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The World Bank
1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
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McNamara Papers

Contacts
United Kingdom (1977-1980)

The World Bank Group
Archives



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President's papers - Robert S. McNamara Contacts with member countries: United Kingdom - Correspondence 04

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WBG Archives

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: February 14, 1977

FROM: William Clark *Wm*

SUBJECT: Robert Rhodes James

Robert Rhodes James, a really brilliant scholar who just decided last year to become a Member of Parliament (Conservative) and make development one of his main topics.

Immediate previous experience - speech writer and general looker-after of Secretary-General Waldheim.

Wishes to talk about Manila speech, especially agriculture and poverty, and Brandt Commission. I want you to meet him because we need some clever Conservative support.

Also he is a personal friend and very bright and amusing under a blimpish exterior.

WDCClark:sf

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MEMORANDUM FOR THE RECORD

Meeting with Mr. Gordon Richardson, Bank of England, April 1, 1977

Present: Messrs. McNamara, Richardson, Ryrie, and Ian Plenderleith

Mr. McNamara said that he was very pleased with the recent negotiated Fifth Replenishment for IDA and that he was hopeful that a real increase in future IBRD lending would be agreed upon. He was thinking about how the Bank should take complementary action to the IMF if the IMF obtained vastly increased resources for balance-of-payments financing. To achieve reasonable growth in the LDCs, both increased IBRD and commercial bank lending were obviously required. Mr. Richardson said that commercial bank lending to LDCs should go on but a larger proportion of the expanded lending should be undertaken by the international financial institutions. He also felt that a better debt-reporting system should be established. Mr. McNamara agreed and said that, after the future role of the Bank had been decided upon, he would wish to sit down with the IMF, the BIS, the central banks and the commercial banks to develop an adequate debt-reporting system, including both public and private flows. He found it inevitable that IMF conditionality would be attached to commercial bank lending to the LDCs in the future and that cofinancing between international financial institutions and commercial banks would become more frequent. He hoped that the Economic Summit in May would endorse these principles for commercial bank lending.

On a question from Mr. Richardson, Mr. McNamara said that we still had problems with the legislature in the U.S., where the Bank seemed to be caught between human rights concerns and budget deficits. Hence, we were living in constant jeopardy but the new Administration was obviously much more favorably inclined towards the Bank than the previous one.

cc: Mr. Cargill

SB
April 4, 1977

MEMORANDUM FOR THE RECORD

Visit of Mrs. Judith Hart, UK Minister of Overseas Development, April 19, 1977

Present: Mr. McNamara; Mrs. Hart; John Vereker, Private Secretary to Mrs. Hart; Messrs. Ryrie and Clark

Mr. McNamara said that things were improving for the Bank Group. Very few people would have believed a year ago that an IDA Replenishment of \$7.6 billion would be obtained, that the Bank now was planning on \$6.1 billion lending in Fiscal '78 and \$6.8 billion in Fiscal '79, and that a consensus was emerging for a continuing increase in Bank lending in real terms. Mrs. Hart said that she had lunched with several U.S. Congressmen and they seemed to be confused about the status of IDA legislation. Mr. McNamara said this was not surprising since six pieces of legislation were now required for IDA, namely Function 150, authorization, and appropriation in both houses. However, the Bank's position was stronger than before since President Carter was behind IDA and the Administration was actively working to push legislation through Congress and had asked for the Bank's help in its efforts with Congress.

Mrs. Hart asked whether the World Bank would finance buffer stocks, and in particular whether the Bank would give guarantees against a wildly fluctuating commodity within a common fund. Mr. McNamara said that the Bank in principle was interested in buffer stock financing. Guarantees were a different matter and might require amendment of the Articles.

Mrs. Hart said that she had talked with the Director-General of FAO, Mr. Saouma, in Rome and that he had been very concerned about crop failures for 1977 and the lack of progress on establishment of food grain reserves. Mr. McNamara was not so concerned about grain deficits in 1977, but agreed that very little follow-up had taken place through the World Food Conference in 1974. However, the new U.S. Administration was interested in these matters and Messrs. Bergland and Hathaway in the Department of Agriculture would certainly consider the problem in a constructive way.

Mrs. Hart asked about the Brandt Commission. Mr. McNamara said that he hoped the Commission could be established when the CIEC negotiations were completed by June 1977. He was hopeful that CIEC would be a step forward in North-South relations, but it would not solve all the problems. The Brandt Commission could further illuminate the problems for the international community and throw light on a set of alternatives. Financial support was required for the Commission and he was presently trying to formalize the Dutch contribution before the elections in the Netherlands in May. He hoped the UK would contribute to the financing of the Commission with an amount of about \$250,000. Mrs. Hart said that she would consider such financing on her return to London.

SB

April 20, 1977

69.

MEMORANDUM FOR THE RECORD

Meeting with Mr. Ramphal, Commonwealth Secretary-General, April 22, 1977

Present: Mr. McNamara, Mr. William Clark, Mr. Ramphal, Mr. Malhotra (Assistant to Mr. Ramphal)

Mr. Ramphal said that he had delivered a speech to the Joint Economic Committee of the U. S. Congress on North-South issues. He had also prepared a paper on these issues which had been read into the Congressional Record. He had stressed trade issues and in particular the problem of access to the U. S. market. He felt that the LDCs had to present their plight to all segments of society in the developed countries and he had, therefore, talked to labor representatives in New York about the same problems. Mr. McNamara said that the U. S. labor movement had turned protectionist and this would hamper the Administration on trade issues.

Mr. Ramphal said that he was concerned about the outcome of the London Economic Summit and the CIEC negotiations. Failure could lead to an Eighth Special Session of the General Assembly with likely confrontation between North and South. Mr. McNamara said that he was surprised at Mr. Ramphal's pessimism. In his view, CIEC would probably lead to substantially increased capital flows to the LDCs for the coming five to seven years. Combined with the proposed new IMF Facility, which might be agreed upon during the next week's meetings in Washington, a total increase of \$5 to \$7 billion per year could be foreseen. A case-by-case agreement on commodities, although not very fundamental, would probably be reached. He was not optimistic with respect to trade since protectionism was rising in the developed countries and there was a general lack of definition of what the parties wanted. Mr. McNamara hoped that an Eighth Special Session of the General Assembly could be avoided since it would only lead to theatrics. CIEC was a much better forum for serious negotiation. Mr. Ramphal said that the LDCs in general suffer from lack of a secretariat to prepare background papers on the policy issues. He had talked to the Arabs about financing a group of outstanding LDC economists to prepare such papers in the setting of what would be an international equivalent of the Brookings Institution. Mr. McNamara said that that was an excellent idea and urged Mr. Ramphal to contact Mr. Ralf Dahrendorf at the London School of Economics, who had been thinking along similar lines for quite some time. He also hoped that the Brandt Commission would be helpful in clarifying the issues and showing the long-term mutuality of interests between North and South. The confrontation was in large part due to the lack of homework of the parties involved. Mr. Ramphal strongly endorsed the establishment of the Brandt Commission.

Mr. Ramphal said that the final report by the Commonwealth experts on the new international economic order would be released by May 1. He hoped to see Mr. Manley and President Nyerere back the report and have the Commonwealth endorse it.

Mr. McNamara mentioned the possibility that the Economic Summit in London would agree on having a World Development Program prepared, possibly by the World Bank in cooperation with other interested international agencies. If such a World Development Program were established he would very much like to have Mr. Ramphal's comments on it.

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MEMORANDUM FOR THE RECORD

Meeting with the Chancellor of the United Kingdom, Mr. Denis Healey, April 26, 1977

Present: Messrs. McNamara, Healey, and N. Monck, Mr. Healey's Personal Assistant

Mr. Healey enquired about the outlook for the Bank Group. Mr. McNamara said that IDA had recently been replenished, in great part due to strong support from the U.K. and a consensus was emerging for an increase in IBRD lending in real terms. He hoped that Mr. Healey would talk to Mr. Blumenthal about the need for an IBRD capital increase with a view to having a statement on this inserted in the communique from the Economic Summit in London. An attitudinal change had taken place in the U.S. with the new Administration. It would still be hard to push legislation through Congress but the Administration would strongly support the Bank. Mr. Healey said that he had talked to Mr. Blumenthal the same morning and had pointed out that the U.K., which was a much poorer country than the U.S., spent a larger part of its GNP on development assistance. Mr. Blumenthal had taken the comment well and said that he might wish to use this argument with Congress.

Mr. McNamara said that over the next five years he would give more attention to non-financial aspects of the Bank's work, such as food production, health and population. He gave Mr. Healey a copy of the population speech.

Mr. Healey enquired about the proposed World Development Program. Mr. McNamara said that the WDP could be a useful framework to consider not only capital transfers but also such matters as the need for increased food production and population control.

Mr. Healey asked about Mr. McNamara's meeting with the new Indian Minister of Finance, Mr. Patel. Mr. McNamara said that Mr. Patel was a highly intelligent person but had not yet proceeded very far to establish a financial policy for India. Mr. McNamara said that he, for the first time, had left India with optimism about its future last November but the continuing population increase in India could turn into a tragedy. It would be very difficult to maintain India's 40% share of IDA since the U.S., Canada and Japan might oppose it. Mr. McNamara urged Mr. Healey to mention this matter to Mr. Blumenthal. Mr. Healey said that he would do so.

cc: Mr. Knapp
Mr. Cargill
Mr. Stern

SB
April 27, 1977

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OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara (thru William Clark)

DATE: July 8, 1977

FROM: John E. Merriam

SUBJECT: Request for Background Conversation by Frank Vogl of the Times of London

Frank Vogl has asked to talk with you on background, and has agreed that there should be no attribution, on two subjects:

1. The possibilities for improved trade in industrial products of the Third World nations. He would like to bring up to date your comments on this issue made last year in Manila.
2. The means of extending additional financial support to the developing world, particularly the poorest. Vogl is particularly interested in cofinancing, and arrangements for the poorest.

There is some need for clarification of the Bank's position on these issues. Helen Hughes has, for example, suggested we do something with the Debt Paper, which I believe may be necessary. On Capitol Hill, for example, there is a growing belief among the uneducated that Bank/IDA lending to developing nations is only a means of allowing them to pay off their commercial loans. Also, there is the general fear, generated by pressmen always seeking a sadistic story, that developing nations are just about to default on their debt and therefore are uncreditworthy. A good story on the financial conditions of Third World nations, their needs and prospects, would be valuable. Vogl has already talked to the Treasury, the Fed, the State Department, etc., and would like to have your views to support the rest of his arguments. His stories are frequently replayed in the U.S. and other countries.

Vogl has invariably supported the Bank and, on at least three occasions, has got us major coverage in the Times; on your Population Speech last April, on the Annual Report the year before last, and just today on the Brandt Commission. He has also written very sensibly on the human rights issue in "Financier" a financial publication coming out of New York.

I hope that you will be able to see him for a half hour chat some time next week. I am sure William will join me in vouching for Vogl.

JEM:rgw

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MEMORANDUM FOR THE RECORD

Meeting with Sir Geoffrey Howe, July 28, 1977

Present: Messrs. McNamara, Ryrie, Sir Geoffrey and Adam Ridley

Sir Geoffrey asked about Mr. McNamara's views of the problems of the developing countries. Mr. McNamara responded by giving Sir Geoffrey the Prospects, Trade and Debt papers, as well as the population speech. He said that the LDCs had to be divided into the poorest and the middle-income countries. For the poorest, little growth was possible in the coming years, even with export expansion and concessionary aid. The prospects for the middle-income countries were excellent, although the debt of these countries would increase dramatically in current prices. However, this debt problem could be covered by expanded private lending and willingness of the OECD countries to accept exports from the LDCs. For both categories of countries, population growth was an overriding problem in the long run. It was imperative to address the problem of absolute poverty of the 800 million absolute poor within the 2 billion people living in the two groups of countries. This should not be done by welfare measures but by increasing the productivity of the poorest people to give them access to markets and by redesigning public services, particularly in health, away from the usual western models. The politics of solving the problems had been mishandled. UNCTAD and CIEC were misdirected away from fundamental problems to deal with such negative sum issues as indexation. Mr. McNamara was confident that, if the four papers he had given to Sir Geoffrey and the planned Bank study on development prospects and progress had been available two years ago, the outcome of the two meetings would have been different. These two meetings had emphasized OECD action and not said much about measures to be taken by the LDCs themselves. He would again in this year's Governors' speech stress the need for a global compact. On a question from Sir Geoffrey, Mr. McNamara said that the role of OPEC in this had been exaggerated to take attention away from the action needed.

Sir Geoffrey asked about the possibilities for expansion of trade. Mr. McNamara said that, under reasonable assumptions, it would be possible for manufactured exports from LDCs to triple by 1985 over the 1975 level. The necessary adjustments would cost the OECD countries about 100,000 jobs per year. Although the Bank was deficient in studying the employment effects of OECD growth, it did not seem unlikely that adequate adjustments could be made at reasonable cost.

Sir Geoffrey asked about the Bank's political clout and image. Mr. McNamara said that we were able to influence LDC development policies but that our role should not be exaggerated. In many cases the countries would do what we suggested anyway, although our advice and capital in most cases could hasten the process. He said that our political image in the LDCs had changed over the last nine years away from the impression that we were arrogant, imperialistic and captives of the U.S. On questions from Sir Geoffrey, Mr. McNamara briefly described the Bank's role in such countries as Kenya, Korea and Morocco.

SB
July 29, 1977

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: August 3, 1977

FROM: William Clark *mc*SUBJECT: Hella Pick - 6.00 p.m. Wednesday, August 3

You are seeing Hella Pick, as an old journalistic friend, this evening. She has been here two weeks filling in for the Guardian correspondent who is on leave. She goes to stay with Hollis on Martha's Vineyard at the weekend. Hella's job in London is to cover Eastern Europe.

You do not want to give an interview, but she would like to indicate that she had talked to you. You could either explain that at this moment you cannot give interviews (state of IDA in Congress, close to Annual Meeting); or you could ~~say that but~~ add that if she wanted to quote you on one point (say the Brandt Commission) it would be O.K.

Hella is an old friend of Brandt's and did a long interview with him earlier in the year. It could be very useful at this stage to reiterate your view that the Brandt Commission has a real role to play in helping the Third World in its relations with the OECD countries. You could also indicate (for Brandt's benefit) that you do regard yourself as having asked him (as you asked Pearson) to undertake a task and to report back to the Bank (Development Committee) and all interested international groups (U.N. Ecosoc). You could say something about your view of the North/South impasse (this should not be attributable but it would not hurt if people could guess that it reflected your views).

