander, Undersecretary of State in the Ministry of Finance, and Mr. Klackenborg, Undersecretary of State in the Ministry for Foreign Affairs. Sir Denis Rickett and Mr. Anders Ljungh were also present.

Mr. McNamara began by saying how much he had enjoyed his recent visit to Stockholm. He wished to thank the Swedish Government for all the support which they gave to the World Bank Group and to the developing nations. The example set by their government was very helpful particularly at a time when other governments, such as the United States, were re-examining their attitude towards development assistance. The cooperation between the World Bank Group and the Swedish bilateral aid program, as shown for example in the joint project in India, was of the greatest value.

Mr. Feldt congratulated Mr. McNamara on his speech which had given such an admirable lead to both the developed and the developing countries. The movement towards social equity would take time to achieve but if the policy of the World Bank Group followed the lines laid down by Mr. McNamara in his speech, this would be a most important influence on the policy of governments. Mr. McNamara referred to a discussion he had had that morning with the Brazilian Finance Minister. Mr. Delfim Netto had maintained that in Brazil there was a clear conflict between greater equality of income and the highest possible rate of growth.

Mr. McNamara then raised the question of the Fourth Replenishment of IDA. Although the Third Replenishment had only entered into effect a few days ago, it was not a moment too soon to begin preparations for the Fourth Replenishment. The funds at present available would have been fully committed by June 30, 1974, and if a year was to be allowed for legislative action, we should begin discussions between governments before the end of the present year. He would ask each government to appoint a deputy and the first meeting might be held in Europe some time in December. An earlier date would not be possible because of elections in several countries. He would greatly appreciate any advice the Swedish Government might wish to give us about the form of the new agreement and the tactics to be followed. For example, what did they think about the proposal made by M. Giscard d'Estaing for a five-year commitment period under the next agreement? What would they consider a suitable target for the amount of the replenishment?

Mr. Feldt asked how the U.S. decision to ratify should be interpreted. Was there any question of spreading the Third Replenishment over four years instead of three?

Mr. McNamara said that no reference to this had been made in their letter of notification although they had warned us that they would be able to transmit their three letters of credit only in 1973, 1974 and 1975. This, in

President has seen

itself, would cause no difficulty. There was no doubt that the Third Replenishment agreement clearly envisaged that the funds would be committed over three years, i.e. by June 30th, 1974. The U.S. had not raised this question officially with us though there had been some informal discussion of it while the legislation was passing through Congress. Should the U.S. Administration make such a proposal, he would feel bound to oppose it strongly. It would involve a very serious loss to the developing countries. Not only would the average level of commitment in the three-year period be reduced by 25%, but in the fourth and following years there would be a large gap between what we should get and what we might otherwise have hoped to get, so that, in total, the loss of development assistance to the poorest countries would be of the order of \$2-3/4 billion (new dollars). He himself would certainly raise the matter at the highest level in the U.S. Administration.

Mr. Klackenberg asked what lessons should be drawn from our experience with the Third Replenishment. Did it not show that some change was needed in the conditions under which the agreement became effective?

Mr. McNamara agreed that we should look again at the coming-into-force provisions. Another important question to be considered was the period over which payments were made. At present we asked for payment (in the form of letters of credit or non-interest bearing notes) over three years corresponding to the period over which funds were committed. This was quite unnecessary since disbursements against those commitments were spread over a considerably longer period.

Another lesson which should be drawn from past experience was the need for more careful handling of the Congress by the U.S. Administration.

Mr. McNamara concluded this part of the discussion by saying that he regarded the Fourth Replenishment of IDA as a matter of the highest priority during the next six to twelve months. We should greatly welcome any help which the Swedish Government could give us. Their understanding of these matters and their political influence with other governments would make their advice and support of the greatest value.

The Minister said that the Swedish Government would do their best to help us. He asked what our intentions were about a further transfer of Bank profits to IDA. Mr. McNamara said that he had delayed a decision on this matter so long as the ratification of the Third Replenishment was in doubt. He would now circulate a paper to the Board recommending a transfer of \$100 million out of the \$183 million net income in FY 1972.

Mr. Klackenberg asked what was our present thinking on the question of interest subsidization. Mr. McNamara thought that this was a matter which might be taken up as soon as the negotiations for the Fourth Replenishment had been completed. The issue was bound to be controversial and he would prefer, therefore, not to raise it at the present time.

The Minister then asked about the Bank's policy towards Chile. No one could say how long the Allende Government would remain in power. If the

Bank continued to refuse to lend to Chile and the government fell and the Bank were subsequently to resume lending, this might be regarded as proof of political bias on the part of the Bank which would be extremely unpopular in Sweden.

Mr. McNamara agreed that there was a political problem, but the Bank's financial problem in lending to Chile would be even more serious. The Bank would have the greatest difficulty in regarding Chile as a creditworthy borrower at the present time. Even if the Bank lent only a small amount (which could make no real difference to Chile's position except perhaps psychologically) they would have great difficulty in convincing investors in Bank bonds that such loans were likely to be repaid.

Mr. Klackenberg said that the Swedish Government had just made a loan of \$5 million to the Chilean Government. He agreed that the value of this was purely symbolic.



D. H. F. Rickett
Vice President
September 27, 1972

Note: I had a short talk with Mr. Klackenberg after the meeting and agreed to visit Stockholm on November 6th and 7th next.

cc: Mr. McNamara
(No other distribution)

MEMORANDUM FOR THE RECORD

Visit of Mr. Lennart Klackenberg, Undersecretary of State of Sweden, July 10, 1973

Present: Messrs. McNamara, Knapp, Rickett and Klackenberg

Mr. Klackenberg said that Part II countries are insufficiently represented in the making of IDA lending policies and had proposed a Part II country meeting for participation in negotiations in some form. He was aware that some countries opposed this idea. His plan would be for an organizational discussion initially and asked Mr. McNamara's view on how this could be made a success.

Mr. McNamara stated that he did not think it could be a success. Apart from an argument over the quantities allocated to various countries, what could such a meeting yield? Mr. Klackenberg said that individual countries could not make their voices heard in the Bank. Mr. McNamara did not agree. He himself had visited 11 or 12 out of the 18 least developed African countries. On the Bank's Board the LDCs are represented by a majority of Directors, and the main secret to the success of more progressive policy is the fact that there is no posturing or voting in the Bank's Board.

Mr. Klackenberg raised the criticism that the Bank is often called a rich man's club. Mr. McNamara replied that he had never heard this in the course of his travels and he mentioned the example of his recent visit to Trinidad & Tobago where an argument had arisen over public utility rates and where the Bank had taken the position that it would not proceed with projects until such rates were instituted which at least did not exacerbate the unemployment and income distribution problems. He commented that a Part II country meeting in Nairobi could be disastrous in terms of its effect on the world's attitude towards the Bank, particularly if the participating countries wished to use the press as a medium for publicity of their own views in an irresponsible way.

Mr. Klackenberg argued that the proposal for Part II country meetings stems from the desire to increase the influence of LDCs in the voting powers of the Bank. He also mentioned the idea of governmental representatives on the Bank's Board on an occasional basis.

Mr. McNamara said that the voting power of the LDCs did run a risk of being reduced as additional contributions were made by Part I countries, but that he had continually watched the situation and that he was determined not to let the proportion of the votes of the LDCs be decreased. In fact, despite the offers to assume additional shares at no or nominal cost, many of the LDCs had not taken advantage of this opportunity. He was determined to push this increasingly and to find a way not to decrease the voting power of the LDCs.

Mr. Klackenberg retreated somewhat and said that the Part II country meeting in Nairobi could be held in the form of a low-key meeting and perhaps in the context of the African Caucus. Mr. McNamara said that the meeting would need some preparation and Mr. Knapp joined by saying that the meeting should not take any major decisions. It was agreed that the Bank would give some further thought to the format of the meeting.

On Indochina Mr. Klackenberg said that the Nordic countries had appreciated the slowing down in the preparations for aid and the consultative group. He had been worried by Mr. Hennessy's comment that morning as to the conditions of support for the Fourth IDA Replenishment being that the Bank provide a certain part of IDA funds to

President has seen

Indochina. The Nordic position would be that any Bank or IDA action in Indochina should take place in the context of projects or technical assistance which is practically useful and cover all areas and regions in Indochina. He obviously did not wish to disrupt the U.S.-North Vietnam talks by public position but said that aid to South Vietnam only would receive a very negative reaction in the Nordic countries.

Mr. McNamara said that he did not know the exact status of talks but that Mr. Waldheim had told him that the North Vietnamese have admittedly not dealt with other countries than China and the Soviet Union and are reluctant to assume relationships with multilateral institutions. North Vietnam has assumed a policy of self-reliance and has focused on obtaining reparations from the United States which would not be willing to give reparations but possibly aid. North Vietnam has been cool to bilateral assistance. In general the Bank would offer cooperation to Indochina and to all countries and it would not accept a veto power on the part of any country.

Mr. Klackenberg told of a visit to North Vietnam earlier in the year. He had been virtually interrogated on the subject of multilateral institutions. There were several schools, one of which held that it would be beneficial to North Vietnam to have relationships with multilateral institutions as a third force between the Communist Bloc and the U.S. North Vietnam had shown a keen interest in the U.N. system but also had a loyalty to the Provisional Government of South Vietnam which was no where near recognition by U.N. members.

Mr. McNamara asked about the status of the Swedish bilateral program for North Vietnam. Mr. Klackenberg said that it currently envisaged some \$30 million a year in the form of a pulp and paper plant, hospital and some other equipment. They had offered any form of aid including cash but the North Vietnamese had insisted on project aid to benefit from Swedish technology.

Mr. McNamara said that he was ready to talk to North Vietnam at any time and that Mr. Klackenberg may relay that message to North Vietnam if he wishes. Mr. McNamara added that he thought the U.S. was serious in its intent to place a condition of involvement in Indochina upon its agreement to a Fourth IDA Replenishment of \$1500 million.

Mr. Klackenberg said that it may be hard for the Bank to fulfill conditions if North Vietnam is not a member. Mr. McNamara mentioned the possibility of giving technical assistance to non-members as had been done in the case of Bangladesh.

Mr. Klackenberg said he was worried about the number of special groups being set up within the U.N. system and mentioned the example of the organization for assistance to the drought-stricken Sahelian region as discussed in ECOSOC. Mr. McNamara said that he thought the Sahelian organization was appropriate in the short-term. However, in the long-term, he would like to coordinate such efforts with other agencies and deal directly with governments. He mentioned the examples of agricultural research and river blindness and encouraged the Nordic countries to participate.

cc: Mr. Knapp
Sir Denis Rickett

AL
July 17, 1973

MEMORANDUM FOR THE RECORD

Visit of Messrs. Stahle and Nilsson, of IFIAS, April 9, 1973

Mr. Stahle, Chairman of the International Federation of Institutes for Advanced Study, and Mr. Nilsson, Managing Director, visited Mr. McNamara to explain the purposes and sponsors of IFIAS. Mr. Stahle said that IFIAS had been created to bring together the best minds and organizations in the world to tackle important problems of a global nature.

Mr. McNamara asked about the sources and amounts of financing for IFIAS. Mr. Stahle replied that they had received \$30,000 a year for three years for a secretariat and \$50,000 total to finance preparation of projects and workshops. The target for the latter amount would be \$100,000 a year. In addition, each project will be financed separately. The sources were mainly the Wallenberg Foundation and Mr. Robert Anderson (U.S.).

Mr. Stahle described projects which were being prepared in the fields of water resources, human settlements, enzyme technology, climatic changes, energy, climate and bilharzia. Mr. McNamara said that the Bank would be interested in thoughtful work in these areas.

Mr. Stahle asked Mr. McNamara if IFIAS could have the Bank's support for these activities. Mr. McNamara said that he definitely wished to give his moral support but that he would have to consider further possible financial support. He suggested that Mr. Stahle try contacting the Johnson Foundation and, for the purpose of doing work on energy, he should speak to Mr. Freeman who had done considerable work in this area. Mr. McNamara asked Mr. Stahle to keep him informed on the progress of financing and studies.

Later Mr. McNamara told Mr. Ljungh that he would be willing to consider \$20,000 a year if IFIAS could produce the kind of work which would be of high quality and relevant to the Bank. He asked Mr. Ljungh to ask Mr. William Clark to speak to Mr. Slater regarding IFIAS and to keep him informed regarding other financing for the possible future consideration of \$20,000 a year from the Bank.

AL
April 20, 1973

President has seen

MEMORANDUM FOR THE RECORD

Meeting with Representatives of the International Federation for Science, January 15, 1974

Present: Messrs. McNamara, Stern, Professors Brohult and Marshak, Mr. Todd of National Academy of Science, and Mr. Weiss

Professors Marshak and Brohult described the activities of the infant organization which was set up to finance research by young scientists in developing countries and provide for these scientists to be independent from direct government control. 15-20 grants were planned for 1974, with focus on biological sciences. A number of advisory groups on various topics had been selected in the Nordic countries and a \$100,000 grant had been obtained from the Swedish Government. Headquarters were to be in Stockholm but the head of the organization was not to be a Swede.

The activities for the initial year would focus on forestry, fish culture and breeding, vegetables and legumes, food preservation through fermentation, and natural drug chemistry.

Mr. McNamara emphasized the need to promote institutions and recommended that IFS also approach the UNDP. He endorsed the program described and said he would be willing to pledge \$25,000 from the Bank's budget. This would have to come from the Bank's contingency. Mr. Stern would facilitate the meeting in the UNDP by calling I.G. Patel.

In response to Mr. Weiss' question, Mr. McNamara said it would be quite feasible to include research organized by IFS in Bank projects.

AL
January 23, 1974

President has seen

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara DATE: January 15, 1974

FROM: Ernest Stern, Senior Advisor, Office of V.P., Dev. Pol.

SUBJECT: Visit of Dr. Sven Brohult, 5.30 p.m., January 15, 1974

1. Dr. Sven Brohult, just retired President of the Swedish Academy of Engineering Sciences, will meet with you at 5.30 p.m. today, as you directed him. He will present the case for a Bank contribution to the International Foundation for Science (IFS). Dr. Brohult is coming to the U.S. primarily to attend this meeting.
2. The IFS will make small direct project research grants to individual scientific researchers in LDCs. Grants will be based on an assessment by an international committee of the scientific quality of the proposal. Its relevance to the needs of the country will be checked with the host institution and government. A recent IFS board meeting decided that, contrary to its previous plans, IFS will make 80% of its grants for applied research projects. An attempt will be made to fund researchers working in neighboring countries on the same subject, and to encourage their cooperation.
3. Dr. Brohult will stress in his presentation the relevance of the research to be supported by the IFS to the needs of the LDCs, and in particular to the needs of their poorest citizens. He will describe proposals the IFS has received from researchers in the areas of biological science in which the IFS will concentrate: grain legumes and vegetables; fermentation methods for food preservation; fish breeding; micro-organisms needed for forestry; medicines from natural extracts.
4. Dr. Brohult has been informed of your response to our previous memo (attached) that "in the present atmosphere a Bank grant of \$200,000 per year is extremely unlikely". He would be grateful for an oral endorsement of the IFS which he could use in his further fund-raising efforts. He would of course be glad if the possibility of a Bank contribution at some time in the future were not foreclosed.
5. If, on hearing Dr. Brohult's presentation, these are indeed your opinions, you might consider saying that you personally find the Foundation an attractive prospect, because the kind of applied and basic research the IFS proposes to support is an essential part of the scientific infrastructure of a developing country; and because this kind of research will provide the foundation for applied research and extension programs focussed on more specific development needs. You might add that the IFS target group of able young researchers is of particular importance to the future of these countries.

