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THE WORLD BANK
Washington, D.C.

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McNamara Papers

Mr. McNamara's Chronological ^{file} Information (IPA)
file from, January - December, 1979 (Nursing) (Jan-Apr.)

The WestBow Group
Archives



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Chronological files (incoming) - Chrons 22

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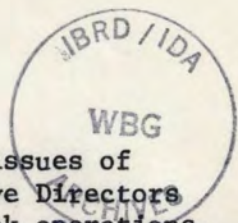
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Mr. de Namere (as desired). *Prudhomme*
4/30

494/4/14
File

NOTES ON INFORMAL MEETING ON REPORT OF
DIRECTOR GENERAL, OED, ON CONGRESSIONAL INVESTIGATIVE REPORT ON IFI's

(26 April, 1979)



I. Role of the Executive Directors: General.

DRAKE: Congressional Report raises broad and unresolved issues of Board-Management relationship and implies Executive Directors being led by Management, rather than directing Bank operations. Acceptable, even if true, if this structural relationship desired by member countries. But he understands President's job to manage Bank, Board's responsibility to work with President on policy formulation.

Report also implies Executive Directors derelict in their duties, and suggests merely "pro-forma" approval of loans, raising questions as to whether Board time being used to best advantage, and whether Management makes best use of informal consultative process.

Report also noted Executive Directors' problems in access to information to Bank documents. This is, in fact, a continuing and often quite unnecessary irritant.

JOHNSTON: Always apprehensive that Executive Directors are too far "downstream" in decision-making process to have effective grasp of issues facing Bank. Wants more open discussion "before Management's mind is closed and papers are written."

MAYOBRE: More participation by Executive Directors desirable. More active communication needed to assure early awareness of problems and concerns of Management.

CASSOU: Important to have regular consultative process.

FRIED: Discussions with Congressional Committee raised issues worth discussing in Bank. Will distribute April 25 Bergsten testimony containing some issues US thinks worth exploring.

4/1

Suggested Actions:

DRAKE: Procedures should be examined through process beginning with discussions among interested Executive Directors and informal meetings with members of staff. Concrete suggestions and unresolved issues could be taken up with President, preferably informally.

(Mr. McNamara welcomed this suggestion.)

CASSOU: Suggests adoption of Fund system under which Managing Director meets regularly and informally with 8-10 Executive Directors to discuss policy concerns and upcoming country issues.

(Mr. McNamara: The Board had previously been concerned that small group meetings with the President might lead to fragmentation. He suggested that this question be brought up in the discussions suggested by Mr. Drake.)

MAYOBRE: Supports Cassou suggestion; meetings with Managing Director useful, no problems of fragmentation.

JOHNSTON: Executive Directors should make more use of regional Vice Presidents to stay abreast of Bank operations and policies. More help should be provided by Management to assist Executive Directors.

(Mr. McNamara: Let the Executive Directors' informal discussions focus on this question: "country seminars" had been tried earlier, and dropped because of lack of interest: Management would also give thought to these questions and try to offer suggestions.)

II. Access to Documents

DRAKE: Policy that Executive Directors should have access to any document unless there is interest conflict is correct, but needs clarification to staff, who now deny documents to Executive Directors: cites example of "Transfer of Technology" paper.

While acceptable not to see documents, such as CPP's, that are very frank on local politics and problems, all should be clear on the principle that Executive Directors have right to see documents. Executive Directors have responsibility to be prudent as to conflicts; if questions arise decision should be made by Board.

LOOIJEN: April 1972 and October 1973 Board discussions decided Executive Directors had right to documents; should be as well informed as governments of countries they represented. Should be spelled out in administrative manuals.

(Mr. McNamara: Problems of Executive Directors' ^{hon-} access to documents have been a continuing irritant, largely caused by staff fears, praiseworthy in themselves, that political considerations might be injected in relationships that should be maintained as strictly professional: rules governing such access have not been codified, and now should be, and brought to the Executive Directors:

The basic policy is clear, viz: Executive Directors ~~are~~ have the right to see any document, subject to three qualifications: conflicts of interest; confidentiality of data, or information on individuals:

documents so disclosed, however, cannot be sent on to ~~to~~ governments unless made available to all Executive Directors. Authority for distribution to the Board as a whole rests with the Secretary:

the Executive Directors should make clear to the regional Vice Presidents what documents they want. The interpretive discretion as to the suitability of this material rests with the Executive Directors themselves:

should any problems arise in obtaining access, Executive Directors should bring these up with the President or the Secretary.)

ROTA: Supports Drake, but feels problems can be solved by going through President or Secretary.

FRIED: Strong and continuous effort should be made to limit production of restricted documents; the more documents are publicly available, the healthier the institution.

Administrative manuals should be revised to distinguish between routine distribution lists and limitations on availability.

III. Transmittal of Paper to Congressional Committee

- DRAKE: Hopes Board will agree to release report.
- JOHNSTON: Questions whether this would entail any endorsement by Board, or only authorization to President to release.
- FRIED: Would be good to put in record of Congressional Committee, as did IDB, by transmitting report through US Treasury Secretary.
- LOOIJEN: Would approve of sending to all member governments.
- (Mr. McNamara: No endorsement required, but merely he be authorized to release the document to Mr. Fried for transmittal to the US Government.
- Note: 50 copies subsequently given to Fried.)

IV. Executive Directors' Discussions of the Budget

- DRAKE: Feels Executive Directors lack input in budget discussions. Some Board members not satisfied with two-day discussion. While involvement in minor details not appropriate, areas of policy needing further discussion should be identified and taken up later.
- McNAMARA: The budget is a living document, the foundation for discussions throughout the year: during general discussion of budget, there could be a more formal identification of policy matters individually requiring further discussion. Suggests seminar for EDs two to three weeks after they receive budget document:
- he had expected that discussions of the financing questions facing the Bank and IDA would have been finished so that other policy matters could be taken up. These included a discussion of lending criteria, a new look at lending for the health sector, and an exercise in looking ahead a decade to decide where the Bank should go, and how it should get there: this exercise should begin with informal discussions to isolate the major issues involved and lead to Management proposals.

V. Changes in Health Sector Policy

DRAKE: Inconsistency in Management consultation with Executive Directors shown in minor but irritating example of reading of planned changes in health sector policy in press.

(Mr. McNamara: there have been no changes in the Bank's policy of supporting only health components in projects. While Management is considering suggesting a broader involvement including projects directed entirely at this sector, no proposals have finally been decided upon, and completion of a Board paper still at least 60 days away.)

If such a policy change is proposed, and accepted by the Board, likely to have little impact on the FY80 budget.

Management benefit from consultation with the Executive Directors, and almost all policy issues are made known to them. If information on any issue thought to be inadequate, the Directors should make this known to him.)

VI. Need for Report on Bank Accomplishments

CASSOU: Regrettable that Congressional report and other documents such as OED annual report, do not describe Bank's positive achievements. Need new report to describe accomplishments in job creation, export growth, etc.

FRIED: Consider possibility of Annual Report laying out accomplishments in terms of reaching poor; testing Bank against its stated objectives. Should frankly set out and assess problems faced, and not be just public relations tool, but used for self-assessment.

MAYOBRE: Supports concept. Should show benefits accruing to developed as well as developing countries.

(Mr. McNamara: this concept welcome: Mr. Clark and Mr. Ul Haq should discuss it with Mr. Cassou.)

VII. The Director General's Report:

RAZAFINDRABE: Satisfaction with report.

LOOIJEN: Feels statement (p.3) that Executive Directors' views become part of formal record of meetings mistaken, as Summaries of Discussions informal, not vetted by Board.

(Note: Mr. Weiner has since corrected this.)

Questions Bank knowledge of charges (p.15) that US Department of Justice is investigating two charges of IFI corruption.

(Mr. McNamara: difficult to obtain further information on this matter. The Bank's Legal Department querying the US, and any response would be reported to the Executive Directors.)

494/4/13

April 12, 1979



Dear Mr. Secretary-General:

I have read with interest your letter of March 21, concerning the presence of executive heads themselves at meetings of the ACC. I entirely agree that our personal participation is desirable. We are all most appreciative of your own effort to be in the chair for the duration of each meeting. I am sure you will understand that occasionally the unforeseen demands of our own organizations and the schedules imposed by the rhythm of their work will require that we remain at our headquarters. For example, the pace and press of business occasioned by the fact that the World Bank's fiscal year ends on June 30 makes it impracticable for me to be away from Washington about that time; hence my absence from the summer ACC.

I would wish to be a regular participant in the ACC meetings and I take careful note of their dates. It is my intention and expectation to attend the October session.

Let me, then, assure you that I do not lightly absent myself from the meetings with you and my colleagues. When I am not able to be present, my representatives have my full confidence and keep me fully informed of the outcome of the discussions.

Thank you for your letter.

With kind regards,

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

The Honorable
Kurt Waldheim
Secretary General
United Nations
New York, N. Y. 10017

SBoskey/RSMcNamara:bmm
April 12, 1979



THE SECRETARY-GENERAL

3/27 To Mr. Clarke
Please draft a reply
Linn

SEB
for your file

21 March 1979



My dear colleague,

As the next session of the Administrative Committee on Co-ordination approaches, I would like to convey to you a particular concern I have regarding our meetings.

As you know, the restructuring recommendations lay considerable emphasis on the need for the ACC to respond to the policy objectives set by governments more effectively. To that end, and to achieve greater coherence of action, new structures and arrangements for the functioning of the ACC machinery were agreed upon at our last session. Specific measures are being developed to ensure that the ACC is increasingly able to focus its attention on substantive issues of central importance to the United Nations' system.

I am sure you will agree that the effectiveness of the ACC, and thus also its ability to meet the concerns underlying the restructuring recommendations, depends to a very large extent upon the personal participation of all its members. You may be assured that I am fully aware of the large number of meetings that we are all required to attend and the difficulties that we encounter in organizing our schedules. In order to reduce these

Mr. Robert S. McNamara
President
World Bank
Washington, D.C.

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3/27

Handwritten notes at top left, including "Mr. [unclear]" and "Chairman [unclear]"



THE SECRETARY-GENERAL

Handwritten signature/initials

21 March 1979



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difficulties to the minimum, the dates of ACC sessions are always fixed several months in advance and I have made it a point to include the ACC in my schedule, even at times when political developments have made this extremely difficult.

I trust that you will understand the spirit in which this letter is written. It is essential that there be personal involvement of all executive heads in the highest-level consultative machinery of the United Nations' system at this time when international organizations are in need of greater support from the world community.

With kind regards,

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Kurt Waldheim', written in a cursive style.