I hope you will do this; but if you feel you cannot you can interview her on her impressions of the new Washington; its relations to Europe and Third World. Also on the state of Callaghan's government and its relations to Third World, Europe, U.S. etc.

Your time will not be wasted - Hella is a useful friend and an excellent reporter.

WDClark:sf

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OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: September 23, 1977

FROM: William Clark *mm*SUBJECT: Interview with (Manchester) Guardian

Hamish McCrae is Financial Editor of the Guardian and one of the best in London. His objectives are two:

1. To write a good account of your speech for Tuesday's paper. His dispatch will be edited by the news editor.
2. To use his own page edited by him to do a full length (2-3,000 words) account of your views on the future role of the Bank as a development institution. This will appear after the meeting has closed.
3. It will be based on his interview with you, to which he will add in the next week confirmatory detail obtained from staff via me. He and I will go over the whole thing before it is printed -- so you need not worry about speaking freely -- the tape is only used as a form of note taking.

WDClark:mmh

His "questions" i.e. guide posts to areas of interest are attached. mm.

interview questions 2

3. You single out a number of specific actions needed by the very poor to get their per capita growth rates back to the levels of the 1950s: greater savings and reinvestment of these; an increase in efficiency in capital use; doubling of export growth; and a 50 per cent increase in real terms in aid flows. Could I put it to you that in practice only the last is within the control of the developed world?

4. ~~Doesn't that therefore imply talking much more about the institutional arrangements to develop them?~~ Perhaps we could turn to the proposed world development report. Without trying to anticipate its findings, could I ask you about the types of guidance you are seeking? Is it intended mainly as a blueprint for the Bank itself? Or do you hope it will have a wider ~~role~~ purpose?

5. Do you anticipate that the Bank itself will make a major change of direction, comparable, perhaps, to the burst for growth that followed your own arrival here? Is it likely that ~~the~~ what seems to an outsider to be a shift away from direct assistance and towards the encouragement of self-help will ~~more~~ move more quickly?

interview questions 3

6. How concerned are you about trade protectionism in the West? Is this likely to damage the very poor - or does it merely ~~impede~~ slow the process where middle -income ldes 'take off' into industrial growth? Or ~~do~~ you think the whole threat has been overdone?

7. The growth of other sources of development finance - in particular medium-term Eurocurrency lending - ought to have enabled the Bank to focus more on potential borrowers who cannot get these funds, ie the poorer ldes. Has it in practice helped? Do you think that the Bank has done enough to use these markets' potential? Has the Bank itself considered using some of the Eurocurrency loans market techniques, such as floating rates? And on the debt burden * could Bank surveillance of Euromarket credits ~~aviod~~ avoid new problems?

8. Do you think the Bank has made enough of its advisory and technical skills? Does the changing emphasis of economic development shift the burden of the Bank's work away from lending towards provision of advisory services? For example, what in practice can you do to organise a financial system within a country that will enable it to mobilise its own savings?

interview questions 4

9. Can you say something about the Bank's help for small enterprises? Again, is this not something that is really a function of local social, taxation, and political policies, rather than something that an outside body can do?

10. In a nutshell, is the Bank the right sort of body to help the development process now - with ^{the} ~~its~~ very different priorities now seem to be emerging? And if you ~~xxx~~ could wave a magic wand and change, not the development process, but the Bank's role within it, what would you do?

11. In the final analysis, ~~is~~ it inevitable that the Bank will become a more political body - in the light, ~~for~~ not just of the need to influence countries' domestic policies, but also in the light of current US policies on human rights?

This news item appeared on page 12 of the 19 September 1977 issue of:

Ratcliffe
cc. Mrs. Morris

- THE TIMES
- THE FINANCIAL TIMES
- THE GUARDIAN
-

In a nutshell— strapped for cash

A WEEK today the International Monetary Fund and the World Bank open their annual meetings in Washington DC. Usually at such meetings it is the proceedings of the Fund that steal the attention of press and public. For the actions of the Fund tend to have a more immediate political impact, at least within the developed world, than those of its sister organisation.

In Britain this bias is particularly evident, partly because she is the largest customer of the Fund (and has been on and off throughout the last 20 years) but also because the macro-economic deliberations of the Fund seem to have a greater intellectual attraction for Britons than the nuts and bolts of the Bank's work.

This year, though, promises to be rather different. For a start the agenda for the Fund is rather thinner than that for the Bank. The special fund set up within the IMF for lending to countries pushed into particularly severe deficit by the price of oil—the so-called Witteveen Facility, after the IMF managing director—is more or less wrapped up. The increase agreed two years ago in each member country's quota at the Fund has been largely ratified by the members' legislatures.

Gold sales are proceeding steadily, to finance the new trust fund and though there is a further increase in quotas proposed, with Britain looking for a general increase of 50 per cent, no one expects this to get very far at the next meeting.

In essence then, the Fund is doing its job. Arguably the depressed state of the world economy would not be quite so dismal had the IMF been allowed to increase its resources more quickly and her been able to pay a greater role in recycling petrodollars. But it is hard to believe it could have made that much difference, for two reasons.

For a start, the Fund's prestige and scrutiny has if anything been more useful than its cash. For the very fact that the Fund has given approval to measures by individual countries to set their books to rights has enabled these countries to borrow from the commercial banking system.

Secondly the main checks on the growth of the world economy have come not so much from over-correction by countries in heavy deficit but from correction by countries that for most of the time have remained in balance-of-payments surplus.

This is not to say that an increase in the IMF's resources is not welcome. It is. But one should not try and believe that this will go very far towards providing any general stimulus to the world economy.

The state of the World

Bank is altogether different— which is why this year should differ from previous years in that it is likely to attract most attention. The problem, the effects of which are highlighted in the Bank's annual report (see first story) can be put in a nutshell.

Unless the Bank is able to convince member countries to increase its capital, it is faced with the inevitability that it must curtail its lending. Already this pressure has forced the Bank to reduce its lending in real terms.

It is not impossible that in the relatively near future it might have to reduce its lending even in money terms.

Under its Articles of Agreement its outstanding loans cannot exceed 100 per cent of its capital and reserves. As of June 30 last year, the Bank was only 41 per cent lent. But because of the long lead times of projects backed by its funds, the Bank has to cut back now if it is to avoid a larger cut in the future: if it had chosen to maintain its lending in real terms now it would also certainly be forced to reduce them in money terms in the next few years.

To cope with the capital problem there have been two proposals to boost resources. The first, a selective capital increase, has been formally approved by the Bank's board of governors earlier this year. But this only enables the Bank to continue lending at about \$5,800 millions a year. A further general capital increase is needed if the Bank is to increase its lending in real terms.

Lending for the 1978 fiscal year has been fixed at \$6,100 millions (i.e. above the level that could be maintained indefinitely without the additional capital) and the executive directors are pledged to try to reach agreement by June 30 next year to get country approval for this increase.

If they do not, since lending is already rising above the level that can be sustained in the long run, the flow of funds might well have to be cut back in money terms, let alone real terms.

The chances of the Bank

getting the funds it wants may be slightly brighter under the present US Administration than under its predecessor, but it is hard to be confident. Besides, even if the executive arms of government approve funds they are sometimes defeated.

As the World Bank's annual report points out the Swiss contribution on the fifth replenishment of the Bank's soft-loan subsidiary, the International Development Association, was defeated at a referendum.

Faced with this it is hard not to come to the conclusion that it is perfectly possible that within the foreseeable future the World Bank will be forced to take a much more limited role as a source of development funds. And even if the current proposals do go through, it is hard to see the Bank growing at anything like the same rate as it has in the past.

This has a number of broad implications, which are in fact implicit in current policy. The first is to shift aid away from the richer less developed countries—the countries that have to a large extent achieved the break-through to industrial status—to the very poor. The Bank has been aided by the growth of commercial bank lending, through the Eurocurrency market, to the LDCs lending which has almost exclusively been to the richer members of that club.

The second is the shift of the criteria in traditional bank lending, concentrating funds in areas where they are more likely to benefit the very poor. A third is the shift to assist the rural poor; and a fourth, on helping small scale enterprises. The new focus on small businesses has an international dimension.

This last initiative is particularly interesting, and may point to one way out of the Bank's problems. For to find ways of getting funds to small scale enterprises, the Bank has had to use intermediaries to a much greater extent than it has when financing large scale projects.

If you accept even some of the arguments against development loans, you have to accept that encouraging local financial networks is more likely to provide lasting benefits than just pumping in funds.

No one would pretend that small enterprises are the sole key to economic growth around the world. But the point for the Bank is a different one: by finding itself forced to look at local financial systems is it not moving towards looking at ways of mobilising local savings? It is surely more useful to a society to help it build its own financial system—whether it is through the state for private sector—than to grant it a massive loan that has to be paid back with interest.

This is the complete version of the item which appeared in a previous issue of the Reuters Press Review.

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MEMORANDUM FOR THE RECORD

Meeting with the U.K. Delegation, September 27, 1977

Present: Mr. McNamara and Messrs. Healey, Richardson, Preston, Ryrie and Battishill, Principal Private Secretary to the Chancellor

Mr. McNamara thanked Mr. Healey for his support on a \$40 billion capital increase for IBRD. He asked the British for help on the compensation problems of the IMF and the Bank which he feared might tear the institutions apart if not appropriately resolved. He also urged Mr. Healey to give us whatever thoughts he or his colleagues had on the planned attack on poverty through meeting basic human needs.

Mr. Ryrie enquired whether the situation on U.S. legislation for IDA now had deteriorated to the extent where the whole agreement might fall apart. Mr. McNamara said that we had severe problems but he could not possibly believe that it was the intent of the U.S. Congress to destroy IDA. We might face a fairly chaotic situation but we should be able to work our way out of this in cooperation with the U.S. Administration.

SB
September 30, 1977

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: December 14, 1977

FROM: William Clark *W.C.*SUBJECT: The Kershaw Interview. Monday at 4 p.m.

I talked to Richard Kershaw in London and he is anxious to draw you out on what you want to say. (That is his technique and it works very well). He would like to meet you to chat for a little about the program before it takes place.

Could I suggest bringing him round for a drink at your home on Sunday, or to your office on Monday at noon? Preferably not just before you tape the show.

12/15
On the subject matter we agreed that we should begin with a question along these lines: "With more or less of a recession in the West why should we worry about the LDCs". You should then go into the 'mutual interest' of North and South, (perhaps with some reference to the Commonwealth).

Not a good way to start

I suggest you distinguish the between Middle Income countries and the Poorest and describe the Bank's different policies towards each. Stress with Middle Income countries our increasing involvement with commercial banks etc.

On the Poorest countries emphasise that "making the poor more productive" is our basis. Success story from Sokoto; but it is very difficult to reach the poorest. A short remark on "that's why I ask for critical progress reports every six months; every project is a pilot project from which we learn".

If there is time (and you should not crowd in too much) turn to the New Year and the next decades. The attempt to delineate the problem of Development in the World Development Report (which was ordered by the London summit meeting); the political feasibilities being worked on by Brandt.

You might find occasion to refer to Barbara Ward as someone who has inspired you in some of your thinking about a more just world and one in which there is more cooperation between rich and poor (e.g. her frequent references to the Marshall Plan example).

I think you will find British mass audiences less numerate but more literate in global terms than an American audience. Kershaw knows the Third World quite well and is a Trustee of the O.D.I. He also used to edit a periodical on African politics.

WDCClark:sf

OFFICE MEMORANDUM

608

TO: Mr. Robert S. McNamara

FROM: John E. Merriam

SUBJECT: The London Times Special Supplement, Finance in the Third World: Request for Interview

4) 29 To M. Merriam
 What is the
 DATE: April 18, 1978
 latest date I
 could meet with
 him.
 JEM

The local correspondent of London Times, Frank Vogl, has asked to interview you for The Times Special Report entitled: "Finance in the Third World" and to appear on May 31st. Although the Bank has been working with The Times on the production of this Report, only recently have the editors come forward with a request for interview with you. The editors hope to make the interview the centerpiece of the Supplement.

Vogl plans to do an introductory article based on the interview with you dealing with the following issues:

- 4/19
- A. The Bank's future plans.
 - B. Progress towards meeting essential needs in the development world.
 - C. The importance of such items as, the World Development Report, the Brandt Commission, the so-called "North-South dialogue" and other elements in shaping the future of the developing world.
 - D. A discussion of financial matters, particularly the need for capital increases and growth in Bank project lending and cofinancing.

All quotes used in the article will be cleared prior to publication. Vogl would like to complete the interview by the end of the first week in May. He would need about one half hour.

The Times has a readership of one million whose social economic profile closely parallels that of the New York Times. Seventy percent of all Times special reports are filed (as opposed to thrown away). This particular report has attracted advertizing from three continents. Paris Office strongly favors our full support to this effort.

Other items in the report will be:

1. An article on multilateral institution.
2. Interview with a "City" personality on financing capital flows.
3. A portrait of the IBRD (Vogl).
4. A world Bank project as seen from the field (probably by Paul Harrison whom we recently sent to Indonesia).
5. An article on Britain's aid effort.
6. An article on EEC.
7. An article on aid performance.
8. An article on OPEC aid relations with the Third World.

I would assume that the material needed for this interview would be very similar to that provided to the New York Times. We would of course be prepared to provide any further backup needed.

JEMerriam/MCCherniavsky:11

638
OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: John E. Merriam

SUBJECT: Interview with Frank Vogl for The London Times, Friday, April 28, at 6 p.m.

DATE: April 27, 1978

Frank Vogl of the London Times will come to your office at 6 p.m. on Friday, April 28, for a one half hour interview with you. I shall accompany him. The interview will be for a Times special report entitled: "Finance in the Third World" and scheduled to appear on May 31st.

As mentioned earlier (my memo of April 18), the interview will be on the record with quotes to be cleared back. It will not appear in Q & A form, as we noted earlier. The subject matter is to be confined to the Bank's work with emphasis on lending activities, the North-South dialogue and finance.

4/28
Vogl may however seek to raise other issues. He is a highly active newsman and could very well look for leads for other articles. I do not believe that he is either unethical or unfriendly, but he is aggressive.

I also believe that it is important that Vogl come away with a good impression of the interview. At this very moment we, the Bank, are very much under observation for signs of strain. Nowhere is this being more carefully watched than among the foreign press who are covering us, and particularly among those from countries having an important stake in the Bank like the U.K. and Germany.