Att.

CWeiss/EStern:ps

Scandinavian Experts Group

1. Forestry soil microbiology (mycorrhiza)

Prof. Peitsa Mikola, Helsinki, Finland

Dr. Göran Lundberg, Stockholm, Sweden

Dr. Olof Edqvist, Stockholm, Sweden (Secretary)

2. Fish culture and fish breeding

Prof. Gunnar Svärdson, Stockholm, Sweden

Dr. Bernt Dybern, Stockholm, Sweden

Dr. Magnus Fürst, Stockholm, Sweden

Dr. Olof Edqvist, Stockholm, Sweden (Secretary)

3. Vegetables and grain legumes

Prof. Evert Åberg, Uppsala, Sweden

Dr. Jan Teär, Stockholm, Sweden

Dr. Olof Edqvist, Stockholm, Sweden (Secretary)

4. Fermentation methods for food preservation

Prof. Helge Gyllenberg, Helsinki, Finland

Prof. Carl-Göran Hedén, Stockholm, Sweden

Dr. Martin Tweit, Sandnes, Norway

Anders Lindberg, IVA, Stockholm, Sweden (Secretary)

5. Natural product chemistry

Prof. Arnold Nordahl, Oslo, Norway

Prof. Torbjörn Norin, Stockholm, Sweden

Prof. Finn Sandberg, Stockholm, Sweden

Marianne Sandström, IVA, Stockholm, Sweden (Secretary)

In the third group we will have a representative from Denmark.
(Decision will be taken next time the group is meeting).

MEMORANDUM FOR THE RECORD

Visit of Mrs. Inga Thorsson, February 25, 1974

Present: Mrs. Thorsson Messrs. McNamara, Kastoft and Belfrage

Mrs. Thorsson emphasized how much importance the Swedish Government places on the Population Conference in Bucharest, 1974. She felt that the U.N. machinery for population work needs strengthening, possibly with some reorganization. Mr. Hopper had made some suggestions at a Bellagio meeting on population regarding how to coordinate population work in the U.N. system. She asked Mr. McNamara's views on how the U.N. population organization can be strengthened.

Mr. McNamara said that the problem is more serious than any U.N. report has stated. He felt that outside organizations have a role to play apart from the U.N. and mentioned that he had supported the establishment of a research center in Sweden. He felt that United Nations had not yet put out a candid and constructively critical report on population and that something needs to be done quickly to make the Population Conference meaningful.

Mrs. Thorsson said that she felt the documentation for the Conference was improving and agreed with Mr. McNamara's suggestion that it should contain realistic quantitative objectives.

Mrs. Thorsson said that Sweden would try to find someone like Maurice Strong to provide leadership in the population field.

Mrs. Thorsson said the population field needs a strong political body, headed by a forceful person and supported by a technical organization to lead the U.N. population work.

Mrs. Thorsson asked what progress was being made to assist the non-oil-producing LDCs to meet the higher cost of oil. Mr. McNamara said that to date no concerted action had taken place but that the proposal of the Shah of Iran and his commitment for a billion dollars for the initial year was an important first step. However, at least \$4-\$5 billion would be needed in additional aid to compensate LDCs for additional cost for oil in 1974. Food and fertilizer will be major problems. A bad crop may be disastrous.

AL

March 1, 1974

President has seen

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

OFFICE OF THE PRESIDENT

~~January 28, 1974~~

Mr. McNamara:

Visit of Mrs. Inga Thorsson, Monday, ^{Feb. 25} ~~January 28, 1974~~ at 530

Mrs. Thorsson holds the rank of Permanent Secretary in the Foreign Ministry with the special responsibilities of disarmament, population, environment and technical scientific issues. She has recently been named to succeed Mrs. Alva Myrdal as head of the Swedish delegation to the disarmament talks in Geneva. She is also chief of the Swedish national committee on the World Population Year and will head the Swedish delegation to the Population Conference in Bucharest. She is working on the preparations as a member of the UN Population Commission.

Mrs. Thorsson will probably wish to exchange views on the preparations and prospects for success of the Population Conference and on population work in general. She may also wish to solicit your views on the prospects for disarmament. Her current interest in that field seems to be the revision of the non-proliferation treaty.

Mrs. Thorsson is in her 50's. She is an old hand in the Social Democratic Party, former Ambassador to Israel, member of Parliament, and has represented Sweden in the UN on a number of previous occasions. You will find that like so many other Swedes she may be radical and straightforward but I think she is very realistic and constructive in her work. She could make quite a positive contribution to preparations for the Population Conference and you may wish to plant some of your ideas with her.

AL

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: February 25, 1974

FROM: K. Kanagaratnam

SUBJECT: Briefing Note on World Population Conference and World Population Year

1. The Twenty-fifth General Assembly, in December 1970, recognized the importance of current demographic trends by asking the Secretary-General to proclaim a World Population Year. Little took place between 1970 and 1972, though several inter-agency meetings discussed the matter. On September 20, 1972 Secretary-General Kurt Waldheim designated 1974 as World Population Year which would include the holding, in August, of a World Population Conference. The Conference was originally to be held at the United Nations, New York, but international sentiment favored a shift to a developing country; the Government of Rumania offered host facilities in Bucharest and this was accepted in May 1973.

2. The objectives of the Year and Conference were as follows: improved knowledge of population trends and prospects; wider awareness of population problems; more effective education on population, family life and reproductive functions; more explicit discussion of alternative population policies; the promotion of demographic considerations in development planning and the development of national population policies and programs; and the expansion of international financial and technical assistance in the population field to countries wishing it.

3. The administrative responsibility for the Year and the Conference were set out by ECOSOC Resolution in June 1972 and split between the United Nations Fund for Population Activities (UNFPA) who are to fund and follow-through activities for the Year, and the United Nations Secretariat under Dr. Carrillo Flores (designated as Secretary-General of the Conference). He would receive staff support from the Population Division of the United Nations. The Population Commission will oversee all arrangements for the Conference, including the Conference procedure, agenda, documentation, etc.

4. Since 1972 various activities in connection with World Population Year have occurred:

- (i) The UNFPA has mounted a considerable information program. This has produced literature on activities of the United Nations system and on different aspects of population in order to spread international awareness of World Population Year, of the Conference, and of population problems in general. United Nations agencies are all represented on the committee, usually through their Information units.
- (ii) Four regional seminars were held during 1973. The themes and documentation of these seminars will parallel the four main themes of the Bucharest Conference. The subjects of these

seminars were:

- (a) Population change and economic and social development. (Cairo)
 - (b) Population resources and the environment. (Stockholm)
 - (c) Population and the family. (Honolulu)
 - (d) Population and human rights. (The Hague)
- (iii) Regional meetings under the auspices of the Regional Commissions will meet in the next 2-3 months to discuss the "Draft World Population Plan of Action" (see para.4) that will be submitted to the Bucharest Conference.

5. Attached is UNFPA's latest progress report on World Population Year. Much of it is taken up with a traditional publicity effort that distributes suggested material for broadcasts, statements, television spots, printed material, journalistic information, films etc. Governments have been encouraged to hold national activities and many of them are in the process of doing so (some doing little more than going through the motions!). What is regrettable, however, is that none of this publicity effort has any clear focus; there is too much activity for its own sake. Most of the governments have not had clear signals from the organizers of the Conference as to what the Conference is intended to accomplish or what will be asked of them (e.g. compare with Maurice Strong's clear strategy in 1972 to meet with governments and discuss what he hoped the Conference would achieve).

6. The World Population Conference will take place from Monday, August 19 to Friday, August 30. It will be an Inter-Governmental Conference, not a Conference of Experts. It will be opened by the Secretary-General of the United Nations after a welcoming ceremony by President Ceasescu. The most important document before the Conference will be the World Population Plan of Action which is still not ready and approved. We have the draft which was discussed at the Committee of Experts during the week of February 11-15; a revised draft will be presented to the Population Commission on March 4 for their final clearance for submission to the Conference. The draft document that we have is too broad and diffuse; the feeling of the many experts was that it could deal somewhat more directly and explicitly with the existence of a world population problem without necessarily risking the kind of confrontation which the United Nations' officials very much want to avoid. Even if the Plan of Action acknowledges directly a world population problem, the authors of the Plan cannot call on the world to "do something about it" beyond whatever actions national governments are willing to take.

7. The draft Plan of Action gives a very broad definition to "population activities" and is by no means exclusively concerned with excessive population growth rates or high birth rates. Hence, the Plan's "action" focus is lost by giving equal attention to problems of excessive mortality and morbidity in certain countries, to migration phenomena, to changing population age structures, to demographic research, and other population-related questions.

This broad definition of population concerns has been inserted into the plan at the insistence of East European, French and other experts, and thus the central concern of uncontrolled national and world population growth that deserves priority "action" becomes blurred in the draft. The World Plan of Action will not discuss institutional structures nor costs, although some attempts have been made to introduce both these components.

8. Other items on the Conference Agenda relate to "World Population Trends" and the Reports of the seminars mentioned earlier.

9. With the split responsibility for the Year and the Conference in the United Nations and the unfortunate weakness of the two implementing units (UNFPA and the Population Division) many member governments attending the World Population Conference are unclear as to what they can see coming out of the Conference in concrete and practical terms.

10. There are some, led by Gen. Draper, who would like to use the Conference as a fund-raising opportunity for the UNFPA but this has generally been resisted. The 1975-85 cost estimates of the Plan produced for the last meeting of the Committee of Experts were unsatisfactory (bad assumptions and methodology) and the paper was withdrawn from discussion during the meeting.

11. There are different viewpoints as to whether or not a new institutional structure to cope with population should emerge either at the Conference or following it. Sweden, among others, feels that new, more effective international machinery is needed and they are somewhat disappointed with the UNFPA's capacity to provide the role originally expected of it. At the same time there is a measure of support not to make changes in the United Nations at the present time but to aim at getting better performance out of the existing structure (the U.S. holds this view). My own view is that improved agency policies, organization, programming, and management are more important than new structures and mandates.

12. The Bank's participation in World Population Year has been limited by design. It has consisted of:

- (a) Ex officio participation in the Committee of Experts who commented on the Draft World Population Plan of Action.
- (b) Provision of some material for background Conference documents being prepared by others and the writing of one such document within the Bank (on the management factor in family planning programs).
- (c) The devotion of the December issue of Finance and Development to world population problems.

Mr. Robert S. McNamara

- 4 -

February 25, 1974

13. For reference, I attach the following ECOSOC Population Commission documents:

1. Proposed Timetable for the Work of the Conference.
2. Draft Provisional Agenda with Revised annotations; Note by the Secretary-General of the Conference.
3. Progress Report of the Executive Director of the United Nations Fund for Population Activities.

Attachments - 3

KKanagaratnam:GBBaldwin/bli

May 15, 1974

Mr. McNamara:

Visit of Mr. Klackenberg Today at 6:00 PM

Situation in Sweden. After the election last fall there was a re-shuffle and a new Aid Minister, Mrs. Gertrud Sigurdson, was appointed. The remaining organization dealing with aid is the same as before, with Mr. Klackenberg heading the policy unit in the Foreign Ministry, but responsible to the Aid Minister, while SIDA is responsible for implementation of aid policy. Mr. Klackenberg has been able to maintain his strong position probably largely because the Aid Minister is a novice in the field.

The parliamentary aid debate has just been completed. The tenor was not much different from previous years, with some persistent opposition and criticism directed towards the Bank Group by a few, and a less-than-adequate defense on the part of the Administration. This year the reply to criticism was less effective, due to the Aid Minister's weak leadership. The 1% target for aid will be postponed, at least one year, due to the economic difficulties caused by the energy crisis. All proposals submitted by the Administration passed, including Sweden's IDA contribution and the Administration is free to ratify when it sees fit. This will certainly not happen before the Senate vote and probably not before the Bonn meeting.

You are familiar with Sweden's position on Chile and I attach two memoranda with statements by Mr. Klackenberg on the subject. The first is a press release designed to pre-empt ours after the loans were approved to Chile in February; the second is a confidential statement distributed to Parliament immediately before the aid debate and of which we have no official knowledge.

Opinion in Sweden on Vietnam is still strong. The Swedish Government will try to postpone multilateral assistance and even consortium meetings as long as possible.

From time to time there have been proposals by radical groups for Sweden to relinquish membership in the World Bank but no one in the Government, including the Cabinet, contemplates this seriously, and the Aid Minister said so officially as late as February.

of
SIDA has taken the initiative in exploring formalization/joint financing arrangements with the Bank and holding semi-annual reviews here. We have responded favorably to this but discussions are at an early informal stage and I suspect that Mr. Klackenberg is not enthused, since it would detract from his power.

The Nordic countries have recently jointly agreed to make a \$300,000 contribution for research by the Bank on labor-intensive methods in construction.

Comments. Mr. Klackenberg's exact views and motives will remain clouded. He is clearly a man with political instincts and ambitions. He is in a difficult spot in that he is pressured by radicals within his staff and within political organizations. Another difficulty is the openness of the political process which gives the media access to very much of what is going on. The Vietnam and Chile issues will remain, and Sweden will from time to time press for a change of voting rights in the Bank and IDA, and for increased influence of the LDCs. The youth movements are radical, vocal, and concerned with both aid and those sensitive issues I have mentioned, including also the liberation of African colonies.

I am not optimistic that we will change relations with Sweden over the next few years, but I think it is very necessary to deal with Mr. Klackenberg and other officials in a firm but friendly manner and try to maintain a dialogue of sorts, even in the face of some demagoguery.

Topics for Discussion.

Mr. Klackenberg is likely to raise mainly the following topics:

1. The IDA meeting in Bonn. He will be interested in knowing the prospects for the 4th Replenishment and may have plans to press for a voting rights change again.
2. Indochina. He will seek to extract assurance that no aid will flow to Indochina until the Paris Peace Accord is followed (in his interpretation), and will in fact try to postpone any consortium meeting. The increased possibility for aid to Laos may change his position somewhat.
3. Chile. He may ask what the Bank's plans are and how we assess the situation there. ~~Joint~~ Joint financing and other cooperation. Depending on his attitude to SIDA's initiative, he may wish to discuss this.

