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Fonds: Records of the Office of the President

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McNamara Papers

The World Bank Group
Archives
A1993-012 Other #: 5 209341B
1771019
Contacts with member countries: Ecuador - Correspondence 01

Contacts
Ecuador (1972-1979)

Folder 7

DECLASSIFIED
WBG Archives

ECUADOR

ECUADOR

1. 10/30/72 Dr. Alberto Quevedo T., Ambassador of Ecuador
 2. 6/15/73 Dr. Alberto Quevedo-Toro, Ambassador of Ecuador
 3. 10/16/79 Ambassador Ricardo Crespo Zaldumbide
 3. 10/4/79 Leon Roldos Aguilera, President, Monetary Board Banco Central
annual meeting Germanico Salgado, President, Banco Central
 4. 11/13-16 RMcN Notes (*Filed in RMcN office*).
1979
(Ecuador)
 5. 11/13-16/79 President Roldos
(Ecuador) Leon Roldos, brother of the President of head of the
Monetary Board
Manuel Varas, advisor to the Vice President
- Central Bank
Leon Roldos, President of the Monetary Board
Germanico Salgado, General Manager, Central Bank
Minister Davalos - Energy and Natural Resources
Minister Cedeno of Agriculture and Livestock
Mr. Villareal, General Manager INECEL (National Power Co)
Mr. Quevedo Toro, General Manager of BNF (Agri. Bank)
Mr. Correa (GenMgr of CFN, state-owned DFC)
- Vice President Osvaldo Hurtado
Mr. Alejandro Agyayo, personal secretary



OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: October 27, 1972

FROM: Edgar Gutierrez

SUBJECT: Your meeting with the new Ecuadorian Ambassador

10/29

1. Dr. Alberto Quevedo T., the newly appointed Ecuadorian Ambassador to Washington, will call on you on Monday, October 30 at 5:30 in the afternoon. Dr. Quevedo is likely to be accompanied by Dr. Virgilio Barco, Executive Director for Ecuador.

2. Ambassador Quevedo, age 40, has a lawyer's degree from the Universidad Central of Ecuador; he also pursued courses in public finance at Harvard University in 1960. While this is his first diplomatic representation, he has had a rather active public life in Ecuador, having been Technical Director and subsequently Assistant General Manager of Comision de Valores/Corporacion Financiera Nacional, a development finance company; Under-secretary at the Ministry of Commerce and Banking; and Minister of Finance under the Military Junta in 1964-65. Prior to his present appointment, Ambassador Quevedo had been managing the Quito newspaper "El Comercio" owned by the family of Dr. Carlos Mantill-Ortega, Mr. Quevedo's predecessor in Washington. Ambassador Quevedo has also held a number of teaching positions in Ecuadorian Universities.

3. We understand Ambassador Quevedo's call on you is of a courtesy nature. He may, however, raise the question of further IDA lending to Ecuador, a point which was also raised by the Minister of Finance last September during the Bank Annual Meeting. We then agreed with the Finance Minister that our evaluation of Ecuador's economic prospects would be reviewed with the Government in early December and that the question of further IDA financing would be left open until then. You may wish to repeat this to the Ambassador.

cc: Mr. Alter

Cleared with and cc: Mr. Lari

President has seen

OFFICE MEMORANDUM

TO: Memorandum for Record

DATE: November 2, 1972

FROM: Edgar Gutiérrez

SUBJECT: Meeting of Mr. McNamara with Dr. Alberto Quevedo T., Ambassador of Ecuador to Washington.

1. On October 30 Mr. McNamara and myself met with Dr. Alberto Quevedo T., Ambassador of Ecuador to Washington. The meeting was very short and essentially of a courtesy nature. Ambassador Quevedo expressed his appreciation for the constructive role that the Bank is playing in Ecuador and his interest to help in strengthening communications between the Bank and his Government. He was very recently appointed to his present job and is still in the process of acquainting himself with the different projects in our pipeline in Ecuador. At that moment he did not feel qualified to advance judgements or comments on these operations, but indicated his desire to keep in close contact with our operational officers. He did not elaborate on the question of IDA versus Bank financing in his country.