The main issues which Vogl may try to bring in obliquely could be (a) the staff situation, (b) the current status of the Development Committee, and (c) future plans for the publication of evaluation reports. (Vogl got the story the early stage backwards, as the attached article shows). He may also like to get something from you on Human Rights, in view of your statement to the New York Times; that story is a good one and any journalist would be likely to follow it up.

This news item appeared on page 19 of the 23 Feb 1978 issue of:

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| <input type="checkbox"/> THE NEW YORK TIMES | <input checked="" type="checkbox"/> THE TIMES |
| <input type="checkbox"/> THE WASHINGTON POST | <input type="checkbox"/> THE FINANCIAL TIMES |
| <input type="checkbox"/> THE WALL STREET JOURNAL | <input type="checkbox"/> THE GUARDIAN |
| <input type="checkbox"/> THE JOURNAL OF COMMERCE | <input type="checkbox"/> |

Auditors say Third World projects costing \$1,300m were ill-planned

World Bank management under fire

From Frank Vogl
Washington, Feb 22

Audits of 70 projects in developing countries that involved World Bank credits in excess of \$1,300m (about £684m) show that in many cases poor supervision, inadequate planning and plain bad judgment, resulted in heavy cost overruns and lengthy project completion delays.

The audits raise questions about the bank's managerial competence, which is of critical importance today as the bank strives to expand its activities. Most of the projects reviewed have turned out well, but in many cases there were serious initial difficulties.

For the first time the World Bank has publicly released its *Annual Review of Project Performance Audit Results*, providing an insight into the Bank's managerial skills. The audits were compiled in 1976 and the report has been written by the operations evaluations department. Detailed criticisms in the report are aimed at improving the Bank's operations expertise with current and future projects.

The authors of the report note that most of the projects reviewed have been implemented successfully and more than half with expenditures close to or less than appraisal estimates. They assert that "over 90 per cent of the investments clearly remain worth while, with expected economic returns similar to or substantially better than estimated at appraisal".

However, a detailed review of individual projects shows that a great number of them encountered serious problems. For example, out of 21 diverse agricultural

projects, fully one-third failed to achieve their original objectives.

The report notes that four agricultural projects had overruns of about 30 per cent, six of them suffered completion delays averaging 50 per cent of the original estimate, and "in several cases, unsatisfactory supervision contributed to or overlooked the failure to implement project components or covenants established at the Bank's requirements. . . . Major shortcomings in supervision occurred in two cases".

A clear illustration of mismanagement is provided in the report when it is noted that in one agricultural credit project "the consultants' misleading reporting and the Bank's reliance on these reports caused it to fail to notice major implementation problems.

"It was the government's controllers who first found that the executing agency's accounts were in disorder, its financial statements were incorrect, its reorganization was not making progress, and the consultants' reports were not properly reflecting actual achievements."

Most of the dozen transport projects reviewed took much longer to complete than originally planned, with delays in 11 of these projects, ranging from three months to eight years.

The auditors declare bluntly that the three projects which suffered the longest delays were those with "inadequate preparation".

Two harbour projects are reviewed, with one having a 43 per cent and the other a 51 per cent cost overrun. In both cases the auditors note that the quality of the original soil investigations did not provide an "adequate basis for realistic planning".

Further bold criticisms of management are to be found in the audit reports on public utility and education projects financed by the World Bank. All the projects reviewed were initiated in the late 1960s and in the early 1970s and no doubt the Bank's management skills have improved significantly since then.

However, some of the errors of the past are startling. On 19 public utility projects the average completion time overrun was 33 per cent, and the average cost overrun was 20 per cent. Cost excesses of around 70 per cent developed in three of these projects, and were primarily ascribed to "unexpected geological difficulties".

The auditors add that there were three utility projects where demand for services provided "was significantly underestimated", while there were several where serious overestimates of demand were made.

On one project the auditors conclude that the public utility had been brought into service five to six years too soon.

There can be little doubt that the great majority of the projects discussed in the report were worthwhile, and the auditors appear satisfied that the bulk of them will prove to be economically feasible and indeed produce a good rate of return. But it is clear that many were changed during implementation, took longer to complete and cost more than originally estimated.

The report concludes with the cautionary note that its comments do not aim to describe what is typical about the projects reviewed, but the need for continuing attention to improve the effectiveness of operations. It is to the bank's credit that it should publish a report which contains so many criticisms of its managerial skills.

78

11/7

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara (thru: Mr. William Clark) *W.M.C.*

FROM: John E. Merriam, IPA

SUBJECT: Prospective Meeting with Peter Adamson

DATE: October 27, 1978

10/30

① I'll see how far past time 11/7

② Return this with the brief.

Lowell

Peter Adamson, who is acting as a consultant for UNICEF, and Editor of the London based New Internationalist (circulation 23,000) has asked for an interview with you in the course of his work on the International Year of the Child. William has sent you an earlier memo on this as have I (see attached). You asked to have further information about (a) the New Internationalist's critique of the Bank, and (b) points which you should raise with Adamson.

1) The New Internationalist's Critique of the Bank

10/30

We have been able to review only one year's editions of the NI and find that there are very few direct references to the Bank. My principal complaint centers on a cartoon which appeared in the July issue, suggesting that the IMF and the World Bank are a part of the system maintaining Latin American dictatorships (see cartoon attached). This is a common theme of the European radical element, i.e. that the Bank and Fund protect the status quo against revolutionary change. In fairness to Adamson, I would not argue that the magazine is replete with criticisms of this kind but merely that when the Bank is mentioned it is usually in this context.

2) Points to make in conversation

Adamson wants to know what issues should be raised in the Year of the Child. There are points to be made about what should be done, but also he should be given a fairly good rundown on what the Bank is doing so that he is aware that our concerns have been translated into action.

The IYC is a valuable vehicle for bringing to the world's attention the conditions of the poor in the developing countries. For this reason we are producing the World Atlas for the Child and we ought to be able to give Adamson a peep at the layout when he comes in.

The IYC Secretariat states that there are 350 million children in the LDC's in need of essential health care, adequate nutrition, the basics of education, etc.

(i) Adamson should learn that the new style projects in agriculture and rural development, as well as in urban development, are directing an increasing flow of Bank lending towards the poor in general and towards children in particular, recognizing that in a typical South Asian village the average age is less than 16 and the average family is more than five people. There are direct effects on children as well, specifically from a growing number of Bank nutrition projects. The Bank have on-going projects directly financing nutrition in Indonesia, Brazil, and Colombia, and components have been incorporated in more than two dozen projects in urban and rural and population. These projects seek to improve understanding on the part of the borrowing countries of their own nutritional problems.

October 27, 1978

- 1. Publishing costs
- 2. Impression on page
- 3. Need to attract public

For example in Colombia, 4 million children under the age of five suffer from protein-calorie malnutrition (PCM). Almost a million of them are in serious condition. A recent study shows that 86% of the children surveyed in low-income area of Bogota, suffered from PCM. The condition accounts for one-third of the yearly 80,000 deaths of children under five in Colombia.

- 1) food prod
- 2) educ
- 3) health

A \$25 million Bank loan will provide for the construction and establishment of 281 health posts, construction of potable water supplies for 372 rural communities, and the installation of about 112,000 household latrines, as well as the dissemination of nutrition messages via mass media, etc. The Bank is also providing support for 20,000 family gardens, and 100 school demonstration gardens. In addition the Bank is underwriting development of feasibility studies for the production and distribution of nutritious foods, these to be sold at 40% of normal price through a coupon system to families with young children, malnourished children, and/or pregnant and nursing mothers. We estimate that 1.8 million people will benefit from this project.

- 1) health
- 2) food prod
- 3) educ
- 4) health
- 5) food prod
- 6) educ

(ii) Prospectively, the IYC ought, among its other activities, to emphasize the problems of children as a means of: (a) bringing the plight of the world's poor and the world's poor children to the attention of the rest of the world, and (b) pointing out the need for effective development programs, including population programs that ensure that the child has an equitable share in the future.

- 1) health
- 2) food prod
- 3) educ

This means assuring an environment that will help the child to learn, to be able to earn a living, to have the necessities of life. When we talk of projects with a ten-or twenty-year life we are essentially talking about what will benefit children. In this sense, everything the World Bank does is related to children because we are a long-term lender. Therefore, for the Bank in the Year of the Child, a major point to be stressed is that development is a long-term problem. In a sense, development means determining in what kind of a world our children will grow up.

Adamson will be available in the United States for interview, should you choose to see him, from the 3rd to the 7th of November.

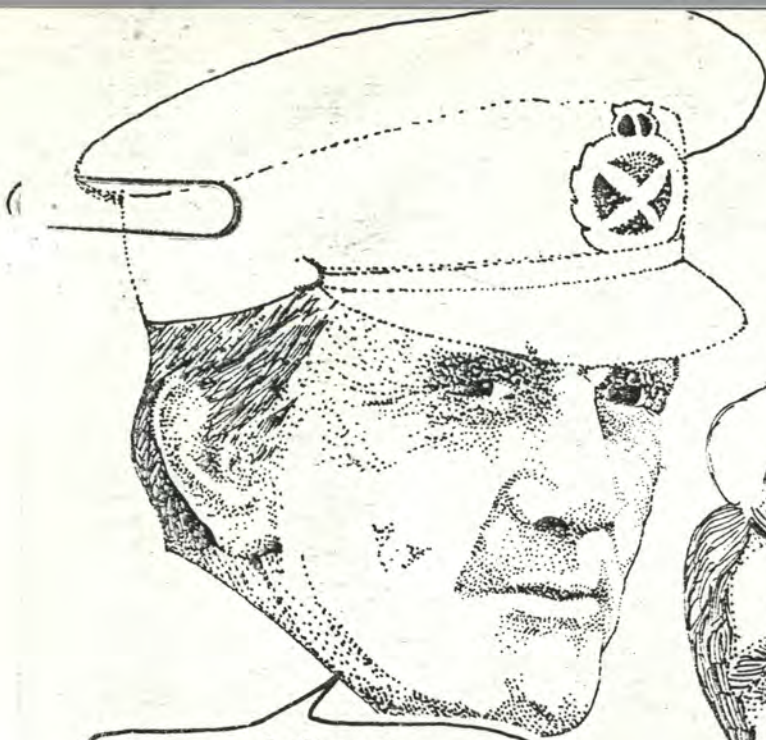
I hope you will see him. His magazine was the first to see the significance of your Naindi speech which it splashed for two issues in '73. He is a strong UN supporter & gets some of the jealousy/malice that often occurs between UN agencies & the Bank.

JEM:apz

Attachments

- cc: Mr. A. Morris
- Mr. P. Muncie
- Mrs. M. de Tchihatchef

Incidentally when New Internationalist began to establish itself (about 1970) I gave you son Craig a two year subscription. I gathered it tore suited him very well, at that date!
N.D.C.



1. General

Writers, artists and suchlike, are a menace. I know the hand of Communism when I see it. Inflation, food shortages, strikes. This crisis needs immediate disciplined action and you try to undermine the very basis of our society. The Army has a duty; no, a destiny, to keep our nation united. Peace and stability are what we need, even if extremists have to be sacrificed.

2. US Executive

That's right general. You should aim for a steady export-led growth pattern. Manage your local demand situation and we'll be happy to help you modernise this wonderful country of yours. Electronics, agriculture, cars, we will invest as long as our money is safe from any half-baked revolutions. The International Monetary Fund, the World Bank, I know all those boys. We must fix up a meeting.



Inte

Ten different views of I

8. Foreign Vo

Listen father if it's cash can get help. A clinic for perhaps, a new school. overseas charity money to make better use of what we have. The situation is bad but can be changed little by little if we move slowly the people in a stronger position without getting too nervous.



10. Prisoner

But how do we educate the people without ourselves getting crushed? I've never handled a gun in my life but I've been in prison for years for just writing critically about the government. It's easy to talk about revolution, but here you have to be prepared to give your life for an idea. This country is run by fear.

9. Revolutionary

What a waste of energy. Can't you see you are just patching their system up for them, making it work better. The only way to break the fascist grip is for the people to be educated and seize power for themselves. Of course there will be violence, but no worse than the torture and oppression we have already.

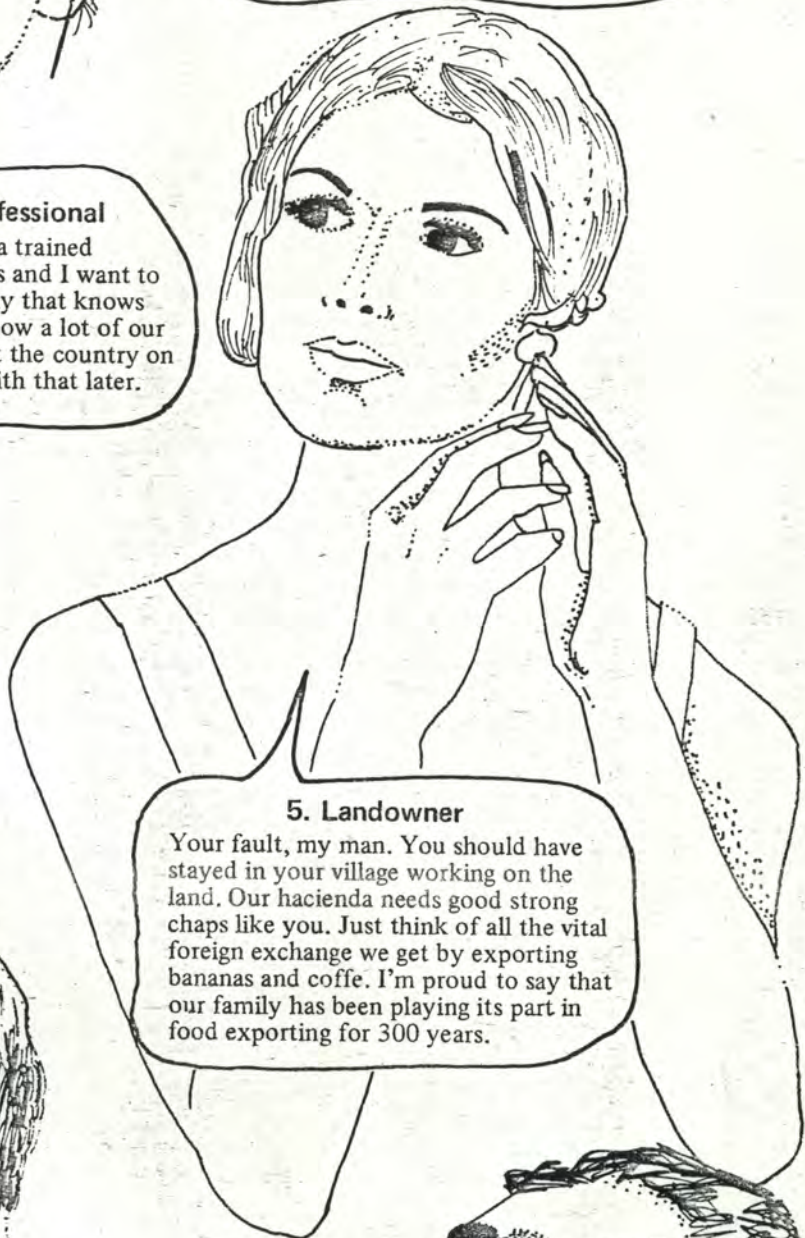


Maybe servan know are w bodie preach poor a But w



4. City Worker
That's fine for you, hombre, with a fat salary and a big car. How am I supposed to live while waiting for you to find jobs for us all? You've had your chance and the only thing you're interested in doing is making sure you're OK and letting the rest of us go to hell. Our trade unions are in the government's hands and even if we do manage a strike you send for the Army. Things are getting worse for us, not better.