AL

7-19-01 (24)

OFFICE MEMORANDUM

7-19-06 (24)

9-6-01 (24)

TO: Mr. William Clark (through Mr. Carrière) /cc DATE: April 19, 1974

FROM: Sven Julin SJ

SUBJECT: Sweden, the Bank Group and ChileConfidential

DECLASSIFIED

JUN 17 2013

WBG ARCHIVES

1. The Aid Bill for FY 1974/75 will be dealt with by Swedish Parliament on April 24. There are indications that, largely because of Chile, discussion of the IDA contribution and Swedish membership in the Bank Group will be livelier this year than in the past (when, routinely, we were attacked by the Communists and defended by select members of the other parties, particularly the Social Democrats).

2. Swedish M.P.s rely to a large extent on the Ministry for Foreign Affairs for information on aid problems. This Ministry produces periodically a bulletin distributed to all M.P.s and highlighting significant events on the international development assistance scene. I have received from the Secretary of the Parliament's External Relations Committee, on a personal and confidential basis, a recent bulletin on Bank relations with Chile (translation attached). This paper, distributed shortly before the aid debate, contains a number of statements previously made in public by Mr. Klackenbergh and is hardly susceptible of boosting our image in Swedish Parliament. As a matter of fact, I find its smugness about the Swedish posture and the lopsided presentation rather disturbing.

3. I have already had an opportunity to present the Bank's version of the Chilean case to the members of the Center Party (biggest among the opposition) serving on the External Relations Committee. It met with a surprisingly positive interest. A recent and encouraging development is that I have been asked by the Secretary of the External Relations Committee (who is quite skeptical about the quality of much of the information supplied by the Ministry for Foreign Affairs) to see him for a more thorough and objective briefing early next week. I will of course be there, and will also follow the debate in Parliament.

Att.
SJ:lpl

THE WORLD BANK AND CHILE

(Free translation from Swedish)

(Text attached)

The World Bank did not extend any loans to Chile during the period of the Allende regime. In the first months of Allende's tenure, the Bank did however negotiate with Chile a major power loan. But an agreement could not be reached which, according to the World Bank, was attributable to the fact that Chile did not accept the Bank's demands for certain increases of the power rates.

Subsequently, the Bank's attitude towards Chile was clearly negative up to the summer of 1973. Disbursements under previous loans continued, but preparation of new projects did not take place. The Bank's motivation for its negative posture was that the economic situation in Chile was so unclear and unstable that it was difficult to establish concrete cooperation focussing on specific projects. The Bank has, accordingly, not seen any reason to publicly pass a judgement on the question whether the litigations between Chile and U.S.A. concerning compensation for nationalized American enterprises was of a nature to render lending impossible under Bank practices. According to some assessments, however, the Bank has not been uninfluenced by these litigations.

Sweden has on several occasions sharply criticized the Bank for suspending lending to Chile in 1970. At meetings in the World Bank, in UN and in other international agencies as well as in the course of informal contacts with the Bank management, Sweden has emphasized the detrimental effects of the suspension of lending which contributed to the economic problems facing the Allende Government and increased its difficulties in implementing its vast reform program. The confidence in the organization is based on its ability to support the LDCs in their struggle against underdevelopment and social injustice. The World Bank policies towards Chile are further in blatant contrast with Mr. McNamara's announcement at the UNCTAD conference in Santiago to the effect

that the LDCs' pursuing policies of distributive justice both need and merit large amounts of aid. To avoid the risk of a protracted conflict with Chile regarding payments of interest and amortization of previous loans, the Bank initiated negotiations with Chile. These talks resulted by mid-1973, in an agreement on principles according to which the Bank would give a certain amount of support to Chile corresponding to the country's interest and amortization payments to the Bank falling due in 1973-1974. One result of the agreement was that the Bank management by August-September 1973, i.e. shortly before the military coup took place, presented two proposals for aid to Chile. One proposal was for an increase of totally \$8.3 million of the amounts of two previous loans. Further, a proposal was presented for a loan of about \$5 million for pre-investment studies in sectors accorded priority by the Allende Government.

The proposals were to be considered by the Bank's Board at the beginning of 1973. When the Bank's management -- according to its own information -- realized that some larger industrialized countries would not entertain the proposals, and since accordingly it was unlikely that the proposals would obtain a majority at the Board, the Bank's management decided to postpone the discussion sine die. At the beginning of 1974, the management brought up the proposals again and they were approved by the Board on February 5. On this occasion, the Nordic countries made it clear that they could not support the proposed aid to Chile, one of the reasons being that lending to Chile had not been discussed from the point of view of principles. They further questioned the lending criteria which now made lending to Chile possible, but which had prevented support of the Allende Government's economic and social reform program. It was emphasized that developments in Chile and the Bank's posture towards this country had stirred much attention in the Nordic countries. Based on the experience of the Chilean case, it was pointed out that the Board should be informed and be given an opportunity to discuss those cases where Bank management considers that lending to a country ought to be suspended for one reason or another.

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Also the Italian Executive Director abstained on the ground that a decision regarding World Bank support of Chile should not be taken before the Paris Club had discussed Chile's external debt. This subject was subsequently considered by the Paris Club, of which Sweden is a member. On that occasion Sweden, among other countries, pointed to the lacking respect in Chile for fundamental rights of freedom. Even though political issues normally are not dealt with in meetings of this kind, the participants were able to agree on a declaration drawing attention to the importance attached to this matter. It was the first time that the Paris Club made a declaration of this kind. An agreement was reached with Chile regarding the main points of a plan for repayment of the country's external debt. Sweden participated in this agreement, which provides guarantees that Chile will start paying off its debt to Sweden and will not treat other countries in a more advantageous way. If Sweden had opted not to adhere to the agreement, there would have been a considerable risk that Chile would not effect any repayments at all to Sweden.

IBRD European Office
External Relations Division
Sven Julin
April 19, 1974

OFFICE MEMORANDUM

TO: Mr. William Clark (through Mr. Carrière) DATE: February 19, 1974

FROM: Sven Julin *SJ*

DECLASSIFIED

JUN 17 2013

CONFIDENTIAL

WBG ARCHIVES

SUBJECT: Swedish Reaction to Chile Loan

1. With my telex 353 of February 19, 1974 I informed Duke Merriam of adverse reactions in the Swedish press to the Board's approval of the recent loan to Chile. The newspaper clippings keep piling up on my desk; so far I have received at least 50 highly critical articles, and one (!) clipping where the loan is defended. In fact, during my one year and a half at the European Office I have never seen such an extraordinary combination of extensive and negative coverage of a Bank operation in the Swedish press.

2. This development was largely prompted by a press statement issued on February 8 by Mr. Klackenberg, Secretary of State at the Ministry for Foreign Affairs (translation attached) in which he condemned the loan. The vast majority of articles consists of verbatim reproductions of his release, often supplemented (particularly in the Social Democratic and Communist press) with editorials the tone of which varies from mild reprobation to vitriolic condemnation.

3. Mr. Klackenberg's statement put us at a disadvantage from the very beginning since the Bank's press release (which I think was well worded and provided an adequate explanation of the background of the operation) apparently drowned in the stream of international information (this seems to have been the case also in the other Scandinavian countries). On the other hand, a statement from the Ministry for Foreign Affairs of the kind issued by Mr. Klackenberg is hot news, particularly at a juncture when Swedish aid policies are again coming into focus for public debate, both with regard to general principles, recipient countries, and the allocation of funds among international agencies. A further important contributing element is of course the fact that the presently very strained relations between Sweden and Chile retain important news value. In sum, Mr. Klackenberg's statement was surrounded by all elements making up a successful preemptive press strike.

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4. I have previously emphasized in my current reporting the particular importance of the views on aid policies embraced by the political youth movements, who traditionally represent the radical wing of the respective parties. Phone conversations I have had with friends in the Swedish Administration and Parliament indicate that Mr. Klackenbergs statement was probably to a large extent intended to placate the youth movement of the Social Democratic Party (which for a number of years has demanded Swedish withdrawal from the Bank Group).

5. I wanted to submit these hurried comments on the eve of my departure for Stockholm where I will attempt to explore the present mood and attitudes towards the Bank, particularly in political circles. I expect to arrive in Washington on March 4 to report my findings and discuss what action may be called for on our side.

Att.

cc: Messrs. Carrière
Grenfell
Steuber
Nelson, c/o European Office.

SJ:lp1

Commentary of Secretary of State, Lennart Klackenber,
Ministry for Foreign Affairs, Stockholm, regarding the
World Bank's decision to accord loans to Chile.

We have difficulties to see the World Bank's reasons for now beginning to lend to the military junta of Chile. This decision unquestionably entails a liability to the Bank in its capacity of an important agency in the international development cooperation, says Secretary of State Lennart Klackenber, Ministry for Foreign Affairs, on the occasion of the World Bank's decision now to accord loans to Chile.

The representative for the Nordic countries in the World Bank's Board of Executive Directors announced last Tuesday that the Nordic countries do not participate in the decision.

The World Bank interrupted its lending to Chile at the advent of the Allende regime in 1970, and did not make any loans during the ensuing three-year period. The Bank thereby contributed to increasing the difficulties to the Chilean Popular Government in its efforts to implement its vast reform program.

This policy of the World Bank has been criticized by Sweden on several occasions. We have argued that the multilateral agencies must not be influenced in their activities by external pressures. The trustworthiness of the organization is based on its capacity to assist the developing countries in their struggle against underdevelopment and social injustices, and the World Bank's policies towards Chile are in obvious contrast with the announcement of the World Bank President McNamara made at the UNCTAD conference in Santiago to the effect that the developing countries pursuing distributive justice policies both need and merit considerable assistance.

* * * * *

Mr. John E. Herriam

February 19, 1974

Sven Julin

Parliamentary Discussion about Swedish
Membership in the Bank Group

1. One result in Sweden of the recent lending to Chile (apart from the avalanche of negative press comments, cf. my telex 353 to you of today's date) was that one of the Bank's most persistent and virulent detractors, M.P. J. Svensson of the Communist Party, posed in Parliament the question to the new Minister for International Development Cooperation (Mrs. Sigurdson) whether the Government would now be prepared to reconsider Swedish membership in the Bank Group. In support of his proposal regarding Swedish withdrawal from the Bank, he displayed his customary argumentative fireworks: lending exclusively to fascist regimes and military dictatorships, support of US investments in the LDCs, disregard for the legitimate aspirations of these countries, etc.

2. The response of Mrs. Sigurdson is not spectacular from a policy point of view. However, since this was her first parliamentary statement on Swedish policies towards the Bank Group I thought a summary translation of her statement might be of interest. It is attached hereto.

Att.

cc: Messrs. Wm Clark
Ebstein
Carrière
Grenfell
Steuber

SJ:lp1

Free Translation of Excerpts from Parliamentary Statements
made on February 14 by the Swedish Minister for Interna-
tional Development Cooperation regarding Swedish Membership
in the World Bank Group

"In 1970, the World Bank suspended its lending to Chile. This has over the past three years been sharply criticized by Sweden. In this context, we have emphasized that the Bank thereby contributed to the economic problems confronted by the Allende regime.

By August to September 1973, the Bank management submitted two proposals for assistance to Chile. The sums involved amounted to about \$13 million. Before the proposals had been brought up at the Board, a number of member governments declared that they did not intend to support these proposals. The Bank management then considered it unlikely that the proposals would obtain a majority vote and decided to postpone indefinitely their discussion.

The same proposals were submitted and approved by the Board on February 5. On this occasion, the Nordic countries declared through their representative that they could not support the proposed loans to Chile. The underlying reason was, inter alia, that lending to Chile had not been discussed from the viewpoint of principles. Further, the lending criteria which now have made it possible to lend to Chile but, at the same time, obstructed support of the economic and social reform programs of the Allende regime were questioned by Sweden.

However, the answer to Mr. Svensson's question (i.e. about Swedish withdrawal from the Bank Group) is "no". Swedish membership in the World Bank Group as well as in other international organizations must be decided upon against the background of a broad assessment of their policies and the support for these activities mastered by the LDCs. Even though certain World Bank policies rightly have been criticized, it is obvious that the Bank Group is being supported by the LDCs as an important source of untied, international lending for development. (In the subsequent debate, Mrs. Sigurdson referred i.a. to proclamations regarding IDA passed at the 1973 Algiers Conference.)

Our possibilities of influencing the World Bank Group to better accommodate the needs and requirements of the poor peoples can be safeguarded only if we remain within the organization. There is no doubt that this standpoint coincides with that of the LDCs."

Mr. McNamara:

April 8, 1975

Mr. Clark suggested that I translate the minutes written by the Swedish Embassy on the lunch on April 1, 1975.

* * *

Mr. McNamara started the conversation by explaining his actions at the Board Meeting that morning on Chile. As Mr. Sigurdson had already reported, Mr. McNamara suggested delaying consideration of the Chile project because Chile as of January 1975 had stopped repayments on earlier loans from the Bank and because the Paris Club meeting had been postponed. Under these circumstances, it could no longer be assumed that Chile would be able to repay further loans from the Bank. Postponement had thus been demanded so that the Bank would have time to make a new estimate of Chile's creditworthiness. McNamara mentioned that his action had resulted in opposing statements from two countries. He did not mention that one of those was the U.S. It was evident, however, that he had been upset by the criticism. He was late for the lunch because he had a telephone call concerning his action in the Chile question. Mr. McNamara explained that the Chile project was a good project. It had been initiated under Frei and supported by Allende. It gave support primarily to small farmers. He stressed that delaying the project did not mean that it would not be approved later on. An estimate of the votes in the Board showed that, had there been a vote that morning, only two would have voted against, four would have abstained and fourteen voted for. I understood that he personally would like to see the Bank delay its decision.

On Vietnam McNamara emphatically declared that the Bank had never given a loan to South Vietnam and, in all likelihood, would not do so in the future. On a question whether the June meeting on assistance to Saigon would take place, neither McNamara nor Clark could respond immediately. However, McNamara got through his secretary information from a Department in the Bank that the meeting would not take place. He had only a vague idea about the result of the Bank mission's visit to Saigon in March. It was clear that the Vietnam question was outside his present sphere of interest. He denied that the Bank was put under pressure from the U.S. to assist Saigon.

McNamara gave a long account of the result of his trip to the Middle East where he had visited Kuwait, Qatar, Abu Dhabi and Saudi Arabia. He said that these countries had been positive about trebling OPEC voting power in the Bank. This would lead the LDCs to increase their voting power from 35% to about 44%. The four countries were ready to increase their capital subscription to the Bank in the required amount. Also, the countries had to assist the interests subsidy fund for the Third Window. The Bank had suggested that Saudi Arabia should contribute \$35 million, Kuwait \$25 million, and Qatar and Abu Dhabi each \$15 million. None of these countries would subscribe to a fixed amount at this time.

McNamara also mentioned that he had spoken with the four countries about their contribution to the Bank's \$4 billion borrowing program for 1976, and the response had been satisfactory in this respect.

He finally mentioned that he had promised technical assistance for development funds in these countries, namely, the Arabian, Kuwait, Saudi Arabian and Abu Dhabi Funds. The Saudi Arabians had been particularly interested in the offer.