Kurt Waldheim

The World Bank

1818 H Street, N.W.
Washington, D.C. 20433, U.S.A.



3/20/79

With the compliments of

Mr. R.S. McNamara

Mr. Edward R. Fried

U.S. Executive Director

Fale

MATTHEW F. MCHUGH
27TH DISTRICT, NEW YORK

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AND RELATED AGENCIES
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March 14, 1979

Mr. Edward R. Fried
U.S. Executive Director
The World Bank (Room E-1112)
1818 H Street, N.W.
Washington, D.C. 20433



*ee Owen, Bugsten,
Nachmanoff, King,
Godfrey, Biecke,
WPD, PB, ST
3/19/79*

Dear Ed:

Thank you for your recent letter. It was thoughtful of you to write, and it was a pleasure to have the opportunity to point out some of the positive accomplishments of the World Bank.

Unfortunately, I am not sure whether this will have much of an impact. As you know, the recent report of the Surveys and Investigation Staff raised some important procedural criticisms that could have a serious negative effect on funding levels for FY 1980 unless the administration moves aggressively to develop appropriate responses before the authorization bill reaches the floor. Thus, I hope that you will use your influence to persuade the Treasury Department to move quickly in developing a response.

In the long-term, there could be a continuing erosion of support for the World Bank and other IFIs unless the governments of countries such as Mexico move aggressively to distribute the benefits of development more widely. I realize that this cannot be accomplished overnight, but I do think that the IFIs have to face up to this issue at some point in the very near future.

Best regards.

Sincerely,

Matthew F. McHugh

MFM:gb1

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494/4/12

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

Executive Director

March 15, 1979



Dear Mr. President:

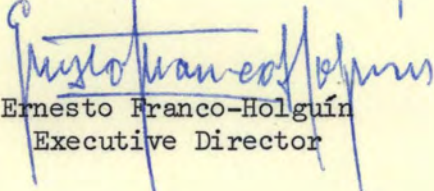
In my letter of March 9, 1979, I conveyed to you the requests of Brazil, Colombia and Ecuador for an increase in their subscriptions to the capital stock of the Bank to correct the disparity between their initial subscription in the Bank and in the International Monetary Fund.

In the same letter I indicated to you that the Government of the Dominican Republic was also considering a similar request but that it had not yet formally authorize me to present it.

3/16

I have now received that authorization and I, therefore, convey to you on behalf of the Dominican Republic its request for an increase in its subscription to the capital stock of the Bank of 274 shares. The request of the Dominican Republic is based on the same reasons adduced by the governments of Colombia, Ecuador and Brazil.

Sincerely,


Ernesto Franco-Holguin
Executive Director

Mr. Robert S. McNamara
President
The World Bank
Washington, D. C.

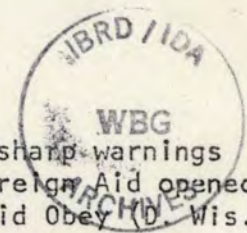
cc: Mr. P. N. Damry

OFFICE MEMORANDUM

494/4/10 File

TO: Mr. John E. Merriam

DATE: March 15, 1979

FROM: Peter Riddleberger *PR*SUBJECT: Blumenthal Testifies on IFIs

Treasury Secretary Michael Blumenthal received two sharp warnings yesterday as the House Appropriations Subcommittee on Foreign Aid opened hearings on the FY 1980 IFI requests. One came from David Obey (D. Wis.) who told the Secretary, "You're crazy" to think that Congress would support a \$12 to \$14 billion 6 IDA replenishment. Blumenthal had just explained that the donors had anticipated a 5% - 8% annual increase in lending with a U.S. share of between 27% - 29%. Obey said he would be no part of this losing cause if such a proposal ever came to the Floor.

3/15
The second came from Charles Wilson (D. Tex.) who explained that his support last year for IFIs was predicated on the understanding that Michael Blumenthal would be in charge of human rights policies towards IFIs. "This is obviously not the case. The State Department still runs the show." Wilson then announced that he would not support this bill. He is a strong friend of Nicaraguan President Natasio Samoza and is furious because the U.S. has delayed an IMF loan to that country. His main goal is to dismantle the State Department's human rights office.

Both members are key to any chance the Administration has of getting this \$3.6 billion funding bill through.

Otherwise the panel's remarks were somewhat reserved and Blumenthal's prestige was very much higher than a year ago (when he had to ask Chairman Clarence Long (D. Md.) to "shut up" so he could finish his prepared remarks.) This time around Long was very courteous and mild. "I don't intend to lead a witch-hunt," he said. Later he brought up the Bangladesh Tube-well controversy again. Blumenthal said a Treasury aide had gone out to the project, and found it working well and helping poor farmers as intended.

A deal had been made with Treasury not to discuss the pending House staff study on the World Bank (which has not yet been made public.) This agreement didn't quite stick yesterday, because at one point Virginia Smith (R. Neb.) began asking questions straight from the report. Obey jumped in and said that if this line of questioning continued he would release the study to the press then and there. Long stepped in to say the Subcommittee was cooperating with Treasury in working towards publication.

Highlights of the hearing include the following:

Middle East

Blumenthal said the World Bank will play a key role in putting together a Middle East package if a Peace Treaty is signed. The members were obviously intrigued with this prospect which could take some of the burden off the estimated \$5 - \$10 billion U.S. bilateral effort.

.../ ?

Energy

Blumenthal explained that the World Bank's energy proposals would go a long way in alleviating the world-wide petroleum shortage. No controversy here.

Callable Capital

Bill Young (R. Fla.) raised this simply to be difficult. A somewhat confused discussion evolved around the question of whether the U.S. would have to make up the difference if other countries refused to pay in if and when a default ever occurred.

Human Rights

Wilson was joined by Matt McHugh (D. N.Y.) in feeling that bilateral political efforts to improve human rights abroad had no place in the functioning of the IFIs. Blumenthal agreed that it would be impossible to obtain a change in the World Bank's charter to achieve these goals.

Basic Human Needs

Obey and McHugh felt that there was too much emphasis on this issue and that if the IFIs went too far in this direction balanced economic growth would be sacrificed.

Employment practices and salaries

Virginia Smith asked Mr. Blumenthal what Mr. McNamara's salary was last year and today. The Secretary responded by outlining the terms of the Kafka Report and then said that Mr. McNamara's salary was \$112,000 last year and \$125,000 today. Julian Dixon (D. Calif.) referred to the Bill Raspberry column in asking about black employment. Blumenthal agreed that the number of minority professionals was far too low and that he was working to change this. (A treasury aide told me afterwards that he was furious because all three Treasury employees who were now coming to the Bank were white. I reminded him that two of them were women.)

China membership

Blumenthal said this issue had been raised when he was in Peking. "They have a lot of homework to do. They're interested, but I see it happening way down the road."

Arrearages

Blumenthal made a strong pitch to clear the decks on the \$900 in soft-loan funds pledged for earlier years. This is an embarrassment to the United States that must be cleared up." No comment from the members.

Comment:

Treasury has now given the panel its comments on the staff study which will require some negotiation involving classified material. Bergsten is evidently trying to delay its publication until at least after he testifies at the end of this month. Many who have read the report feel that its negative tone and hints that the World Bank has no adequate way of identifying and dealing with corruption will excite several reporters who were in attendance yesterday. So whether portions are leaked soon remains an open question.

The sharp questioning will come when Bergsten testifies on March 29 and April 3. Here we can expect the issues in the staff study to be raised. Written largely from a CPA viewpoint, the main question will be Bank "accountability" to the Board, auditing procedures, possible corruption, and the number of "problem projects."

The staff knows for whom they work. Their suspicions that things aren't going as they should (with very little hard evidence) are highlighted, while their favorable observations are buried deep in the body of the report.

PBR:pam

cc: Messrs. McNamara, Cargill, Knapp, Stern, Clark, Chadenet, Chenery, Gabriel
Messrs. Nurick, Steckhan, Bell, Vibert
Mrs. Boskey, Mrs. Stitt

FOR IMMEDIATE RELEASE
EXPECTED AT 1:00 P.M., EST
WEDNESDAY, MARCH 14, 1979

STATEMENT OF THE HONORABLE W. MICHAEL BLUMENTHAL
SECRETARY OF THE TREASURY
BEFORE THE SUBCOMMITTEE ON FOREIGN OPERATIONS
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

Mr. Chairman. I am very pleased to appear before this Subcommittee to present the Administration's appropriations request for the multilateral development banks. With your permission, I propose to submit a comprehensive statement for the record and to introduce the discussion today by summarizing the principal points. I will lay out the budgetary requests, explain why we believe they are necessary and cost effective, and then report to you briefly on developments during the year on issues where you have expressed some concern.

This year we are requesting budget authority of \$3.6 billion for the development banks. This consists of two parts: \$1,842 million for paid-in capital subscriptions and for contributions to the concessional windows of the banks, which will eventually result in expenditures; and \$1,782 million for callable capital subscriptions to the banks, which will not result in actual expenditures.

The request breaks down as follows:

-- \$1,026 million for U.S. subscriptions to the World Bank's capital. Ten percent of this amount, or \$102.6 million would be paid-in. With this subscription, and those of other member countries, the Bank is able to borrow on private markets and relend the funds for development assistance projects at market rates of interest. The Bank has never had a default on its loans and earns money each year.

-- \$1,092 million for U.S. contributions to the fourth and fifth replenishments of the International Development Association. IDA is the concessional loan facility of the World Bank. It lends money only to the poorest countries of the world. Of this total, \$800 million is for this year's installment to IDA V, and \$292 million is needed to complete the final installment of the U.S. contribution to the fourth replenishment, which was negotiated by the previous Administration. This year's total IDA request is \$166 million less than what Congress actually appropriated for this institution last year.

-- \$33.4 million for the third and final installment of U.S. contributions to the International Finance Corporation, the World Bank affiliate that encourages the growth of productive private enterprise in developing countries.

-- \$687 million for the first installment of the U.S. subscription to the capital of the Inter-American Development Bank. Of this amount, 7.5 percent or \$51.5 million is

paid-in. The Bank is a primary source of development lending in the hemisphere and the United States is its leading shareholder.

-- \$325 million for U.S. contributions to the Fund for Special Operations of the IDB, the Bank's soft loan window. \$175 million is for the first of four annual installments to the new replenishment, each of which calls for a lower U.S. contribution than was pledged to the previous replenishment. The remaining \$150 million is for the final part of our contribution to the prior replenishment, which was negotiated by the previous Administration.

-- \$248 million for subscriptions to the capital of the Asian Development Bank. Ten percent, or \$24.8 million of this subscription will be paid-in. This Bank has established an excellent record and Japan has taken the lead in providing for its financing. Furthermore, European members have increased their proportionate share in providing funds.

-- \$171 million for U.S. contributions to the Asian Development Fund, the soft loan window of the Asian Development Bank. \$111 million is for the first installment of our contribution to the new replenishment and \$60 million is for the final installment of our contribution to the present replenishment, which was negotiated in 1975.