3. Middleclass Professional
I'll be happy to help. I'm a trained engineer. I've got the skills and I want to work with a good company that knows what I'm worth. Sure I know a lot of our people are hungry, but get the country on its feet and we can deal with that later.



5. Landowner
Your fault, my man. You should have stayed in your village working on the land. Our hacienda needs good strong chaps like you. Just think of all the vital foreign exchange we get by exporting bananas and coffee. I'm proud to say that our family has been playing its part in food exporting for 300 years.

erface

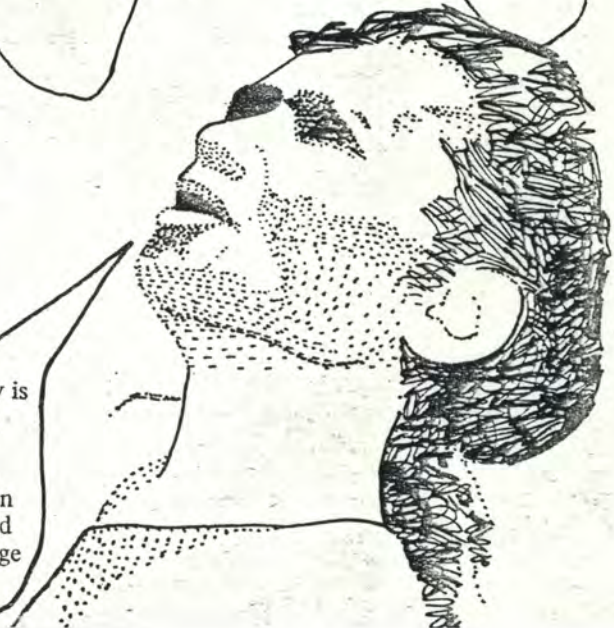
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, but it
And maybe
will get into
e authorities



7. Priest
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osed to minister to their
eir souls? It is difficult to
it a Christ on the side of the
ot side with the poor oneself.
n we do to change things?

6. Peasant
Your family exports food and my family is hungry. Maybe if you didn't own all the land in the village we'd be able to grow enough to feed them. Anyway, who are you to talk about leaving the village when we never see you there from one year end to the next? God knows how we'll manage this year if the weather isn't kind.





UNICEF

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

4/18 To Mr. Clark

CABLE ADDRESS UNICEF

*Please handle
L. H. W.*

13 April 1978

*Mr. Ke rings
pls get hold
of Mr. I. H. W.
to see him
& give him
a hand.
M.L.*

Dear Bob,

As part of our programme for the International Year of the Child, we are planning a major report on the situation of children throughout the world, with some emphasis on those in developing countries.

We have commissioned Peter Adamson, a founder of the New Internationalist magazine, to help us in preparing the text. As you may know, Mr. Adamson is an outstanding development writer who has successfully undertaken various information assignments for United Nations agencies in recent years. The New Internationalist itself has published, and continues to publish, perceptive articles on the importance and situation of children within the context of development.

4/18

I shall be most grateful if you can arrange the time to see Mr. Adamson personally so that he may have the benefit of your ideas; also, if you will arrange to have him meet the appropriate members of the World Bank staff who could provide insights and guidance to help us in preparing this report. Mr. Adamson will be in touch with your office in due course.

With warmest personal regards,

Sincerely yours,

Henry R. Labouisse

Henry R. Labouisse
Executive Director

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

RECEIVED



UNICEF

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

UNITED NATIONS, NEW YORK

13 April 1978

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With warmest personal regards,

Sincerely yours,

Henry R. Ladd

Henry R. Ladd
Executive Director

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

INCOMING MAIL UNIT

1978 APR 18 PM 1:53

RECEIVED

Handwritten notes in red ink:
Mr. Ladd
6/2 get that
6/2 Mr. Ladd
6/2 Mr. Ladd
6/2 Mr. Ladd

Handwritten notes in blue ink:
GABRIEL ADDRESS UNICEF
GABRIEL
GABRIEL


Handwritten note in blue ink:
11/17/78

79

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: June 4, 1979

FROM: K. Georg Gabriel, Director, P & B 

SUBJECT: UK Briefing Paper

The Briefing Paper for Mr. Marten's visit is attached. Table 1 has been updated to take account of preliminary actual ODA flows for 1978 and to incorporate preliminary revisions for projections through 1985. Our work has not progressed to a stage that permits a similar up-date for Tables 2 and 3.

Attachment

6/5

BRIEFING PAPER

UNITED KINGDOM

Biographical Information: Mr. Neil Marten

I. Key Issues

II. Aid Performance and Policies

Attachments

Annex I - Political and Economic Situation

Annex II - Co-Financing

Annex III - British Staff in the World Bank

Annex IV - Statistical

Table 1 - Flow of Official Development Assistance from
Development Assistance Committee Members

Table 2 - Flow of Official Development Assistance:
Pattern for DAC Donors

Table 3 - Concessionary Flows to Multilateral Institutions
by Donor Country

Table 4 - Estimated Effect of IBRD and IDA Operations on
United Kingdom's Balance of Payments through FY78

Table 5 - Flow of Resources from DAC Members

Table 6 - Comparative Aid Performance of DAC Member Countries

Table 7 - Concessionality of ODA Commitments

Table 8 - Distribution of ODA to Higher Income LDC's - 1976

Table 9 - Distribution of ODA to the Poorest Countries - 1976

Table 10 - Net ODA Flows to Multilateral Agencies - 1976

June 1979

BIOGRAPHICAL INFORMATION

MR. NEIL MARTEN

UK MINISTER OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS
AND MINISTER FOR OVERSEAS DEVELOPMENT

Personal

Neil Marten was born on December 3, 1916. He was educated at Rossall School. He married Joan Olive Lake, daughter of Vice-Admiral W.J.C. Lake, in 1944. They have a son and two daughters.

Mr. Marten represents the Banbury Division of Oxfordshire in the House of Commons and lives at Swalcliffe House, near Banbury, in his constituency. He enjoys tennis and skiing.

Professional

- 1939 Law Society Solicitor.
- 1940-45 Served in Army, Northants Regiment; in Special Forces; and in the French and Norwegian Resistance. Mentioned in Despatches; awarded the Croix de Guerre and the Norwegian War Medal.
- 1947-57 Foreign Office, serving in Egypt, Turkey and Germany.
- 1959- Conservative M.P. for Banbury. Has served on many Parliamentary and Public Committees, including the Council for Voluntary Service Overseas.
- 1960-62 Parliamentary Private Secretary to President of the Board of Trade.
- 1962-64 Parliamentary Secretary to Ministry of Aviation.

The UK ED's office is endeavoring to update this information before Mr. Marten arrives.

33

DISPATCHED

sj

JUNE 05 1979

1979 JUN -5 PM 1:39
COMMUNICATIONS DIVISION

IBRD B PAR is 1/2

1403 MR MCNAMARA

BELIEVE YOU ARE SEEING MINISTER MARTEN THIS WEEK. HERE IS SOME BACKGROUND:

1. AS OF YESTERDAY JUNE 4 MR MARTEN'S TITLE HAS BEEN CHANGED FROM QUOTE MINISTER OF STATE AT THE FOREIGN AND COMMONWEALTH OFFICE WITH SPECIAL RESPONSIBILITY FOR OVERSEAS DEVELOPMENT UNQUOTE TO QUOTE MINISTER OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS AND MINISTER FOR OVERSEAS DEVELOPMENT UNQUOTE. THE NAME OF THE MINISTRY HE HEADS HAS BEEN CHANGED TO OVERSEAS DEVELOPMENT ADMINISTRATION, WHICH IS WHAT THE CONSERVATIVES CALLED IT FROM 1970-74.

6/6

THE MAIN PURPOSE OF THIS JUGGLING WITH WORDS IS TO MAKE IT ABUNDANTLY CLEAR THAT THE OVERSEAS DEVELOPMENT ADMINISTRATION IS UNDER THE FOREIGN OFFICE AND THAT AID POLICY IS ULTIMATELY THE RESPONSIBILITY OF FOREIGN SECRETARY LORD CARRINGTON, TO WHOM MR MARTEN REPORTS. THE FOREIGN SECRETARY WAS ALSO THE BOSS UNDER LABOUR, BUT THE CONSERVATIVES HAVE GONE FURTHER BY REINTRODUCING THE WORD ADMINISTRATION SO AS TO PUT AID IN ITS PLACE ALONG WITH THE OTHER BACKROW MINISTRIES.

2. 62 YEAR OLD, MR MARTEN HAS A DISTINGUISHED WAR RECORD AND AS A DIPLOMAT (1947-57) SERVED IN EGYPT, TURKEY, GERMANY, SINGAPORE, CYPRUS. AS A POLITICIAN (SINCE 1959) HE HAS GAINED ATTENTION MAINLY AS THE LEADER OF THE TORY ANTI COMMON MARKET FACTION AND AS A FERVENT COMMONWEALTH MAN. HE HAS HAD NO PARTICULAR CONNECTION WITH AID EXCEPT AS A COUNCIL MEMBER OF VOLUNTARY SERVICE OVERSEAS. LIKE MOST OF MRS THATCHER'S CIRCLE HE IS STRONGLY IN FAVOR OF LIBERALIZING TRADE AND INVESTMENT FLOWS. MR MARTEN'S WIFE IS ACTIVE WITH SAVE THE CHILDREN FUND.

3. SINCE TAKING OFFICE A MONTH AGO MR MARTEN HAS MET WITH MINISTERS FROM TANZANIA, UGANDA, ZAMBIA, INDONESIA, SRI LANKA AND SUDAN. HE WILL BE SEEING PRESIDENT MOI OF KENYA SHORTLY AND HAS FURTHER MEETING

S
SCHEDULED WITH THE GOVERNMENTS OF UGANDA AND MAURITIUS.

FOR FURTHER BACKGROUND HERE IS EXTRACT ABOUT MR MARTEN'S APPOINTMENT FROM EUROFFICE BULLETIN OF MAY 31:

WHAT MAKES THE AID LOBBY NERVOUS IS THAT THE CONSERVATIVES ARE PLEDGED TO CUT PUBLIC SPENDING AND THE ODM BUDGET (ONE OF THE FASTEST GROWING UNDER LABOUR) IS LIKELY TO BE SQUEEZED QUITE HARD. LEFT-OF-CENTER AID WATCHERS ALSO PREDICT THAT

- MORE OF BRITAIN'S OFFICIAL DEVELOPMENT ASSISTANCE WILL BE PROVIDED ACCORDING TO POLITICAL, RATHER THAN DEVELOPMENT, CRITERIA. THUS THOSE COUNTRIES WHICH OFFEND THE CONSERVATIVES BY HARBORING, E.G. LIBERATION FORCES IN SOUTHERN AFRICA, COULD FIND THEMSELVES CUT OFF. MOZAMBIQUE, WHERE JUDITH HART HAD LAUNCHED AN AID PROGRAM NOTWITHSTANDING VICIOUS CONSERVATIVE TAUNTS, IS AN OBVIOUS CASE IN POINT.

- THERE WILL BE STRONGER PRESSURE TO SCRAP TRADE BARRIERS IN THE THIRD WORLD, AND FOR BRITAIN TO GIVE TRADE CONCESSIONS TO DEVELOPING COUNTRIES IN RETURN FOR GREATER ACCESS FOR ITS OWN EXPORTS IN SOME THIRD WORLD MARKETS. SUCH A MOVE WOULD REFLECT THE PHILOSOPHY OF THE "RIGHT WINGERS" IN THE NEW GOVERNMENT (MOSTLY IN THE ECONOMIC AND TRADE MINISTRIES) WHO ARE COMMITTED SUPPORTERS OF FREE MARKETS.

- THERE WILL BE MORE EMPHASIS ON THE TOTAL FLOW OF RESOURCES FROM RICH TO POOR COUNTRIES, REFLECTING A CONSERVATIVE BIAS TOWARDS PRIVATE INVESTMENT. THE PREVIOUS CONSERVATIVE GOVERNMENT REFUSED TO ACCEPT THE UN 0.7 PERCENT TARGET - MRS HART ACCEPTED IT BUT DID NOT NAME A DATE FOR ACHIEVING IT.

REGARDS

STECKHAN

EG

64145 WORLDBANK

Meeting with Mr. Neil Marten, UK Minister for Overseas Development, June 6, 1979

Present: Messrs. McNamara, Marten, Graham-Harrison, Ryrrie

Mr. Marten reported that the new Government was presently reviewing all Government expenditure programs; aid was not excluded. It might become necessary to cut development assistance programs as part of over-all budget cuts which were necessary to improve the economy; however, his Government would aim at keeping cuts at a minimum and at later returning to higher aid levels.

Mr. McNamara said that Great Britain had achieved a modest improvement in its ODA. It was in the interest of the OECD nations to have strong economic and social advance in LDCs which in turn was affected by development assistance. This was a clear case of mutuality of interest. The LDCs increasingly recognized their interest in strong OECD economies. As in this country, the real issue to be confronted by the UK Government was to strike the right balance between Government revenue and expense; the size of the Government budget was not the main problem.