In this connection McNamara mentioned the positive contacts he had had with Iran and Algeria about increased cooperation. All in all he was very optimistic about the connections of the World Bank with the OPEC countries. With respect to the U.S. attitude towards the Bank, it was McNamara's opinion that, even though the Bank had approved loans and projects to India, Iraq, Bolivia and Ghana against American opposition, the American attitude was not in general cool. However, the general negative attitude in the United States towards increase in aid was reflected with respect to the Bank. The last appropriations for IDA3 had been approved recently. The first for IDA4 will not come up until next year but it can then become tough, and McNamara was directly pessimistic with respect to IDA5. He believed it would take at least two or three more years before the American opinion again would become positive towards increased aid. The many new members in Congress had unfortunately not led to a more liberal attitude towards foreign aid.

McNamara finally returned to the question about the Third Window and asked emphatically for Swedish assistance. He explained that this type of assistance would be very important to the poorest countries. These were countries, such as Tanzania and Bangladesh, to whom Sweden also attached high priority. He stressed the great influence that countries such as Canada, Holland and Sweden had on the Bank because of their good reputation and their high levels of aid. Holland played a big role in establishing the Third Window. It was Sweden's responsibility that these efforts should not fail. He knew about Sweden's criticism against the Bank for its action concerning Chile and Vietnam. But even if the criticism were correct, it should not have consequences which, because of Sweden's influence, would hurt a large number of the poorest countries. McNamara said that he had proof that countries such as Tanzania and Yugoslavia had stronger confidence in the World Bank than in any other aid organization.

Sven Julius

1975-04-01

Cabinet Sthlm

.....

Ech 169 ang. samtal med McNamara.

Lunchsamtalet idag med McNamara, i vilket även William Clark och Em Lidgard deltog, inleddes med att McNamara redogjorde för sin åtgärd vid förmiddagens styrelsemöte i Chile-frågan. Som jag förmodar har Jon Sigurdson redan inrapporterat hade McNamara föreslagit uppskov med behandlingen av Chile-projektet, ^{med hänvisning till att} ~~eftersom~~ dels Chile sedan januari i år underlåtit betala räntor och avbetalningar på tidigare lån från banken, ^{att} dels till i mars utsatta mötet med Chiles kreditorer i Paris-klubben inhiberats. Under dessa förhållanden kunde man inte längre förutsätta att Chile skulle kunna ta på sig ytterligare lån från banken. Uppskov hade sålunda begärts för att banken skulle kunna göra en förnyad prövning av Chiles kreditvärdighet. McNamara nämnde att hans åtgärd föranlett bestämda gensagor från två länder. Att ett av dessa varx USA nämnde han inte, däremot var det uppenbart att han fått utstå kritik som agiterade honom. Hans ankomst till lunchen hade för övrigt försenats till följd av telefonsamtal som berört hans agerande i Chile-ärendet.

McNamara förklarade att Chile-projektet i och för sig var ett utmärkt projekt. Det hade initierats under Freis ^{heljens} ~~ett~~ och stötts av Allende. Det innebar stöd främst till smärre jordbrukare. Han underströk också att det förhållandet att man nu skjutit på projektet ^{av goda flors} inte innebar att det inte skulle kunna gå igenom senare. En förhandskalkyl av rösterna i styrelsen gav till resultat att om omröstning skett vid dagens möte, endast två skulle ha röstat emot, fyra avstätt, medan återstående fjorton röstat för. Att han personligen gärna såg att Banken dröjde med sitt beslut tyckte jag mig klar förstå.

2. Vi kom därefter in på Vietnam-frågan, där McNamara emfatiskt förklarade att Banken aldrig gett lån till Syd-vietnam och med största sannolikhet ej heller skulle komma att göra det. Frågan huruvida det till juni planerade mötet om bistånd till Saigon skulle äga rum kunde varken McNamara eller Clark omedelbart besvara. McNamara fick emellertid genom sin sekreterars besked från vederbörande avdelning i Banken att mötet inte skulle komma till stånd. ^{Om} Beträffande resultatet av Bank-missionens besök i Saigon i mars hade han enbart en vag uppfattning. Det var uppenbart att Vietnam-frågan låg avsevärt utanför hans aktuella intressesfär. På vår fråga förnekade han att Banken var utsatt för amerikansk press för att ge bistånd till Saigon.

McNamara

3. Däremot gav han en bred skildring av resultaten av sin resa till Mellan-Östern, där han besökt Kuwait, Qatar, Abu Dhabi och Saudi-Arabien. Han omtalade att han fått positivt gensvar från dessa länder på ^{sin} ~~sin~~ tanke att ~~xxxxxxx~~ tredubbla OPEC-ländernas röstandel i Banken. Detta skulle leda till att u-ländernas andel skulle komma att öka från cirka 35 till cirka 44 procent. ^{De fyra} Dessa länder var fullt beredda att också öka sitt ^{inbetalda} ~~inbetalda~~ kapital till Banken i motsvarande mån. Vidare ~~xxxxx~~ hade de ~~fyra länderna~~ i princip accepterat att bidra till räntesubventioneringsfonden för Bankens eventuella "tredje lånelucka". Av den totala storleken av denna fond på 200 miljoner ^{dollar} hade från Bankens sida tänkts att Saudi-Arabien skulle bidra med 35 miljoner dollar, Kuwait med 25 samt Qatar och Abu Dhabi med vardera 15. Intet av dessa länder ville dock på detta stadium utfästa visst belopp.

McNamara nämnde också att han talat med de fyra länderna om deras investeringsbidrag till Bankens ~~xxxxxx~~ upplåningsprogram för 1976 på \$ 4 miljarder dollar. Även i detta hänseende hade han fått tillfredsställande besked.

beträffande

Slutligen nämnde han att han utlovat tekniskt bistånd för fyra utvecklingsfonder ^{och} dessa länder hade nämligen "Arabien", "Kuwait", "Saudi-Arabien" och "Abu Dhabi". I synnerhet saudiaraberna hade gett positivt svar på detta anbud.

I sammanhanget nämnde McNamara även om positiva kontakter han haft med Iran och Algeriet om utvidgat samarbete. Överhuvud var han mycket optimistisk beträffande Världs-

bankens förbindelser med OPEC-länderna.

4. Beträffande USA:s attityd till Banken menade McNamara, att även om Banken i projekt berörande Indien, Irak, Bolivia och Ghana beslutat om lån trots amerikanska nej-röster, var den amerikanska inställningen inte speciellt kylig. Den allmänt negativa attityden ^{i USA} till höjning av u-landsbiståndet återspeglade sig dock även när det gällde Banken. Den sista approprieringen för IDA III har i dagarna beslutats, den första för IDA IV blir inte aktuell förrän om ett år, men då kan frågan bli "tough", och beträffande IDA V var McNamara direkt pessimistisk. Han trodde det skulle dröja ytterligare två-tre år innan den amerikanska opinionen på nytt skulle bli positiv till biståndssökningar. Föryngringen av kongressen hade tyvärr inte lett till en mera liberal attityd till u-landsbiståndet.

5. Slutligen återkom McNamara på nytt till frågan om en "tredje lucka" och värdjade emfatiskt om svenskt stöd. Han förklarade bland annat att det aktuella läget detta bistånd skulle få mycket stor betydelse just för de fattigaste länderna, som han visste att även Sverige ^{speciellt inkomer för} ~~ansåg bära på högsta~~ ~~prioritet~~, länder som Tanzania och Bangladesh. Han underströk det stora inflytande som länder som Canada, Nederländerna och Sverige ~~faktiskt~~ utövade i Banken till följd av sitt allmänna anseende och sina biståndsinsetser. Nederländerna spelade en stor roll för att få det nya biståndsprogrammet till stånd. Ansvaret låg på Sverige att dessa ansträngningar inte misslyckades. Han var väl medveten om Sveriges kritik mot Banken för dess agerande beträffande

Chile och Vietnam, men även om kritiken var befogad borde den inte få konsekvenser som till följd av Sveriges inflytande drabbade en lång rad av de fattigaste länderna. McNamara sade sig ha vittnesbörd att länder som Tanzania och Jugoslavien hade större förtroende för Världsbanken än för något annat biståndsorgan.

Wachtmeister

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: April 2, 1975

FROM: William Clark *me*SUBJECT: Lunch with Swedish Ambassador

Host: Mr. McNamara, also present Economic Counsellor Lidgard and William Clark. Topics raised:

1. Chile. You explained just why you had withdrawn the loan this morning. Economic and creditworthiness reasons not political pressure. Might be re-introduced.
2. Vietnam. Never have proposed a loan. Ambassador particularly anxious about the June Consultative Group Meeting; you confirmed with the Department that no such meeting has been arranged. Later in the context of discussion of events in Saigon, Danang etc. you said there really is no chance that, in present circumstances, a Bank loan to Vietnam would be possible. The Ambassador was clearly very relieved, and made it clear that he would report this fact in great secrecy.
3. Middle East. They were very interested in your recent tour and wanted to know all about your relations with OAPEC countries. You told them about the various ways in which you hoped to tap this source of finance. This also led to a discussion of voting rights in the Bank in which you explained how the re-arrangement may give 45% of vote to Part II and OPEC countries. The Ambassador was slightly worried lest the oil importing LDCs would not benefit much.
4. Relations with U.S. You answered questions about what the U.S. Treasury wanted the Bank to do about OPEC in a way that combined clarity with charity; but you stressed that for a year the U.S. guiding light was to bring down the cost of oil, and everything was subordinated to that. You denied that there was a lot of American pressure on Chile; or that the U.S. used IDA to blackmail the Bank. But you pointed out how often the U.S. tried to turn the Bank in certain directions and was voted down.
5. Third Window. At this point you said (roughly) "this is what makes me so sad about Sweden's attitude. I know that America has lost its sense of what is in its own interests, let alone its moral duty. It is going to refuse to participate in the Third Window (you explained it) and really the question of whether the Third Window succeeds or not now depends on Sweden. You have far more influence than your votes or your contribution. Canada, Netherlands and Sweden are looked to for sensible non-great power leadership. If the Third Window succeeds it will be because of the Dutch; if it fails it will be because of the Swedes. And why?..... We have the same ideals, we both want to help the poorest, and if you were to ask Nyerere, or the Yugoslavs which institution did most for the poorest they would answer the World Bank.

"Of course I understand the political problems you face, but suppose the very worst: that we made loans both to Vietnam and Chile (we probably will to Chile and won't to Vietnam), what difference would that make to our overall program which serves 100 countries and two billion people; why should Sweden hurt 1,970 million people in 98 countries because she disapproves of the regimes in two? Where do your interests lie?

Of course we do make mistakes ... too slow on population, the bottom 40%, highways vs. feeder roads etc; but we learn; and political mistakes are not what we should be accused of; they are few and small."

The Counsellor, Mr. Lidgard, pressed you slightly on what mistakes you had made, but then said "it wasn't because of any of those sort of mistakes that we refused the Third Window; it was because of a supposed hostility..."

WDCClark:sf

OFFICE MEMORANDUM

CONFIDENTIAL

TO: Mr. Robert S. McNamara

DATE: March 31, 1975

FROM: William Clark *W.C.*

DECLASSIFIED

SUBJECT: Our Meeting with the Swedish Ambassador
tomorrow.

JUN 17 2013

WBG ARCHIVES

The instructions that the Swedish Ambassador has received are to raise a number of matters with you. He has been informed in strict confidence that you have written to the Prime Minister "stating the traditional Bank views on lending to Chile and Vietnam"; the letter will be answered in due course.

The subjects he will raise are:-

(i) The whole problem of Indo-China. What are the prospects of a June Meeting; of a Vietnam Consultative Group.

(ii) Chile. The instructions to Sigurdsson are to harp on the non-creditworthiness of Chile rather than its political record. This will be followed up at the lunch. (I have the impression this will be done without a great deal of vehemence).

(iii) What were your impressions from your recent Middle Eastern tour; what do you think are the influences of the various groups within the Bank framework, e.g. OPEC, OAPEC and the oil consuming countries.

(iv) Third Window. A very guarded approach to try and find out what you think OPEC and OAPEC are likely to do here. (I would gather that the Ambassador is fairly strictly enjoined against making any moves on this issue).

(v) Your outlook on the IDA V negotiations and the future of IDA in the light of the Third Window.

(vi) Your views on "more equitable voting rights". Also what attitudes are you likely to take about this when it is raised at the U.N. General Assembly.

(vii) Your views on the growing U.S. hostility towards the Bank.

The Ambassador will be accompanied by the Commercial *Economic* Counsellor, Mr. Lidgard, who used to be in charge of the Foreign Office side of the Swedish aid programme, he was replaced by Mr. Klackenberg of whom he takes a very dim view.

WDCClark:sf

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MEMORANDUM FOR THE RECORD

Meeting with Mr. Janerik Larsson, Journalist at Sydsvenska Dagbladet, September 22, 1975

Present: Messrs. McNamara and Merriam

Mr. McNamara handed Mr. Larsson a written response to his earlier questions and said that his comments and remarks at this meeting would be off-the-record. Mr. Larsson agreed. The following questions and answers were then exchanged:

Q: What would be the U.S. Government attitude towards VIDA?

A: It would be very difficult to obtain the VIDA Replenishment. However, there had been a change in mood in the U.S. in recent months, as illustrated by the Kissinger statements. But it would still be very difficult to obtain Congressional support. It was important that other countries, such as the Nordic, Canada and the Netherlands, would replace U.S. leadership with respect to IDA replenishment.

Q: How do you and the Nordic ED react to Swedish criticism?

A: Sweden has asked the World Bank to use political considerations in its lending. The Bank cannot do that since it is contrary to its Articles of Agreement. I am as much against dictatorships as anybody else but it is very unlikely that I could influence a move towards democracy in any of our member countries and, if we don't deal with the dictatorships, only the poor in those countries will be paying the penalty. The Nordic ED would have to speak for himself but it was clear that he had problems reconciling the Swedish attitude with the attitude of the other Nordic countries.

Q: The radicals seem to be out of touch in their criticism towards the Bank.

A: Absolutely. It became quite clear during the demonstrations in Copenhagen in 1970 that the radicals were attacking the Bank for policies it no longer followed. Mr. Jamal from Tanzania had made quite clear to the demonstrators that Tanzania wanted the World Bank.

Q: Should the voting pattern in the Bank be changed?

A: We do not often vote in the Board. I try to establish a consensus and, in establishing such a consensus, each chair speaks with one voice. This leaves roughly 50% of the voices to the LDCs. At times we have to vote on such questions like increase in capital, but it seems reasonable to me that those who have to pay for a capital increase also have a commensurate vote. It is unlikely that, even if the LDCs had 51% of the votes in the Board, the policies of the Bank would change.

Q: Should the money now flowing through the Bank be given to the UN system?

A: If you asked that question of the Ministers of Finance in Yugoslavia, Romania and Tanzania, I think they would say that they are best served by the World Bank and would prefer to have the Bank do the job.

Q: If you were Mr. Waldheim, what would you do?