2. Mr. McNamara indicated that the Bank does want to strengthen its lending to Ecuador. This, he said, will be conditioned to the type of policies and priorities that the country will follow when making use of the substantial additional resources from the oil sector. Ecuador has been placed by the oil findings in an unusually favorable situation to diversify its economy. It would be unfortunate if this opportunity is missed because of weakness or lack of leadership in key Government institutions. He said that in the past our programs have been hampered by inadequate project identification and management. The Bank response in the future will be tailored to the ability and success of the Ecuadorians in shaping up the development process. Mr. McNamara, at some point, recalled the unfortunate experience in Venezuela during the most prosperous years of the oil bonanza.

cc: Messrs. G. Alter
E. Lari

EGutiérrez:lc.

President has seen

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara (through Mr. G. Alter)

DATE: June 15, 1973

FROM: Edgar Gutiérrez, Director, LAC I

SUBJECT: Your Meeting with the Ecuadorian Ambassador

1. The Ecuadorian Ambassador, Dr. Alberto Quevedo-Toro, will call on you Friday, June 15, at 6:45 p.m. We understand that the purpose of the Ambassador's visit is to request on behalf of his Government inclusion of the proposed IDA credit for the Milagro Irrigation Project in the Board's agenda for FY73. Originally scheduled for presentation on June 26 together with the proposed \$20.0 million loan for the Second Development Finance Companies Project, the Milagro operation was postponed until July 5 in order not to exceed the agreed limit of Board presentations in a given week. The Second DFC's Project is still scheduled for June 26.
2. Ambassador Quevedo, appointed in October 1972, has shown from the very beginning of his tenure a keen interest in every aspect of Bank operations in Ecuador (we understand that he has also been very active with the other lending agencies based in Washington). He has many times been instrumental in obtaining Government action on matters affecting Bank activities in the country and is our best channel of communication with Ecuador. The Ambassador has often said that, consistent with the Bank's expressed desire to increase its operations in Ecuador, it was important for the Government to obtain a larger volume of Bank loans each fiscal year. In the particular case of the Milagro project, the Ambassador has exerted special efforts to see to it that all steps required from his Government for the processing of the credit were completed on time, in order to permit presentation of the credit to the Board in this fiscal year. The Ambassador will probably repeat some of the above arguments to you. He may be accompanied by Dr. Virgilio Barco to whom, we understand, he has also made representations towards restoring the Milagro project to FY73.
3. You already met Ambassador Quevedo on October 30, when he paid you a courtesy visit. Ambassador Quevedo, age 40, has a lawyer's degree from the Universidad Central of Ecuador; he also pursued courses in public finance at Harvard University in 1960. While this is his first diplomatic representation, he has had a rather active public life in Ecuador, having been Technical Director and subsequently Assistant General Manager of Comisión de Valores/ Corporación Financiera Nacional, a development finance company; Under-secretary at the Ministry of Commerce and Banking; and Minister of Finance under the Military Junta in 1964-65. Prior to his present appointment, Ambassador Quevedo had been managing the Quito newspaper "El Comercio" owned by the family of Dr. Carlos Mantilla-Ortega, Dr. Quevedo's predecessor in Washington. Ambassador Quevedo has also held a number of teaching positions in Ecuadorian Universities.

Cleared with and cc: Mr. Lari, Division Chief, LAC I

JBalcazar/ab

President has seen

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OFFICE MEMORANDUM

TO: Memorandum for the Record
FROM: Nicolás Ardito Barletta
SUBJECT: 1979 Annual Meetings - ECUADOR
Meeting with Mr. McNamara