Mr. Marten complimented Mr. McNamara for his UNCTAD speech, and enquired about the proposition of increased South/South trade. Mr. McNamara replied that there was much less potential for such trade than meets the eye.

Mr. Marten enquired about Mr. McNamara's views on agricultural protectionism of the EC. Mr. McNamara called the EC's policies shortsighted and pointed to the fact that Britain was being penalized.

Mr. McNamara reported on the development of the Bank's activities over the last six years which he called a great learning process. The Bank's experience showed clearly that the productivity and incomes of the poor in LDCs could be raised without significant trade-off in terms of growth.

Mr. McNamara emphasized that the Bank valued highly its relationship with Britain. Whether under labor or conservative governments, Britain had always been supportive. In the UK, the Government had its country much more with it on aid than was the case in the U.S. Mr. Marten said that also in the UK awareness of development issues had to be increased. In 50 election speeches which he had given, there had been only three questions on aid of which two had been in favor of foreign assistance efforts. Mr. McNamara said that the public's openness to aid issues in Britain was due to the country's Commonwealth experience and the existence of a responsible national press which the U.S. did not have.

80

OFFICE OF THE PRESIDENT

Meeting with Sir Geoffrey Howe, Chancellor of the Exchequer, UK, September 29, 1979

Present: Mr. McNamara, Sir Geoffrey Howe, Sir Peter Preston, Messrs. A.M.W. Batterishill, Ryrie and Cargill

Sir Geoffrey emphasized that the new British Government had to enforce substantial cutbacks in domestic spending of 5%-6% in real terms; this would also affect the British aid program.

Mr. McNamara said that he would like to make one request: namely, that the UK vote promptly for the IBRD General Capital Increase; such action did not result in any obligation to subscribe. Some 58 countries had voted so far and he hoped that the British delegation would be able to vote while here in Belgrade.

Sir Geoffrey replied that his Government would be unable to vote before an over-all review of the aid program had been conducted by the end of the year. He had not been aware of the urgency of the vote. Mr. McNamara explained that the matter was urgent because, if the votes of virtually all countries except the U.S. were not obtained soon, the Board would insist on cutting back the IBRD lending program. Also, prompt action was desirable in order to stimulate the U.S. to vote.

Mr. Ryrie enquired whether any other major country had already voted. Mr. McNamara replied that the Federal Republic of Germany had just voted.

Sir Geoffrey enquired about the position of the U.S. Government on this issue. Mr. McNamara explained that the fact that Congress did not distinguish between paid-in capital and non-paid-in capital presented a serious problem to the Administration and made it impossible to obtain Congressional approval of a U.S. vote on the capital increase in the near future.

Sir Geoffrey expressed his skepticism as to the future growth of the international financial institutions. Mr. McNamara said that, nevertheless, the UK should not stand in the way of establishing the international environment for those willing to vote to cast their votes, e.g., Japan, Kuwait and Saudi Arabia.

Sir Geoffrey reported on his Government's attempt to re-establish a balanced budget. In response to a question, he said that next year's growth rate of the British economy was projected to be zero; it would take 1-2 years to get back to real growth rates. It was difficult in such an atmosphere to defend increased international commitments.

With respect to IDA VI, Mr. McNamara expressed his hope that the UK would be able to participate at the level of its previous share. IDA commitments involved expenditures over a long period of time. The Bank needed a negotiated agreement by the end of November. Sir Geoffrey replied that his Government was looking for a reduction of its contribution. He admitted though that the present Government felt a moral commitment to the present replenishment because of positions taken by the former Government.

In response to a question by Sir Geoffrey, Mr. McNamara reported on the present serious problems in the U.S. Congress with regard to U.S. contributions to the Fourth and Fifth IDA replenishments. The Bank would not be able to accept the funds if the restrictions on lending to certain countries imposed by the House were not deleted. He asked Sir Geoffrey to convey his concern to Secretary Miller.

Sir Geoffrey replied that he had already made that point last week at the Commonwealth Conference. He emphasized that Britain maintained its deep commitment to international cooperation but that there was a change in attitudes because of the past Government's overambitious programs; international aid was clearly not the only villain. Mr. McNamara argued that international aid would stimulate the economies of developing countries which would in turn stimulate the British economy. Sir Geoffrey agreed. In his view, it was equally important for the LDCs that the OECD nations kept an open trade environment. Despite strong pressures from Britain's northwest textile region, his Government did not intend to resort to protectionism.

Mr. McNamara asked Sir Geoffrey for his views on the future of the Bank. For example, how should the Bank use its profits which were projected to increase substantially from about \$500 million to \$1 billion over the next 5-7 years. To what degree should the Bank participate in the financing of very large LDC deficits. The Bank projected the balance-of-payments deficits of oil-importing LDCs to increase from \$23 billion in 1978 to about \$50 billion in 1980. In light of these deficits, the Bank was considering anticipatory program lending, insisting on LDC policies which ensured structural change. The Bank had failed in its past projections of oil price increases; in his view, there would be further real increases in the 1980s. Sir Geoffrey said that OPEC could maintain the real price of oil by regulating supply. In due course, his Government would present its ideas on the future of the Bank through the Executive Director.

With regard to energy, Mr. McNamara said that one action the Bank could take was to expand energy production in LDCs. Through such action, which was supported by both OPEC and OECD, an additional capacity of about 4 billion barrels per day could be created over the next ten years in LDCs. Also, the Bank would have to pay attention to forestry rehabilitation and other renewable sources of energy because of the large share of these sources in the energy consumption of LDCs.

Sir Geoffrey argued that those LDCs which are hospitable to private foreign investment were doing much better than others. He enquired how that message could be gotten across. Mr. McNamara replied that the IFC was making progress, among others, in Africa and India. The contribution to development which could be made by the private sector was now better understood by governments. Mr. Ryrrie said that Sri Lanka was a good example for dramatic change on this account.

In conclusion, Sir Geoffrey said that he did not want to be over-rushed on the General Capital Increase vote; however, he fully understood Mr. McNamara's point.

cc: Mr. Qureshi
Mr. Gabriel

CKW
October 15, 1979

81

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: February 22, 1980

FROM: William Clark *WCL*

SUBJECT: Visit of Dudley Seers

Dudley Seers, the first head of the Institute of Development Studies at Sussex University, is spending the coming week (February 25-29) in Washington.

He wished to see you to talk about development studies in the U.K. which are being destroyed by the present Government. I do not believe you can help but I think it would be most worth your while to hear from him exactly what the situation is on aid.

WDC:mmh

2/22

*6:15 Mon 2/25
Jm*

*2/25 Susan to confirm
S.*

82

OFFICE OF THE PRESIDENT

Meeting with Lord Jellicoe, Tate & Lyle, U.K., February 13, 1980

Present: Mr. McNamara, Lord Jellicoe and Messrs. Arthur Quinn, John Mitchell and Shaw

Lord Jellicoe pointed out that his company was presently working with IFC and the Bank on various projects and was interested in (a) developing projects in the non-sugar field, (b) the use of sugar for chemical purposes, e.g., in The Philippines, and (c) work on renewable energy sources, particularly production of gasohol on the basis of sugar and cassava. In the latter field, work was going on for example in collaboration with the African Development Bank. He enquired about Mr. McNamara's view on sugar projects in the Ivory Coast where it was Tate & Lyle's understanding that the Bank was concerned about excessive expansion of sugar estates. He also enquired about Mr. McNamara's view on gasohol. Mr. McNamara replied that he was not sufficiently familiar with the issue of sugar production in the Ivory Coast. As to gasohol, the recent Bank study on Brazil indicated that the Brazilian program of producing gasohol on the basis of sugar was competitive at present oil prices. He emphasized that this was only a first tentative conclusion which was not readily applicable to other countries. Lord Jellicoe said that his company was interested in promoting gasohol programs in The Sudan, Thailand and The Philippines.

Mr. McNamara enquired about Tate & Lyle's interest in forestry development. Lord Jellicoe said that he was tempted to enter this important field but that his company was too short of cash to undertake such a major new initiative at the present moment.

CKW
February 25, 1980

4/3
Suggested Questions to Mr. McNamara from Anthony Sampson
for Interview on Monday, March 10

+ answers suggested by W.D.C.

1. How did the impact of the 1973 oil prices affect your thinking about development and recycling?

A. You did see at once that we must get money out of OPEC (somehow) to finance the deficits of the Indias of this world. Hence your visit (February '74) to the Shah. Note you were willing to give OPEC a larger share of power (on the IFAD model) and in the Bank (by S.C.I.).

Opposition of Bill Simon. You saw that OPEC had a real case and that oil was only going up to market prices - which the West could afford if it conserved. Hollis' article in Foreign Affairs; the attacks on him and you as anti-semitic.

467636 8:16

Mr. Robert S. McNamara

February 20, 1980

William Clark

Antony Sampson Interview

The need is to establish first a modus operandi for meetings in March and to fix (provisionally) dates. I would not hesitate to say that the China journey hangs over - but that is off the record. One of the difficulties of your job is that there is a lot of secrecy because you have no compulsory powers over the member Governments, and the Board which is equivalent to your Parliament. It is all persuasion which is why you have to be so careful ... e.g. with Congress.

Perhaps begin by asking him about his experience with the Brandt Commission (where he was a very active negotiator, even more than editor). What did he learn about the North/South Dialogue (don't let's get deeply into answering criticism of the Bank). What does he want to describe about the Third World, through the interview with you?

Points to make:

1. Back to the Montreal speech. Security and Defense are a country's first concern ... America has a special concern with global security. But that could not in '66 and cannot today be achieved by weapons alone. Three motives for concern about the poorer countries:

(i) Moral (cf Blacks in America)

(ii) Mutual interest, and efficient management of global resources.

(iii) Security, cannot build on a crumbling base.

2. Concentrate your attention as President of World Bank on the efficient management of global resources:

What did you find when you came here in 1968:

U.S. Aid program which had been the leader was withering.

How to create something that was more global and less subject to interruption. World Bank was a wonderful instrument but it was far too small and too narrow. Found no loans to Egypt ... nor Indonesia ... nor to the very poorest nor enough to development bottlenecks.

So the first Governor's speech promises doubling and directional changes.

3. What did you see as you looked around globe. Your use of quantification is a tool to identify problems and break them down into component parts; it is not a method of abstraction from reality.

(i) Problem of population. How many poor, growing at what rate.

(ii) What resources. Belief in '68 that we could not raise more on the market - at that time it was demonstrably false.

(iii) Where to put the resources of skill and money we could acquire. This is a macro problem about creditworthiness and concessional funds for the poorest. But it is far more a micro problem of different needs in different regions.

(iv) So you educated yourself by travel. Learnt that development was not reaching the poorest, and they were not participating in development with their labour. Development finance was skewed to the towns and to industry and power. So we started to work on poverty oriented programs making the poor more productive or as you say making the low productivity elements of society

(v) That was the achievement of the first five year plan. Nairobi October '73 was the high point. Two months later came the oil blockade (which was a purely political act which revealed the weakness of the West) then the quadrupling of oil prices (which was the result of that perceived weakness, but was an economic act with some justification; OPEC had some rights to the higher price). You realised it was irreversible - which Bill Simon didn't - and set about trying to rearrange flows of capital to meet the new situation. You (and Hollis) saw that this was not apocalyptic, but could be managed.

(vi) Meeting with Shah in February '74 and nearly got a big fund under tripartite control going ... it was wrecked by others, but it was the sort of innovative voting that Third World now talks about. Today the problems of flows of resources are much the same as in '73 but more acute because ... You are now trying to solve immediate crisis; it is not hard to do financially, its the very devil politically.

And that's enough for this session.

2. Did this affect fundamentally the relations between the commercial banks and the World Bank?

A. Try immodestly to make it clear that you are on good terms with Rockefeller, Wriston, Bank of America etc. (They distrusted you in 1968, as did Swiss banks, but have come round, because you were successful in raising the money you needed around the world).

Yes you always saw that the Middle Income countries must get most of their funds from Commercial Banks. The graduation process ... But the IBRD does have to introduce them to the Chase Manhattan, and help them plan their borrowing strategy and their development strategy (e.g. Brazil - in which Sampson is very interested).

3. Can the World Bank itself play a larger role in the recycling mechanism?

A. Don't exaggerate our role in the large quantity recycling; what we do is ensure that some part of the recycled finance goes to real growth in the poorest sections of poor countries. (Compare a lot of the OPEC Fund loans for wonky projects in purely Muslim countries).

4. What do feel were the main causes of the retreat of the Western public from interest in aid to the Third World?

A. You used to think in late '60s that U.S. was in a temporary dip because of Vietnam, and the failure of Aid to buy friends, and the failure of the U.S. Government to support A.I.D. against attacks. You hoped that the promise in 1968 to double Bank lending would jerk them out of that. It did have a real effect particularly outside the U.S., e.g. it was the beginning of the turn around in Germany which is now the most pro-aid western power (we began borrowing hugely in Germany in 1969).

A lot of the retreat is due to belief that "Aid does not work". (This is untrue see Morawetz book). It seemed not to work because it only touched the fringe of the problem - hence the need to get wealth created at the bottom by the many smallholders.

People in U.S. and Europe and Japan all thought aid made friends; they did not see the basic Mutual Interest. (cf Brandt). Sampson saw the Third World criticism of Bank. This is one sign of how Aid does not make "friends" - yet Third World attitude to Bank is basically very cooperative, because we enshrine the Mutual Interest in our procedures. (A word about how we reach consensus in Board).

5. Apart from our earlier discussion, have other events or inferences affected your view of the Third World as reflected (for instance) in your collected speeches which I have been reading?

6. Were there specific inferences resulting from your travels and encounters with people?

A. You should stress how much you had to learn about Third World; you set about it by self education through travel (don't I know it!). You got your staff to do tremendously detailed quantitative briefings (which is the way you like to take in information) and then you checked it out on the ground. One thing you found was that development did not spread outside the cities, (or the big farms) not to the small holders. (You talked about it with Nyerere at his cabinet meeting in 1970. Jamal remembers your saying "That would be the breakthrough of the century").

You had a chance to meet the Washingtons and Jeffersons of Third World. They impressed you with their ability and the enormity of their problems e.g. Kaunda with only 100 school graduates when Zambia became independent.

But there are the Bokassas and the Sekon Toures. We do try to help them too, or rather help their people which Bank can do by monitoring a project carefully to stop money being diverted.