A: I would get rid of the quota system on employment at the UN.

Q: You are also being attacked from the right, particularly in the U.S.

A: Yes, and they say that I am destroying the creditworthiness of the LDCs, while in fact they are eroding the basis for increased aid to developing countries. The Nordics, the Canadians and the Dutch should take the leadership to prevent this from happening.

SB
September 24, 1975

September 22, 1975

RESPONSES TO SYDSVENSKA DAGBLADET

Q. Are there any signs of hope that the rich countries are making progress towards achieving the United Nations' aid flow target of 0.7 per cent of GNP? Is there anything that the World Bank can do to move governments and public opinion towards the target?

A. Last year flows of Official Development Assistance (ODA) from the industrial nations amounted to .33 per cent of their GNP -- less than half the target. Without any change in commitment by the donor countries, the level may fall during the rest of the decade to .28 per cent. However, many of the traditional donor nations showed at the Special Assembly of the U.N. just ended that they are willing to act together to give more assistance, in aid and trade support, to the developing countries. I hope that the result will be an effective change in commitment.

I am greatly impressed by Sweden's unique record of not only having achieved the U.N. target but of proposing a level of 1 per cent of GNP for the current fiscal year. This is the more remarkable because Sweden, with some other industrial countries, has made large increases in its aid levels at a time of international economic strain. This serves to show that the sacrifices required for aid are not prohibitive. The large industrial nations -- despite the effects of recession -- have not suddenly become poor and incapable.

The World Bank has never ceased to stress the developing countries' need for long-term development assistance at concessionary terms. The need is most urgent among the poorest countries with per capita income below \$200.

The Bank proposes a lending program of \$40 billion over the next five years. It will be as willing as ever to help stimulate development aid from other sources. For example, the Bank acts as chairman for 16 multi-donor groups for coordinating aid to developing countries. It is increasingly entering into co-financing arrangements with bilateral aid agencies -- including those of OPEC surplus countries -- to implement development projects in the poorer nations. It is administering a number of major funds to support other coordinated efforts: for example, for international agricultural research, riverblindness control in West Africa, and wide-ranging programs such as the international effort to develop the Indus River Basin.

But the scope of the International Development Association (IDA), the World Bank affiliate that makes interest-free loans to the poorest countries, is of the most vital concern. At the Annual Meeting of the World Bank in September we heard Finance Minister after Finance Minister stress the priority which their governments give to IDA, and to the need for a Fifth Replenishment of contributions that will not only offset inflation but provide for real growth. To ensure continuity of IDA's lending to the neediest countries, negotiations for the Fifth Replenishment need to be completed before the next Annual Meeting of the Bank in October next year. I cannot be emphatic enough in stressing how essential a generous replenishment of IDA is to the long-term development of countries that are threatened with economic stagnation for the rest of the decade and maybe beyond.

Q. In the light of current "aid weariness" in many rich countries, should you not emphasize, more than in the past, the importance of self-reliance in the developing countries?

A. In my speech to the World Bank's Annual Meeting I spoke of the Bank's strategy to attack rural and urban poverty by helping to make the poor more productive. And I said that this was a task primarily for the governments of the developing countries. They must seek a long-term national commitment. They must pursue it by means that only they can decide. It could even mean transforming their societies. We in the developed world can only assist. No development agency -- and certainly not an international agency like the World Bank -- can expect to intervene in national decisions. We can only help to implement those decisions after they have been taken.

Q. With the rapid expansion of the Bank's lending activities and the increase in its staff, is there any danger that the Bank may become a top-heavy, slow-moving bureaucracy?

A. The proposed program for the World Bank Group to commit \$40 million to the developing countries over the next five years is a 58 per cent increase in real terms over the previous five years. But even a level of operations of this magnitude falls far short of the development requirements of the poor countries.

During the late 60s and early 70s many of the LDCs made notable economic progress. Broad economic goals were being achieved, countries in

Asia and elsewhere showed that they were more than capable of feeding themselves, and there were prospects for a stable future during which development successes could be built upon. In contrast, these same countries face the next five years under the severest strain -- as a result of the economic upheavals of the past two years. Urgent action must and is being taken to assist these countries to survive their foreign exchange crisis. But a long-term strategy for attacking poverty through productivity improvements is essential. The Bank sees this mobilization of both investment aid and technical assistance for development as its central role.

Raising the productivity and the standard of living of 700 million rural poor is a task more complex than the development community has previously encountered. Helping the 200 million poor in the cities and squatter settlements of the developing world presents even profounder problems. Faced by such daunting prospects, I don't think there is the slightest chance of the World Bank becoming slow or cumbersome. For all of us there can be only one response -- and that is an urgent one.

Q. Is there a limit to the expansion of non-traditional lending activities such as rural development, education, population, etc.? Will there always be a certain duality between the Bank as a "Bank" and a "development institution"?

A. The fact that the World Bank has been able successfully to invest money borrowed on the capital markets for development in the poorest countries is what makes it unique. Our reputation among bankers and recipient governments remains equally high. There is no "duality".

The Bank Group's operations are to a large extent limited by the amount of money it can borrow in the financial markets for re-lending, by the scope

of the IDA replenishments, and by the capital base that supports and guarantees its operations. An increase in the latter must be negotiated with the member governments of the Bank soon to enable it to continue its function as a major source of development finance in the face of inflation.

Within these limits, there have been fundamental changes in our lending program. We now lend more for rural development than for any other sector. We expect to commit \$7 billion more in this field over the next five years, directly benefitting about 100 million people. We have emphasized the rural development sector because that is where the majority of the poor are. Our involvement in education, health, population, and nutrition is complementary. These are not peripheral operations, but part of the Bank's comprehensive assault on poverty for many years ahead.

Q. Since your 1973 Annual Meeting speech in Nairobi, what progress has the Bank made in lending for rural development?

A. I have described the extent of our proposed lending program in rural development. In the past fiscal year roughly half of our agricultural lending of \$1.8 billion was for rural development, directly benefitting some 17 million people. We have begun to implement a wide range of integrated projects, many of these covering an entire region. The projects include the provision of agricultural credit, basic technology and farm husbandry, the use of improved seeds, medium or small-scale irrigation, feeder roads, electricity, water, education and social services.

In Nigeria, for instance, some 2 million people will benefit from a package of loans designed to increase crop production and incomes of subsistence farmers. In Mexico, the Bank is supporting a national program in integrated rural development, including land reform. The program is expected to cost \$1.2 billion and is aimed at benefitting about 6 million rural poor in some 100 regions, each with its special development problems.

One of our most innovative projects in rural development is intended to bring economic and social services to some 250,000 people in 135 newly-established villages in the Kigoma region of Tanzania. The IDA project is designed to double the yearly per capita incomes -- to about \$40 -- of these people. The entire population of the region will benefit. The project will develop a credit and marketing system, strengthen village-level extension services, facilitate clearing the area of tsetse flies, enable feeder roads to be constructed, and will introduce a program of agricultural research so that we can adapt our methods to local conditions. Social services will be improved through the provision of education and health facilities, and village water supplies.

Some of the Bank's projects are experimental, designed to discover the methods most suitable to local conditions. It is an area of development in which Sweden has a justifiably high reputation. All of us are gaining new experience.

Q. How has the Bank responded to the various recommendations directed at it by the Rome Food Conference?

A. The Bank has responded very promptly. With the FAO and UNDP as co-sponsors, it has already established the Consultative Group on Food Production and Investment (CGFPI) as a result of the Rome Conference. The Group has headquarters here in the Bank. Its objectives are to increase, coordinate

and improve efficiency of financial and technical assistance for food production in developing countries.

The World Food Conference also recommended the extension of the five-year Consultative Group on International Agricultural Research (CGIAR), for which the Bank acts as chairman. Thirty-three member governments and institutions contributed \$49 million this year for the group to continue its support of 12 agricultural research centers and programs throughout the world. The Bank's rural development program will more than ever look to this exceptional network of research and information for the technological improvements to increase yields on small farms under various conditions and protect them from disease.

In itself, the Bank's agricultural program will make a major contribution to a main task set by the Rome Conference: to grow more food in the hungry countries. The Conference also proposed several measures for food aid and the stabilization of food supplies. But the long-term solution to malnutrition must be in helping the developing nations to feed themselves.

Q. How do you evaluate the Tanzanian experiment with Ujamaa villages? What is the Bank doing to help the Tanzanian effort?

A. Ujamaa is a feat of great imagination and dedication. It is still in its initial stages, but already there are signs the government's effort over the past year to mobilize farmers in the new villages to grow more food will contribute to a significant increase in the current harvest. The Bank, with other donor countries like Sweden, is committed to support the Tanzanian pattern of development because it recognizes in it a determined national program to improve the lives of the rural poor equitably. In the past year the Bank Group doubled its assistance to Tanzania. All our lending in the rural sector is being made within the framework of villagization. The Bank is also chairman of a consultative group of donor nations that coordinates aid to Tanzania.

Q. Are there any signs that the present government in Chile is working towards any of the major objectives that you have set for World Bank activities, such as land reform, rural development, etc.?

A. We will only lend to Chile if we are convinced the project will benefit large numbers of poor people. In April this year the World Bank approved a \$20 million loan to Chile as part of a national program of agrarian reform. The Bank loan will provide short and medium-term credit to about 22,000 small farmers who are among the poorest 40 per cent of the population.

Q. In retrospect, what conclusions have you drawn from the 1974 Bucharest World Population Conference? Have the discussions there modified in any way the Bank's thinking on the problem? What is happening with Bank lending for family planning activities?

A. The Bucharest Conference failed to reach real international agreement on the urgency of the population growth problem or on specific targets for the reduction of fertility. But it did achieve a broad consensus on global policy and stimulate greater awareness of population issues. The World Bank is concerned with population growth not only because of the growth of absolute numbers, but because of the drag of population growth on development. Our focus has always been on economic development: population planning is one action which will help achieve this. It is increasingly clear that there are linkages between fertility reduction and economic and social advance.

An increasing number of developing countries share our concern over population growth. In 1972, 26 countries had official population policies or programs. By 1974 this figure almost doubled to 49. Our lending for population programs will increase from \$84 million in 1970-74 to around \$340 million in constant prices for 1975-79. Most of our past lending was intended for basic infrastructure, but we are putting more and more emphasis on organization and management of programs, motivation, research and education, and training.

Q. How is the riverblindness program in West Africa progressing? Are there going to be any new efforts along the same lines (attempts to eradicate a particular disease, etc.)?

A. This is an outstanding example of a truly international effort to help an afflicted people to lead a productive life. Let me outline what is being done. In May this year a special fund of \$50 million was established to be administered by the World Bank in support of the riverblindness control program spanning seven countries in West Africa. The World Health Organization is executing agency of the program. Several countries and U.N. agencies are supporting it. It aims at bringing riverblindness under control in the Volta River Basin. Over a 20-year period the larvae of the blackfly that transmits the riverblindness parasite will be destroyed. About a million people in the area are afflicted, some 60,000 of whom are almost or entirely blind. The campaign will lead to settlement of fertile valleys uninhabited because of the presence of riverblindness. Aerial spraying with insecticides started in December last year and has already reduced the blackfly population. We expect resettled farmers to be working this fertile land within two or three years.

The attack on riverblindness in the West African countries could be a model for other similar programs. The Bank is expanding its financing of health improvements. We are providing health components in a wide variety of development projects. We are financing the entire health care infrastructure in the Mexican government's national rural development program. We are linking health care to rural projects in Indonesia, Brazil and Bolivia, and to urban development in Djakarta and Karachi and Manila. We are also providing preventive health services for irrigation and hydro-power projects to prevent the spread of water-borne disease, like bilharzia. If disease excludes the use of productive land, or disables potentially productive farmers, it not only causes human suffering but obstructs development. It becomes the Bank's direct concern.

Q. The impression in many rich countries is that despite prodding from many sides, including from your institution, not much genuine land reform has taken place. Does the Bank have any means to influence governments to speed up land reform?

A. The World Bank cannot force land reform on developing countries. However, we can and do emphasize to governments, in those countries where land distribution is skewed, that land reform is a major means toward social equity and increased productivity on the land.

Q. You stated in your address this year that the task of reducing poverty in the cities is "not a problem that favors political delay." Do you think that a strategy can be implemented that will give desired results in time or do you foresee major upheavals in some of the big cities before action is taken.

A. The confrontation between urban poverty and urban wealth exists. Political disturbances have already spurred some authorities to take action. I cannot exaggerate the urgency with which the problems of poverty and inequality in the cities of the developing world must be tackled. The World Bank intends to make a major shift in emphasis in its urban lending to focus more on the urban masses. This redirection ought to be achieved within about three years. We are already planning a coordinated approach to urban development. The real success will depend upon the response of governments and urban authorities to the worsening tensions of the cities.

The cities must be made productive so that they can afford the social services they desperately need. Earning opportunities for the poor must be increased across the whole spectrum of employment -- from the major industries to the small, traditional enterprises. Cities can no longer exist as a convenience for privileged elites.

Q. I visited the Jengka triangle in Malaysia earlier this year, at the same time as a Bank mission was there to study the ecological consequences of the project. What is the role of ecological considerations in the Bank's project evaluation work?

A. We are very aware that the developing countries will have to pay the price of any indiscriminate economic expansion and development. In June 1972 I spoke in Stockholm to the United Nations Conference on Human Environment. I described our concern, and pointed to our appointment in 1970 of an Environmental Adviser. We have continued to gain experience and knowledge. The World Bank can refuse to support a development project on environmental grounds, but this has not been necessary. Governments of the developing countries are themselves becoming alert to the dangers. Together we have found ways of modifying development projects and programs so that they can be carried out with minimum impact on the environment. Our vigilance extends to the risks of pollution of the atmosphere and the sea, soil erosion, despoilment of the landscape, and the consequences of shifting populations. The Bank is also financing purely environmental projects in Singapore, Brazil, Finland, Yugoslavia and elsewhere.

Q. "Progress toward social justice will only be possible if the countries themselves are willing to make firm commitments to appropriate policies for the benefit of the poorest groups." This statement was made by the Danish Governor on behalf of the Nordic countries at the Annual Meeting this year. To what extent is the Bank able to influence governments to act along such lines? Should Bank activities be concentrated only on countries with such firm commitments and policies?

A. In my Nairobi speech in 1973 to the Governors of the World Bank I said: "The basic problem of poverty and growth in the developing world can be stated very simply. The growth is not equitably reaching the poor." I have not failed to re-state this since. The Bank has adjusted its policies with this in mind. The Bank's publication, "Redistribution With Growth", is a landmark in our evolving policy.