-- \$42 million for the first of three annual installments to the African Development Fund. This request will

enable the United States to provide a reasonable share of funding for concessional lending to the poorest African countries. It reflects our objective of taking a more active role in encouraging economic and social development in Africa.

This request of \$3.6 billion in budgetary authority for the multilateral development banks is slightly more than last year's request of \$3.5 billion. However, putting aside callable capital, the request would result in expenditures that would be \$286 million less than the expenditures which would have resulted from last year's request.

Compared to last year's appropriation, expenditures resulting from this year's request would be up by \$211 million, or 13 percent. This increase is the result of unfunded requests from prior years, which account for almost \$500 million in expenditures (deriving from almost \$1 billion of total budget authority). If we could clear up these unfunded amounts, the budgetary outlook for U.S. contributions to the multilateral development banks over the next few years would result in a fairly constant level of expenditures in nominal terms and a reduction in real terms.

This is the story on the level and breakdown of our budget request for FY 1980. It is a substantial sum. Let me tell you why I believe it is necessary and why it would be well spent.

First, helping the developing countries through participation in the banks advances important U.S. foreign policy and security interests. Our interests require the successful social and economic development of these countries. Many of these interests are shared by other industrial countries, and most importantly by many developing countries as well. These shared interests are the foundation for effective multilateral cooperation through the banks.

The United States has a great deal at stake in these countries. As recent events have clearly demonstrated, some occupy strategic geographic positions, and possibilities exist for unrest and conflict, which could carry dangers for many countries, including the United States. Furthermore, we need the cooperation of the developing world if we are to achieve such objectives as: halting the proliferation of nuclear weapons, limiting conventional armaments, combatting international terrorism, suppressing international drug traffic, controlling illegal migration, promoting human rights and protecting the global environment.

Our economic interests in the developing world are large and growing. As a group, these countries were a market for 35 percent of our exports in 1977, including \$6.7 billion in agricultural commodities. They were the source for 24 percent of our imports in 1977, including tin, bauxite, rubber, manganese, and other critically needed raw materials. To ignore the developing countries is to ignore our own interests.

Second, we derive significant economic and financial benefits from the activities of the multilateral banks, which more than offset the budgetary burden of our contributions. In short we earn a good return on our investment.

These direct financial and economic benefits include contracts awarded to U.S. firms resulting from development projects financed by the banks, the purchase of other goods and services in this country derived from bank activities, and interest paid to U.S. holders of bank bonds. On a cumulative basis, the banks have returned in these kinds of benefits substantially more than the amounts which have been paid in by the U.S. Government. Thus our contributions to the banks have not been a problem for the balance of payments or a source of trouble for the dollar. Indeed, they have provided benefits for the U.S. economy in terms of jobs and our economic growth.

Looked at more broadly, the multilateral development banks have played a very constructive role in sustaining a smoothly functioning and growing world economy which in turn has helped our trade and employment. They are a central part of the system for economic cooperation which the United States worked hard to establish after

World War II and which we must continue to support strongly today. We live in an economically interdependent world, and we need to encourage and extend international cooperation on development, as well as trade and finance, if we are to deal successfully with our own economic problems.

Third, the banks have been effective instruments for promoting economic and social development and thus are contributing to a more tolerable world environment for this and coming generations.

Essentially these institutions apply banking principles to the achievement of development purposes. In this they are unique instruments in the annals of economic change, and they work. The projects they finance are soundly conceived, carefully supervised and well executed. Of course there have been exceptions, but they are comparatively few and the average quality has been high indeed.

One of the principal U.S. objectives in the banks is to encourage and expand the use of resources to assist the poor -- not to finance a welfare program, but to raise productivity and increase employment opportunities. This requires the financing of the right mixture of projects to enlarge basic infrastructure, raise agricultural productivity, provide the basis for expanded employment in

urban areas and provide the foundation for the extension of essential social services.

The World Bank has been a leader in the effort to reach the poor, and progress is continuing. During the Bank's last fiscal year, 31 IDA projects amounting to \$867 million were approved for rural development lending alone, with benefits going mostly to small farmers, tenants, and landless laborers. Emphasis is being placed on helping the urban poor through projects which provide sites and services for housing and through the encouragement of labor intensive industries.

In the Inter-American Development Bank, the recently negotiated replenishment agreement explicitly provides that 50 percent of all Bank lending -- conventional and concessional -- will benefit low income groups. In addition, the agreement requires that concessional resources from the Fund for Special Operations be effectively targeted at the poorest countries and the poorest people of the hemisphere.

While we have devoted a great deal of effort to encourage movement in this direction, we recognize that the banks must maintain a balanced approach to growth and development. Lending for transportation, communications and electric power will continue to have high priority. Infrastructure and basic needs projects depend on each other.

We strongly support and give high priority to the expansion of Bank lending for energy development. In response to a request made at the Bonn Summit Meeting, the World Bank explored new approaches to help solve the growing energy problems of developing countries and proposed an expanded lending program to do this. The United States has endorsed the general provisions of that program, including Bank financing for geological and geophysical surveys and exploratory drilling, and an acceleration in lending for projects to develop and produce gas and oil. By 1983, the World Bank Group expects to be lending \$1.5 billion a year for this program, which would amount to more than 10 percent of its total lending. Over the next few years, the Inter-American Development Bank will be devoting a large proportion of its lending to help finance hydroelectric, geothermal and other aspects of energy development in Latin America, and the Asian Development Bank has also embarked on a large lending program to finance the production of primary energy fuels. These Bank funds, moreover, will facilitate additional private investment in this critical area, thus helping to meet urgent requirements in the developing countries, and improving the oil supply and demand balance for the world as a whole.

Fourth, the Banks are an unusually effective means for sharing the development assistance burden among the better-off countries.

Currently the United States provides one-fourth of the total funding requirements for these institutions, while other countries provide three-fourths. In contrast, the United States, twenty-five years ago, provided about two-thirds of total foreign economic assistance. Countries that once received assistance are now major sources of assistance, and this encouraging process continues today.

Consequently, our participation in the multilateral development banks has proven to be increasingly cost effective. Our foreign assistance dollar is stretched much further; it has greater impact and does more good for us and the developing countries as a result of our participation in the banks. These substantial benefits, however, require that the United States contribute its fair share of total resources. For example, if we do not contribute \$800 million to this year's installment for IDA V, other countries' shares would not become available for commitment and IDA lending would have to stop. In the case of the remaining U.S. share of IDA IV, funds are needed to meet

disbursement requirements on past commitments.

Under the replenishment arrangements in the Inter-American Development Bank, the Asian Development Fund and the African Development Fund, other countries may reduce their contributions if we do not provide ours in full.

Direct budgetary costs are even more greatly reduced by the banks' extensive use of callable capital for subscribing to new shares. This type of capital is not paid in to the banks. In the case of the United States, it never leaves the Treasury Department and does not result in any budgetary outlay. These subscriptions, however, serve as backing that enables the banks to borrow in the world's private capital markets. Callable capital would result in a budgetary outlay only in the event it were needed to cover a bank default on an obligation to bondholders. Such a call has never taken place in the past. In view of the banks' excellent financial record, their paid-in capital, and their large reserves from past earnings, the possibility of a call taking place in the future is remote.

Under typical capital replenishment arrangements,

nine out of ten dollars for conventional lending are raised by the banks in this way, enabling us to achieve very large budgetary savings without restricting the flow of needed resources to developing countries. In the case of the World Bank, total U.S. paid-in capital contributions of \$884 million have generated more than \$45 billion of lending, a leverage factor of 50 to 1. Moreover, the value of our shares is not only still intact, but it has been increased as a result of past earnings.

In the next subscription to the Inter-American Development Bank, the paid-in portion will be reduced from 10 percent to 7-1/2 percent. This will provide additional leverage in the use of U.S. budgetary expenditures to help finance this Bank. It is our intention to seek further reductions in the paid-in portions of future capital subscriptions of other banks, consonant with their growing financial strength.

Have domestic social programs suffered as a result of our foreign assistance program? I do not believe so. Only one-fourth of one percent of our Gross National Product goes for foreign economic assistance, including our participation in the multilateral development banks. This figure has declined in recent years and is now lower than the corresponding GNP shares for twelve of the

seventeen countries in the Development Assistance Committee of the OECD.

On the other hand, U.S. budgetary expenditures for domestic social programs have risen rapidly over the past decade. In 1965, expenditures for these programs amounted to \$6 for each dollar of foreign aid. By 1969, this multiple had risen to \$18 and by 1979 to \$46. Funding for foreign economic assistance has not taken place at the expense of domestic social priorities. The question is not whether the United States can afford to fund foreign assistance programs, but rather can we afford not to. The answer clearly is no.

I turn now to report to you briefly on several matters on which the Congress has expressed special interest or concern.

Encouraging capital saving technology. There is a growing emphasis in the banks on encouraging the use of capital saving technologies. Use of such technologies is stimulated in the first instance by efforts to induce developing countries to adopt more realistic exchange rates and interest rates, thus eliminating an artificial premium on the use of capital rather than labor. What can be done on the individual project level has to be adapted to the differing circumstances in individual countries. In many cases these technologies are closely linked to the success of projects which are designed to benefit the

seventeen countries in the Development Assistance Committee of the OECD. One example is a recently approved IDB loan to El Salvador for community development in the economically deprived northwest region of the country. Its objective is to increase incomes and improve living conditions for 144,000 people in 300 small rural communities through self-help construction of small scale public works. The cost per beneficiary is not expected to exceed \$80. Another example is an IDA credit to Upper Volta which is directed at rural and urban artisans and small scale entrepreneurs to encourage production of bricks, farm implements, wooden utensils, and pottery. The average cost per job is estimated to be less than \$200.

Human Rights. We have sought to encourage greater regard for human rights in bilateral discussions with other countries, and in our actions in the multilateral banks. We have consulted with other member countries on human rights problems, and we have opposed, by voting against or abstaining on 50 loans to 15 countries.

We have also taken steps to implement the provision of last year's Appropriations Act which calls upon the Administration to seek adoption of human rights amendments to the banks' charters. In order to generate support for such amendments, we have consulted with countries that share our human rights concerns. Thus far, their reaction to this proposal has been negative. They believe that the introduction of such

amendments would be divisive, and that such amendments would not obtain the broad support required for their adoption. We are undertaking additional consultations to pursue this approach and to achieve the objectives of the legislation.

I would like to stress that the human rights provisions in current law are being carried out conscientiously. I see no need for change in the legislation. Indeed, as I have stated in the past, legislation prohibiting the use of U.S. contributions to the banks for loans to specific countries would mean that the contributions would have to be rejected by the institutions. This would jeopardize our continued participation in the banks at the expense of our human rights concerns and at enormous cost to our other foreign policy objectives.

Salaries. A great deal of work has been done in constructing a rational and objective system for determining World Bank and IMF salaries. A set of recommendations to this end has been made by a Joint Committee of these two institutions after one and a half years of study, which included the employment of professional compensation firms. These proposals are now being considered by the Boards of the two institutions, and we are working with other member governments to resolve this issue.