The variety of poverty you saw: e.g. Calcutta and Chad. Need quite different remedies. Set the Bank to work them out - we had never lent to Sahel countries, not even IDA, because they were too poor! i.e. really because we were too unimaginative.

7. Has the rapid growth of NICs changed your view of the development problem?

A. You always realised that the Brazils were facing quite different problems from the Bangladeshes. But they need help and guidance e.g. to stop growth being skewed to the already rich. How you have laboured to get good income distribution statistics. ("I know I am a quantifier, but it does clarify things, as less precise statements do not. Proof is how angry Delfim was at our statistics; how much Barco denied them for Columbia")

Hope that the NICs can pull up some of the countries just below them on income scale. The danger to badly managed NICs e.g. Jamaica.

8. How far does the possibility of major rearmament endanger the whole process of development and finance?

A. Montreal to Chicago.

Mention your talk on this topic with Brandt when you talked privately in Bonn last year.

Massive arms expenditures threaten peace, and the prosperity of the rich countries as well as the poor.

This would be a good time to say again the problem of being an international civil servant and yet wishing to speak out about Salt II (I urged you to do so, but, rightly, you felt you could not.)

at Chicago.

Suggested Questions to Mr. McNamara from Anthony Sampson
for Interview on Monday, March 10

Recycling was not possible for some
+ 1. World market adj -
US did not - supply of: lower price -
Must be able to avoid deflation -
low US export play major role -
sought to access OPEC with recycling - visit to sub; US - for + 14/10/80 BK leading group; more firm? BK by DPEC - longer with -

How did the impact of the 1973 oil prices affect your thinking about development and recycling?

Did this affect fundamentally the relations between the commercial banks and the World Bank?

Can the World Bank itself play a larger role in the recycling mechanism?

3 suspects: performance world on nature of work + possible actions; strong adj leading; 14/10/80 BK leading group; more firm? BK by DPEC - longer with -
Policy aid effect
assoc with 1970 - war
DECD some distress
failure to carry out
14/10/80 BK leading group
should stem -
did in 1967 -

What do you feel were the main causes of the retreat of the Western public from interest in aid to the Third World?

Apart from our earlier discussion, have other events or inferences affected your view of the Third World as reflected (for instance) in your collected speeches which I have been reading?

Were there specific inferences resulting from your travels and encounters with people?

Has the rapid growth of NICs changed your view of the development problem?

How far does the possibility of major rearmament endanger the whole process of development and finance?

3/7
It has encouraged me -
led to need for common
causes of rapid growth in
John K. Kelly, Toronto

depletes scarce resources in DC's + LDC's
increased potential of armed conflict
reduces pace of soc & econ dev & creates
greater potential for internal disorder - Im

Yes - indeed 7
trouble down -
immense 14/10/80
pro impact of
having part of
enormous
handicap
(Zambia) 14/10/80
by DC's
back 14/10/80
waste
Richard 14/10/80

March 7, 1980

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: February 15, 1980

FROM: William Clark

SUBJECT: Antony Sampson

Handwritten notes:
Handwritten notes in the top right corner, including the name "Antony Sampson" and other illegible scribbles.

The best way to handle an interview with Antony Sampson will be to use the hour on Wednesday to try and find out how we can be helpful to each other. Sampson's objective is to give a picture of the world as it appears to you from your mountain top.

This seems to me to be something you could agree to provide with certain provisos, e.g.

1. You cannot discuss national politics, past or present.
2. As head of an international organisation you must not offend your members.
3. As executive head of a multinational you cannot state policies before the Board has approved them.

How do we get around these difficulties? Not by being secretive about your vision of the world, but by openly stating what your aims are, and how broadly you have to approach it. You can talk about the urgency of capital flows without going into the question of how much the Bank should lend, or any detail of our role. It is in fact important to deal broadly with the issues, in your prophetic not your executive role. This is what those who do not know you miss in your carefully crafted executive speeches.

I would ask you to try not to advance any of your detailed Bank or even financial policies, but to describe the problems and prospects as you see them.

The Bretton Woods - influenced by impact particularly in W.E.

WDC:Clark:sf

proposal for institution for action - we are destroying our heritage
features of national interest

27 Ladbroke Grove London W11 01-727 4188

*Not
return to
me*

11th December, 1979.

W. Clark, Esq.,
3407 Rodman Street,
Washington D.C. 20008,
U.S.A.

*Mr McNamara.
A reminder of that
Anthony Sampson wrote
about the interview. inc.*

Dear William,

Many thanks for a most delightful and hospitable evening. Nothing seems to change. As for the Brandt Commission I hope we'll manage to make it slightly less peremptory at next week-end's meeting, and that the press release can be more exciting than the report, but it is hard to be sure.

12/19

As for my own investigations into banking, I have got a great deal further and will now almost certainly be doing a book on the whole relationship between money, banks and the Third World, in which I would try to use banking problems to provide an insight into the problems of poverty and developing countries. In this of course a discussion with McNamara and the background of the World Bank would be critical. I spoke to Bill Shawn at the New Yorker last week who was very interested in my doing such an interview for the New Yorker, at some length: he's clearly conscious that his magazine has not given enough attention to the Third World. So I would like if possible to go ahead with this part of the book as soon as possible. You mentioned that it might be possible for me to have an extended talk with McNamara, perhaps over lunch some time in January; I think we would agree on the ground rules - that I would show him any specific quotations that I would wish to incorporate, but most of the conversation would be for background. My main approach (which particularly interested Shawn) would be to try to depict the whole developing world as it looks from McNamara's mountain top, in the context of the current economic crisis and the newer relationship with commercial banks. After my experience

Cont/.....

with the Brandt Commission I feel rather more confident of asking the most relevant questions and my curiosities have been wetted. Talking to Katherine Graham at breakfast she also felt that an interview with McNamara could get across a great deal that the Commission's report has failed to get across, in terms of the urgency, the unity and humanity of the problem.

Could you let me know how the prospects look? I think the New Yorker would be the ideal forum before it reaches the book stage and I would like to strike while the iron is hot.

In any case I hope to see you early in January. And thank you again for your hospitality and help.

Yours sincerely,

Apply Christens

Anthony

ANTHONY SAMPSON

*Added to return to me 3/10
Lynn*

- I. A modus operandi for meetings in March and fix (provisionally) dates.
- II. Begin by asking about his experience with the Brandt Commission. What did he learn about the North/South Dialogue? What does he want to describe about the Third World?
- III. Three motives for concern about the poorer countries:
 - (i) Moral (cf Blacks in America)
 - (ii) Mutual interest, and efficient management of global resources.
 - (iii) Security, cannot build on a crumbling base.
- IV. Concentrated my attention as President of World Bank on the efficient management of global resources:

What I found when I came here in 1968:

U.S. aid program which had been the leader was withering.

How to create something that was more global and less subject to interruption. World Bank was a wonderful instrument but it was far too small and too narrow. Found no loans to Egypt . . . nor Indonesia. . . nor to the very poorest . . . nor enough to development bottlenecks.

So the first Governor's speech promises doubling and directional changes.

- V. What I saw as I looked around globe. Use of quantification is a tool to identify problems and break them down into component parts; it is not a method of abstraction from reality.
 - (i) Problem of population. How many poor, growing at what rate?
 - (ii) What resources. Belief in '68 that we could not raise more on the market - at that time it was demonstrably false.
 - (iii) Where to put the resources of skill and money we could acquire. This is a macro problem about creditworthiness and concessional funds for the poorest. But it is far more a micro problem of different needs in different regions.
 - (iv) So I educated myself by travel. Learned that development was not reaching the poorest, and they were not participating in development with their labor. Development finance was skewed to the towns and to industry and power. So we started to work on poverty-oriented programs, making the poor more productive or, as you say, making the low productivity elements of society . . .

- (v) That was the achievement of the first five-year plan. Nairobi, October '73, was the high point. Two months later came the oil blockade (which was a purely political act which revealed the weakness of the West) then the quadrupling of oil prices (which was the result of that perceived weakness, but was an economic act with some justification; OPEC had some rights to the higher price). I realized it was irreversible - which Bill Simon didn't -- and set about trying to rearrange flows of capital to meet the new situation. Hollis and I saw that this was not apocalyptic, but could be managed.
- (vi) Meeting with the Shah in February '74 and nearly got a big fund under tripartite control going . . . it was wrecked by others, but it was the sort of innovative voting that Third World now talks about. Today the problems of flows of resources are much the same as in 1973 but more acute because . . . We are now trying to solve immediate crisis; it is not hard to do financially, it is the very devil to do politically.

BBC radio 1/80

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ROBERT MCNAMARA

NOT CHECKED FOR
PUBLICATION

Opening Announcement:

CHARLTON: Robert McNamara is president of the World Bank. It's a post he came to in 1968 after a brilliant career in Industry. He was president of America's giant Ford Motor Company at the age of forty five. Then he served seven years as United States Secretary of Defence under Presidents Kennedy and Johnson. His term as President of the World Bank has seen its scale of operations expand enormously And its loans and development grants multiplide by ten. So for a view of the world from a man charged with managing so much of its development resources, I asked Robert McNamara to look forward to the eighties, from his office in Washington, in October 1979. And I began by asking him, 'Banks aren't usually associated with lending money to poor people, yet that's what the World Bank does. So is it right to call it a bank at all?'

MCNAMARA: The short answer is no. We are much more than a bank. We are a bank in the sense that we act as an intermediation force moving capital from suprlus pools in the world into the areas in where it's needed....in the developing countries. But we are much more than a bank. We're a Development Agency, and we seek to provide this capital along with..policy advice technical assistance to assist the developing nations develop more rapidly.

CHARLTON: What's an example which occurs to you...something which best fits what you consider the banks intentions to be?

MCNAMARA: Well,....well, as a development agency our objective of course is to accelerate the social, economic advance of the two and a quarter billion people that live in the one hundred developing countries....we assist. And we do that by providing financial assistance, loans. And those loans are directed to two primary objectives. One to accelerate the rate of growth, economic growth. But secondly and importantly, to ensure that that growth is distributed equitably among the elements of society.

MCNAMARA:

And we're putting increasing emphasis on that latter. In the past five years for example we have financed....World Development Projects which have had as their objective, roughly doubling the income of some sixty million of the poorest people in these developing countries. And we do that by helping these people help themselves. By helping them increase their productivity. Let me give you an example of that. Nigeria, a very large country, (the largest in population in Africa of course, with some eighty five million people,) despite its oil income is also a very poor country. And more than that it is a food importer. So we have sought to help

...Nigeria expand its food production, to reduce its dependence on external food supplies, and at the same time to help the poorest people of Nigeria increase their incomes. And therefore in many States we have financed agricultural development projects. One, in the Plateau State, with a loan of some twenty seven million dollars is designed to increase the incomes of about four hundred thousand people by approximately 60%. And these are very very poor people with incomes per capita of ninety dollars per year. Barely enough to survive. But through this loan, which will provide feeder roads to ensure that their production can move to markets, which will provide extension services to help them improve their agricultural technology. Which will make available greater water supplies which will provide credit to buy seeds and fertilizer, we will help them greatly expand their production. As a matter of fact the loan will - we believe-add about a hundred and sixty thousand tons a year of the production of yams, maize, cassava and other foods. And thereby add to the food supply of Nigeria, and particularly add to the incomes of those very poor people.

CHARLTON:

Well, now you've been here a very long time with the World Bank....What you've just said is an example of the sort of thing which comes closest to what you consider the intentions of the Bank ought to be. Can you think of an example...the outcome of which least accords with what you think the Bank should do?

MCNAMARA:

Some seven or eight years ago, we initiated a project evaluation system under which the completion of every project, and after a reasonable time to allow it to move into operation, we evaluate that project, against its original objectives.

MCNAMARA:

Was its cost what we anticipated? Did it take longer to build than we planned? Was the product what was anticipated? As a result of that system we've evaluated hundreds of projects. I would say roughly 10% of the projects have failed. They failed to accomplish their initial objectives. And that's true whether it be an agricultural project, an educational project, a road....In certain cases for example we've over-estimated the traffic requirements for a road. And with hindsight it would have been better to put the road expenditure into an agricultural programme. We've over-estimated power requirements at times. We could have deferred the construction of a power plant. But I don't want to concentrate on the 10% of the projects that may have failed. I want to concentrate on the 90% that have succeeded and the tremendous stimulus that that has given to social and economic advance in these one hundred developing countries. So we're proud of our record, despite our failures.

HARLTON:

When you use this word development as you have already several times, how do you really define it. Do you believe that mankind is headed for some common destiny. Is that what development is?

MCNAMARA:

Well I think that development means different things to different people. And it must be interpreted in the light of history and the culture of the people. But common to all certainly is...a desire to live a healthy life. And to develop the capabilities of the human mind. And that does lead to certain common elements of development. Life expectancy for example, if it is low when it might be high, is certainly a sign of lack of development. Illiteracy is certainly a sign of lack of development. Malnutrition is a sign of lack of development. And hence in the most fundamental terms, our objective is to move nutrition literacy, health to optimum levels so that the people may then choose their own course of development, using those basic strengths of literacy, health, nutrition.

CHARLTON:

How do you assess the under-currents which I think, would you agree, come apparent in the 70's of people less willing to accept this idea of a common destiny, wishing more to

CHARLTON:go their own way, perhaps to insulate themselves against this common destiny...which technological change either forces upon them or makes inevitable?

MCNAMARA: Well I think...some of the movements have been extreme. The movement to disparage growth as a factor contributing to...call it spiritual advance, I think is something to be deplored. And it has taken hold in many societies, particularly in some of the Western societies. But I think on the whole there has been a very substantial philosophical advance towards understanding the necessity for overcoming these conditions that hold back human advance towards understanding the ways of accomplishing it. And in particular a recognition that it is the responsibility of Governments to advance the welfare of all of their people and not only the elite among their people.

CHARLTON: What are the implications though if this bias against growth this....loss of confidence and disillusionment about the possibilities which growth offers. Do....take hold and spread?

MCNAMARA: The implications are that those of us who have grown, you and me, and others like us, will be well off, and the two and a quarter billion people in the developing countries who have not grown will be consigned for ever to a second class status. I think it's disgraceful that we should even be considering such a thought. And yet there are many in our societies who without putting it as sharply as I have, are willing to accept that condition.

CHARLTON: Do you think its significant that China appears recently on this threshold of the 80's to have opted for - their word for development....would you agree is modernisation - Is that the same thing?