Some developing countries have taken positive steps to correct the skewness in their economic structure. Others recognize the inevitability of doing so but have shown less conviction. But I believe there is now a universal understanding, that did not exist in the last decade, of the economic and political dangers of directing economic growth to modern enclaves and elites. The advocacy of World Bank has made a considerable contribution to this awareness.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: September 19, 1975

FROM: John E. Merriam

SUBJECT: Interview with Mr. Janerik Larsson of Sydsvenska Dagbladet (Sweden)

Janerik Larsson of Sydsvenska Dagbladet of Malmö, Sweden, will come to your office at 6 pm on Monday, September 22, for an off-the-record discussion about the Bank and its operations. Larsson has also submitted written questions for which written responses have been prepared (attached). He plans an article on the Bank and its operations to appear well after the Social Democratic party meetings in Sweden at the end of this month. The article will not be in Q&A form but will quote you fully on each issue raised in his written questions.

The purpose of the meeting with you is for Larsson to get a broader understanding of Bank activities both for his articles and for a book which he will be writing about the Bank.

Larsson is the only active journalist in Sweden who has taken issue with the Klackenberg line and the hostility shown the Bank by many left-wing politicians. His newspaper has a circulation of 122,000 and is the fifth largest in Sweden. Its influence runs well beyond Malmö. The paper's stand is "liberal" and is sometimes identified with the Liberal Party (part of the coalition). It is read all over southern Sweden and has an important readership in Stockholm. Amongst Swedish newspapers it has been the most interested and persistently favorable to the Bank. At a time when large elements of the Swedish press are intensely hostile, e.g. over Chile, the Sydsvenska Dagbladet took issue publicly with Klackenberg. Larsson has been responsible for a large part of the paper's expressions of fairness to us.

Larsson's most recent piece of writing on the Bank appeared in the August 24 issue of Sydsvenska Dagbladet on the Annual Report. This was in the form of an editorial largely endorsing all Bank objectives.

Larsson is a rather young man, aged 31. We have found him extremely knowledgeable and helpful. He is well aware of Mr. Klackenberg's objectives in Sweden, which he describes as aimed at establishing Swedish aid exclusively as a system of bilateral program loans under Klackenberg's control. Larsson has been an editorial writer for the past seven years. He has recently become the newspaper's principal political editor, and is based in Stockholm. He has travelled extensively in Europe, North America, and South East Asia.

The Bank is helping him with his book project to the extent of giving him a journalist's travel grant, which will take him to Peru. He has rather cleverly selected Peru as the subject matter for his investigations and an example of the Bank's positive work against the constraints of anti expropriations policies, etc.

Michanek of SIDA, as well as Jon Sigurdsson, warmly endorse Larsson, as

9/22/75 Mr. Merriam
Duke, re: the
Q & A meeting
The first changes
I proposed. For
particular, add a
reference to
Tanzania on pg 6.
Return
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Monday
R. Merriam

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9/19

Mr. Robert S. McNamara

- 2 -

September 19, 1975

they feel it is necessary for the Swedish public to know more about the Bank. A copy of Michanek's letter to William Clark is attached.

If you have no difficulty with the questions, I would plan to bring Larsson to your office on Monday evening, and we can turn the material over to him directly at that time.

Attachments

cc: Mr. Wm. Clark (o/r)
Mr. Hoffman

Paris Office: Mr. Carriere/Steuber/Myhrer

JEM/FS:rgw

Director General

PERSONAL

Stockholm, September 3, 1975

Mr. William Clark
International Bank for Reconstruction
and Development
1818 H Street, N W
WASHINGTON D C 20433
USA

Dear William,

We both regretted that Bob could not find time to come at the time that would have been convenient for Olof Palme - but we hope for a chance later on.

Meanwhile, I have a plea. Janerik Larsson is a good journalist of the liberal leading Malmö newspaper Sydsvenska Dagbladet, who has been an efficient supporter of Sweden's participation in IDA and a positive reporter on the Bank for a long time. After XGA7 he will go to Washington with the purpose of collecting material for an informative book on the Bank.

I think it would serve our common cause if he could be given a chance to interview Bob personally. His knowledge of development problems and of the Bank's operations is very good, his management of the English language is excellent and he is both intelligent and friendly, so I think Bob might even enjoy talking to him about the Bank and its relations with Sweden.

If you could try and help I would be happy.

Ernst
Ernst Michanek

*copy to Sven B.
Riska M.*

*Pls try to work
this out
me*

Address Office Telephone Telegram Telex Postgiro

SIDA STOCKHOLM

SIDA nr 3 Gd 3 000 pkt. 6S. SRA 07429

Reply - Please Copy to Mr. Clark

+ Mr. Hyatt

11-10

OFFICE MEMORANDUM

TO: Mr. John E. Merriam

DATE: October 21, 1975

FROM: Mats Hultin *MH*

R.M.C.N. to see

SUBJECT: The World Bank and Sweden

1. I have been away on a mission and have not had an opportunity to give you any information on the events related to the World Bank at the recent Congress of the Swedish Social Democrats in Stockholm. There was a substantial discussion on Swedish aid and the World Bank, and there were several motions that Sweden should quit the Bank.

2. The following is an ad hoc translation of a report from the conference as presented in "Dagens Nyheter"

Sigurdsen (Swedish Aid Minister) had expected a tough discussion on the topic 'Sweden should quit the U.S.-dominated World Bank.' Almost all motions on foreign aid to the Congress had ended with this requirement. Those requirements had made her disappointed because they were not very constructive and forward looking. She had, nevertheless, seen them as a good rating of the Social Democrats' policies towards developing countries and she hoped that the words of the party program about 'solidarity in the fight for justice' would also be reflected in the party congress' aid program. She believed that the Swedish Labor Movement was prepared to use the aid weapon so that all people of the earth could achieve a higher standard of living, also if this implied that the Swedes would have to change their own living habits. Mrs. Sigurdsen received some assistance from the Chairman of the Women's Group of the Labor Party. But the other speakers wanted only to discuss the World Bank and IDA. 'The World Bank is completely managed by the U.S.,' said Arne Erikson of Stockholm. The Bank helps the most reactionary regimes there are--regimes which the Swedes fight against. Sweden ought to quit the Bank. Sigurdsen then tried to explain the difference between the Bank and IDA, saying that no Swedish money goes to the Bank, etc. But the opponents of the World Bank insisted and received much applause. They pointed out that Mr. McNamara was a previous U.S. Minister of Defense and managed both the Bank and IDA. Mrs. Sigurdsen eventually yielded somewhat and suggested that the Congress accept a statement that 'it might be necessary for Sweden to change its support to IDA.' The amendment was accepted. The majority of the Congress supported ^{eventually} ~~thus~~ Mrs. Sigurdsen and the Party Board's main line that Sweden should remain in the World Bank and IDA but voted for some caution in the support.

*13 Nov
Blanche
return
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11/10
MH*

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: November 11, 1975

FROM: William Clark *mc*

SUBJECT: Your Meeting with Olof Palme

This is to confirm that you are to meet with Mr. Olof Palme at 11.00 a.m. tomorrow, Wednesday, November 12 in Room 1219 at the Pierre Hotel, 5th Avenue & 61st. You will be alone.

If there are any problems I would suggest you speak to Olof Rydbeck, Swedish Ambassador to the U.N., tel. PL1-5900.

WDClark:sf

PRIME MINISTER SVEN OLOF JOACHIM PALME

Born January 30, 1927, Stockholm

Married, three sons

Education:

1948 B.A. Kenyon College, Gambier, Ohio

1951 Lld. University of Stockholm

Background:

1955-61 Member Executive Swedish Social Democratic Youth
and Workers Educational Association

1956-63 Special Counsel to Prime Minister

1958- Member of Parliament

1960-63 Chairman, Commission on Student Welfare

1961 Member Swedish Delegation to UN

1963-65 Minister without Portfolio

1964- Member Executive Swedish Social Democratic Party

1965-67 Minister of Communications

1967-69 Minister of Education and Culture

1969- Chairman, Executive Swedish Social Democratic Party

1969- Prime Minister

OLOF PALME, Prime Minister

Olof Palme, who at the age of 45 is one of the most prominent politicians in Sweden, can look back upon a long political career, and today he plays an important role in the major political decisions and debates. He has a strong position in his party, the Swedish Social-Democratic Labour Party, which has held government power almost uninterruptedly since 1932 and which at the latest parliamentary election in 1968 won the support of more than 50 per cent of the voters.

1. Personal background

The picture which many Swedish people have of Olof Palme is that of a boy from a privileged class who became a Social-Democrat, a university-educated man who became a leader of the labour party. He himself considers his domicile in the Swedish labour movement to date from the time of his political debut at the end of the 1940's.

Olof Palme was born on January 30, 1927, in Stockholm. His father, business man and managing director of an insurance company, died when Olof Palme was six years old. The mother brought up her children in a middle-class home in a fashionable part of Stockholm. Olof had a good head for studying - already as a child he had a thorough knowledge of two foreign languages - but he was periodically in poor health. He went to Sigtuna humanistiska läroverk, a boarding school not far from Stockholm. Olof Palme passed final exams at this school at the early age of 17. During his military service he attained the rank of Lieutenant in the Cavalry and he took his Bachelor of Law degree in 1951 at the University of Stockholm.

During the period immediately after the Second World War his political interest developed in a radical direction. Palme was first and foremost interested in the Social-Democratic struggle to attain increased equality and in the economic programme which bore the stamp of the Minister of Finance at that time, Mr. Ernst Wigforss. Wigforss is one of the politicians whom Palme admires most for his ideological contribution and energetic work to accomplish his ideals. Palme joined the party in 1949.

Many trips abroad gave young Palme strong political impressions. After having spent a year at Kenyon College, Ohio, U.S.A., in 1948, where he took the Bachelor of Art degree, he hitch-hiked across the United States for four months without money. Another trip abroad took him to India, Ceylon, Burma, Thailand, Singapore and Indonesia.

In Sweden he became a student politician and in 1952 he was elected President of the National Swedish Union of Students. As a student politician he made many trips abroad and took part among other things in the building up of a new international student organization after the communists had gained influence over the existing International Union of Students.

In subsequent speeches Palme has often described the situation in the beginning of the 1950's, when the ideas with which he sympathised were being suppressed not only by Communism which then appeared to be on advance in Europe - the Prague events in 1948, the crushing of the Berlin revolt, the cold war - but also by the Conservatives. Labour was thrown out of office in England, Adenauer won a great victory in Germany, in the U.S.A. Eisenhower conquered the democratic party line of Stevenson. In Sweden the Social-Democrats had a relatively poor 1952 election result. This did not, however, dampen Palme's interest. In 1954 Prime Minister Tage Erlander - himself a university man - discovered the energetic student politician and employed him as his secretary. Palme has often stressed that the almost daily cooperation with the Prime Minister over a period of 15 years has meant much to his political development.

In a recent newspaper interview, Olof Palme jokingly said about his middle-class background that his mother - a von Knieriem - belonged to a Baltic "bourgeoisie" and on his paternal side he descended from a Dutchman who moved to Sweden where he became a wealthy man and could therefore afford to send his sons to the university for theological studies. Many of Palme's ancestors were clergymen or representatives of other intellectual professions.

Recently Palme replied to one of the recurrent questions about his origin in the following way:

"I am born in the upper-class but I belong to the labour movement. I have come to join the labour movement by working for the working class on its own conditions and by adhering to a movement which desires liberty, equality and fraternity between people. As far as I can see, it is not so essential where I come from as where I stand today and which road I am taking".

2. Political commissions

Olof Palme was given an important position close to the Prime Minister in 1954. At that time the Head of the Swedish Government had only a small Chancery of his own and Palme was given many central co-ordination tasks. He drafted speeches, was the political adviser and a partner when discussing ideologies. At the same time he was active in the practical political work of the party by being the leader of stu-

dy groups in the Social-Democratic Youth of Sweden from 1955 for six years onwards. He has almost 1,000 lectures and meetings in the youth organizations to his credit. As of 1955 he was a member of the Board of the Worker's Educational Association. His Riksdag career began in 1957 when he was elected to the First Chamber as the representative for the County of Jönköping. He found a new outlet for his interest in student politics when he became chairman of a large Government Commission on socio-educational policy; an inquiry into financial aid to students and a review of adult education. An important aim was to radically improve the financial possibilities for everybody to have higher education. In the beginning of 1960, Palme was a member of the Swedish Agency for International Assistance, and also in charge of inquiries into foreign assistance and educational aid.

In 1963 he became a member of the Government, a Minister without portfolio. He retained his duties as a close political adviser to the Prime Minister.

In 1965 Olof Palme was given the post of Minister of Communications. Important questions in his Ministry, which attracted considerable attention, often made it necessary for Palme to make declarations before the public. An important question in the hands of Palme was the decision to expand radio and television in accordance with the Social-Democratic view that broadcasting should be in the service of society and not commercially operated. Another question, which aroused international attention, was the change from left-hand to right-hand traffic in Sweden in 1967.

The Social-Democrats suffered severe defeats in the municipal elections in 1966. From that time onwards Palme played an important role as organizer and speaker in the large-scale election campaign which the party immediately started in preparation for the elections to the Riksdag in 1968.

In 1967 Palme was appointed Minister of Education. Large sectors of the school reform in Sweden had been accomplished earlier, but there still remained very important tasks, especially with regard to adult education, the training of nursery school teachers, higher education and research, the internal organization of the schools, etc. In addition Palme retained the radio and television questions and cultural problems have also taken up a considerable part of his time.

Interest in international affairs rose strongly in Sweden during the 1960's and not only among youths and students, but in large sectors of Swedish opinion.

As in many other countries the aggravated situation in Vietnam received increasing attention in Sweden. Already in 1965, Olof Palme delivered a speech in Gävle which was, in principle, a review of the situation in the world and in Sweden. A part of this speech concerned Vietnam and was regarded as a strong criticism of the engagement of the United States in that country. Public opinion in Sweden on the Vietnam question grew in strength and in 1968 caused irritation to the American side. Among other things, Palme participated in a demonstration in Stockholm side by side with a North Vietnam Ambassador. He was criticized by the Swedish Conserva-

tive and Liberal parties. The Conservative leader even went as far as to demand his resignation. Palme and the other members of the Government, energetically defended the Swedish right to express criticism and to take sides in the struggle for liberty going on in many parts of the world. Olof Palme was regarded as a leading representative of the serious Swedish Vietnam opinion. He was severely criticized by his political opponents, even if all the political parties generally supported the line adopted by the Government on the Vietnam question.

3. The politician Palme

"Ideologies are dead in the welfare state of Sweden", wrote the well-known Swedish publicist Herbert Tingsten a few years ago. A main theme in Palme's political message has been to show that Tingsten was wrong. Democratic-Socialism has never before been more necessary, never had such important functions as in a world of growing solidarity, said Palme in a speech in which he quoted John F. Kennedy's address in Berlin: "So we are all idealists. We are all visionaries. Let it not be said of this generation that we left ideals and visions to the past, nor purpose and determination to our adversaries".

Palme has often given this picture of idealism and vision when making public appearances and on several occasions he has acted as the leading theorist of the party. With his growing experience of practical political work in the Riksdag and administration he has also gained in importance as a politician, which is admitted even by his political opponents.