Accountability. We have greatly increased the flow of information to the Congress on the activities of the banks, and we have encouraged greater public dissemination

of bank documents. During the past year, the General Accounting Office completed studies of evaluation and review units within the banks and generally found them to be effective.

Commodity Issues. Current law requires that the United States oppose use of MDB funds for the production of any commodity for export if it is in surplus on world markets and if substantial injury would be caused to U.S. producers of the same, similar or competing products. It also provides that the President shall initiate international consultations to develop standards governing the allocation of development assistance for production of commodities in surplus on world markets where increased exports would cause substantial harm to other producers.

As a matter of fact, the banks have been making very few loans that could fall under these provisions. This is understandable because the banks themselves believe that loans to finance commodities in prospective world surplus would be a wasteful use of development assistance resources. To carry out the legislative requirements, we have established criteria to determine the economic impact of commodity loans on the world markets. No loan proposals thus far this year have required special action. We have also raised

internationally the question of establishing standards governing the use of development assistance resources for commodity loans and will report to you further on this matter.

I do not believe additional legislative action on commodity issues is warranted. In particular, legislation to prohibit the use of U.S. appropriations to the banks to finance specific commodity projects would, as in the case of country restrictions, not be legally acceptable to the banks. Such a provision in U.S. law would seriously damage U.S. interests.

I would like to conclude, Mr. Chairman, by asking that we step back for a moment and consider these institutions from still another vantage point. The evidence shows that they are one of the great success stories of the entire post-war period, stretching from Bretton Woods to the present. Even now they are continuing to improve on this impressive record. They give us good value for our money, their net impact on the budget is small, and they bring substantial economic and political benefits. I ask for your support in making it possible for this good work to continue.

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

494/4/9



Executive Director

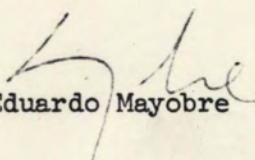
March 14, 1979

Mr. Robert S. McNamara
President
The World Bank
Washington, D.C. 20433

Dear Mr. President:

3/15
I hereby submit to you the request of the Government of Peru to increase its subscription to the capital stock of the Bank in the amount of 402 shares. This figure, given by the Secretary of the Bank, represents the number of additional shares which will correct the disparity between its initial subscription in the Bank and in the International Monetary Fund, following the policy of parallelism between both institutions.

I have also received indications from some of the other governments I represent, that they are considering a similar request. I am expecting confirmation from these governments and will convey to you their requests upon arrival.


Eduardo Mayobre

*Final
5/11/79
6-15/79*



March 13, 1979

Dear Dr. Huda:

Thank you for your letter of February 20, 1979, outlining your Government's program for fertilizer and other commodity imports in the fiscal years 1979 and 1980 and expressing your concern that the volume of IDA lending presently proposed for the financing of such imports might be less than you had expected. I recognize that your Government is making strong efforts to increase fertilizer supplies and was also pleased to learn of the continued attention being given to the acceleration of project aid disbursements. I welcome the action taken by you in this regard.

My associates and I have carefully reviewed the import requirements of Bangladesh and your program for financing these purchases. Rather than responding to your concerns in specific terms, I feel it best if this complex subject were discussed in detail when Mr. David Hopper, Regional Vice President, visits Dacca later this month.

I am sure that we will be able to reach agreement on how the available IDA resources can be utilized most effectively toward the economic development of the people of Bangladesh.

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

His Excellency
M. N. Huda
Minister for Planning and Finance
Government of the People's
Republic of Bangladesh
Dacca, Bangladesh

Wiehen:Stern:McNamara:bmm
March 13, 1979

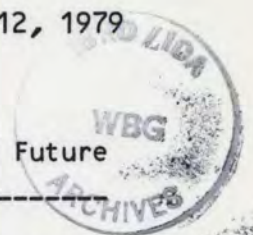
cc: Mr. Hopper (w/orig. correspondence)
Mr. Stern

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara (through Mr. Ernest Stern) ^{ES} DATE: March 12, 1979

FROM: W. David Hopper *WDH*

SUBJECT: Letter from Dr. Huda Regarding an Import Credit for Fertilizer and Future
Program Credits for Bangladesh



Attached is a letter for your signature as a suggested response to Dr. M.N. Huda's (Minister of Planning and Finance of Bangladesh) letter to you of February 20, 1979. In that letter he asked for consideration of a FY80 Program Credit for \$160 million for Bangladesh; \$100 million for a diversified imports general program credit and \$60 million for the import of fertilizer to be used in the FY79-80 and FY80-81 crop years.

I will be visiting Bangladesh following a brief stop in Delhi, arriving March 23 and departing for Washington late evening March 27. As agreed with Mr. Stern and the Loan Committee, I will convey the following message to Dr. Huda:

- 1) The South Asia Region is prepared to consider a fertilizer import credit of \$25 million as an operation in FY79 to permit the purchase of fertilizer to be used in the crop seasons of late 1979 and 1980;
- 2) A similar import credit in FY80 for the purchase of fertilizer to be used for the crop seasons of 1980 and 1981;
- 3) In addition to the above import credits there will be a fertilizer project credit of approximately \$15-18 million to improve the transportation, storage and bulk handling facilities for fertilizer in Bangladesh, and to assist in the improvement of the Nation's existing production capacity at the Fenchuganj and Ghorasal urea plants;
- 4) The conditions under which the FY79 fertilizer import credit operation would be undertaken would specify a substantial increase in fertilizer prices designed to reduce the present disparity between the low farm gate price in Bangladesh and the import prices for fertilizer paid by the GOB. The price increase will have the effect of reducing the fertilizer subsidy burden on the national fisc. In addition to a fertilizer price increase, other conditions will relate: (a) to how the fertilizer subsidy - which cannot be eliminated in one bite - will be handled in the national accounts; (b) to the establishment of a high level committee to monitor and review the nation's fertilizer and production consumption problems and coordinate import needs with national distribution patterns; (c) to the strengthening of the distribution of fertilizer through private channels; and (d) to establishing priority allocations of fertilizer to geographic areas in which development and irrigation programs have been, or are being implemented so that the full production benefits from these programs can be realized;

...cont...

- 5) The eighth and ninth program credits in FY80 and FY81 will be reduced from the FY79 level of \$75 million to \$50 million each. Whether or not the Program Credit 8 will be presented to the Board in FY80 depends on the satisfactory performance by the Government of Bangladesh in meeting the covenants and conditions of Program Credit No. 7 and previous credits. The last supervision mission indicated some lapses by the Government in meeting these conditions and I wish to make it clear to Dr. Huda and his colleagues that whether the reduced level of \$50 million will materialize depends on their adherence to the agreed terms and conditions of the previous credits. Unless the past covenants have been met, or are on their way to being met, I will not recommend an 8th Program Credit to you.

There is no question that the conditions outlined above will meet with strong objections on the part of Dr. Huda and the officials of Bangladesh. For a time there will be strained relations between the Government and the Bank. We think the period of difficulty can be weathered without open hostility and that the result is likely to be a better performance on the part of Bangladesh in future Bank projects.

I am leaving on the evening of March 14 for New Delhi and Dacca. I can be reached either before I leave or in India if you have counsel for me. If the attached letter is satisfactory, I will hand carry it to Dr. Huda.

Attachment.

cc: Messrs. Picciotto
Wiehen
Dunn

WDHopper:vm

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

494/4/7

Executive Director

March 9, 1979

Mr. Robert S. McNamara
President of World Bank
Washington, D. C.



Dear Mr. President:

On behalf of the Governments of Brazil, Colombia and Ecuador, I am hereby conveying their requests for an increase in their subscriptions to the capital stock of the Bank to correct the disparity between their initial subscriptions in the Bank and in the International Monetary Fund. These Governments request the following amounts of shares:

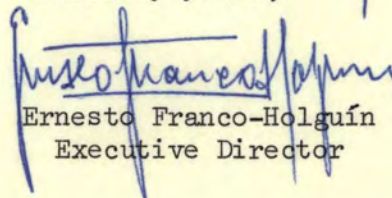
| | |
|----------|-----------|
| Colombia | 402 |
| Ecuador | 204 |
| Brazil | <u>31</u> |
| | 637 |

These additional shares would bring total subscriptions in the Bank in parallel with quotas in the Fund.

The Government of the Dominican Republic is also considering a similar request but has not yet formally authorize me to present it. The increase in the number of shares which that country would request is 274.

Apart from the merits of these requests in assuring an appropriate relationship between subscriptions in the Bank and quotas in the Fund, the requested increase in subscriptions would also help to strengthen the voting power of the developing countries as a whole.

Sincerely yours,


Ernesto Franco-Holguín
Executive Director

cc: Mr. P. N. Damry

474

494/4/6

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

Executive Director

March 9, 1979

Mr. Robert S. McNamara
President
The World Bank
Washington, D.C.



Dear Mr. President:

On March 2 and 3, 1979, the Governors of Argentina, Bolivia, Chile, Paraguay and Uruguay in the World Bank, held a special meeting in Santa Cruz de la Sierra, Bolivia, in order to examine the situation of our constituency, as a consequence of the special and general capital increases that are presently under consideration before the Board.

As a result of that meeting, the Governments of Bolivia, Chile, Paraguay and Uruguay, have decided to request the purchase of additional shares in the quantities necessary to correct their initial under-representation in the capital of the Bank, in accordance with the policy of parallelism with the International Monetary Fund.

According to calculations made by my Governments, the following amounts of shares are required:

| | |
|----------|------------|
| Bolivia | 113 |
| Chile | 531 |
| Paraguay | 105 |
| Uruguay | 222 |
| | <u>971</u> |

In this manner, the voting power of my chair would be strengthened in line with the proposal contained in paragraph IV(e) of your Memorandum dated February 12, 1979.

From another point of view, there can be no doubt that the developing countries are the *raison d'être* of the World Bank, and everything that can be done to increase their participation and voice will help to achieve the goals that justify the existence of the Bank.

Sincerely yours,

A handwritten signature in blue ink that reads "Alberto Sola".

Alberto Sola

494/4/2
February 9, 1979

Dear Mr. *Jim* Johnson:

Thank you for your letter of January 18, 1979 enclosing correspondence from Mr. R. L. Thaemert, who is currently working as an engineering consultant for a World Bank-financed irrigation project in Indonesia. I read with particular interest his comment that "a dozen sedans were slated for purchase which had no relation to the execution of the contract."

You might be interested in the following facts regarding this matter:

The World Bank has not yet approved a vehicle procurement proposal for this project. Extensive discussions late last year led to a proposal from the Indonesian Government to buy nine field vehicles for use on site in Sumatra along with six sedans for the management unit in Jakarta. One factor considered in making this proposal is that government procedures often delay the purchase of vehicles at a time in the project cycle when mobility is essential for the consultants as well as Indonesian projects staff to carry out their tasks properly. Our decision on this proposal will be made only after the needs are thoroughly evaluated.