CNAMARA: Well I think it's interesting that China has recently appeared to recognise that in order to achieve this advance of what I call the human spirit, they must have growth, they must have economic growth. And to achieve an optimum rate of economic growth they must utilize the resources of the external world. Both technical and financial.

CHARLTON: What therefore is the relevance of the world economy...on the threshold again of the 1980's, there are many misgivings about it, about whether it can sustain the levels of growth that we've known in the past? How much does depend upon the world economy...for this decade ahead?

MCNAMARA: Well I think that...increasingly, nations are becoming dependent one on another. You can see that in the United States with its dependence on the Middle East for energy for example. You can see it in the developing nations on their dependence on the OECD for markets. So this increasing interdependence - if each nation is to achieve its optimum level of advance - is changing the importance of world economic advance and changing its relevance to national goals. And I think more and more both developed and developing nations are interested in the world economy, and interested in ensuring that it moves forward in a stable way, and at an optimum pace. And that for many nations...that's quite a different attitude than they had as recently as five or ten years ago.

CHARLTON: But do you think that this period of stagflation with all the signs pointing in only one direction, a world without growth is ephemeral, is a transitory...difficulty, Or.....

MCNAMARA: I'm sure it's transitory. But I'm not sure how long the period transition will be. What I fear is that it may be longer than necessary. It's already affected us for two or three years, depending upon how you measure the origin of it. And it may well continue for another several years. And I hope we will all act with sufficient intelligence to reduce that period to a minimum.

CHARLTON: And this is a more cynical period than the high idealism which immediately followed World War 2, the world of rehabilitation and reconstruction. As you look at the problem, honestly now, facing the 1980's, can this gap between rich and poor be closed, is that how the problem should be stated?

MCNAMARA: Let me differentiate between two different gaps, between rich and poor. One gap is the gap of fundamental human

MCNAMARA:conditions, those conditions I mentioned earlier, literacy, nutrition, health, life expectancy, that gap can be closed, it is being closed. During the past quarter century tremendous progress was made in closing the gap in each of those areas. It is far from being closed today, and we must all direct our attention to ensuring that it is closed between now, and lets say, the end of the century. The other gap is the gap in incomes between rich and poor. That is not being closed. In many ways it is being widened. I can't conceive of it being closed between now and the end of the century. But I think it's the first gap that we should put most emphasis on, because that is the gap in terms that...do restrict optimum development of the human spirit.

CHARLTON: At what point does one depart from absolute poverty?

MCNAMARA: We have defined absolute poverty as a condition of life so limited by malnutrition, illiteracy, disease, low life expectancy, high morbidity, has to be beneath any reasonable definition of human dignity. And that condition is suffered by some eight hundred million of these two and a quarter billion people I've spoken of in the developing world. And it is to reduce the number living in absolute poverty that we're directing an increasing portion of our energy.

CHARLTON: So it would be fairer to say that the gap might be narrowed but unrealistic to suppose it can be closed?

MCNAMARA: With respect to....absolute poverty...there the gap can be narrowed. And as a matter of fact, we think between now and the end of the century-if the developing country Governments and the developed Governments put emphasis on reducing absolute poverty, that eight hundred million figure can be reduced to perhaps four hundred million by the end of the century. Still far too many, but a tremendous advance and particularly a tremendous advance when one recognises that the population in the developing countries will increase by some seventy five or eighty per cent between now and the end of the century.

CHARLTON: In the narrowing of this gap, presumably it's not the same prescription that you would like every country to write, because there are rich countries, there are poor countries, there are very poor countries and there are middle-income countries. What's the message for them? Say for the rich countries....

MCNAMARA:I think the message is two-fold. (A) that it is possible with current knowledge technology and resources to reduce the number in absolute poverty. (B) that this requires action by the Governments of the developing countries, it is their primary responsibility to take that action, to set their objectives, to lay their plans, to move towards that goal. But see that they can't achieve those objectives in reasonable time, and at an optimum pace, without substantial assistance, and I believe greater assistance, from the industrialised nations of the world.

CHARLTON: Is it essentially.. is aid essentially sacrifice, by everybody, as you see it?

MCNAMARA: In my mind definitely not. Because I think that in the most selfish of terms the advancement of these two and a quarter billion people, socially and economically, is in the interests of the rest of the world. Whether you measure it in economic terms or political terms or military terms. A world in which these two and a quarter billion people do not advance is not going to be a world I want to live in or I want my children to live in. And therefore I don't consider it any sacrifice, but in my own selfish interest to see those people advance.

CHARLTON: So you don't view it as an imperative moral duty so much as enlightened self interest.

MCNAMARA: The answer is I do view it as an imperative moral duty, but I find that not all people I talk to are moralists and not all of them have the same moral values as I do. And therefore while viewing it as an imperative moral duty, I also emphasise what I believe, that is in their narrow selfish interests, economic interest, political interests, to assist these people to move forward socially and economically.

CHARLTON: But just to split those things up, a rich country might do what for the very poor?

MCNAMARA: These very poor Nations, the Bangladeshs, the Indias, Upper Volta, Malis, Migers cannot afford to pay the market rates for capital. They need the capital, most of it they're going to get from their own savings. But they need external assistance as well. And that external assistance needs to be on favourable terms, in terms of maturities and terms of interest. And it is up to the industrialised countries to help them in that direction and the industrialised countries should be doing much more and can do very much more in my opinion within their present economic capacity, even though that is restricted as you pointed out earlier by stagflation. Secondly the industrialised countries need to provide opportunities for the developing nations, to expand their exports, to earn foreign exchange. They need the foreign exchange to import the goods they can't produce. The bulk of the foreign exchange they will use to finance their imports will come from earnings, from their exports. And therefore the industrialised countries need to...and should for them, open their markets to their exports.

CHARLTON: And what about middle-income countries? (Now suppose - would you feel able to include in those the OPEC countries? Some of the newly industrialised countries have made spectacular progress under assistance, a lot of it from the World Bank, since the Second World War.)

MCNAMARA: Well the middle income countries, the Brazils, the Turkeys the Korea's for example, they have advanced far beyond..the economical level of the poorest countries, They can afford to borrow in the World's capital markets. They need to be permitted access to those capital markets. They need to be provided the supplementary assistance that the World Bank does through its International Bank for Reconstruction and Development. But they also need access to the markets of the industrialised world, and one of the sad conditions of the present is the growing wave of protectionism that is sweeping some of these industrialised nations.

MCNAMARA: And one sees it in restrictions on textile imports, on clothing imports, on rubber-shoe imports, and these restrictions, if they were to continue, fortunately they haven't advanced very far, but there is an attitude that is tending to expand the restrictions with every passing year. If they were to continue they would substantially limit the ability of the middle income countries to grow. Because those countries need more foreign exchange. They're only going to obtain that...at the appropriate rate if they are permitted to earn it by exports, they can't earn it by exports if the protectionists prevent the industrialised countries from importing.

CHARLTON: Do you have any encouraging suggestions..to make about that because there's no doubt that the thought of cheap labour competing with domestic industries makes very strong resonances in the industrialised countries.

MCNAMARA: It does. And yes the answer is, I do have some encouraging suggestions to make...and they are two. First, today we're facing very serious problems of inflation, in almost all of the industrialised countries. And I submit to you that one of the ways of reducing the rate of inflation is to encourage the imports from the developing countries, because those goods come in at lower prices. And they replace the goods that would be sold at higher prices. And they thereby tend to dampen the rate of inflation. And we've seen that particularly in the United States. And I could cite many many illustrations of that, so that's the first point. The second point is that in the longer run, it's far better for the industrialised consumer to buy a shirt from the Korean manufacture, and to replace the labour and capital that had been producing that shirt in his own industrialised nations with labour and capital that is producing something that the Koreans will buy. Or something that other nations will buy. Electronic Data equipment is an illustration. So there is a long-run advantage to each nation pursuing its comparative advantage. There is also a short-run cost that you have eluded to, because there is a structural change when the textile company goes out of business. That capital is unemployed and those labours are unemployed.

MCNAMARA: Even though it's advantageous to the society as a whole to have that structural change, provision must be made to soften the blow upon the company or the employers affected. And very few industrialised nations have adequate adjustment procedures.

CHARLTON: What is going to preside over this change though? Do you see it as essentially institutions which are vigorous and changing in the face of these challenges? Or do you see institutions becoming more defensive, groupings of nations becoming more defensive? What do you look to, to provide this evolutionary change.....

MCNAMARA:For one thing I look to more discussion, more debate in a sense of the kind we're having right now. To (over time,) acquaint people with where their own interests lie. Because I think that if more individuals in the industrialised countries understood the degree to which an increase in imports from developing countries did dampen down the rate of inflation, and if they understood the extent to which a substitution of -I'll call it Korean made shirts forshirts made in the industrialised countries- and a shift of those resources in the industrialised countries, is in their long run advantage; if they understood that the short run costs to the shirt manufacturer and the shirt-making employees could be offset by adjustment assistance, additional training or transition means, that they would then be more receptive to those changes. And it's through these discussions in public, in International fora, in the United Nations, in the World Bank meetings, that I think the foundation for economic and social advance will be laid.

CHARLTON: Now when you mentioned before what the poor countries might do, you said that they should set objectives. But can you be more specific? What is incumbent in your view upon the poorest themselves to do?

MCNAMARA: Well I think the poorest themselves must accept the responsibility of addressing their own economic and social problems. And in particular accept the responsibility for ensuring that they achieve growth with equity. I've just come back from Yugoslavia, from the annual meeting of the

CHARLTON:between East and West?

MCNAMARA: Oh yes I think so, in a very real sense we're a substitute for revolution (or the theory I've propounded is a substitute for revolution).....A substitute for violent revolution. In many respects it's a peaceful revolution. And I've absolutely no hesitancey in saying that it is technically possible and politically feasible to channel technical assistance and financial resources, to raise the productivity of the poor and thereby vastly accelerate economic and social advance.

CHARLTON: Well having mentioned East and West, what proportions does this dialogue between North and South assume for you? How in the Eighties do you think essentially one has got to organise or should organise if possible the responsibilities and relations between North and South, the rich and poor?

MCNAMARA: As one of the leaders of the South was saying to me last night when he came to my office to discuss this exact question, He thought the most important change that should take place is to remove the rhetoric in this dialogue between North and South, move away from ideological sermons, put forth by either side, and get down to the substance of the issue. What is it specifically that each party needs to do. And that they need to do jointly, to assist these two and half billion people. And he and I were discussing these specifics, population, expanding food production, creating jobs for the some five hundred million people who will come into the labour force; accelerating the financial flows, the concessional flows...to the poorest nations, the market flows to the others. Expanding trading opportunities. If we can move the North-South dialogue to discussion of the specifics, and out of the realm of the rhetoric...I think much more progress will take place.

CHARLTON: You've already said something about the essential strength as you see it, of the non-revolutionary way, the communists maintain of course that people in this structured position of disadvantage want revolution. Do you think they do?

MCNAMARA: No, I don't believe.....if by revolution you mean the application of violence to ensure change; no, I think most people want to avoid violence, while achieving the change. And the question really is, can the necessary changes, the changes that are required to achieve a reasonable rate of social and economic advance, for these eight hundred million absolute poor, can they be achieved without violence? I think they can. We could look at many many societies where they have been.

CHARLTON: Do you have a picture in your mind of the 1980's as a decade, what it might be like in practice? I'd like to take advantage of how you saw the 1960's in this, because you came with Kennedy to power in the United States, as part of the new frontier innovative and confident, and you would agree, I'm sure, that some of those predictions and some of that confidence has not been entirely sustained. What are the choices, and the chances, facing humanity in the 1980's as you see them?

MCNAMARA: You spoke of Kennedy. The 60's in the United States were a period of remarkable economic advance which we sometimes fail to recognise. For a century in this country we had had...very severe discrimination against the blacks, and that discrimination was substantially reduced by action in the sixties. So in many ways despite the problems that later developed in the sixties it was a period of remarkable social advance in the United States. It brought with it many problems, false expectations, and the false expectations led to violence. And I think therefore one cannot say that a period of progress, which I believe is going to occur in the 80's, after we pass through this period of what you call stagflation, (which I hope we'll be through in two or three years.) I think we will see the economic and social advance in the developing countries accelerate in the 80's, particularly in the second half of the 80's. But I don't wish to be so naïve, or lead you to think I'm so naïve as to think that that can occur without social and political unrest. It may well be accompanied by that, and perhaps even by more of it than we've seen in the recent past. Just as I suggested that the period during which discrimination in the U.S. was reduced was accompanied by substantial violence.

CHARLTON: Yet there is no automatic link, there is no economic progress and stability?

MCNAMARA: There is not. There is no automatic link at a given point of time. But in the longer run, my own belief is that economic and social advance will lead to greater political stability, greater economic stability. And frankly, I think, less military conflict.

CHARLTON: Do you still retain your confidence Mr. McNamara in this planetary view that you have of things. Is it a sober message you want to leave about the 1980's, or a generally optimistic one. How would you put it?

MCNAMARA: I would say that.....the 80's will depend upon the decisions we make....It is within our power, -when I say ours I mean the leaders of the developing countries, the leaders of the developed countries - It is within our power to make decisions that will advance the welfare of these two and a quarter billion people. Whether we'll do so is an open question. I'm happy to have had the opportunity in this programme to, I hope, convince a few we should.

CHARLTON: Mr. McNamara Thank You.

MCNAMARA: Thank you indeed.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: March 27, 1980

FROM: H. Martin Koelle, IPA HMK.

SUBJECT: Interview with Rosemary Righter of the London Sunday Times

Rosemary Righter whom you have agreed to see at 4:30 p.m. on Friday, March 28 is Development Correspondent of the London Sunday Times and is one of the best informed journalists on development issues. She is also an aggressive questioner, but one who honestly respects the ground rules of an interview. Her session with you should be not for attribution except for specific quotes which she will submit for clearance.

During her visit she has been concentrating on issues raised by the Brandt Report, the problems of the current account deficits of non-oil developing countries and the Bank's plans for structural adjustment lending. Messrs. Stern, Haq and Baneth have talked to her on these subjects. She has also expressed interest in the defunct "Third Window".

She would like the Brandt recommendations to form the basis for her interview with you, but has been advised that the Bank is studying the specifics of the Commission's proposals and is not yet ready to make a formal response. That notwithstanding, she is anxious to hear your assessment of how to achieve the "massive transfers" which Brandt says will be required. She is interested in whether the Brandt Report will have any real political impact in developed countries and she may ask your view on this. We have attached the article which Ms. Righter wrote for the Sunday Times when the Brandt Report was published.

