

THE WORLD BANK GROUP ARCHIVES

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Series: General correspondence

Sub-Fonds: Records of President Robert S. McNamara

Fonds: Records of the Office of the President

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THE WORLD BANK
Washington, D.C.

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1818 H Street NW
Washington DC 20433
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McNamee Papers

Chronological file (incoming)
1980 (Jul - Dec)

The World Bank Group
Archives



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Chronological files (incoming) - Chrons 27

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WBG Archives

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494/6/31



ASSISTANT SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

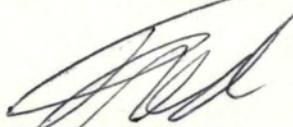


December 18, 1980

MEMORANDUM FOR THE HONORABLE ROBERT S. MC NAMARA
PRESIDENT
THE WORLD BANK

Per our conversation, attached is the latest from Wanniski et al. I would be most interested in your reactions to it; we are preparing some refutation of the errors, both factual and interpretive.

12/18


C. Fred Bergsten

Attachment

~~Good help us
and for USA.
leg~~

494/6/30

OFFICE MEMORANDUM

WBG
IRB/HDA
ARCHIVES?

DATE: November 21, 1980

TO: Mr. Robert S. McNamara

FROM: Shirley Boskey, Acting VPE *SB*

SUBJECT: Bank and South Africa

Handwritten notes:
 1) ...
 2) ...
 ...
 ...

1. You pencilled a note to Messrs. Benjenk and Thahane on Julian Grenfell's report on the decolonization resolution, asking whether you should raise with the Board, perhaps at one of your lunches with Directors, the matter of the repeated practice of the UN's Decolonization Committee and its Fourth Committee of condemning the Bank for assisting South Africa, in the face of repeated statements by Julian that no loan has been made to that country since 1966.
2. I think it would not hurt to acquaint Directors representing members of the Decolonization Committee (Committee of 24) with the situation, although I would not expect any significant change in attitude to result. The impetus for persisting in the factual inaccuracy comes from the Soviet Union. The delegations which continue to vote for resolutions containing the offending language or which do not speak out against it presumably do so because they think it in their interest to go along with the Russians, or because they do not regard the matter as very important, particularly because they know that the condemnation is unjustified. It is really a charade and very annoying to be summoned to testify (because the Bank and Fund are summoned, they do not volunteer) only to have the testimony ignored.
3. I attach a list of the Committee's current membership. The Committee will meet again in January, with probably pretty much the same composition; a different government may sit for the Nordic group. The governments which are also Bank members (the Committee actually numbers 25, four of which are not Bank members) are represented on the Bank's Board by 12 different Directors. I assume you would not want to gather those 12 together specially for lunch, and if you did not, you would have to bring the matter up several times. As an alternative, and about as low key an approach as mentioning it at lunch, would you consider sending the Directors in question a copy of Julian's memo and a list of the Committee's membership, with the suggestion that you would be glad to have them do whatever they can to prevent a repetition next year?
4. I am forwarding Julian's memo with your note attached to Mr. Thahane, together with a copy of this note so he will know what I have proposed. I have not discussed it with him, and he may not agree.

cc: Mr. Benjenk, VPE
 Mr. Thahane, VP/SEC
 Mr. Grenfell, IRD/UN

SEBoskey:di

Special Committee on the Implementation of the Declaration on
Decolonisation (Committee of Twenty-four)

As at 31 January 1980 the 25 members of the committee were:

Afghanistan	Ethiopia	Sierra Leone
Australia	Fiji	Syrian Arab Republic
Bulgaria	India	Trinidad and Tobago
Chile	Indonesia	Tunisia
China	Iran	U.S.S.R.
Congo	Iraq	United Republic of Tanzania
Cuba	Ivory Coast	Venezuela
Czechoslovakia	Mali	Yugoslavia
Denmark		

*1/17 To Mr. Benjenk
and The Board*

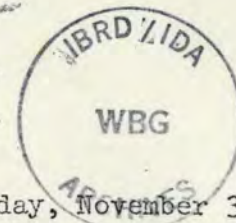
ROUTING SLIP		DATE: November 13, 1980
NAME		ROOM NO.
Copy each:		
Mr. McNamara ✓		
Mr. Stern		
Mr. Benjenk - <i>Shirley Boskey</i>		
	APPROPRIATE DISPOSITION	NOTE AND RETURN
	APPROVAL	NOTE AND SEND ON
	CLEARANCE	PER OUR CONVERSATION
	COMMENT	PER YOUR REQUEST
	FOR ACTION	PREPARE REPLY
XX	INFORMATION	RECOMMENDATION
	INITIAL	SIGNATURE
	NOTE AND FILE	URGENT
REMARKS: <i>Should we raise this matter in our Board -- perhaps at end of my upcoming luncheon. Lye</i>		
FROM: Shirley Boskey	ROOM NO.: E-823	EXTENSION: 72173

OFFICE MEMORANDUM

TO: Mrs. Shirley Boskey

DATE November 7, 1980

FROM: Julian Grenfell

SUBJECT: UN General Assembly's Fourth Committee vote on agencies' role
in supporting liberation movements

1. The Fourth Committee of the General Assembly voted Monday, November 3, on a draft resolution on the implementation by the UN's specialized agencies of the Decolonization Declaration and of General Assembly resolutions relevant to that Declaration. The resolution was word-for-word the same that had emerged from the January 1980 session of the Special Committee of 24 on Decolonization. It contained the following operative paragraph 5:

"Regrets that the World Bank and the International Monetary Fund have not yet taken the necessary measures towards the full and speedy implementation of the Declaration and the relevant resolutions of the General Assembly, deplores in particular the fact that those agencies continue to maintain co-operation with the colonialist racist minority régime of South Africa and urges the executive heads of those agencies to draw the particular attention of their governing bodies to the present resolution with a view to formulating specific programmes beneficial to the peoples of the colonial Territories, particularly Namibia."

2. The vote on the resolution was: 128 in favor, none against, with 11 abstentions. The abstainers were: Belgium, Bolivia, Botswana, Canada, France, Federal Republic of Germany, Israel, Luxembourg, Portugal, United Kingdom and the United States. (Portugal subsequently informed the Committee that its vote should have been recorded as in favor.)

3. There were a number of explanations of vote. Trinidad and Tobago, whose Ambassador (Frank Abdula) is Chairman of the Committee of 24, stated that the delegation regretted that, in reference to paragraph 5, the statement made in the Fourth Committee by the Bank's representative (on Bank-South African relations) had not been taken into account by the sponsors of the resolution. The sponsors were a group of 22 African, Arab and Eastern European states, plus Afghanistan, Cuba and Jamaica. Others expressing reservations on paragraph 5 were New Zealand, Portugal, Uruguay, Japan, Sweden on behalf of the 5 Nordic countries, Luxembourg on behalf of the 9 EEC members, Austria, Australia, the USA and Sudan. The aforementioned all expressed misgivings over the attempt of the sponsors to "politicize" the Bank and the Fund, and a few expressly regretted the inaccurate reference to the Bank and South Africa.