The World Bank has always been highly conscious of the dangers of corruption in the course of implementation of projects. It has, therefore, insisted on strict guidelines being followed at each phase of the project cycle to prevent misuse of funds.

Our financial controls and field supervision are enhanced when we receive timely and constructive comments such as those offered by Mr. Thaemert. We always welcome suggestions that will improve the effectiveness of our operations.

Mr. Thaemert and other consultants should feel free to discuss problems of this nature with World Bank staff, particularly those assigned to the Resident Mission in Jakarta.

I appreciate your thoughtfulness in bringing this letter to my attention.

I enjoyed visiting with you over the holidays and hope we may meet again soon.

Sincerely,

(Signed) *Bob* Robert S. McNamara

Robert S. McNamara

The Honorable
James P. Johnson
U. S. House of Representatives
Washington, D. C. 20515

FRiddleberger:bmm
Feb. 8, 1979

61
JAMES P. JOHNSON
4TH DISTRICT, COLORADO

COMMITTEES:
AGRICULTURE
INTERIOR AND INSULAR AFFAIRS

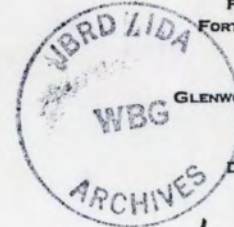
Congress of the United States
House of Representatives
Washington, D.C. 20515

January 18, 1979

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WASHINGTON, D.C. 20515
(202) 225-4676

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DENVER, COLORADO 80221
(303) 837-5606



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

Dear Bob:

1/23
I am enclosing a copy of a letter I have received from a friend of mine who is a consulting engineer in Indonesia. I think you will find his remarks interesting as he gives the World Bank good marks but finds room for improvement elsewhere.

I enjoyed having lunch with you in Snowmass. I hope we can do it again some time.

Sincerely yours,

Jim Johnson
James P. Johnson
Member of Congress

JPJ/ca

Enclosure

TJL

c/o Engineering Consultants, Inc.
P. O. Box 4
Gombong, Central Java
INDONESIA
6 December 1978

Hon. James P. Johnson, M.C.
129 Cannon House Office Building
Washington, D.C. 20390
U. S. A.

Dear Jim:

A day or so ago, a gentleman named Donald Sherk from the Treasury Department came through the area of Indonesia where I'm presently working. The purpose of his visit was to gather information on any successful water resource development projects backed by financing agencies supported by the U. S. His visit reminded me to get off dead center and drop you a note on the same subject.

I have been in Indonesia about a year and a half. During the time here, I have noted the operation of some developmental financing agencies and have formed some opinions about their effectiveness. The three agencies I have observed are the Asian Development Bank, World Bank, and the U.S.A.I.D. Since the U. S. contributes funds to each of these agencies, I would like to share some observations with you, for what they may be worth.

The effectiveness of any developmental financing agency is directly related to basic project viability and to the control and monitoring of loan or other concessionary financing funds. In most underdeveloped countries, it seems that one of the characteristics of the governmental bureaucracy is a propensity for graft and corruption. The manner in which the financing agencies recognize that characteristic and attempt to deal with it significantly affects how loan money is spent and, hence effectiveness of the loan in promoting development. While banks cannot infringe on a country's sovereignty in dictating exactly how loan funds may be spent, they can certainly make the availability of funds (particularly the so-called "soft" financing) conditional upon proper and honest expenditure of loan money. As an example, on a recent World Bank financed engineering contract, a dozen sedans were slated for purchase which had no relation to the execution of the contract -- the sedans were to be provided for use of the governmental agency administering the contract, under the guise of being required by the engineer. The Bank didn't raise any issue when the contract was approved. For another example, handling costs for transportation of material samples for the construction of an earthfill dam were five hundred percent higher than necessary and the project sponsor (AID) apparently didn't choose to question the handling costs. Examples of these types seem to be commonplace on water resource projects with which I am acquainted. The effect of such transactions is that much of the money intended to improve the lot of the lower levels in the national economy is actually peeled off by the bureaucrats of the governmental agency administering the contract. Much of the "peel off" is in the form of kickbacks from local contractors -- significantly more so than the

direct siphoning-off mentioned in the two examples above. Kickbacks seem to be illegal in Indonesia and the practice is apparently condoned almost all levels, and is therefore quite common.

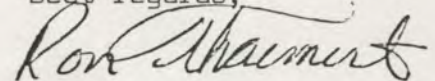
While the United States can't act as a "moral enforcer" for the rest of the world, we certainly don't have to condone corruption by our continued support of it. In line with that position, I would recommend that U. S. contributions to development banks be conditional upon the banks' institution of proper fund accounting and monitoring procedures -- particularly where concessional financing is involved. While the World Bank seems to be moving fairly in that direction, the Asian Development Bank has a long way to go.

One of the key elements in financing effective development work is the economic viability of any proposed project. If a project, upon close examination, cannot be shown to be economically feasible, it generally indicates that sufficient resources to insure project success are not available. Therefore, if a project which does not indicate sound economic feasibility is carried out anyway, there is a good chance for failure. When failure of a project occurs, the sponsor of the project is generally the recipient of the blame, at least in the eyes of the potential project beneficiaries. In this context, I believe that a lot of the money being spent by AID will ultimately have a reverse effect in terms of any good will it is supposed to buy for the United States. As you are probably aware, the recent practice of AID has been to support marginal projects rejected by other possible financing agencies, based on the utopian belief that even some of the world's population who are short of resources can also share in prosperity. Most of the time, it just doesn't seem to work out that way and Uncle Sam gets the blame. If that is the best that AID can do, I would recommend that it be disestablished and the funds be channeled through development banks. As a further general observation on AID operations, it seems that the overhead rate on projects supported by AID is extremely high. A large proportion of the money used for AID appears to be required for support of expatriate staff headquartered at the Embassy. This would provide another argument in favor of disbanding AID operations.

This has been a lengthy letter, and about all I have recommended is to support development banks accountably before we give them any more money and to phase out AID operations in favor of development banks. I hope that some of my observations may be helpful to you and your colleagues when the subject of international development financing comes up. Please feel free to provide a copy of this letter to anyone you feel could use the information.

As an aside, I'm really pleased to see you back in the House and look forward to further contacts with you.

Best regards,



R..L. Thiemert

cc: Sen. Wm. Armstrong

February 7, 1979

Mr. McNamara
Mr. Damry



2/7
I think you will be interested in the latest letter to Congressman Young from Ed Fried, a copy of which is attached.

LN
Lester Nurick

Enc.

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

Executive Director

February 5, 1979

The Honorable C.W. Bill Young
2453 Rayburn House Office Building
U.S. House of Representatives
Washington, D.C. 20515

Dear Bill:

I write in response to your letter of December 15, 1978, requesting copies of the Minutes and of the Summaries of Discussions of the ten Meetings of the Bank's Executive Directors preceding the date of your letter. You also asked about the precise legal basis for limiting attendance at the meetings of the Board of Executive Directors and whether the U.S. Government would support a change in the Rules of Procedure to allow officials of member governments to attend Board meetings as observers.

Enclosed are copies of the Minutes and of the Summaries of Discussions you requested. Please note that the Summaries consist of staff notes of the discussions and are not an approved record.

These documents bear the Bank's classification "For Official Use Only" and we are required to observe the restrictions placed on their use and distribution. (Rules of Procedure for Meetings of IBRD/IDA Executive Directors and Executive Order 12065.) We are making them available to you on the understanding that you will follow these ground rules. There would be no problem in referring to formal Board decisions on particular loans shown in the Minutes, since these decisions are made public soon after the loans are approved.

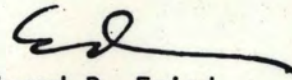
Attendance at the Board of Executive Directors meetings is regulated by Section 2(d) of the Rules of Procedure for Meetings of the Executive Directors. That section provides that "Meetings shall be open to attendance only by Executive Directors and their Alternates, the President and such members of the staff as he may designate, representatives of members [not entitled to appoint a director] appointed under Article V, Section 4(h) of the Articles of Agreement and such other persons as the Board may invite." Pursuant to Section 16 of the By-Laws of the Bank, any amendments of such Rules adopted by the Board of Executive Directors are subject to review by the Board of Governors at the next annual meeting.

February 5, 1979

The U.S. position on seeking to amend these Rules to facilitate attendance by officials of member Governments at Board meetings was thoroughly reviewed last summer, in response to your request for permission to attend a Board meeting as an observer. Secretary Blumenthal wrote you on July 12, 1978, setting forth the reasons why he would not favor a change in Board practice. He was particularly concerned that the professional and non-political nature of the Board's proceedings would be eroded and that the free exchange of ideas would be discouraged to the detriment of the institution and its members, including the United States. A copy of his letter is enclosed for easy reference.

I would be happy to meet with you at your convenience to discuss any questions you may have with regard to the enclosed material or any other aspect of the Bank's operations.

Sincerely yours,



Edward R. Fried
U.S. Executive Director

Enclosures

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

Attachments to letter to Congressman Young
dated January 30, 1979:

M78-54 (12/15/78) - For Meeting 12/14/78
M78-53 (12/13/78) - For Meeting 12/12/78
M78-52 (12/6/78) - For Meeting 12/5/78
M78-51 (11/30/78) - For Meeting 11/28/78
M78-50 (11/27/78) - For Meeting 11/21/78
M78-49 (11/16/78) - For Meeting 11/14/78
M78-48 (11/9/78) - For Meeting 11/7/78
M78-47 (11/2/78) - For Meeting 10/31/78
M78-46 (10/19/78) - For Meeting 10/17/78
M78-45 (10/11/78) - For Meeting 10/10/78

SD79-2 (1/5/79) - For Meeting 12/14/78
SD79-1 (1/5/79) - For Meeting 12/12/78
SD78-61 (12/21/78) - For Meeting 12/5/78
SD78-60 (12/13/78) - For Meeting 11/28/78
SD78-59 (12/15/78) - For Meeting 11/21/78
SD78-57 (12/7/78) - For Meeting 11/14/78
SD78-56 (12/6/78) - For Meeting 11/7/78
SD78-55 (11/16/78) - For Meeting 10/31/78
SD78-53 (10/30/78) - For Meeting 10/17/78
SD78-54 (11/7/78) - For Meeting 10/10/78



THE SECRETARY OF THE TREASURY
WASHINGTON 20220

July 12, 1978

Dear Bill:

The President has asked me to reply to your letter of June 11, requesting permission to attend the July 19 meeting of the Board of Executive Directors of the World Bank Group as an observer during consideration of a credit proposal for Vietnam. Although I welcome your interest and your views on this particular credit proposal and, indeed, on all aspects of our participation in the World Bank Group, I regret that I cannot comply with the request.