Palme's position among the youth in his own party has never been questioned. His long leadership in the Social Democratic Youth of Sweden in 1955-61 helped secure this position. His personal and political closeness to the leader of the party, Erlander, gave him a starting-point for further contacts within the party. As Minister of Communication and Minister of Education he gained the experience of Ministry work which his critics earlier believed he lacked. As a result of his hard work in the successful election campaign in 1968 he has still further strengthened his position both in the party and in the trade union movement. His ability to engage both young and old in efforts to achieve a common goal is considered in the party to be a great asset.

Since the beginning of his political career Palme has been the target for criticism from the Conservatives and the Liberals. His forceful contributions in debates - not least in the televised election debates - has caused irritation among his opponents. The conception of Palme as an "éminence grise" behind Erlander was developed by the opponents. Today he has, and very much so, an image of his own.

In such a large party as that of the Swedish Social-Democrats there are, of course, both ideologically concentrated thinkers and pragmatists with their feet well on the ground. Labels often become misleading, but it is clear that the stalwart realists are well represented in the present Government. In descriptions of Palme the ideological trait has often been emphasized. But it is also true that his contribu-

tions to practical party work and the heavy duties as a Minister make him a practical and realistic politician of rank. Much of Palme's strength is to be found in this combination of thinking and action.

Palme has won political successes via hard practical work combined with an engaging faculty of speech, which is recognized in all political camps. Those who can read Swedish can study some of his more important speeches in the book entitled "Politik är att vilja." Some of the speeches are also available in an English translation.

The fact that Palme's speeches have also received attention outside Sweden could be seen, for example, when the American Senator J.W. Fulbright, with approval, entered in the minutes of the United States Senate the speech Palme made at the much noted Vietnam demonstration in Stockholm on February 21, 1968

Contained in the collection of speeches mentioned above are the main themes of his philosophy in the general political sphere, regarding solidarity across the borders, education and environmental questions. It is not possible to give details of Palme's political message in this short biography, but a basic idea is that: we must unite our desire to shape our own society with international responsibility and international solidarity. This idea closely concurs with a growing Swedish opinion, which he himself has helped to create. In a newspaper interview Palme gave as political aims:

- to prevent technological advances from achieving unreasonable social consequences,
- to work for equality between the different groups of society,
- to work for increased democratization in all spheres, giving the people joint responsibility and joint influence,
- to contribute to an internationalization of the Swedish society.

4. Some personal data about Palme

In 1956, at the age of 29, Olof Palme married Lisbet, nee Beck-Friis, who is four years younger. Mrs. Palme has kept away from the publicity which surrounds her husband. She works as a children's psychologist. They have three sons, Joakim 14, Marten 11 and Mattias 4 years old. The family lives in a terrace house in Vällingby, a suburb west of Stockholm. During the political season Palme is much engaged but in summer time the Palme family leave, as most other Swedes do, for the country. Their holiday resort, which the Palme family rent, is situated on the remote island of Farö, north of Gotland in the centre of the Baltic Sea.

In addition to his own family life, reading takes up a considerable part of Olof Palme's leisure time. As regularly as work permits Olof Palme plays tennis or goes cross-country running with his eldest son and sometimes Olof Palme can be seen among the spectators at international track meets and league football matches.

OFFICE MEMORANDUM

TO: Files

DATE: April 2, 1976

FROM: Frank Vibert

SUBJECT: Sweden's Position on IDA

The main elements of Sweden's position on the Fifth Replenishment as reflected in Klackenbergs' statements at the first two meetings appear to be as follows:

- (i) Sweden supports a substantial increase in IDA's resources. "So much the better" if the level agreed results in an increase in real terms over the Fourth Replenishment.
- (ii) Sweden wishes to reduce its own share from 4% in the Fourth Replenishment. This is being resisted by other members of the Nordic Group.
- (iii) Sweden wishes to see an increase in the voting strength of Part II countries beyond their present 37% share in IDA voting rights. It might not press this concern in the context of IDA if a general study is undertaken of the position of Part II countries in the Bank Group as a whole prior to the IBRD general capital increase.
- (iv) Sweden's attitude is colored by its concern that the Bank Group support regimes which stand for social progress and self-reliance.

cc: Mr. Burmester
Mr. Diamond
Mr. Taylor

FV:lmh

March 1976

CARL XVI GUSTAF, KING OF SWEDEN

On September 19, 1973, a young king came to the throne in Sweden. Carl XVI Gustaf succeeded his grandfather, 90-year-old King Gustaf VI Adolf. The new king chose as his motto "For Sweden in Keeping With the Times," and in a speech in the Hall of State addressed to the Government, the Parliament, and the people of Sweden he declared that this motto was chosen as an expression of his desire to fulfill the demands on a modern monarch. He also wished it to be understood as an appeal for mutual understanding and development for the benefit of Sweden.

King Carl XVI Gustaf was born on April 30, 1946, at Haga Palace as Sweden's heir apparent. As his father, Prince Gustaf Adolf, had died in an air crash in 1947, he became Crown Prince when his grandfather, King Gustaf VI Adolf, acceded to the throne on October 30, 1950. His mother was Princess Sibylla, nee the Princess Saxe-Coburg-Gotha, who died in 1972. He has four elder sisters, the Princesses Margaretha, Birgitta, Désirée and Christina. The King is a descendant from the Bernadotte Dynasty of which the famous marshal of Napoleon, Jean Baptiste Bernadotte, was elected Crown Prince of Sweden in July 1810. He was succeeded upon his death in 1844 by his only son, King Oscar I, married to Queen Josefina, daughter of Eugene de Beauharnais, the stepson of Napoleon. He died in 1859 at the age of 60 and his eldest son became King Karl XV. His brother Oscar II succeeded him at his death in 1872 and reigned until 1907, when he died. Gustaf V, his son, had been king for 43 years when he at his death in 1950 was succeeded by King Carl XVI Gustaf's grandfather, King Gustaf VI Adolf.

The King was educated at a coeducational boarding school at Sigtuna, near Stockholm. His studies there consisted mainly of history, geography, social science and modern languages, and in the spring of 1966 he passed the university entrance examination.

His military service consisted of two years training in the various branches of the armed forces. The program mainly concentrated on naval training including service with a torpedo boat unit and theoretical studies at the Royal Naval Academy, terminating with the naval staff examination in the autumn of 1968. The King's military training has later been complemented by the study course for commanders at the Royal National Defense College and by service as a naval officer.

Following his military service, the King studied for a year at the University of Uppsala, where, during the academic year 1968 - 1969, he concentrated on history, sociology, political science, financial law and economics.

King Gustaf VI Adolf, who took a lively interest in the education of the then crown prince in preparation for his royal duties, wanted him to acquire the best possible practical knowledge of the way Sweden is governed and of the functions of the Swedish society. The aim was that he should gain experience from all over the country in central administration and industrial activity. The king-to-be should also be given an insight into the every-

day life of the Swedish people. Thus, when visiting factories he not only met the management and discussed their problems, but also met with employees at various levels in their work environment.

A more detailed study of the modern Swedish society then took place. The King spent some time familiarizing himself with the activities of central agencies and local authorities and had an opportunity to study the operations of companies at the office and factory levels, particularly firms in the forestry and engineering industries. The King also studied regional activity and administration in various parts of the country. His program also covered a study of Sweden's judicial system, ecclesiastical activities, the banking system, the press, radio and television.

He thoroughly acquainted himself with the organizations of the labor market as well as with a number of social agencies and institutions.

The period immediately preceding his accession to the throne the King devoted to studying the central government, ministries and the Parliament, where he mainly concentrated on the Ministry for Foreign Affairs and also attended courses in foreign policy and international affairs arranged those entering the diplomatic service. Simultaneously, the King studied economics at the Stockholm University, terminating the course by passing an examination.

The King has acquired knowledge and experience of international activities by following the work of Sweden's delegation to the United Nations in New York, by studying the work of the Swedish International Development Authority in the field (in Tanzania, Kenya and Ethiopia) and by spending some time at the Swedish Embassy in London as well as at the Swedish Chamber of Commerce and Hambro's Bank in the British capital. During these years of preparation the King has usually spent the summers in France, mainly studying the language but also French agriculture and industry.

His concern for the environment made the King an interested participant in the preparatory work for the United Nations conference on the Human Environment in Stockholm in the summer of 1972, and he followed the conference closely.

The King is active in environmental protection and nature conservation and is honorary chairman of the Swedish branch of the World Wildlife Fund. He is a keen and active farmer at his estate, Stenhammar, west of Stockholm, and he is fond of outdoor life with hunting and fishing as his hobbies. A skilled sportsman, he shoots well and is a good skier and sailor. He lives in a newly-furnished apartment in the Stockholm Palace and at his summer residence in Solliden on Öland, an island off the east coast of Sweden.

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MEMORANDUM FOR THE RECORD

Meeting with Swedish Minister for Economic Development, Mr. Ullsten, October 13, 1977

Present: Messrs. McNamara, Clark, Ullsten, Ambassador Wachtmeister and Messrs. Blix, Belfrage and Gullers of the Foreign Ministry, and Dinkelspiel

The Minister enquired about the present status of IDA legislation by the U.S. Congress. Mr. McNamara said that there were three groups the Bank had to deal with in Congress. One group was clearly in favor of the Bank; another group was very much opposed; the third group was opposed but with a very sophisticated argumentation. The last was the most difficult to deal with because it argued against Bank lending on human rights grounds and for specific countries or projects producing certain products. President Carter had now, to the disgust of liberals, stated that he would instruct the U.S. representatives in the World Bank to vote against projects in certain countries and projects for producing certain crops. The corresponding provisions were then stricken from the bill in the conference. The bill will now be presented to the House as a clean bill and the sophisticated opposition is expected to lose in next week's vote. The compromise removed the impasse but set a bad precedent and left the Bank with the problem of the U.S. Executive Director voting against certain projects. However, with the countries and products involved, this would probably not cause major problems for the Bank

The Minister said that he was aware of Mr. McNamara's dislike of opposition in the Board and he mentioned the Scandinavian position on human rights in Chile. Mr. McNamara said that he had been as concerned about this as the Swedish Government but that he had been upset about the misinformation of public opinion in Sweden with regard to the Bank. Misleading statements by the press and officials of the former Government had argued that the Bank was insensitive about the poor and that Sweden should discontinue its support to the Bank. That was particularly sad in view of the fact that the Bank was very close to Sweden's philosophy of development and very much in tune with the Swedish Government and both parties on development issues.

The Minister enquired whether the Bank's new approach to development caused problems with its bondholders. Mr. McNamara replied that this was not the case because bondholders simply want their money back. Leading bankers such as Wriston, Rockefeller, Clausen and Guth were, for example, perfectly aware of the fact that, unless the Bank helps solve the population problem in Indonesia, they would run a risk of never receiving their money back from their financing of petrochemical plants.

The Minister enquired whether the Bank would be involved in the administration of the development fund included in the Anglo-American Rhodesia proposals. Mr. McNamara said that there had been only a very initial involvement. If the proposals were approved and if the parties involved were interested, the Bank could play a useful role.

Mr. McNamara enquired about the Minister's view on the present status of the North/South Dialogue. The Minister said that he considered the stabilization of export earnings to be a promising proposal. Mr. McNamara agreed. The Minister said that he was also very interested in the debt problem and he asked Mr. McNamara whether the Swedish measures of debt relief would set an example. Mr. McNamara said that he did not expect the U.S., Germany or Japan to follow the Swedish example but that the Swedish decision would still have an extremely important impact on the ongoing aid discussion in those countries.

CKW
October 14, 1977

WORLD BANK GROUP

ROUTING SLIP		DATE	October 12, 1977
NAME		ROOM NO.	
Mr. McNamara		E-1227	
(through Mr. Koch-Weser)			
10/12			
APPROPRIATE DISPOSITION		NOTE AND RETURN	
APPROVAL		NOTE AND SEND ON	
COMMENT		PER OUR CONVERSATION	
FOR ACTION		PER YOUR REQUEST	
INFORMATION		PREPARE REPLY	
INITIAL		RECOMMENDATION	
NOTE AND FILE		SIGNATURE	
REMARKS			
RE: Riverblindness			
<p>I understand that you are meeting with Mr. Ullsten, Swedish Minister of International Development Cooperation on Thursday, October 13. As we are hoping to eventually include Sweden as a donor country for the Program, I believe it would be useful if you could raise the subject during the meeting. The brief is attached for that purpose.</p>			
FROM	Mr. de la Renaudière	ROOM NO.	EXTENSION
		C-302	2661

Financing of Onchocerciasis Control Program; Briefing for
Mr. McNamara's Meeting with the Swedish Minister of Cooperation

1. During the Annual Meetings, the Bank approached members of the Swedish delegation with a view to reopening the question of Swedish participation in the Onchocerciasis Control Program. Previously the Swedes have been cold to such proposals (the previous administration). Official arguments against participation have focused on (a) the long-range nature of the program and the uncertainty of ultimate success; and (b) the fact that Sweden is a major contributor to IDA in relation to its resources. However, with the change in administration and more favorable official attitudes towards the Bank, we believe it is worth the effort to once again pursue the subject with the Swedes; in particular in view of the need for new donors to help meet the substantially higher future financing requirements of the program (paras. 2 and 3).

2. The first six-year phase of the program, which extends over a period of twenty years, is underway. Total costs for this 1974-77 phase are estimated at \$57.5 million. It is expected that the present sources of funds will be sufficient to cover these costs. However, new financing requirements will arise for (a) the second six-year phase covering the years 1980-85, and (b) an extension of the program area, provided it is decided to go ahead with extension, which has merit on technical grounds, especially in avoiding reinfestation of treated areas. Extension, which will be decided upon during the upcoming meeting of the program's Joint Coordinating Committee in Kuwait in early December, would involve an initial phase of studies in Bénin, Ghana, Mali, Togo, and Upper Volta over 1978 and 1979, to be followed by actual operations; in addition, extension work in the Ivory Coast could begin in the very near future. New financing requirements would be as follows in current prices (figures in millions of US\$):

	<u>1978</u>	<u>1979</u>	<u>1980-85</u>
Phase II of present programs	-	-	60-100
Extension	1.6	2.0	15-30
Total	<u>1.6</u>	<u>2.0</u>	<u>75-135</u>

*Sweden 102
45, Kuwait, Fr,
UK, FRG, with
Canada approval
102 -*

3. We would be looking for financing from the following sources:

- (a) present donors: although there is no legal commitment to continue financing the program beyond the initial six-year phase, the understanding has been that the donors would in principle be prepared to continue their support; in fact, recent discussions with major donors confirm this, although specific levels remain unknown;

- (b) new donors: efforts are underway to introduce new donors into the programs: Saudi Arabia, European Development Fund, Sweden; however, we have received no specific indications of interest; in case new donors were introduced, we would initially suggest that they share in the extension costs;
- (c) participating countries: we will be asking the participating countries to contribute to the financing of extension and of the second phase of the program, an approach that has the support of the U.S. and the major European donors; for the poorer participating countries - Bénin, Niger, Togo and Upper Volta - we would suggest financial contributions of essentially a token nature; in the case of the Ivory Coast, a more substantial contribution would be requested.