4. At the previous (34th) General Assembly, the vote on an equivalent resolution provoked fewer (8) abstentions. This year Bolivia and Botswana joined the abstainers. The Ivory Coast which, last year, spoke up for us in the explanation of votes, was silent this year, but the Trinidad and Tobago statement, coming from the Decolonization Committee's chairman, did not pass

Mrs. Shirley Boskey

- 2 -

November 7, 1980

unnoticed among the sponsors of the resolution. Nonetheless, it seems that we are fighting a losing battle to get the sponsors to reject the Soviet Union's insistence that the Bank be accused of helping South Africa. Our posture next year in the Committee of 24, when we are called on once more to testify, should be reviewed carefully. There is possibly an argument for refusing to testify as long as the subcommittee in question refuses to take into account our testimony.

cc: Mr. Boucher
Mr. Burney

WORLD BANK OUTGOING MESSAGE FORM (Telegram, Cable, Telex)
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494/6/29

Class of Service: TELEX/CA E Date: NOVEMBER 13, 1980
Telex No.: _____ Originators Ext.: 73665

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~~THE HONOURABLE ALLAN J. MCEACHEN, P.C., M.P. DEPUTY PRIME MINISTER
AND MINISTER OF FINANCE, DEPARTMENT OF FINANCE, OTTAWA, ONTARIO~~
K1A CG5 CANADA

AT THE RECENT ANNUAL MEETINGS, THE BANK WAS URGED BY A NUMBER OF GOVERNORS TO GIVE EARLY CONSIDERATION TO THE ESTABLISHMENT OF AN ENERGY AFFILIATE. AS A FIRST STEP, TO ENABLE THE BANK TO PREPARE SPECIFIC PROPOSALS IN THIS REGARD, WE ARE PLANNING TO HAVE DISCUSSIONS WITH REPRESENTATIVES OF A SMALL GROUP OF COUNTRIES AS TO HOW SUCH AN AFFILIATE MIGHT BEST BE ORGANIZED AND FINANCED. I WOULD BE MOST GRATEFUL IF A REPRESENTATIVE OF YOUR GOVERNMENT COULD PARTICIPATE IN THE FIRST MEETING OF THIS INFORMAL GROUP AT THE WORLD BANK OFFICES IN WASHINGTON ON NOVEMBER 24 AND IF NECESSARY NOVEMBER 25. A FURTHER MEETING IN DECEMBER WILL PROBABLY BE NECESSARY TO COMPLETE THIS PRELIMINARY AND INFORMAL EXCHANGE OF VIEWS. IN ORDER TO PROVIDE A FOCUS FOR THE DISCUSSIONS, WE HAVE PREPARED A DISCUSSION PAPER SETTING OUT POSSIBLE APPROACHES TO STRUCTURING AN ENERGY AFFILIATE ASSOCIATED WITH THE BANK GROUP. THIS IS BEING TELEXED TO YOU. THE BANK WOULD BE GLAD TO REIMBURSE YOUR REPRESENTATIVES' TRAVEL TO WASHINGTON, MEET HOTEL EXPENSES AND ASSIST IN MAKING THESE ARRANGEMENTS IF THIS IS DESIRED. BEST REGARDS,
ROBERT S. MCNAMARA, INTBAFRAD.

NOT TO BE TRANSMITTED

SUBJECT:	DRAFTED BY: CArdalan/MAQureshi:sav
CLEARANCES AND COPY DISTRIBUTION: Copy to Mr. Drake cc: Messrs. <u>McNamara</u> , Stern, Golsong, Thahane, Rotberg, Wood, Applegarth	AUTHORIZED BY (Name and Signature): Moeen A. Qureshi <i>[Signature]</i>
	DEPARTMENT: Office of Senior Vice President, Finan
	SECTION BELOW FOR USE OF CABLE SECTION CHECKED FOR DISPATCH

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ENERGY AFFILIATE : DISCUSSION NOTE

CITY/COUNTRY

1) THE PROGRAM TO BE FINANCED

MESSAGE NO

THE MOST EFFECTIVE APPROACH WOULD BE TO DESIGN THE AFFILIATE TO CARRY OUT THE ENTIRE FIVE-YEAR PROGRAM OF LENDING IN THE ENERGY SECTOR IDENTIFIED BY THE BANK IN ITS STUDY EARLIER THIS YEAR (ENERGY IN THE DEVELOPING COUNTRIES, AUGUST 1980). THIS PROGRAM, UPDATED TO COVER THE FIVE YEARS FY82-86, TOTALS ABOUT USDOLLARS 30 BILLION, AND WOULD MEET ABOUT 10 PERCENT OF THE DEVELOPING COUNTRIES' IDENTIFIED ENERGY INVESTMENT REQUIREMENTS IN THIS PERIOD. THE BALANCE WOULD REMAIN TO BE FINANCED BY THE RECIPIENT COUNTRIES THEMSELVES AND BY OTHER EXTERNAL LENDERS. COFINANCING ARRANGEMENTS WOULD THEREFORE PLAY AN IMPORTANT ROLE IN MEETING TOTAL ENERGY INVESTMENT NEEDS.

THE ALTERNATIVE APPROACH OF LIMITING THE AFFILIATE TO A SMALLER PROGRAM, UNDERTAKING ONLY HYDRO-CARBON INVESTMENTS, WOULD /c

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TO PROBABLY BE EASIER TO FINANCE, BUT IT WOULD PROVIDE A LESS ADEQUATE

RESPONSE TO THE ENERGY FINANCING NEEDS OF DEVELOPING COUNTRIES.

CITY/COUNTRY

MESSAGE NO

MOREOVER, BY FOCUSING ATTENTION ON ONLY ONE FACET OF THE ENERGY PROBLEM, A MORE LIMITED EFFORT MIGHT NOT YIELD THE INTEGRATED APPROACH TO PLANNING AND BALANCED ANALYSIS WHICH ARE DESIRABLE IN VIEW OF THE IMPORTANT LINKAGES BETWEEN INVESTMENT DECISIONS IN THE VARIOUS ENERGY SUBSECTORS AS WELL AS BETWEEN THE ENERGY SECTOR AND OTHER SECTORS OF THE ECONOMY.

2) MEANS OF FINANCING

THE MOST PRACTICAL APPROACH TO MOBILIZING ADDITIONAL CAPITAL UNDER CURRENT CONDITIONS WOULD BE TO STRUCTURE THE AFFILIATE TO MINIMIZE CALLS ON GOVERNMENTS' BUDGETS AND TO PERMIT IT TO FINANCE ITSELF TO THE MAXIMUM EXTENT POSSIBLE THROUGH BORROWINGS IN NATIONAL AND INTERNATIONAL CAPITAL MARKETS. FOR THIS APPROACH TO BE VIABLE, THE AFFILIATE WOULD NEED A BASE OF PAID-IN CAPITAL AND SUBSTANTIAL BACKING FROM GOVERNMENTS IN THE FORM OF GUARANTEES. THIS COULD BE ACHIEVED AS IN THE IBRD BY HAVING CAPITAL SUBSCRIPTIONS WHICH ARE, SAY, 90 PERCENT CALLABLE AND 10 PERCENT PAID-IN. IT MIGHT ALSO BE PRUDENT IN EARLY YEARS WHEN MARKET ACCESS IS LESS ASSURED, FOR THE AFFILIATE TO PLAN ITS BORROWINGS AT A LEVEL WHICH PROVIDES FUNDS EQUAL TO THE FULL AMOUNT OF ITS

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CITY/COUNTRY
MESSAGE NO

COMMITMENTS. LIQUIDITY COULD BE REDUCED THEREAFTER TO LEVELS
CALCULATED ACCORDING TO THE IBRD'S LIQUIDITY POLICY.