Under the Board's rules of procedure, attendance at Board meetings is limited strictly to Executive Directors, their Alternates, the President of the Bank and designated staff. Representatives of members not entitled to appoint an Executive Director may attend in those cases when a matter being discussed would particularly affect them. Other individuals may attend only at the express invitation of the Board of Executive Directors itself; but this has occurred only in very particular circumstances (i.e. officials of the International Monetary Fund have been invited to explain technical matters in which the IMF and the Bank had shared interests and responsibilities).

Attendance at meetings of the Board has been limited in this way in order to encourage a full and frank discussion of issues and a free exchange of information and views on economic, financial and technical aspects of all loan and credit proposals. As a result, I believe that the effectiveness of the Bank has been materially increased and that both donor and recipient countries have benefitted substantially.

While the practice of limiting attendance at Board meetings is common to financial institutions, in the case of the World Bank additional considerations are involved. A request on my part for your attendance would establish a precedent for other countries. Opening up these meetings to anyone other than the duly designated representatives responsible for reporting to the 132

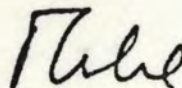
member governments, would erode the professional and non-political nature of the Board's proceedings. I am convinced this would be to the serious disadvantage of the United States, and for that reason I do not believe it would be wise to seek a change in Board practice.

At the same time, I will try in every way feasible to respond to the substance underlying your request. I will be happy to arrange for you to meet informally with World Bank management if you would find it useful, to discuss the Vietnam issue or any other issues that may be of interest or concern to you. I have also asked Ed Fried, the U.S. Executive Director at the World Bank, to give you and other Members of Congress who may be interested a full briefing on the details of the credit before the meeting, and subsequently on the action which the Board takes on the proposal. Additionally, Mr. Fried could invite other Executive Directors to meet informally with interested Members of Congress if that would be helpful.

With respect to the proposed Vietnam credit, I want to emphasize that the U.S. position will be to oppose and vote against the credit.

I hope that the opportunity for informal meetings and full briefings on this matter will meet the spirit of your request, and that we can work together constructively on this issue and on other issues affecting U.S. participation in the Bank.

Sincerely,



W. Michael Blumenthal

The Honorable
C. W. Bill Young
House of Representatives
Washington, D.C. 20515

107

THE WORLD BANK
Washington, D.C. 20433
U.S.A.



Executive Director

February 1, 1979

The Honorable Edward R. Roybal
2211 Rayburn House Office Building
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Roybal:

As the United States Executive Director for the World Bank, I wish to reply to your letter addressed to Robert McNamara requesting statistics on employment of Hispanic-Americans at the World Bank.

2/1

With 133 member governments as shareholders, the World Bank could not, and does not, follow the employment policies of any single country. However, as a multilateral organization, the Bank is sensitive to the need of having a representative staff. Accordingly, there are currently employees from 101 member countries.

The Bank's recruitment policy is straightforward: maintain a top notch international staff, with special recruiting efforts to increase the number of qualified staff from developing nations -- particularly those not presently represented on the staff. While it is a goal of the Bank to increase the number of professional staff from "minority," or developing nations, the Bank does not attempt to ensure that minorities within a country are represented on Bank staff in proportion to their share of total population of a specific country. Nor are employment records kept on that basis. For example, in India no attempt is made to recruit from any particular sect, or to keep track of such employment. Close to 100 similar examples could be recited with respect to other member countries with national populations that are multiracial, multireligious, multitribal, etc.

I share your conviction that Hispanic-Americans can ably serve the World Bank. In fact, there are a number of Hispanic-Americans currently serving the Bank in positions of responsibility. Accordingly, as U.S. Executive Director, I have asked that in recruiting U.S. nationals, weight be given to having an American staff reflective of the ethnic balance in the United States, and have offered to be of assistance in meeting this goal.

Sincerely,

Edward R. Fried
U.S. Executive Director

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

OFFICE OF THE PRESIDENT



January 26, 1979

11:00

Mr. McNamara

No reply or acknowledgement has yet been sent.

As noted here, Jeanette requested, on your behalf, that an acknowledgement be sent last Monday. (It seems to have gone from Mr. Fried, to Mr. Dixon, to Mr. Fried's secretary, with phone calls back and forth between that office and Messrs. Merriam and Riddleberger).

Full reply to go out this afternoon; copy to this office. (per Sandy)

J

B.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

OFFICE OF THE PRESIDENT

January 26, 1979
11:45

Mr. McNamara:

Mr. Dixon has not replied to this letter, as he is still consulting with Mr. R. Clarke and Mr. Merriam, and they have not yet come up with a common stance.

There has been no acknowledgement of receipt of Congressman Roybal's letter.

B.

The World Bank

Jan. 24

Mr. McNamara:

As you suggested on Jan. 22 I called Mr. Fried's office to say that you wished that office to reply to Mr Roybal stating that the letter had been referred to their office for reply and this would be forthcoming shortly. Today, Bill Dixon called to say an acknowledgement could not be made as there was "disagreement on what to do" about it within the Bank and he hoped to have something by Friday.

J

1/24
Toll and
on Friday
check it
thanks
Jm



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

OFFICE OF THE PRESIDENT

Jan. 22

Mr. McNamara:

You wished to be reminded if a reply
from Mr. Fried was not received within 10
days.

J



1/22
Reply from
Fred [unclear]
check [unclear]
of [unclear]
page 2

The World Bank



To Mr. Fried

Ed, I presume your
office will wish to answer
this. Please let me have
a copy of the reply.
Lm

EDWARD R. ROYBAL
25TH DISTRICT, CALIFORNIA

2404 RAYBURN OFFICE BUILDING
WASHINGTON, D.C. 20515

LOS ANGELES OFFICE:
ROOM 7106, NEW FEDERAL P.O. BLDG.
300 N. LOS ANGELES STREET
LOS ANGELES, CALIFORNIA 90012
PHONE: 688-4870

Congress of the United States
House of Representatives
Washington, D.C. 20515

COMMITTEE ON
APPROPRIATIONS

SUBCOMMITTEES:
LABOR-HEALTH EDUCATION AND
WELFARE
TREASURY-POSTAL SERVICE-GENERAL
GOVERNMENT
FOREIGN OPERATIONS

SELECT COMMITTEE ON AGING

CHAIRMAN-SUBCOMMITTEE ON
HOUSING AND CONSUMER INTERESTS

January 9, 1979



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

Dear Mr. McNamara:

As a Member of the Appropriations Subcommittee on Foreign Operations, I have in past years requested data on the number of minorities employed by your organization.

My interest has been to find out what progress the U.S. Government is making in providing job opportunities for Hispanics. Up to this point, I believe that the Government's progress has been too slow, as evidenced by the fact that Federal Hispanic employment (which is now at 3.7%) increased an average of only one-tenth of one percent annually for the last four years. If this trend were permitted to continue, it would take more than 30 years for Hispanic employment in the Government to reach parity with the current representation of Hispanics in the U.S. population.

Given these alarming statistics, I believe that steps must be taken to accelerate affirmative action for Hispanics in the Federal Government. Toward this end, I am again seeking your cooperation in providing my office with data on the composition of your workforce. I would like to have the data by February 2nd, so that I can evaluate it and discuss it with you in more detail during the FY 1980 appropriation hearings. Following is the specific information I would like:

- 1) Breakdowns of your current workforce by grade level, and cross-classified by sex, and by racial and ethnic categories as defined in OMB Circular A-46 of May 12, 1977. I would like to have separate tables for each type of pay system, and to see the data by individual grade levels rather than by grade groupings;

2) Breakdowns of your workforce one year ago, in the form described under item 1; and

3) Breakdowns of the number of persons you have hired during the last year, also in the form described under item 1.

Thank you for your assistance in sending me this information. I look forward to hearing from you shortly.

Sincerely yours,

Edward R. Roybal
EDWARD R. ROYBAL
Member of Congress

484/4/3

TO: Members of the President's Council

Mr. McNamara would like to discuss the attached Review of the Implementation of the Recommendations of the External Advisory Panel on Population at the PC meeting on January 29.

12/78



cc: Dr. Kanagaratnam

C. Koch-Weser
Cario Koch-Weser
January 23, 1979

140

1/6 to Mr. Stern
If you agree, I'll
schedule this for
PC discussion
Drew

yes ed



1/24
Bland
return to
1/25
Drew
[Lead]

A Review of the Implementation
of the Recommendations
of the
External Advisory Panel on Population
by
Bernard Berelson and Ronald Freedman

December 1978

The World Bank
Washington, D. C.

Memo of Transmittal to Mr. Warren C. Baum,
Vice President, Projects Staff, World Bank

Last summer you asked us to "reassess our current activities (in population) in the light of the recommendations" of the External Advisory Panel on which we served in 1975-1976, and "advise us on your findings." This is our response.

As we understood from the outset by both the Bank and ourselves, the situation called for a short reconnaissance, not a lengthy or in-depth exploration. We made two two-day visits to the Bank; listened to and talked with a number of people in the Population Projects Department (POP), the Population and Human Resources Division of Development Economics Department (PHRD), and other parts of the institution (everyone we wanted to see, anyone who wanted to see us, anyone we "should" see); read a large number of Bank documents relevant to our task; and discussed the issues between ourselves on several occasions.

We present this report as a self-contained and self-explanatory expression of our views, for what it may be worth. We would like it to be understood simply as the judgments of two sympathetic and informed observers of the complex Bank scene as regards population, after another short look. As discussed with you, we are available for subsequent personal discussion, should that prove desirable.

As on the earlier occasion with the Panel itself, we wish to express our gratitude for the friendly and frank manner with which we were treated at the Bank, and for its gracious hospitality.

Bernard Berelson
President Emeritus & Senior Fellow
The Population Council

Ronald Freedman
Professor of Sociology
Population Studies Center
University of Michigan

December 6, 1978

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A Review of the Implementation of the Recommendations of the
External Advisory Panel on Population

Introduction

We are deeply impressed and gratified with how seriously the Bank took the Panel Report -- from the detailed reviews in summer 1976 through the exemplary discussion of the Report by the Executive Directors in January 1977 to the several efforts at implementing Panel recommendations in the intervening months. The Panel could not have asked for more comprehensive or careful consideration or for a greater full-faith attempt to carry out its recommendations (save the one not accepted by the Bank). Even in this short time, a great deal has been done to implement and test the Panel's intent, and we have nothing but kudos for staff efforts on that score.

Accordingly, we can begin to see what works and what does not, where things go well and where not, what has been achieved and what not. Rather than recording our views recommendation by recommendation, we thought it would be more helpful to group them into three sets: (1) those recommendations on which the Bank has done well and progress has been made; (2) those on which everything reasonable has apparently been done to test out the value of the recommendation but without impressive outcome, thus commenting more upon the actual situation, the Bank structure, and/or the Panel Report than the effort itself; and (3) those on which more probably can and should be done. We then conclude with a few remarks of general applicability, beyond the Panel Report as such, but of substantial importance.