It has been made clear to her that a condemnation from you of the proposed British aid cuts would not be helpful, so she will not seek it. You might, however, mention the continued importance of Britain to the development constituency, because of Britain's experience and knowledge. The British development press, for example, is second to none, with a flourishing Development Journalist's Group. Rosemary Righter herself is one of the very few journalists in the world assigned exclusively to development.

Miss Righter is also interested in pursuing the question of the United States aid position. In her conversation with Mahbub ul Haq, she discussed the constraints which the United States Congress has attempted to impose on Bank lending, and she will, no doubt, pursue this theme with you. In this context, Haq said he felt that the diminishing U.S. share of the voting power (by default) was a positive contribution to the multi-lateralism of the Bank. She is also likely to question the compromise achieved through your letter to Clarence Long on lending to Viet Nam.

Mr. Merriam will bring her to your office at 4:30 p.m.

Attachments

cc: Mrs. Boskey, Messrs. Morris and Cullen

TC/AM:ems

OFFICE MEMORANDUM

TO: Mr. John E. Merriam

DATE: March 20, 1980

FROM: D.R. Clarke *DR*SUBJECT: Rosemary Righter's Visit to the Bank

At a luncheon arranged by the Commonwealth Secretariat for me in London on Monday, March 17, I met Rosemary Righter of the London Times who mentioned a visit to the Bank and an interview with Mr. McNamara (?) around March 27.

In the course of discussion, which centered on reactions to the Brandt Commission Report, Miss Righter focused on several issues which could arise in her interviews in the Bank:

- (i) What was the World Bank's attitude to the proposal for the creation of a World Development Fund? Assuming resources could be found to fund the WDF, how would the Bank feel about its establishment?
- (ii) There was a clear need for "massive transfers" to the developing countries and a recycling of world surpluses to needy developing countries - the question was how could this be achieved and could the World Bank make a contribution to this?
- (iii) In discussing the Brandt Commission recommendation for restraint against the imposition of political conditions in the operations of multilateral financial institutions, reference was made to the UK and European view of the Bank as a US dominated institution; specific reference was made to Mr. McNamara's letter to Clarence Long on IDA 5 which, to Miss Righter's mind, raised questions about the need for internal structural reforms in the Bank and for a shift in the balance of power within the institution and greater power sharing as recommended by Brandt. (Incidentally, Miss Righter was extraordinarily well briefed on the terms of the McNamara letter and was not at all impressed by my explanations about the absorptive capacity and country performance criteria which prevented further Bank lending to Vietnam in the current fiscal year - in fact, she claimed that there had been independent reports on the situation in Vietnam which suggested that there were no problems in the way of absorbing further Bank resources.)
- (iv) Regarding the outcome of the Brandt Commission Report, she only saw marginal changes, perhaps in the internal structure of the Bank, and little prospect for new institutions as proposed. She has a great interest in the recycling process and will doubtless be pressing the question of assistance the Bank could give in facilitating these arrangements.
- (v) She will be well briefed on the plight of the developing countries with mounting balance of payments deficits in 1980, and would wish to know more about our structural adjustment lending as a Bank response to the problem. (In the light of Tuesday's debate in the

Mr. John E. Merriam

March 20, 1980

- 2 -

Board, and the questions raised about the importance of additionality, Miss Righter could be a good ally in propagating the idea floated in the Brandt Report for an increase in the gearing ratio of the Bank to increase our lending capacity.)

cc: Mr. William Clark
Mr. Munir Benjenk

DRClarke:ls

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OFFICE MEMORANDUM

TO: Files
FROM: Montague Yudelman, Director, AGR *P for M.Y.*
DATE: April 3, 1980
SUBJECT: Luncheon Meeting with Mr. McNamara, Ambassador Jay and Mr. Robert Porter, Earth Satellite Corporation - Wednesday, April 2

1. The principal item of discussion at the lunch was whether the Bank saw any opportunity for using the technology, especially the software, developed by the Earth Satellite Corporation (EarthSat). Initially, the discussion centered on the use of the "Cropcast" - a crop forecasting system - based on information from the land satellite and meteorological satellites. The Cropcast service was said to provide unique information on items such as world wide weather analysis, soil moisture analysis etc. The Cropcast system was said to provide the basis for predictions on crop production that had a relatively high probability of accuracy.
2. Mr. McNamara made it clear that the Bank did not see itself as a purchaser of this service, but he thought that our staff would be interested in learning more about it. He invited the EarthSat people to present a seminar at the Bank on their Cropcast system, and asked me to arrange such a seminar.
3. Subsequently Mr. Porter presented - at the President's request - some information about the use of earth satellite technology in mineral and petroleum development. It appears that EarthSat has developed techniques on surveying which are a considerable advance on earlier methods. Some of these are still "proprietary" and are not widely known. The President suggested that I draw Messrs. Rovani's and Fuchs' attention to EarthSat's work, and arrange for Mr. Porter to meet with them.
4. I told Mr. Porter I would be in touch with him on my return on April 15, and would arrange a mutually convenient meeting time with himself and my colleagues on the energy and engineering side of the house.

cc: Messrs. Baum, Fuchs, Rovani, Koch-Weser

MYudelman:lkt

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: April 1, 1980

FROM: Montague Yudelman *m.j.*SUBJECT: Your lunch with Ambassador Jay and Mr. Porter

1. You may be interested to know that Ambassador Jay and Mr. Porter met with Mr. Baum, Mr. Benjenk and Mr. Drewes (the Bank's specialist on the use of the Earth Satellite). The main topic of discussion was the possible use by the Bank of a crop forecasting program developed by Earthsat, (Mr. Porter's company), which interprets data from earth and weather oriented satellites. The system is presently used by countries such as Japan and by some commodity specialists in Chicago; it has proved to be a relatively effective forecasting system. Messrs. Benjenk and Baum explained that the Bank is not the most appropriate vehicle for global forecasting - such work that is carried out in the system is done by others such as UNEP (monitoring desertification). Our use of the satellite is much more project oriented and focuses on resource evaluation.

2. Four years ago we employed the Porter group to prepare a manual on use of earth satellite imagery for development. This preliminary volume is being completely rewritten in the light of our own experiences over the past five years and is scheduled for publication in the near future. (This volume is being completed without any involvement of the Earthsat Company; their initial efforts were not sufficiently development oriented for our purposes).

cc: Mr. Baum

MYudelman:lkt

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655
hand call

I, NICOSIA ROAD
WANDSWORTH
LONDON, S.W.18
01-874 4746

27 June 1980

7/2
calls I will
make
non-attachment

Mr. Robert McNamara
President, International Bank for Reconstruction
- and Development
WASHINGTON DC 20433

Dear Sir,

I wonder whether, if you are going to be in Washington in July, you might be willing to spare an hour to see me?

The attached c.v. gives you my background. I will be in the States between 8 and 29 July, and will be based at the Cosmos Club. The main reason for my visit is to carry out research for a planned UK television series, which will discuss some major changes in Western foreign and strategic policies during the past thirty years. Such a change, to my generation, took place when Mr. Kennedy was President and you were Secretary for Defence. The adoption of the strategy of flexible response was rather more than what a young but highly regarded strategic analyst described at last year's IISS annual conference as "Mr. McNamara's flight of fancy".

It is surely essential that the present generation should realise that the change you made was real, and was based, moreover, on knowledge of Soviet intentions and capabilities, not abstract analysis or intellectual conviction. I remember the Washington of the early 1960's well enough to know this. An hour with you is something I need. I do appreciate the calls on your time, but I hope that it will be possible for us to meet.

Yours faithfully
Anthony Verrier
Anthony Verrier

ANTHONY VERRIER

Specialist in International Affairs

1. Age : fifty-two

2. Current main activities
 - (a) Proof reading "International Peace-keeping" - a study of United Nations forces in the field - written for Penguin Books, to be published this Autumn
 - (b) Broadcasting regularly for the BBC Home and Overseas services (and much television and radio for many years. "Borderline", a 55 minute survey of Southern African political and economic issues, was shown on British television, 12 December 1979)
 - (c) Journalism - currently writing for Financial Times Middle East Markets etc

3. Newspapers and magazines worked on/written for in past twenty-five years: Economist (and Foreign Report); Observer; New Statesman; Times; Sunday Times; Financial Times; New York Times; Foreign Affairs; Political Quarterly; World Today (Royal Institute of International Affairs); Le Monde; Survival (International Institute for Strategic Studies); Journal of the Royal United Services Institute; Africa Confidential; Director

4. Books published:
"An Army for the Sixties" (1966)
"The Bomber Offensive" (1968; 1970 in United States and Germany; also in paperback)
5. Constant travel in North and South America; Caribbean; throughout Europe, Mediterranean, Middle East and North Africa; in Southern Africa, India, Pakistan, and Malaysia.
6. Senior Associate Member of St. Antony's College, 1967-74. Much lecturing in Britain and United States; occasional lecturer this year at Wilton Park
7. Acted as adviser to oil companies and banks in connection with Middle East political and economic issues, 1966-1977.
8. Advised a main contractor to U.S. Defence Department on comprehensive study of Persian Gulf, 1979; now advising contractor on various issues affecting NATO.
9. Fellow of Royal Geographical Society; Member of the International Institute for Strategic Studies

1 June 1980

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OFFICE OF THE PRESIDENT

Meeting with Sir Geoffrey Howe, Chancellor of the Exchequer, UK, September 27, 1980

Present: Mr. McNamara, Sir Geoffrey Howe, Sir Peter Preston, Messrs. Gordon Richardson, A.J. Wiggins, Anson, Benjenk

In response to a question by Sir Geoffrey, Mr. McNamara said that it was a good time for him to leave the Bank. There was nothing in the Bank's Articles that the President had to be an American; if the U.S. Administration did not put forward a very competent U.S. citizen, he hoped that the Board would turn to a non-American. He also hoped that the U.S. Government would not nominate a successor before the November election, unless the two Presidential candidates could agree on the individual; for example George Shultz was such a name on which agreement might be possible.

Referring to the last section of his Governors' speech, Mr. McNamara said that on Tuesday he would lay out the problems lying ahead for the Bank. The Bank's lending program had to be expanded considerably because of the additional demands for structural adjustment lending, membership of China, energy production requirements, and higher-than anticipated inflation rates. The recent Commonwealth communique had referred to the need for such expansion of Bank lending. The answer to the dilemma of fiscal austerity in OECD countries on the one hand and such additional lending requirements on the other was to leverage the Bank's capital. If the Bank were to be set up today, it would certainly not have such a conservative capital structure; however, investment bankers also made the point that it would be difficult to get from where the Bank was now to where it should be.

Sir Geoffrey commented that there were different courses of action open to the Bank. The problem was that, if the Bank pushed too hard on one course, it might lose support for the others. Mr. McNamara agreed. Between mid-October and mid-February, he planned to put to the Board a number of working papers on additional lending and sources of financing it. The Board should arrive at a conclusion in spring so that an expanded lending program could be reflected in the Bank's work program and budget to be submitted to the Board in May. One course of action was first to establish an energy affiliate. If such an affiliate were planned for a lending capacity of \$25 billion over the next five years, only about \$600 million to \$1 billion of paid-in capital was required for that period of time. An alternative course of action would be to increase the Bank's subscribed capital without any paid-in portion. Finally, an option was to change the Bank's gearing ratio.

Sir Geoffrey said that, in the discussions of these alternatives at last week's Bermuda Commonwealth Conference, the participants had tried to keep these various options open. The consensus had been not to be too specific at this point on the alternatives, e.g., on the financial structure of an energy affiliate.

Mr. McNamara pointed to the very difficult position of the Fund and the Bank vis-a-vis the Arabs due to the PLO problem. He hoped that bridges could be rebuilt after next week. At this point, the Arab Governments were not even willing to talk.

With regard to the future shortage of IDA funds, Mr. McNamara said that certain IDA recipient countries would have to be moved to IBRD, e.g., Indonesia and Egypt. There was no way of obtaining additional IDA resources from either OECD and OPEC in the near future. He was quite disappointed with OPEC's performance in terms of contributions to IDA VI.

Sir Geoffrey enquired about likely action on the PLO issue during the Annual Meeting week. Mr. McNamara replied that the issue had been referred to the Joint Procedures Committee which would meet on Monday. The fact that no observers had been invited to the Annual Meeting would hopefully lead to a less acrimonious debate. There was at present no prospect for a compromise between now and the opening of the Annual Meeting. He agreed with Sir Geoffrey that an increased willingness by OPEC to contribute to the Bank and the Fund was politically important for the two institutions. The institutions were, of course, indirectly borrowing from OPEC at only about 20 basis points increment over direct borrowing costs; this was due to the fact that the OPEC countries were very tough negotiators. However, by directly contributing funds to the institutions, OPEC would carry more of the intermediation risk and improve the political image of the Bretton Woods institutions, particularly vis-a-vis the U.S. and the UK with their present fiscal austerity policies.

As to the Bank's work on energy, Mr. McNamara commented that the Bank had learned rapidly during the last few years. Present LDC energy production of 8.5 million barrels per day of oil equivalent could be expanded by 10 million barrels per day until 1990. Such increased LDC production was in the interest of all parties; it was a plus-sum game. The Bank had not done nearly enough on energy in the past. The presently planned energy lending volume of \$13 billion over the next five years should be doubled.

Mr. Richardson commented that he concluded from his recent talks with Messrs. Abalkhail and Al-Quraishi that good personal relations remained despite the PLO controversy. In response to a question by Sir Geoffrey, Mr. McNamara said that he did not expect U.S. tension with regard to the PLO issue to ease after the elections; the Middle East problem would remain. In his view, if there had been no Camp David agreement, war would have erupted two years later; again, if there were no further progress soon, military action in the Middle East was likely within the next two years. Mr. Richardson said that it was amazing to see the progress made on Arab cooperation. For example in international finance, central banks worked closely together, with the result that the more moderate Arab Governments were pushed in certain directions. Iraq was trying to assert itself.

Finally, Sir Geoffrey extended an invitation to Mr. McNamara to come to the UK later this year. Mr. McNamara said that he would be delighted to come as soon as the Bank's thinking was more advanced with regard to the course of action to take in order to finance increased Bank lending.

CKW
October 8, 1980