3) CAPITAL STRUCTURE

IF THE AFFILIATE WERE TO FOLLOW A MARKET-BASED APPROACH,
LENDING LIMITS COULD BE SET AT A PRUDENT MULTIPLE OF THE
AFFILIATE'S CAPITAL BASE. PRELIMINARY SOUNDINGS SUGGEST THAT A
MULTIPLE AS HIGH AS 2.5:1 COULD BE ACCEPTED BY THE MARKETS.
BECAUSE THE FULL AMOUNT OF THE IDENTIFIED PROGRAM WOULD NEVER BE
OUTSTANDING AT ANY ONE TIME, A USDOLLARS 30 BILLION PROGRAM COULD
BE CARRIED OUT ON A CAPITAL BASE OF ABOUT USDOLLARS 10 BILLION.
CALLABLE CAPITAL SUBSCRIPTIONS FROM COUNTRIES WHOSE GUARANTEES ARE
RECOGNIZED BY THE MARKETS COULD MAKE UP MOST OF THE CAPITAL BASE.
SINCE THE AFFILIATE WOULD FACE HEAVY START-UP COSTS, SOME
ASSISTANCE FROM THE IBRD IN THE FORM OF PROFIT TRANSFERS OR
ARRANGEMENTS TO DEFER ADMINISTRATIVE EXPENSES MIGHT BE DESIRABLE
IN THE EARLY YEARS OF THE AFFILIATE'S OPERATIONS.

4) TERMS OF LENDING

ON THE ASSUMPTION THAT PAID-IN CAPITAL WILL BE ONLY A SMALL
PART OF THE AFFILIATE'S FINANCING BASE, THE TERMS OF LOANS WOULD
HAVE TO CORRESPOND CLOSELY TO THE TERMS OF BORROWINGS AND CLOSE
ATTENTION WOULD HAVE TO BE PAID TO THE QUALITY OF ITS PORTFOLIO.

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~~THIS CREATES A PROBLEM FOR THE PART OF THE INVESTMENT PROGRAM--
AMOUNTING TO NEARLY USDOLLARS4 BILLION--WHICH IS IN COUNTRIES
WHICH ARE NOT CREDITWORTHY FOR IBRD LENDING. IF IT WERE POSSIBLE
TO ARRANGE FOR GRANTS TO THE ENERGY AFFILIATE FOR LENDING TO THESE
COUNTRIES, THAT WOULD BE THE PREFERRED SOLUTION. IF GRANTS CANNOT
BE OBTAINED, IT IS PROBABLE THAT THIS LENDING WOULD HAVE TO BE
MADE BY IDA, AND ADJUSTMENTS MADE TO THE IDA PROGRAM TO ACCOMMODATE
THIS LENDING.~~

5) STAFFING

THE STAFFING ARRANGEMENTS MOST CONSISTENT WITH AN INTEGRATED
APPROACH TO ENERGY LENDING WOULD BE TO HAVE AN IDA-TYPE
INSTITUTION (I.E. WITH THE SAME STAFF AS THE IBRD). THIS WOULD
PERMIT THE AFFILIATE TO MAKE MAXIMUM USE OF THE BANK'S OPERATING
EXPERIENCE, ESPECIALLY ITS ECONOMIC AND SECTOR WORK. SUCH AN
APPROACH WOULD ALSO BE IN LINE WITH THE PREVAILING SENTIMENT
AGAINST THE ESTABLISHMENT OF NEW INTERNATIONAL BUREAUCRACIES.
ALTERNATIVELY, AN IFC-TYPE ARRANGEMENT COULD BE USED. THIS WOULD,
HOWEVER, ENTAIL A SLOWER START-UP PHASE AND COULD DIMINISH THE
ADVANTAGE WHICH THE AFFILIATE COULD OTHERWISE DERIVE IN ITS
BORROWING OPERATIONS FROM CLOSE IDENTIFICATION WITH THE BANK.

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**6) DISTRIBUTION OF SHARE CAPITAL, VOTING ARRANGEMENTS AND
BOARD REPRESENTATION**

**THE DISTRIBUTION OF SHARES IN A MARKET-BASED AFFILIATE MIGHT
SIMPLY DEPEND UPON THE WILLINGNESS OF INDIVIDUAL GOVERNMENTS TO
SUPPORT THE AFFILIATE THROUGH CAPITAL SUBSCRIPTIONS. THUS, THE
DISTRIBUTION COULD DIFFER SIGNIFICANTLY FROM THE PATTERN WHICH
CURRENTLY EXISTS IN THE IBRD. A SUBSTANTIAL MAJORITY OF THE SHARES
WOULD, HOWEVER, NEED TO BE HELD BY INDUSTRIAL AND CAPITAL-SURPLUS
COUNTRIES IN ORDER TO PROVIDE THE NECESSARY ASSURANCE TO CREDITORS
OF THE AFFILIATE. VOTING POWER WOULD BE WEIGHTED TO CORRESPOND
TO THE DISTRIBUTION OF CAPITAL SUBSCRIPTIONS.**

**ALTERNATIVE DISTRIBUTIONS OF SHARES OR VOTING POWER
ARRANGEMENTS THAT GIVE WEIGHT TO FACTORS OTHER THAN RELATIVE
SUBSCRIPTIONS COULD BE CONSIDERED IF WAYS COULD BE FOUND TO
FINANCE THE AFFILIATE SATISFACTORILY WITHOUT RECOURSE TO MARKET
BORROWINGS.**

**BOARD REPRESENTATION WOULD PRESUMABLY ALSO BE BASED UPON THE
DISTRIBUTION OF SUBSCRIPTIONS, ALTHOUGH SPECIAL MEASURES COULD BE
CONSIDERED TO ENSURE A BALANCED REPRESENTATION. IT IS ASSUMED THAT
THE AFFILIATE WOULD HAVE ITS OWN CHARTER AND ITS OWN BOARD TO SET
POLICY AND GUIDE MANAGEMENT.**

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MESSAGE NO

IN CONCLUSION, THE TENTATIVE CHARACTER OF THE APPROACHES
PRESENTED IN THIS DISCUSSION PAPER MAY ONCE AGAIN BE EMPHASIZED.
IT IS THE HOPE THAT THE DISCUSSION IN LATE NOVEMBER WILL BE BOTH
COMPREHENSIVE AND CONSTRUCTIVE AND WILL PERMIT THE RAPID
DEVELOPMENT OF FIRM PROPOSALS WHICH COMMAND GENERAL SUPPORT.

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SUBJECT:

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206

TATA INCORPORATED
425 PARK AVENUE
NEW YORK, N. Y. 10022

October 31, 1980



Dear Mr. Mc Namara,

May I thank you for the opportunity you kindly gave me yesterday to meet you, along with Mr. Qureshi, which I greatly appreciated.

In the course of our talk, Mr. Qureshi mentioned the somewhat novel step the Tata Iron and Steel Company had taken in submitting itself to an independent social audit.

As you expressed some interest in the matter, I enclose, under a covering letter, a copy of the report and a summary of it which we attached to our annual report to the stockholders.

With warm regards,

Yours very sincerely,

J. D. Tata

Mr. Robert S. McNamara
President
IBRD
Washington

INCOMING MAIL UNIT

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TATA INCORPORATED
422 PARK AVENUE
NEW YORK, N. Y. 10022

October 31, 1980



Dear Mr. A. Kumar,

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With warm regards,

John H. G. ...

[Handwritten signature]

INCOMING MAIL UNIT

1980 NOV -5 PM 2: 28

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Mr. Robert S. ...
President
IBRD
Washington

THE TATA IRON AND STEEL COMPANY LIMITED

Bombay House, 24, Homi Mody Street,
Fort, Bombay, 400 023

494/6/28

CHAIRMAN'S OFFICE

New York,
31.10.1980



Dear Mr. Mc. Namara,

The social responsibilities of business, which in recent years have received much attention in India, have been of special interest to this Company from its early days for they were recognised and acted upon as far back as the turn of the century by its Founder, J. N. Tata.

In order to formalise and legalise its views and actions in the matter, our Company got its shareholders in 1970, to add a clause in its Articles of Association, which laid down that it "shall be mindful of its social and moral responsibilities to the consumers, employees, shareholders, society and the local community". During the past year, the Company decided to take one step further in the matter and have a social audit of the Company's performance conducted by three eminent men totally unconnected with the Company. It accordingly appointed a Social Audit Committee consisting of a retired Chief Justice of the Bombay High Court as Chairman, a leading sociologist, and a political scientist and parliamentarian, who were asked to examine and report whether, and the extent to which, the Company had fulfilled the objectives contained in the above-mentioned clause.