Done Well and Worked

Recommendation 1 ^{1/}: The Bank should restate its population commitment in appropriate forums and at the highest level.

We commend the efforts to make the Bank's commitment more visible and influential, particularly the President's MIT speech. (For reasons given in the Panel Report, we confess to some disappointment that the Regional Banks apparently cannot become more active in this field, but we understand the obstacles.)

Recommendations 2 and 9: The Bank should be more open and communicative in its population work, and should try to improve relations with other donors, particularly the United Nations Fund for Population Activities (UNFPA).

We accept the Bank's report on its efforts and improvements in this direction. Beyond that, we made a few discreet inquiries of our own and find that the situation is considered definitely improved in the recent period -- not yet ideal in some respects, but much better than before.

Recommendations 3(b) and 3(c): The Bank should continue to emphasize projects in the social sectors significant for fertility, and should try to link family planning with such projects.

We note and applaud the continued development of the social sectors, without any thought that the Panel or demographic considerations themselves may have been influential in that regard, but for their favorable middle- and long-term demographic impact: increased stress on rural development and on education, consideration of greater involvement in health, inquiry into a possible Basic Needs strategy.

The linkage between education and population (not merely family planning) in the form of "population education" seems to be established, well liked on

^{1/} Panel recommendations are summarized insofar as they are relevant to the findings.

both sides, and moving under its own momentum. It had a sympathetic reception in the other sector (both "soft" and hence "equal" in Bank terms) and it fit the system in not requiring the integration of a foreign element (FP). This is good, though long-run.

Recommendation 7: The Bank should take steps to enlighten its own staff on population matters.

We believe this objective remains important. To date, the in-house seminars have been difficult to organize and recruit for, perhaps somewhat resented and hence only moderately effective. But the experience has been valuable on both sides, it has revealed and corrected genuine misinformation and misperceptions among Bank staff, and the Bank staff now mans the seminar itself (a good development). The time has been too short to build up a critical mass of better informed seminar "graduates." The effort should definitely go on, with whatever additional assistance on recruitment can be given by senior management. Moreover, like other activities designed to influence "the rest of the Bank," their continuation will signal the Bank's serious commitment to population. In the few years since our Report, only modest results could be expected from the effort to make "the rest of the Bank" more informed and concerned about population issues, but a good start seems to have been made at this level and we strongly encourage continuance.

Recommendation 8: The Bank should include population in Economic Development Institute (EDI) training.

The EDI training session seemed to be organized and proceeding well. The final test is yet to come, with what happens after, but so far this appears to be well implemented.

Done What Could, But ...

Recommendation 3(a): When allocating funds, particularly in the social sectors, the Bank should favor "key" population countries.

With regard to "key" countries, the Bank may have taken the Panel somewhat more seriously than was intended and hence been led into some difficulties. We did not mean to suggest a strict or automatic "requirement," but in any case we note the additional list of "other priority" countries, consider that the "key" country designation has not unduly limited expansion of the project pipeline, and anticipate that the issue, if any, will be minimized by anticipated developments in Health.

Recommendation 3(c): The Bank should try to link family planning with social sector projects.

In other sectors than Education, the linkage via FP components has been extremely difficult to achieve, especially beyond health, costly in personnel, possibly even counter-productive in promoting population interest within other Bank sectors and affecting POP morale. One of us concludes that such linkages are on the whole not worth the effort; the other favors persevering a little longer by setting up some more experimental components similar to those already tried in which the feasibility of including FP in rural and urban development projects is further tested. The difficulties are real but if they can be overcome the benefits could be substantial. Here again, anticipated developments in Health will redefine and probably resolve the problem. In any case, simultaneity in service delivery, rather than integration, may be the better road, and that comes from building up the national programs and giving special program attention to local areas with significant development activity.

Recommendation 6(a)-(f): The Bank should continue to lend for population projects, on the understanding that opportunities may be limited and the early demographic results modest. (Several further recommendations followed)

The projects, despite extraordinary and intelligent effort, seem to us burdened by the problems originally noted: the pipeline is, and in our opinion will continue to be, rather hard to fill and the demographic impact difficult if not impossible to measure in any reasonable time. In short, the Panel judgment "that such opportunities will probably be limited and the early demographic effects modest" seems to us confirmed by the intervening experience (which is of course brief). We support the projects for the reasons cited before. Our impression is that there are some signs of progress in Bank projects. We support provision in selected major countries of field representatives concerned with population projects. We also again encourage more step-by-step flexibility in project development, perhaps using first-phase projects as suggested in the Education Panel Report. However, with respect to the basic problem of recruiting projects in new countries, we believe the POP staff has made every reasonable effort, and we think some of the obstacles may not be surmountable given current realities inside the Bank and out in the world. (We particularly note the Vice Presidents' replies to the President's memorandum of March 1978 in this connection.) Here, too, the Bank's decisions in the Health field will have major implications. To the extent that recent population projects have emphasized village-level and community-based activities, that is a good development. As mentioned above (rec. 3c), it has proven difficult to incorporate family planning in rural development and other poverty-oriented projects. POP tells us that it is looking for and incorporating in its projects attractive innovative and

experimental activities, but we have not had the opportunity to examine these projects closely. We regret but accept that it is not feasible to extend contraceptive use through the private sector by making loans through the IFC.

Recommendation 10: The Bank should experiment with third party participation in its population activities.

This too remains "a good idea" to us, but it has not proceeded far, and has two strikes against it: (i) it is inhibited by Bank regulations and procedures such as the Bank's discretionary authority over the use and possible publication of Bank data and material, and (ii) it is limited, we acknowledge, by the availability of qualified third parties to deal with. However, it still seems to us more promising than has yet been realized; for example, asking an outsider to work on measuring the demographic impact of other Bank sector efforts or on ideas for "restructuring" development toward demographic goals, as noted below.

More to be Done

Recommendation 3(a): The Bank should monitor and occasionally adjust the allocation of its development funding, particularly in the social sectors.

With regard to the occasional adjustment of Bank allocations, we had in mind what the OECD/Bank study ^{1/} (April 1978) calls "the message" of Bucharest, namely, to stress the "development approach" by pushing those socio-economic factors that presumably have a particular effect on fertility reduction (as specified, for example, in paragraph 32 of the World Population Plan of Action). The Panel urged Bank exploration along this line even though we had no "easy"

^{1/} "Changing Approaches to Population Problems," a collaborative study by the OECD Development Centre and Population Projects Department, The World Bank - December 1978.

answer or "radical new alternative." Two and a half years later, in our view, the field still has no specific guidelines on "restructuring" development to demographic ends -- the OECD/Bank study and meeting tend to sustain the rhetoric but reveal no programmatic reality. We are confident that the full array of Western industrialization is not required. Fertility decline has occurred under a wide range of development settings and family planning programs. A major effort to understand what combinations of these elements have specific demographic effects should have high priority in the Bank, as in the field in general.

In view of its special position in this regard, the Bank may wish to make a serious attempt to consider the possibilities (e.g., further increases for primary education as a basic determinant of fertility). We are not particularly hopeful as to the outcome, for a variety of reasons that apply to the general field as well, but a clear conclusion on the issue from the Bank, one way or the other, would make a major contribution to the current discussion of population strategy, post-Bucharest. Accordingly, we think it deserves another mention here, with the idea that a special assignment, in-house or commissioned, would be given to prepare a paper investigating realistic possibilities in a sober way (a la the Recommendation 12 intent).^{1/}

Recommendation 3(d): The Bank should selectively measure the population impact of social sector projects.

As we understand it, measuring the demographic impact of Bank developmental activity is being attempted only on a very limited scale and has not

^{1/} Note, for example, that "population education" is readily done but that "restructuring" education to demographic ends is not: i.e., the small problem has been handled, the big one not.

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back to PL

been done for three reasons: (1) there are considerable methodological problems, (2) the outcome might have little instrumental value anyway, and (3) Bank projects are by no means the only such instruments, nor of course are all suitable. We are less pessimistic on the first ground, though acknowledging real difficulties; we are ourselves somewhat divided on the second. While acknowledging the third, we still think Bank projects could be a useful medium. Some agencies are now working in this area. For example, USAID is legislatively mandated to prepare population impact statements for its various projects but the methodology is as yet undeveloped. But this seems too central a matter, within an intellectual atmosphere that family planning is "not enough," to leave aside. Here is a case where the Bank should be able to find a way, a la Recommendation 10, to commission outside work on the methodology of such measurement, to see how far it can be taken, if it does not wish to pursue the matter itself.

Recommendation 4: The Bank should include population considerations on a substantial and consistent basis in its country economic reports.

We continue to consider the proper inclusion of population considerations in major country economic reports as a particularly valuable way in which the Bank can contribute to this field. There has been a considerable increase in the provision of specialist services and other materials, such as demographic briefs from PHRD and POP. However, we are disappointed that more progress has not been made in the involvement of country economists themselves. There appears to be resistance among them, presumably on grounds of population sensitivity, but that is not persuasive if population trends are important for development, and some way(s) need to be found to strengthen their

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I agree
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them

involvement, with back-up from POP and PHRD. In the event, this may well be among the most effective contacts on population that can be made with member countries, particularly those with serious population problems, and the stress on population in such country reports should be targeted not "automatic." It is not out of the question, for example, that the best contribution that PHRD and POP can make in this regard is jointly to prepare a manual for use by country economists demonstrating and illustrating how demographic factors should be considered in such reports.

Yes - send note to Panel + mt at home school.

In this connection, the demographic briefs may provide useful material for the economic reports, but only that: what is needed is the pervasive analysis of demographic conditions and consequences as they are involved in actual development in the particular country, not merely a brief descriptive statement of demographic facts. That can best be done by the country economists themselves with specialist and technical help, rather than inserting materials from PHRD and POP, and the long-term aim must be to shift as much as possible of this analysis to country economists. As for the in-depth reports -- essentially what the Panel called "impact reports" -- what we have seen is impressive; but here we now feel that the Panel was too diffuse and ambitious in its target (top of page 29) and that such intensive analyses should be done only with priority to those key countries not yet substantially alert to or involved in population policy matters, rather than those already committed and active.

In any case, we continue to believe that inclusion and subsequent discussion of population in country economic reports is an important way for the Bank to work in this field, and that the Bank should continue patiently to raise

questions about the demographic aspects of development in its reports and discussions so that policy-makers in developing countries come to feel that considering demographic issues is a routine part of development planning.

Recommendations 5 and 11: The Bank should expand its population research and make it more policy-oriented; and The Bank should establish better working relations between POP and PHRD.