4. We are at present preparing a brief on the subject, which will be submitted to the Swedish authorities in the near future. For any further information on the subject, the Swedish delegation can contact Mr. Denning's Division in the West Africa Region.

October 12, 1977

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OFFICE OF THE PRESIDENT

Meeting with Mr. Bohman, Governor of the Bank of Sweden, February 11, 1980

Present: Messrs. McNamara, Bohman, Bertil Lund, Arsaellsson and Ambassador Wachtmeister

Mr. McNamara pointed to the serious current account deficits of oil-importing LDCs which were projected to increase dramatically as a result of recent oil price increases and limited export possibilities due to slower OECD growth rates. In his view, these deficits could be financed in FY80 but, for later years, this was doubtful. The world had to focus on these problems. The Bank had taken action on these issues lately; it had prepared a Board paper proposing structural adjustment lending to those LDCs which would initiate programs to, say, half their current account deficits as a percentage of GNP over the next five years. Under this new form of lending, the Bank would provide quick disbursing funds. The IMF would move in a similar way.

Mr. Bohman enquired about coordination of work in this new field with the IMF and about the relationship between these new activities and the recommendations of the Brandt Commission Report. Mr. McNamara replied that the Brandt Commission Report's recommendations had been based on the facts of mid-1979 and did therefore not sufficiently reflect the severity of the future deficit situation of LDCs. In his view, the 94 recommendations of the Brandt Report should have been reduced to one central recommendation, namely, finding means to finance these LDC deficits. As to coordination with the IMF, Mr. de Larosiere saw the problems in the same light and also believed that the situation was more serious than the world realized, and that new intermediation processes and a shift of the intermediation risk away from the commercial banks was required. In the field of structural adjustment lending the Fund and the Bank would probably conduct joint missions.

Mr. Bohman enquired whether structural adjustment lending would weaken financial market forces. Mr. McNamara argued that, to the contrary, such lending would strengthen these forces. Commercial banks argued increasingly that their debt equity ratios were becoming restrictive and that too high a percentage of their portfolios consisted of receivables from LDCs. Therefore, it would be unlikely that they would be able to play the required intermediation role in the future. On the other hand, one had to realize that the commercial banks had made these points for five years and had always been proven wrong. He concluded, however, that the doubling of the oil price over the last year had created a totally new situation. Mr. Bohman said that he saw the problem very much the same way as Mr. McNamara. In the case of Sweden, the Government was borrowing money abroad to pay its import bill which did not make sense at all. The Bank could help the Swedish Government by urging Sweden and other countries to develop their nuclear energy programs. It was paradox that the same people who were advocating poverty programs were the ones opposing nuclear energy in Sweden. Mr. McNamara agreed that not enough was being done on nuclear energy development. Also, other sources of energy had to be developed. In this the Bank was now playing a more important role in LDCs.

In response to a question, he said that OPEC countries did very little to assist the LDCs. Of course, they provided a much higher share of their GNP as ODA (between 5% and 8%) than OECD; however, these funds were channelled mainly for political reasons to a small number of countries and were not matching the oil bills of those countries. He concluded that, in order to help resolve the

serious issues laying ahead, the Bank could follow three lines of action: (a) explain the situation to the world, (b) take the actions which were in the realm of the Bank, and (c) stimulate others to act. He hoped that Sweden would help the Bank in that endeavor. He urged that the Swedish Government support the Bank's initiative on structural adjustment lending during the March 18 Board discussion.

CKW
February 25, 1980

THE WORLD BANK

Office of the President

File 6/18/80

David Owen; Egon Bahr, a conservative
Frenchman suggested by Secord; Dutoit PM,
Sonny Rampell, Rish (unrec), Canada per
Tundra, Tang, Pao & Sehadon, Abator

+ Mikeleni, a Pole, looking for Pines Sand,
I suggested Vance + as a full back Wiener -
+ recommended Doty for test support.



SWEDISH SOCIAL DEMOCRATIC PARTY

THE EXECUTIVE BOARD

S-105 60 STOCKHOLM

TELEPHONE 14 03 00

TELEX 106 83 SAPINFO S

Stockholm, May 13, 1980

Mr. Robert McNamara
The World Bank
WASHINGTON, D.C.

File

*Ramphal: What Mr. Palme
I will be happy to meet with
you during my visit
to the U.S. Perhaps you could
call my office (602-477-2001)
following your arrival & we
can arrange a convenient time.*

*W. L. M.
Brandt
North
Vaneh
Wilson
Smith*

Dear Mr. McNamara:

I have heard from Shridath Ramphal that he has given you some information about the work of a so-called disarmament commission that he and I and several other people are engaged in. I would like to bring you up to date on the development of this project.

We had a preparatory meeting in Vienna about a month ago, and the plans to form an independent commission are advancing. The current status of the project is described in the enclosed memo, and as you can see we are trying to set up something similar to the Brandt Commission that you launched several years ago.

I have recently visited Moscow to talk with the Soviet leaders about the commission and to ask them to nominate a member of the group, and also to participate in a scientific advisory council which we are setting up. I received a quite favorable response, and I believe that we can be rather confident of a competent Soviet representation.

The direct reason for my writing to you is to ask if you would agree to discuss the future of this project with me at some time ahead. I will attend a U.N. N.G.O. Conference on disarmament in New York on June 19, and if you would be able to see me in connection with that visit to the U.S., I would be most grateful.

Yours sincerely,
Olof Palme
Olof Palme

1980-05-06

THE INDEPENDENT COMMISSION FOR DISARMAMENT AND WORLD SECURITY

BACKGROUND

The idea of an independent disarmament commission was born in 1978, in connection with the United Nations General Assembly Special Session on disarmament. Among those who initiated the project were Philip Noel-Baker, Sean MacBride and Louis Dolivet. They believed in the urgent need of mobilizing public opinion all over the world in the struggle against armaments and war, in favor of peace and security.

The original idea has since developed into an effort to assemble a group of independent men and women in public life, from various parts of the world and with various political background. In a way similar to the work of the so-called Brandt Commission (ICIDI), this group would make a thorough study of the problems of disarmament and suggest a concrete program of action.

There are several reasons for establishing an independent disarmament commission at this time. The risk of a devastating world war is steadily growing as the arms race between the superpowers goes on and on. International tension is increasing due to several serious conflicts in various parts of the world. There is a continued militarization of many Third World nations.

THE TASKS OF THE COMMISSION

It is foreseen that the commission will present an outline for a new world security order. In the commission's report there will also be a program of action, describing what steps must be taken in several key sectors to make it possible to achieve such a new order.

However, the discussion of the terms of reference has only started and cannot be finished until the whole group is complete. It is probable, nonetheless, that the agenda will include the following issues:

- a. The militarization of the economies through weapons research and development; the role of vested interests.
- b. The linkage of disarmament and development; how resources now spent on the arms race can be redeployed and used for development purposes.
- c. The case for and against a restructuring of the United Nations; the need for a specialized World Security Organization.
- d. How to cope with the proliferation of nuclear capabilities.
- e. The dangers of planning for a so-called limited nuclear war.
- f. A new attempt to reach a disarmament agreement (SALT III) related to the European theatre, before new nuclear weapons are added to existing European arsenals.
- g. How to restrain the competition in arms sales for the developing world.

THE COMPOSITION OF THE COMMISSION

Besides the three men behind the initiative of forming a commission, the following persons have agreed to take part in the work of the commission:

Olof Palme (chairman)	Sweden
Joop den Uyl	The Netherlands
S.K. Saxena	Intern. Coop. Alliance
Shridat Ramphal	Commonwealth Secretariat
David Owen	United Kingdom
Egon Bahr	Federal German Republic
Haruki Mori	Japan
(Bernardus Cardinal Alfrink	The Netherlands)

A number of other people have been mentioned as possible additional members of the commission and several contacts

have been taken to receive suggestions regarding candidates:

- a. President Giscard d'Estaing of France and President Nyerere of Tanzania have been approached and have been willing to nominate commissioners from their countries. From Tanzania it is probable that U.N. Ambassador Salim will join the commission.
- b. Former British foreign secretary Davod Owen has recently visited the United States and discussed possible candidates with Cyrus Vance.
- c. There are also contacts with people in Canada about possible commissioners. One person mentioned is former foreign minister Flora MacDonald.
- d. Discussions are under way with people in Mexico, Saudi Arabia and Africa about further representation from these parts of the world.

Plans are being made for forming a group of scientific advisers to the commission. In this connection, the names of Mr. Polany, Mr. Agnew and Mr. Milstein have been brought forward.

In view of the importance attached to the work through public opinion, the commission will establish a liason group to act with interested movements and non-governmental organizations. This will also serve the purpose of ensuring the widest possible dissemination of the work and report of the commission.

TIME PLAN

The members of the commission will meet regularly from September 1980 to the end of 1981. During this period, they will take evidence and receive expert testimonies, authorize the contracting out of research work and analyze it on completion, and finally decide on the wording of the group's report. The result of the work should be available in good time before the next United Nations General Assembly Special Session on disarmament, in May 1982.

STAFF ORGANIZATION AND FINANCES

The commission will have a small staff of three persons plus secretarial aid. They will be located in Vienna where office space has been made available by Chancellor Bruno Kreisky. The limited secretariat means that much of the substantial work has to be contracted out to experts and institutions.

A small finance committee has been formed to prepare a budget for the commission and to approach various foundations with requests for financial assistance. At a later stage, also national governments could be approached for support of this kind. The members of the finance committee include James George, Louis Dolivet, John Edwards and Franz Vranitsky (vice-president of the Austrian Credit-Anstalt).

OFFICE OF THE PRESIDENT

Meeting with Mr. Forsse, Director-General of the Swedish International Development Agency (SIDA), March 18, 1981

Present: Messrs. McNamara, Lundstrom, Forsse

Mr. Forsse first expressed his gratitude to Mr. McNamara for the opportunity of meeting with him, and he indicated that this was his first trip to the United States since his return to SIDA. Mr. McNamara mentioned that Mr. Forsse has come at a particularly bad time. In the first place, the Reagan Administration is not yet organized except with State Department, where some people such as Mr. Rashish are very good with respect to foreign assistance. Secondly, so much attention is now devoted to cuts in expenditures that there is tremendous pressure to cut U.S. development assistance. The Administration says that, in principle, it is favorable to bilateral assistance but, in fact, it is proposing to cut both bilateral and multilateral assistance. In front of this, the needs of the developing countries, however, are enormous. Mr. Forsse said that he agreed with this last statement, and he added that the problems are especially bad in Africa. Mr. McNamara said that at no time has the U.S. taken any initiative in the field of foreign assistance since the Kennedy period, with the exception of some initiative taken by Henry Owen in the Carter Administration. Mr. McNamara observed that, in the last 13 years, the way to move ahead was always to find a medium-size country to take the lead in a particular situation. In the past, Canada, Kuwait, and the UK did it at one point or another. Mr. McNamara added that today the Scandinavian countries can do it, especially with respect to the issue of energy.

Commenting on the energy situation, Mr. McNamara told Mr. Forsse that, by 1990, the developing countries should double their consumption of energy if they are to achieve a minimum growth. This consumption should reach some 21 million barrels of oil equivalent as compared to 11 million today. In the meantime, their domestic production should increase from 6.6 million today to 14.7 million by 1990. In order to increase their production by these amounts, they would need some \$450 billion. This amount would have to come from their own savings and private capital, but it is obvious that the Bank will have to participate in this process. What is needed, therefore, are leaders to promote this Bank contribution. To Mr. Forsse who asked where the Bank would get the money, Mr. McNamara answered that it would be primarily from private markets. He explained that, with a cash contribution of \$1.5 billion, the Bank could borrow the rest needed from the capital markets. He repeated that his experience leads him to put a high premium on leadership. He added, however, that a major difficulty is that this process is easy to stop. For example, Mrs. Thatcher will probably say no, and Mr. Reagan will also say no. In his view, however, one should not say no before one knows what the subject is all about. Mr. Forsse agreed that something has to be done. He observed that he does not see what the Tanzanias and the Kenyas and the Ethiopias will do without assistance. Mr. McNamara said that the Reagan Administration says that the private companies will do it. He indicated that these people do not realize that the private companies are increasingly coming to the Bank asking for its help, e.g. Shell in Tanzania.

Mr. Forsse asked whether the Arab funds can do something in this respect. Mr. McNamara said that Mr. Abalkhail was quite positive on this issue during the last Annual Meeting. In this respect, Saudi Arabia and Kuwait are key countries. They want, certainly, to be part of shaping up something. Mr. McNamara added that representatives of both countries attended the meetings which were recently organized by the Bank on energy and their participation was very positive. With respect to energy, Mr. McNamara informed Mr. Forsse that Bank management will soon present a paper to the Board for discussion.

Mr. Forsse indicated that he understood that Mr. McNamara was particularly interested in Tanzania. Mr. McNamara agreed and indicated that he had recently written to President Nyerere. Mr. Forsse said that he had met President Nyerere not long ago and he came to the conclusion that the Tanzanians have not started re-appraising their economic situation. He said that he thought President Nyerere does not understand much of economics. Mr. McNamara agreed and added that, in his recent letter to President Nyerere, he had told him that he has to help the Bank help Tanzania. However, to this day, he does not seem to be doing much in this direction. Mr. Forsse observed that many countries seem to be in the same situation. He also said that the solutions suggested by Mr. McNamara will obviously take time before being implemented. Mr. McNamara agreed but he observed that, in the meantime, developing countries will need considerable financial assistance.

Mr. Forsse said that Mr. McNamara's record over the last 13 years with the Bank is extremely impressive. Mr. McNamara commented that this is basically due to a good senior management of the institution and also to a very good Board of Directors. Mr. Forsse observed, however, that it was Mr. McNamara who personally gave the orientation on poverty. Mr. McNamara said that he thought that it would be critical to maintain this orientation in the future. Mr. Forsse said that SIDA has been following very much on this orientation. He mentioned that SIDA is more and more into activities geared to increasing the productivity of small peasants. Mr. McNamara said that he was delighted to hear that. He mentioned that the Bank was doing none of this 15 years ago. He told Mr. Forsse that last year IBRD and IDA targeted 29 million poor farmers as beneficiaries of its financial assistance. He further observed that he did not believe that there is a trade-off between poverty orientation and economic growth. In this respect, he added that he was delighted to see the progress made by the Bank.

Mr. Forsse asked whether Mr. McNamara had any particular interest in forestry. Mr. McNamara replied that he was tremendously interested in this field. He said that fuel wood is a very important source of energy, but more importantly, however, there is a disaster ahead with the ongoing depletion of forest reserves. He mentioned that the Global 2000 Report had come to the conclusion that, by the year 2000, the forested land per capita will be only half of what it is today. He indicated that the Bank is now promoting a large program of forestry development. He added that he was aware that the Canadians and the Scandinavians were also showing increasing interest in this field. Mr. Forsse said that his institution had recently told the Indians that it could help on social forestry.

OL
April 28, 1981

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