As the Company's decision to put its social performance to the test of an independent audit was of a somewhat novel and pioneering nature, I thought you might perhaps be interested in hearing about it and in glancing through the report of the Committee. As it is a rather long one, I am sending you along with it a copy of the summary of its findings which we published in the Directors' Annual Report to the shareholders.

With kind regards,

Yours sincerely,

J.R.D. Tata
(J. R. D. Tata)

Mr. Robert S. McNamara
President
IBRD
Washington

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22/11/80

THE TATA IRON AND STEEL COMPANY LIMITED

Bombay House, 2A, Hornby Road, Bombay, 400 023



CHAIRMAN'S OFFICE

31.10.1980

Mr. R. D. Tata

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With kind regards,

Yours sincerely,

J. N. Tata
(J. N. D. Tata)

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Mr. Robert
President
IBRD
Washington

Social Audit
of
THE TATA IRON AND STEEL COMPANY LIMITED

The Tata Iron and Steel Company has always been conscious of the fact that its obligations extended beyond the normal corporate responsibilities to its shareholders and included social obligations to employees, consumers and the national economy. In October 1979, it decided to put its social performance to the test of an independent audit by a Committee consisting of

- (i) Mr. Justice S. P. Kotval (Chairman),
Retired Chief Justice of the Bombay High Court.
- (ii) Prof. Rajni Kothari,
Director of the Centre for the Study of Developing Societies, Delhi.
- (iii) Prof. P. G. Mavalankar,
Director of Harold Laski Institute of Political Science, Ahmedabad and ex-Member of Parliament.

2. The terms of reference of this Committee were as follows:—

To examine and report whether, and the extent to which the Company has fulfilled the objectives contained in Clause 3A of its Articles of Association regarding its social and moral responsibilities to the consumers, employees, shareholders, society and the local community.

3. The Committee examined voluminous material submitted to it, interviewed a number of persons and visited Jamshedpur, Calcutta and the Company's mines on two separate occasions. After this exhaustive work, the Committee has recently submitted a detailed report, a summary of which is given in the following paragraphs.

Jamshedpur

4. The Committee has described in some detail the municipal and other services provided by the Company in Jamshedpur such as filtered water supply, an underground sewage system, housing, health and conservancy and medical care, and has noted with dismay the adverse effects of the Bihar Land Reforms Act on the maintenance and expansion of these services. It has recommended that "the Company would be well advised to place these facts and the consequent impact on the health and the fellow-feeling which hitherto existed among the community, before the Supreme Court and ask that the Stay Order may be suitably modified to enable them to carry out such necessary and useful activities, as they may specify."

Works

5. In setting out its impressions of the Works at Jamshedpur, the Committee notes with satisfaction that "we got an indelible impression of the great pride which the workers took in their work and of the 'esprit de corps' which they showed". The Committee was "impressed by the good relationship and friendliness that exists between the supervisory staff and the workers". According to the Committee, the main reasons for this good relationship were: a carefully developed system for creating job satisfaction among workers, an elaborate process of joint consultation between workers and management, a three-tier system of resolving workers' grievances, a scheme for encouraging workers to put forward new ideas for improvement of work and the fact that the Managing Director and the other officers of the Company are freely approachable by the humblest among the workers in regard to their grievances. The Committee notes: "As a result of all these and various other measures taken by the Management, Tisco has a reputation in the country for cordial industrial relations which is the envy of other corporations. There has been no strike in Jamshedpur over an industrial dispute for more than fifty years."

6. The Committee was, however, concerned about the atmospheric pollution in Jamshedpur caused by the smoke from the stacks in the Plant and has suggested that this problem should be controlled and, if possible, eliminated. The working conditions in the Sintering Plant in the Works at Jamshedpur were especially criticised by the Committee. It found that the atmosphere of this part of the Plant was more polluted than in any other part of the Works and the heat was intense. The Committee, therefore, states that such units or locations where the ill-effects of pollution are concentrated call for immediate measures of alleviation. In the Sintering Plant, the Committee found a notice advising the workers to take fresh air for half an hour after every two hours of work. It was informed by the Superintendent of the Plant, however, that he could not allow workers to take fresh air as advised in the notice since there were no relieving hands. The Management at Jamshedpur had assured the Committee that the necessary extra staff would be provided.

Consumers

7. The Committee has described the procedure for distribution of steel, control of its quality during production and for dealing with consumer complaints regarding quality and has come to the conclusion that the Company has fulfilled its obligations to the consumers.

Shareholders

8. On the question of the moral and social responsibilities towards shareholders, the Committee had obtained the views of the Company as well as of representatives of the shareholders. After examining these, the Committee has expressed the view that "the dividends paid during the past few years appear to be somewhat meagre and since the Company is constrained by executive instructions to limit them, the Company should make the necessary application to Government to be allowed to increase it." The Committee also feels that the Company can perhaps give more thought to issues like a more aggressive debt policy and possible diversification. At the same time, the Committee recognises that, ultimately, the problems raised by the shareholders can be handled only by improvement and modernisation of the existing plant, pending Government's approval to expansion, which will increase profits and thereby dividends as well as market value of the Company's shares, and removal, in time, of the control over prices and dividends. The Committee does not subscribe to the undertone of criticism among some shareholders of the better wages and benefits given to workers and the programmes undertaken by the Company for the benefit of the larger community and society.

Community Welfare

9. The Committee commends the various welfare measures undertaken by the Company at Jamshedpur, particularly the community development centres which serve the community through training women in skills like sewing and embroidery, classes for young children in arithmetic, Hindi and other subjects, pre-school classes as well as regular school classes for children, instruction in technical education for boys, cultural activities like games and sports, medical facilities, family planning work, etc. The Committee was particularly pleased to find that such activities were benefiting deaf and dumb women, aged, helpless widows, destitutes, and otherwise incapacitated bustee dwellers and urchins. The Committee noted that the Company today spends about Rs. 37 lakhs per year on such community development and social welfare programmes.

10. The Committee sets out in some detail the welfare work undertaken by the Company for Adivasis, for whom in the past five years the Company has carried out several schemes including construction of schools and colleges, sports clubs and youth clubs.

11. The Company's programme for Rural Development, which will cost Rs. 1.50 crores over five years, has been described in detail and approvingly by the Committee. After noting the contents of the programme like agriculture and crop extension, establishment of centres for training villagers in dairy and poultry farming, piggery and goat breeding and starting of village industries like brick making and cane work, the Committee has noted "it is really and truly a social obligation that the Company has discharged towards society at large round about Jamshedpur".

12. In regard to the programmes for Community Development and Social Welfare and Rural Development, the Committee has made the following recommendations:—

- (a) At the time of allocating funds for various items of social welfare, details of the physical work to be carried out and the benefits expected therefrom should be ascertained.

- (b) When the next annual budget is prepared, the previous years' performance in comparison to the expectations should be scrutinised.
- (c) A larger appropriation for education of children, particularly girls and Adivasis in rural areas, is of vital importance.
- (d) In allocating funds for social welfare, care should be taken to:—
 - (i) foster self-reliance in the community, and
 - (ii) give priority to the more critical felt needs of the community through a process of consultation.