Here we find things essentially unchanged: competent PHRD work, lack of resources relative to its mission, still something of the "two stools" problem, little direct contribution from research to Bank operations in this field though both sides seem to be saying they want it. We appreciate that the problem of relating research to operations is not limited within the Bank to population, but it seems to us quite unfortunate there. Beyond the structural problems and the normal research/operations pressures, there seems to us a need for some clarifying discussions on the differing perceptions of the Bank's research priorities in the population field. We have seen several sensible programmatic statements from each side but have not heard of much joint discussion of the matter. Partly in consequence, it appears to us that even the direct monitoring and evaluation of Bank efforts needs strengthening.

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Canel
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Low
Londle*

The "state of the art" reviews and selected "in-depth" country reports should be helpful to the rest of the Bank as the latter become more interested in population. Still, PHRD is not much involved in important research issues arising in countries where the Bank has population projects. One country where more involvement is desirable would be Indonesia, whose unexpected success in reducing fertility is of keen interest to the population community.

Moreover, many of the issues raised by PHRD in connection with the local community could be investigated profitably in the diverse types of community and program efforts found in Indonesia, and similar questions might be pursued in other countries with Bank population projects.

PHRD's research strategy places considerable stress on the changing dynamics of households as the key to a basic understanding of how social conditions affect reproductive behavior. Assuming that this is the right strategy, we doubt that PHRD can make a major contribution to this difficult area of research with its present resources. It might be able to do more if it were to cooperate in joint studies of household economics and family planning evaluation in countries where the Bank has a population project with a significant research component.

An important element in PHRD work ought to assess the nature and amount of demographic impact of development programs aimed at the alleviation of poverty, and indeed development efforts in general. There is a growing consensus not only that development programs designed to increase the welfare and human capital of the poor are desirable but that, combined with family planning programs, they could have a substantial effect in reducing fertility as well. The Bank (either by itself or in cooperation with other agencies) is in a favorable position to take some leadership in developing the methodology for assessing the demographic effects of such programs, as well as the demographic impact of different development efforts, as noted with respect to 3(d) above.

Such research efforts, good in their own right, might also serve to build a stronger bridge between the Bank's major units concerned with population.

Recommendation 12: The Bank should appoint a senior officer to oversee population activities not directly operations or research.

This was the single Panel recommendation not accepted by the Bank. We do not wish to use this occasion to re-urge it now, only to clarify what was meant. The version in the initial draft was poorly formulated, and though subsequently reformulated may have left a negative residue. What the Panel essentially meant was that someone should be given specific responsibility for following up on the non-research and non-project recommendations. As things worked out, most of them were followed up to our satisfaction. But, for example, perhaps 3(a) and 3(d) could be commissioned outside and/or pursued inside by a specially appointed person who believes in them, if the Bank considers that they are worth such further effort.

General Comments

As requested, those are our reassessments in the light of the Panel's recommendations. We take leave to add four personal observations of general importance.

1. As noted by the Panel, there is a limit to what the Bank can do in this field: loan projects are hard to get, impacts are long-range if determinable at all, adjustment of sector funding to fertility ends is difficult at best, research is small and non-operational, multi-sectoral activities are resisted by the Bank structure, especially between weak and strong sectors. Much, soon is not a reasonable expectation.

2. We reconfirm the broad thrust of the Panel Report; that major impacts upon demographic trends will come from the Bank's general development efforts rather than from specific projects as such. That objective cannot be met by

the POP and the PHRD themselves, but ought to get more serious and sustained thinking than it has.

3. That leads to what seems to us a basic condition underlying Bank problems and limits in this field, namely what might be termed the layering of Bank interest in population. The President is determined to attack "the population problem" of rapid growth, the POP and PHRD work desperately hard to do what they can do, and in between large segments of the professional staff are indifferent or even hostile ("don't bother us to solve your problems while we are doing important things, or when you don't have feasible interventions we can handle"). Thus, in a sense, the organization works against itself; or to put it another way, in such a large organization staffed by professional experts, an administrative fiat from above does not immediately take hold, particularly when its practical leverage is difficult of determination, competitive of resources, and uncertain in outcome.

How raise "the population consciousness" of key country economists and loan officers within the Bank? -- for if that could be done, it should have a highly beneficial outcome. The in-house seminars are good as far as they go, but the upper layers of management need to be more involved in order for the President's determination to take more instrumental effect. We are thinking of some 50 regional people within the Bank (not all of whom, of course, are unsympathetic or uninformed) -- the Vice Presidents, the Program and Project Directors, and the Program Division Chiefs. The President's memorandum to the Vice Presidents, March 1978, was useful but got a predictable response. Perhaps an annual or biennial discussion of the relevance of population to development among such people, combined or by region, would make a difference.

Similar
to hold on

4. The likely development of a Health program within the Bank changes the situation dramatically in almost all respects. The opportunity is clear: FP projects could often piggy-back on Health, which everyone will want. In time, that in itself could take care of the pipeline problem. But the dangers are also clear: what everyone wants will drive out what everyone needs, so to speak, and population can get submerged and lost in the larger field. Moreover, insofar as Health deals with service delivery (as against preventive measures), the two together will even more tend to define population as family planning (and family planning as health) and further widen the gap with the other developmental sectors, and perhaps even diminish the demographic raison d'etre. These dangers need not occur, but they do need to be guarded against by management, particularly in the initial critical appointments, in order to assure that the Bank does not get out of Population when it gets into Health.^{1/}

^{1/} As echo, we cite Recommendation 6 from the current Report of the U.S. House Select Committee on Population: "The Congress should assess the need for USAID to increase its support of community-based medical and health care services in the developing countries, particularly the need for a widespread, comprehensive network of paramedical personnel and community health workers. Funds for this purpose must not be siphoned off from population appropriations, and the Congress should exercise due oversight to assure that this does not occur."

* * * * *

You asked what we thought. That is what we think. But do recall that this memorandum is based upon a relatively brief inquiry into the present situation; that only a short time has passed since the Panel Report and much indeed has transpired. And back of that, the Panel itself was experimenting along with the Bank on what could and should be done in its original Report, which need not be considered a fixed standard.

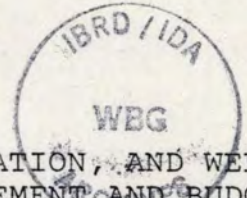
107
82
Have explained to
Mr. Camp deputy
for
2/2

1/32 To Mr. Morrison
Please make
clear we cannot
attend
Lm

THE WHITE HOUSE
WASHINGTON
January 26, 1979

MEMORANDUM FOR:

SECRETARY OF THE INTERIOR
SECRETARY OF STATE
SECRETARY OF DEFENSE
SECRETARY OF COMMERCE
SECRETARY OF HEALTH, EDUCATION, AND WELFARE
DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET
PRESIDENT'S PERSONAL REPRESENTATIVE
FOR MICRONESIAN STATUS NEGOTIATIONS
PRESIDENT, WORLD BANK
ADMINISTRATOR, AGENCY FOR INTERNATIONAL
DEVELOPMENT



The President has concluded that a number of questions concerning the territories of the United States ought to be explored systematically, on an interdepartmental basis, in the early months of 1979. I ask your cooperation in studying and responding to these questions. The Department of the Interior would be the lead agency in this study.

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There is enclosed a proposed list of six questions which encompass most of the major policy issues. Following each there is a list of the departments and agencies that we believe ought to be involved in the particular inquiry, with one designated as the lead agency. I also enclose a proposed timetable, because the value of this inquiry will be increased if it is completed in relatively short order. This list is meant to suggest possible areas to be covered by the study.

I invite you or your designee who will have the relevant policy responsibility at the Assistant Secretary level to a meeting at 1:00 p.m., February 6, 1979, at the Old Executive Office Building, Room 208, to discuss these matters. Please let me know the person I may expect from your agency (department) at the meetings by contacting Barbara Heller at 343-7351.

Stu Eizenstat
Stuart E. Eizenstat
Assistant to the President
for Domestic Affairs and Policy

Interdepartmental Policy Review Memorandum
U.S. Territories and the Trust Territory

1. What should the United States Government be seeking to achieve in or for each of the territories, giving due regard to our legal responsibilities, territorial aspirations, national security objectives, and our commitment to self-determination? What should the United States Government be seeking to achieve in the Trust Territory before the end of the trusteeship?

Lead agency - Interior
State
NSC
DOD
OMB
OMSN

2. How can the United States Government best encourage economic development in the territories, given scarce resources, small population, untrained labor forces, distances from supplies and markets, etc?

Lead agency - AID and Interior
Commerce
Treasury
DOD
OMB
World Bank

3. Should the Federal financial aid to the territories be regularized so as to eliminate the need for ad hoc subsidies, and so as to encourage wiser planning and greater fiscal self-reliance in each territory?

Lead agency - OMB
Treasury
Interior

4. Does any practical device exist to refine the application of Federal grant programs to the territories and the Trust Territory, so as to eliminate those without substantial value to the territory or the Trust Territory, and to make more effective those that do have value?

Lead agency - Interior
OMB
HEW
OMSN

5. Should any change be made in the organizational arrangement that places the focus for Federal assistance and liaison for the territories in the Interior Department? Attention should be given to post-Trusteeship Micronesia, Puerto Rico, and the Northern Mariana Islands.

Lead Agency - Domestic Policy Staff
Interior
State
OMB
OMSN

6. With the elimination of appointed governors, is there a need for a Federal presence in the territories, beyond that provided by the Federal Comptrollers?

Lead Agency - Interior
OMB
Domestic Policy Staff

Proposed Work Schedule

| | |
|------------------------|---|
| February 6: | Initial meeting of all agency representatives |
| February 8 - March 22: | Conferring as necessary among agency representatives and territorial executives, and preparation by lead agency of draft response |
| March 22: | Draft response circulated to agency representatives |
| April 11: | Comments due from agency representatives and territorial governments |
| April 11 - May 11: | Consultation among agencies and revision of responses, as necessary |
| May 11 - June 1: | Clearances obtained from agency heads |

494/4/1

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|-------------------------------------|------------------------|-------------------------------|-----------------------------|
| ROUTING SLIP | | DATE: February 2, 1979 | |
| NAME | | ROOM NO. | |
| Mr. Robert S. McNamara | | | |
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| APPROPRIATE DISPOSITION | | NOTE AND RETURN | |
| APPROVAL | | NOTE AND SEND ON | |
| CLEARANCE | | PER OUR CONVERSATION | |
| COMMENT | | PER YOUR REQUEST | |
| FOR ACTION | | PREPARE REPLY | |
| INFORMATION | | RECOMMENDATION | |
| INITIAL | | SIGNATURE | |
| <input checked="" type="checkbox"/> | NOTE XXXXXX | URGENT | |
| REMARKS: | | | |
| | | | |
| | | | |
| FROM: John E. Merriam | | ROOM NO.: E-826 | EXTENSION: 7-2468 |