Relief work

13. The Committee has reviewed in detail the relief work undertaken by the Company for the benefit of the larger society in times of epidemics, floods, droughts and other such calamities. It has dealt with the small-pox eradication campaign undertaken by the World Health Organisation in the Chhotanagpur Division in 1974 for which the Company gave considerable assistance. In regard to this work, the Committee says: "This was humanitarian work of a high order, the like of which it would be difficult to find undertaken in India by any company—public or private." The Committee has also reviewed the work undertaken by the Company, in association with other Tata Companies, in droughts and floods in Bihar and Orissa in recent years, in the cyclone which struck Andhra Pradesh in November 1977 and the communal disturbances which overtook Jamshedpur in April 1979. The Committee has suggested that a force of trained field workers should be kept ready in Bombay, in association with an institute like the Tata Institute of Social Sciences and the other Tata Companies, to rush to any part of the country whenever a calamity occurs. This would make it possible to start the necessary relief work without any loss of time.

Conclusion

14. The Committee concludes its remarks with the following two paragraphs:—

"Subject to what we have said above, we are satisfied that the social performance of this Company is of a high order and, in its magnitude, is perhaps unequalled in India. We are satisfied that the Company has amply fulfilled the objectives contained in Clause 3A of its Articles of Association regarding its social and moral responsibilities to the consumers, employees, shareholders, the local community and society.

"Under the leadership of J.R.D. Tata, the Company has not merely fulfilled the dream of its founder for the Company which he planned and for his country, but has gone far beyond it. The Company spends in all about Rs. 10 crores per year upon its social welfare programmes, including the deficit on the Town. It has encompassed, within the ambit of its activities and financial aid, not merely the worker and his dependants but the community among which they live and indeed society in general in far-flung corners of India whenever a calamity or a disaster has struck. At the same time, it has taken care to see that the consumer who buys its goods gets value for his money and, within the limitations laid down by Government and other compulsions within which it operates, the shareholder, whose money it uses, gets an adequate return."



united nations
 nations unies
 naciones unidas



world food council
 conseil mondial de l'alimentation
 consejo mundial de la alimentación

HEADQUARTERS: Via delle Terme di Caracalla, 00100 ROME

Cables: FOODAGRI ROME

Telex: 610181 FAO I

Telephone: 57971

31 October 1980



Dear Mr. McNamara,

Your address to the Board of Governors has provided a penetrating analysis and added to our understanding of the current problems of development. It is a worthy successor to a series of statements which have done much to set the pattern of development thinking in the last decade just as the Bank under your direction has established its leading role in development action. Your departure from the Bank will be deeply felt by all who care about development.

There is little comfort to be found in the prospects for the developing countries in the first half of the eighties. In particular, I am deeply concerned with the worsening prospects for food in most of the low income countries. From our point of view, it was a little disappointing that your own statement did not highlight more the food problem and the necessity to continue to give priority to addressing it. I say this with full appreciation for the leading role which the Bank has taken in increasing the flow of funds for food production, and likewise the strong support which you personally have given to food issues.

You first encouraged us to think that countries with serious food problems could plan to address them in a more determined and comprehensive way. We have carried it forward in the World Food Council with Bank encouragement, and today the concept is widely accepted. Jointly with the Government of The Netherlands we are sponsoring a workshop for 19 African countries who are preparing food strategies. The Government of Mexico has asked us to sponsor with them a similar meeting for Latin American countries in Mexico City next year.

/2.....

Mr. Robert S. McNamara
 President
 World Bank
 1818 H Street NW
 Washington D.C. 20433

494/6/28

*Manojo 20/6
 happy to support
 your proposal. En cr*



- 2 -

The Russian on my staff tells me our work has influenced Government thinking in the decision to prepare a "food programme" aimed at the integration of agricultural development with other related sectors "planned, financed and managed as one united complex to provide the highest final results". This is from a statement of Mr. L. Brezhnev on October 21, 1980, announcing the decision of the Polit Bureau of the Central Committee of the CPSU for an integrated food programme. Apparently such an integrated focus on food is entirely new for the USSR.

So the idea of national commitment for giving greater priority attention to food problems has gained adherents in many quarters. This is important for developing countries for, as you well know, without national commitment international programmes remain limited in their effectiveness.

Unfortunately this realization has come slowly with much time lost, and now a "fire storm" of political turbulence and growing hunger and misery lies ahead for the poorest regions. It was this concern which led me to place "food crisis contingency planning" on the international agenda last year. Progress has been made on a more adequate Food Aid Convention, as a minimum floor for food aid, and the IMF is taking seriously the need for a food financing facility. But again we have missed the opportunity to make a beginning on an internationally-agreed system of food reserves when supply conditions would have made it sensible to do so.

Topics for the next World Food Council meeting in Novi Sad, Yugoslavia, next May 25-29, include strengthening coordination among the many actors in the food field, elaborating further the elements of the emerging world food strategy, and re-examining food aid programmes. My concern with the latter is that encouraging dependency on external food supplies is more inherently built into on-going programmes than any of us have been willing to admit.

I am hoping to broaden the base of Council support by inviting ministers of development cooperation and planning, as well as ministers of agriculture, to attend the Novi Sad meeting.

However, I must admit that the limited progress made by the World Food Council in the last two years has been heavy going, by which I mean there has been mounting interference and opposition from Mr. Saouma of FAO who resents the effectiveness of our initiatives, without having any real alternatives to offer.

/3.....



- 3 -

I have come to the conclusion that the full-time head of the World Food Council should be a leading political personality with sufficient rank and prestige to carry forward the work begun by the World Food Conference and John Hannah. I intend to make such a proposal for a "World Food Coordinator" at the level of Ken Dadzie and with enough drive and prestige to do in the area of food and hunger what nations are now beginning to do for energy development. This is far from Lord Boyd Orr's vision of a World Food Board but it would be an improvement over the present inadequate arrangement. I am prepared either to resign to make way for a more effective "World Food Coordinator" arrangement or to work as his deputy.

I will shortly place this proposition before Secretary-General Waldheim and hope that if your advice is sought and you think well of it, you will lend the idea your support. It has the enthusiastic support of Minister Arturo Tanco of the Philippines.

With best personal regards,

Yours sincerely,

A handwritten signature in dark ink, appearing to read "Maurice J. Williams".

Maurice J. Williams
Executive Director

159



DEPARTMENT OF STATE

Washington, D.C. 20520

BUREAU OF OCEANS AND INTERNATIONAL ENVIRONMENTAL AND SCIENTIFIC AFFAIRS

October 28, 1980

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494/6/27
IBRS 104
WBG
ARCHIVES

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

10/31
return to me
A. J. H. R. Knew
[I had him in 10/31 I would see him in Dec]

Dear Bob:

Since the Venice Summit, there have been several developments in the population area which I felt you would be interested in.

On August 25, Secretary of State Muskie delivered a major address at the Special Session of the United Nations General Assembly, in which he called attention to the worldwide problem of population growth and proposed a new international commitment to expand significantly the availability and use of family planning. On September 1, Richard N. Cooper, Under Secretary of State for Economic Affairs, addressed the European Forum in Alpbach, Austria, with an appeal for expansion of funding for population programs and for fertility research. Cooper emphasized that such international efforts are essential to avoid economic crisis later in this century. Also in September, the U.S. was successful in achieving consensus at the United Nations on language with respect to population policies and objectives in the "International Development Strategy," the basic UN strategy document for the Third Decade of Development. Texts of all three of these items are enclosed for your information.

10/30

On other fronts, I have been involved recently in developing follow-up initiatives to the Venice Summit and Global 2000 Report, in discussions on population issues with Catholic Church officials, in an examination of biomedical research needs and potential, and in discussions in a number of African countries on population strategy. I would be happy to discuss these or any other related subjects with you.

With best wishes,

Sincerely,

Richard

Richard Elliot Benedick
Ambassador
Coordinator of Population Affairs

Enclosures:

As stated.

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DEPARTMENT OF STATE
 BUREAU OF OCEANS AND INTERNATIONAL
 ENVIRONMENTAL AND SCIENTIFIC AFFAIRS

Washington, D.C. 20520

October 28, 1980

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

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With best wishes,

RECEIVED
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 Richard Elliot Benedick
 Ambassador
 Coordinator of Population Affairs

Enclosures:

As stated.

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UNICEF

UNITED NATIONS CHILDREN'S FUND · FONDS DES NATIONS UNIES POUR L'ENFANCE

UNITED NATIONS, NEW YORK



CABLE ADDRESS UNICEF

494/6/26
Many thanks for your note & congratulations on an outstanding success to the UNICEF
If you could be of assistance to my cause, please let me know with best wishes

Dear Bob,

I was enroute to Moscow at the time of your World Bank address on 30 September, and it is only today that I have had an opportunity to read it. I am making your address "must" reading for my senior staff, with particular emphasis on your comments on the drive against poverty. It is a most appropriate final major address to the institution which you have done so much to mold, but which, to use your words, "has only begun to develop its full potential for service and assistance."

Your efforts of the 1970s have made it far easier for UNICEF, with its esteemed image, to make a major contribution in the name of children in the 1980s. With the primary task of helping families in absolute poverty through international programs, and with 80% of our staff being located in the developing countries, UNICEF has the potential of being a natural complement to the World Bank. I spoke to this subject in my statement two weeks ago to the Second Committee of the General Assembly (see first 3 pages).

You closed your address with the GBS quote:

You see things and say why? But I dream things that never were, and I say why not?

I look forward to an opportunity in the days immediately ahead to talk further with you on how best to twin Bob McNamara's World Bank--and Bob McNamara himself--to producing a synergistic one plus one equals five. On the former I have been having some most useful discussions with your remarkable John Evans.

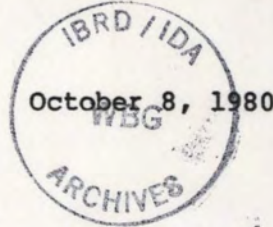
Honorable Robert S. McNamara
President
The World Bank
1818 H Street, NW
Washington, DC 20433



494/6/25

10716 to Senator Mathias
a magnificent statement
as far as the best I have seen

CHARLES McC. MATHIAS, JR.
UNITED STATES SENATE



on private. I
hope you will follow
it with "a Compreh-
ensive Defense
Policy" Best wishes
RM

Dear Bob:

I am enclosing a statement which I released last week entitled "Toward a New American Foreign Policy."

In it, I have tried to take a comprehensive look at what constitutes "national security" in this day and age. I have sought to avoid dwelling on our past successes and failures and instead have concentrated on what I believe should be our national security priorities for the future.

I thought that you might find it of interest.

With best wishes,

Sincerely,

Charles McC. Mathias, Jr.
United States Senator

The Honorable Robert S. McNamara
President
The World Bank
2412 Tracy Place
Washington, D.C. 20008

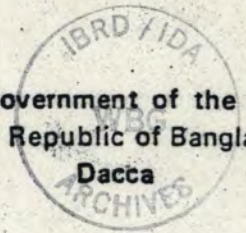
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بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

MINISTER FOR FINANCE



Government of the Peoples' Republic of Bangladesh
Dacca



No.EC/3(4)/80.

September 30, 1980.

Dear Mr. McNamara,

I would like to bring to your notice certain development measures which the Government of Bangladesh has taken recently or intends to take in the next few years.

1. In May the Government issued its Second Five-Year Plan on the economic development of Bangladesh covering the period FY81-85. The Plan's main objective is to achieve an acceleration in the rate of economic growth and to spread the benefits of development to the broad mass of the population, particularly to people in rural areas. To this end, the Plan gives particular emphasis to three priority areas: the growth of agricultural production, the achievement of a high degree of literacy and a reduction in the growth rate of the population. The Government holds progress in these three areas essential for increasing the well-being of the people and for laying the foundation for faster economic growth.

2. The most immediate impact on economic growth should come from increased development efforts in the field of agriculture, particularly as it relates to foodgrain production and distribution. In view of the central position of foodgrains in the agriculture sector and in the Bangladesh economy generally, improvements in policies affecting the production, marketing, and distribution of foodgrains are crucially important for stepping up economic progress. They are necessary for achieving acceleration of overall economic growth, reduction in the country's dependence on outside assistance and improvements in the conditions of the poor. Foodgrain production has the potential of becoming a leading sector in Bangladesh whose growing output and incomes can stimulate other activities through expenditures for agricultural inputs and processing industries and higher consumption levels. More appropriate input and product price policies also have the potential of boosting domestic resource mobilization, which is one of the country's foremost development requirements.

3. To achieve a breakthrough in agricultural development, the Government has decided: (i) to step up its outlays for agricultural

development; (ii) to implement a Medium-Team Foodgrain Production Plan (MTFPP) which aims at food self-sufficiency by FY85; (iii) to make increased use of the private sector in the supply of inputs; (iv) to encourage the private grain trade and establish adequate grain storage capacity; (v) to improve the coordination of food policies; and (vi) to improve the quality of planning in agriculture.

Outlays for Agricultural Development

4. Under the Medium-Team Foodgrain Production Plan, foodgrain production is to be raised from an estimated normal level of 14 million tons in FY80 to 18-20 million tons in FY85. The Plan's major components are approximately 60 individual projects; it is to be put in final form in the fall of 1980 and then to be submitted for Government approval as an official planning document. The Government intends to review the implementation of the MTFPP at regular intervals and to request IDA to join in this.

The most important strategy element of the MTFPP is the development and efficient use of water resources. During the period of the MTFPP, the total irrigation area is to be doubled (from 3.6 million acres to 7.2 million acres). Within the irrigation program, emphasis is to be on minor irrigation which is to account for about half of the total financial outlay for water resources development and which should provide about 80% of the increase in irrigated area. In major irrigation, the Government intends to concentrate on ongoing projects for which foreign aid is available, new projects with low unit cost and rapid returns for which there are firm indications of external support, and rehabilitation and expansion of existing schemes. The MTFPP also gives increased emphasis to drainage and minor flood control investments which, in many areas, can increase the opportunity to grow two crops during the rainy season at low unit cost.

5. The Government has decided to correct the decline of recent years in the proportion of total resources spent on agricultural development. Spending on agricultural development, excluding the fertilizer subsidy, dropped from 31% in FY75 to 23.2% in the original Annual Development Program (ADP) in FY80. Evidence of the Government's resolve to increase the proportion of spending to agriculture was given in the somewhat increased allocation (to 24.6%) to agriculture in the revised ADP for FY80 and the further increase to 26.9% in the ADP for FY91.

6. The allocations in the FY81 ADP for irrigation, drainage and flood control have been made in conformity with the targets for the first year of the draft MTFPP. Allocations to the Bangladesh Agricultural Development Corporation (BADC) permit slightly faster growth in the installation of minor irrigation equipment than is foreseen for the first year of the MTFPP. Allocations for irrigation, drainage and flood control projects by the Bangladesh Water Development Board (BWDB) also have been in line with the proposals of the MTFPP.

7. The BADC budget and the Import Policy for FY81 provide for sufficient imports of diesel fuel and spare parts to insure full utilization of irrigation equipment throughout the year.

8. The Government has commissioned a local consultant to carry out a study on the need for additional bulk storage of diesel fuel in rural areas for irrigation purposes; the study will be carried out according to terms of reference discussed with Bank staff.

9. Acceleration of the growth of agricultural production and particularly the associated increase in the use of purchased inputs and in the marketable surplus will require a substantial increase in the amount of short-term agricultural credit. At present, agricultural credit amounts to the equivalent of only 4.3% of the value added of agriculture. The poor repayment record on this type of credit has been a matter of concern to the Government and efforts are therefore being made to achieve a higher degree of credit discipline. In FY81, the Government will strengthen its efforts to improve recovery of short-term agricultural loans and enforce denial of credit to borrowers who are in arrears. At the same time, the Government intends to increase the overall availability of short-term credit to the sector; the increase foreseen for this type of credit in the FY81 Annual Credit Program amounts to 15% of such credit in constant prices in FY80. To facilitate investment by farmers and farmers' groups in irrigation and other farm equipment, the Government has, moreover, decided to increase disbursement of medium-term credit to the agriculture sector in FY81 by over 20% in constant FY80 prices.

Private Sector Role in Irrigation

10. In its efforts to achieve the increase in irrigated area specified in the MTFPP, the Government intends to rely increasingly on the initiative of the private sector. To this end, the Government has been encouraging the domestic manufacture of irrigation equipment, the establishment of private maintenance and repair shops and the ownership of irrigation equipment by farmers and farmers' groups.

11. To make the manufacture of irrigation equipment economically attractive, the number of equipment makes to be manufactured in Bangladesh will be strictly limited. The domestic parties that receive licenses to undertake the manufacturing of engines are expected to start within a reasonable period of time with setting up domestic manufacturing plants and organizing dealerships with sufficient spare parts and servicing capability. To this end, the Ministry of Industries (Department of Industries), in close collaboration with the Ministry of Agriculture and Forests (BADC), is establishing a time schedule which it will use to monitor the private sector's progress in setting up domestic manufacturing plants, dealerships and servicing depots and in obtaining technical assistance and training from the parent companies abroad. The licensed firms have been notified that they must send in periodic progress reports on their activities and the foreign parent companies have been informed of this monitoring schedule. If progress by the private parties and the foreign parent companies falls behind schedule, the Ministry of Industries may consider revoking their licenses.

12. Even with rapid action on the part of the private sector it will probably take at least a few years before domestic engine production can fully meet the domestic demand. In the interval it is desirable that the

private sector be permitted to establish itself more firmly in the domestic market through the direct import of engines as well as spare parts and raw materials for pump sets. Such imports will also be useful if imports under foreign aid agreements by BADC, which is at present the largest importer, fall short of the requirements of the MTFPP because of procurement difficulties or organizational shortcomings. For this purpose, the Government has allocated \$8 million in the FY81 Import Policy to allow direct import on open general license by private traders of shallow tubewell engines of makes selected under the Shallow Tubewells project and of makes of engines for which manufacturing licenses have been issued, and of raw materials used in the production of irrigation pumps, pump accessories and spare parts.

13. To strengthen the competitive position of the private sector vis-a-vis BADC and to improve its revenue position, the Government has decided to raise the prices charged by BADC for shallow tubewell equipment by a margin which is sufficient to cover duties on imported equipment. Since a substantial volume of shallow tubewell equipment has recently been ordered by farmers at prices which have been publicly announced, the price increase will be effective from December 31, 1980. To facilitate imports by private traders of irrigation equipment, the Government has lowered the standard margin requirements on Letters of Credit for such imports to 20%.

Private Grain Marketing

14. Encouragement of the private grain trade is an important part of the Government's foodgrain strategy. Most of the additional output arising from the implementation of the MTFPP will add to the marketable surplus. The Government intends to rely increasingly on the private sector to carry stocks from harvest to lean season and from surplus to deficit areas. A strong private market will also help the Government to operate an effective buffer stock program in which the Government procures grain to support farm-gate prices at harvest time and then resells grain through the open market to dealers during lean seasons to limit retail price increases. To enable the private sector to carry out these functions, the Government has decided to take the following steps by the opening of the next aman season, i.e. by November 1, 1980:

- (i) further revision of anti-hoarding legislation to permit private dealers to hold larger stocks;
- (ii) elimination of the Approved Grain Dealers system in at least 25% of all foodgrain procurement centers (both permanent and temporary) with a view to achieving complete elimination of the system within the next three years;
- (iii) establishment of a program for the introduction of standardized market weights in private grain markets; and
- (iv) expansion of the coverage of daily broadcasts to farmers on rice and wheat prices and market conditions in major rural and central wholesale and retail markets.

The Government has, moreover, appointed an interministerial working group to make specific proposals by December 1980 on reasonable allocations of credit to private traders for holding grain stocks and construction of grain storage facilities.

15. With respect to credit to private traders, there is concern that in times of short food supplies--such as might occur due to drought or delayed imports--such credit could lead to excessive hoarding that might exaggerate rather than dampen seasonal price swings. The working group will attempt to develop a foodgrain credit system that will allow it to release such credit under normal conditions at the start of major harvest periods, with the amount of credit to be determined on the basis of such factors as forecasts of the size of the pending harvest, existing in-country stocks, and firm import commitments.

Preparation Study for a Foodgrain Storage Project

16. The increase in marketable surplus arising from implementation of the MTFPP requires a substantial increase in storage capacity. The Government requires additional storage to enable it to procure sufficient grain to maintain prices at a remunerative level for farmers at harvest time and to carry out open market sales to limit price increases during lean seasons. The bulk of the increase in the marketable surplus must be held by the private sector and by local government bodies, however, and they therefore also require a large increase in the storage capacity at their disposal.

17. In order to project public and private foodgrain storage needs over the next five years or more, the Government has decided to carry out a comprehensive study of storage needs. The study is to provide a time-phased projection of additional storage needs by geographical area and will also project local requirements for foodgrain processing (milling) facilities; the projections will take account of plans for the improvement of roads and other transport and communications facilities.

18. The study is to be carried out in cooperation between local and foreign consultants. Terms of reference have been drafted and provided to IDA for its comments.

Work Program for the Secretariat of the Food Planning and Monitoring Unit (FPMU)

19. The Government has drafted a work program for the FPMU Secretariat for FY81, the first year of its operation.

20. In the first part of FY81 (four to six months), the Secretariat will focus on achieving rapid improvement in the information and analysis flowing to decision makers. This improved flow should provide a better understanding of the short-term outlook and facilitate the planning of imports, procurement and stocks of foodgrains and of inputs, particularly fertilizer and diesel fuel.

21. In the second part of FY81, attention will shift towards improving the quality of the information and obtaining data in a more timely fashion.

The Secretariat will also assist in preparing and monitoring the fertilizer budget and fertilizer supply and distribution plan and in research and planning activities for developing longer term fertilizer policies.

22. To strengthen the Secretariat the Government has approved the establishment of two additional section chief positions. Appointment to these new positions and to the position of Head of the FPMU is expected to take place soon. The Government has, moreover, requested technical assistance in the development of policy-oriented food information systems, the organization of such information in ways most useful for policy makers, and the analysis of food production, pricing, and related economic policy issues.

Planning Cell in the Ministry of Agriculture and Forests

23. The Ministry of Agriculture and Forests has established an Agricultural Planning Cell. The creation of this Cell is part of an internal reorganization of the Ministry which, among other things, has led to the establishment of a separate planning and development wing under a newly appointed Additional Secretary. The new wing permits better organizational separation than hitherto existed between tasks related to construction activities in the agricultural sector, contacts with aid donors and policy preparation, planning and monitoring. The task of policy preparation, planning and monitoring has been entrusted to the new Planning Cell. The Cell is to function as the Secretariat to the Agricultural Review Committee which consists of representatives of other parts of the Agriculture Ministry, and the agricultural agencies under its supervision.

24. The establishment of the Planning Cell involved the creation of five new positions of which four have been filled, while the remaining one is expected to be filled soon. When fully staffed, the Planning Cell will have 24 professionals, of whom 12 are highly qualified and experienced and 12 are research officers. The establishment positions before the creation of the Cell numbered only 19, of whom 9 were full professionals.

25. The Cell's activities will be regularly reviewed in consultation with IDA. They relate to the following areas:

- (i) strengthening the project preparation and implementation capability of various parts of the Ministry of Agriculture and Forests;
- (ii) establishing the role of the Agricultural Review Committee in giving direction to project selection in the field of agriculture;
- (iii) strengthening the staffing of the Planning Cell to review projects in the various parts of the Ministry of Agriculture and Forests and agricultural agencies; and
- (iv) obtaining technical assistance to strengthen the Planning Cell.

General Improvements in Plan Implementation: the Two-Year ADP

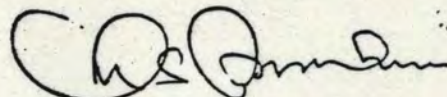
26. The Government has prepared a two-year ADP covering FY81 and FY82 within the framework of the SFYP. The two-year ADP, which is to be updated

annually and will therefore be a rolling two-year program, sets out the public sector development program in financial as well as physical terms indicating input requirements and expected output upon completion of the projects or programs. This new-style ADP will be used, to a greater extent than is possible with the present merely financial ADP, to monitor the progress of projects and to monitor the material balances of critically important commodities such as cement, steel products, POL, etc. In the budget allocation process it will also be used to determine the consistency of the Ministries' request with the SFYP strategy. Finally, the two-year ADP will, once it has become fully operational, permit the Ministries to procure materials from abroad sufficiently ahead of time to assure uninterrupted progress on their projects.

27. It will take time before the new-style ADP will have reached its full operational potential. Few of the line ministries have been able to comply fully with the requirement to present requests for financial allocations for FY81 and FY82 with the desired information about the physical content of the projects. Substantially more information on spending in physical units has become available since then, however. The Government is using this increased availability of information to introduce a system within the government administration to monitor the implementation in physical terms of the entire ADP and to monitor material balances.

28. The sector in which most progress has been made in formulation of the new-style ADP is the foodgrain sector. The summaries of major agricultural projects and programs prepared for the MTFPP have already served as a basis for technical as well as budget decisions in FY81 and will be used in the course of the financial year as an improved basis for monitoring the progress of the Plan. The Government has decided to prepare similar sector programs for certain other sectors: Industry, Education, Health and Family Planning, Transport, Power, the Fisheries and Livestock Sectors and the Non-Traditional Export Sector. These sector programs should help in improving the quality of medium-term planning in these key sectors and they should simultaneously be essential building blocks for the new-style rolling two-year ADP. It is expected that most of the sector programs will be completed within the next six months.

Please accept, Mr. President, the assurances of my highest consideration.



(M. Saifur Rahman)

Mr. Robert S. McNamara
President, International Development Association
1818 H Street, N.W.
Washington, DC 20043
U.S.A.

OFFICE MEMORANDUM

9/11 To Mr. Stern 494/6/23
If you wish to discuss, call me
when you return
r. I am inclined to believe we should wait until the Annual Mtg. to determine the next step.
Erner

TO: Mr. Robert S. McNamara

DATE: September 10, 1980

FROM: Ernest Stern *ES*



SUBJECT: Energy Affiliate

Attached is a set of projections, done by FPA, for the International Energy Corporation (IEC). The first set, accompanied by a table of key assumptions, outlines the IEC structure on the assumption that capital will be subscribed by governments. This will finance a lending program of \$25 billion by 1986, rising to \$64 billion by 1991. The second set outlines an IEC based solely on transfers of Bank income. It supports a lending program totalling a little over \$9 billion by 1986 and declining thereafter because no net income transfer is projected after 1986, presumably in line with your instructions.

9/11

The financial projections raise a basic tactical question. The Energy Corporation has been designed to minimize government contributions in the early years. We are assuming an initial capital subscription of only \$6 billion with a paid-in capital of 10 percent. Part of the reason also was to permit us to test a different gearing ratio. As you will see from the last page on financial ratios, the debt equity ratio does not rise significantly above one year until FY85, by which time we would have to have started discussions on a capital increase. If one looks at the potential distribution among OECD countries of say 80 percent of the total (\$6 billion) capital subscription the numbers suggest that it ought not to be difficult to obtain these resources. Perhaps this is an excessively optimistic view. But, for example, if the U.S. were to take only a 20 percent share of \$6 billion, it would mean a capital subscription of only \$1.2 billion and a paid-in capital, over two years, of \$120 million. This, I think, is saleable. Germany, Japan and France each at 10-15 percent is not improbable either. If this assessment is correct then we ought to consider whether a larger initial capital subscription is not desirable. One advantage would be to avoid having to go for a capital increase precisely at the time that discussions for a further Bank capital increase and or a change in the gearing ratio are likely to be at a serious stage. Another consideration is that we can capitalize on the apparently strong current interest in the energy problem while the climate three years from now is unpredictable. Moreover, a proposal which obviously would require a further capital increase within a short period will be criticized as being improperly constructed.

In any event, I believe our negotiating strategy should be inverted. Instead of starting with the OPEC countries we should start with the OECD countries. At the Annual Meetings we should actively seek major OECD countries' support for the Energy Corporation concept with the objective of using this initial support as a basis for subsequent discussions with

814

ROBERT H. B. BALDWIN



Dear Bob -

I certainly enjoyed our breakfast and hope that our conversation on the Energy Bank was helpful.

8/12

I am sending this letter for the record - I didn't bring it up last week because we have been over that ground enough. I do hope you can come see us syndicate the big issue

I was talking to you about
when we offer it, hopefully
in the early fall.

All the best,

Bob

494/6/21

MORGAN STANLEY

MORGAN STANLEY & CO.
INCORPORATED
1251 AVENUE OF THE AMERICAS
NEW YORK, NEW YORK 10020

July 30, 1980

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



Dear Bob:

We have received your letter of June 3 with respect to management arrangements for future World Bank issues and have subsequently met with Gene Rotberg on the same subject. Although we are disappointed by your decision to enlarge the management group, we will accept your decision to increase the size of the management group and wish to continue to support the Bank in every way possible.

On the question of rotation we would hope and strongly recommend that the practice not be extended to the additional managers. Suffice it to say that in our opinion rotation among five firms would cause a critical loss of continuity and would materially impair efforts to broaden the market for Bank bonds. We understand that your letter implicitly recognizes this possibility in stating that the matter of rotation will be under regular review and possible change in light of experience.

We greatly value the long and close relationship which we have had with the Bank over the past thirty years. We have always endeavored to give the most objective possible advice and we will continue to do that in the future. We very much look forward to the continuation of our relationship in the years to come.

Sincerely,

A handwritten signature in blue ink that reads 'Bob'.

Robert H. B. Baldwin

RHBB.ms j

RECEIVED
JUL 31 1980

N 04/10/21

MORGAN STANLEY

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Sincerely,

Robert H. Baldwin

[REDACTED]

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INCOMING MAIL UNIT

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494/6/20

BILL ALEXANDER, M.C.
DEPUTY MAJORITY WHIP



COMMITTEE ON
APPROPRIATIONS

CONGRESS
of the
United States of America

Wednesday
July 2, 1980



Dear Bob,

7/7

Thanks for the stellar
session in macroeconomics.
I wish more people knew
that there is no such thing as
a free lunch. You can
count on me.

Best wishes,

Jim

12/1/80

COMMITTEE ON APPROPRIATIONS



WILL ALEXANDER, M.C. DEPUTY MAJORITY WHIP

CONGRESS

of the United States of America



Handwritten signature
July 5, 1980

Mr. [Name],
Thanks for the letter
concerning [unclear]
at least more people know
that there is no such thing as
a free lunch. You can
count on me.

INCOMING MAIL UNIT
1980 JUL -7 PM 4: 05

RECEIVED

Handwritten signature