DATE: October 15, 1979

1. The meeting took place on October 4, 1979. Members of the Ecuadorean delegation were: Messrs. Leon Roldos Aguilera, President, Monetary Board Banco Central, Germanico Salgado, President, Banco Central, and for the Bank: Messrs. Stern, Ardito Barletta and Pfeffermann.
2. Messrs. Salgado and Roldos were grateful to have the opportunity of talking to Mr. McNamara. They pointed out that Ecuador is now making a transition from a nine-year dictatorship to democracy with the recently initiated Government of President Jaime Roldos. They are very grateful for the interest shown by the Bank in cooperating in their development efforts. They said the present Government wants to pursue a policy of growth and social justice, and they very much welcome the contribution of the Bank with projects such as the Tungurahua Rural Development project, already approved, and the Guayaquil rural development, which is now under consideration. They pointed out that the Bank's presence in Ecuador can be seen everywhere in several projects of physical infrastructure, such as roads and ports, and they are happy to see that it has extended to the development of social infrastructure. They will also welcome Bank's participation for petroleum exploration.
3. Mr. Roldos, on behalf of the President of Ecuador, said that his Government would be honored to have Mr. McNamara and his wife visit any time in the near future, perhaps after Mr. McNamara's trip to Brazil.
4. Mr. McNamara was grateful for the invitation to go to Ecuador and said that he would be glad to go whenever it was most convenient to the Ecuadorean authorities. It was agreed that the visit would take place after Mr. McNamara's trip to Brazil around the middle of November.
5. Mr. McNamara said that the Bank would be glad to contribute to the achievement of a policy of growth and social justice. He thought that looking at a 3-year horizon the level of lending to Ecuador could be raised to \$90 - \$100 million per year in projects to fulfill those objectives. The Bank would also be glad to participate in projects related to the petroleum industry. He added that he did not need to remind the Ecuadorean authorities of the need to increase the prices of petroleum products for domestic consumption which were very low even though he fully understood the political difficulties. He was also glad to see Ecuador go back to democratic Government, and he wishes them great success. He mentioned that in order to increase the pipeline of lending to Ecuador it was important that existing loans could be disbursed more speedily. He was sure that

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quicker disbursements of existing loans would be helpful in executing the policy of the present Government and it would avoid questioning by the Board when future loans to Ecuador were under consideration.

6. The Ecuadorean authorities responded that they appreciated Mr. McNamara's awareness of the political implications involved in petroleum price increases, and that they are considering now the appropriate policies so that they may take effective actions in the foreseeable future in this field. They have also ordered an immediate revision of the problems related to disbursements of existing loans, and they hope to go over them in great detail by the time of Mr. McNamara's visit. They welcome the possibility of an increased level of lending from the World Bank. They reiterated that the opportunity of Mr. McNamara's visit will be an auspicious occasion to review their development plan and prospects. They pointed out that their success would be the success of democracy in Latin America and they are conscious of their responsibilities within the context of Latin America in this respect.

cc: Mr. McNamara's Office (2)
Messrs. Stern o/r
Lari
van der Meer
Pfeffermann
Aguirre-Sacasa, LCD1D

NArdito Barletta:bg

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OFFICE MEMORANDUM

CONFIDENTIAL

TO: Memorandum for the Record

DATE: November 27, 1979

FROM: Francisco J. Aguirre-Sacasa, ^{FAS} Division Chief, LAC ISUBJECT: ECUADOR - Minutes of Mr. McNamara's Meeting with
Members of the Economic Team on November 13**DECLASSIFIED**

NOV 30 2012

WBG ARCHIVES

1. On November 13, Mr. McNamara met with members of Ecuador's economic team at the Central Bank. He was accompanied by Messrs. Ardito Barletta, Clark, Aguirre-Sacasa and Koch-Weser. The Ecuadorian Delegation was headed by Mr. Leon Roldos (President of the Monetary Board) and by Central Bank General Manager Germanico Salgado. It included Ministers Davalos (Energy and Natural Resources) and Cedeno (Agriculture and Livestock) as well as Messrs. Villareal (General Manager of INECEL, the National Power Company), Quevedo Toro (General Manager of BNF, the state-owned agricultural bank) and Correa (General Manager of CFN, a state-owned DFC and Ecuador's largest financiera). The Minister of Finance, Mr. Aspiazu, did not attend although a representative of the Finance Ministry was present.

2. In his introductory remarks, Mr. Roldos indicated that the Government wished to intensify Ecuador-Bank cooperation. The Government was, in fact, counting on increased lending from multilateral institutions like the Bank and IDB to improve its debt profile. It would continue to borrow from commercial banks, but more carefully than in the past. Bank lending, Mr. Roldos stated, would be particularly sought to help finance further petroleum exploration, hydroelectric projects and the agricultural sector. Mr. Roldos emphasized that during the 70s, agriculture had been neglected because of the petroleum boom. As a result, productivity in the sector was dropping and food imports were increasing. The Roldos Administration intended to reverse this trend by channelling more credit to the sector and by making more investments in rural infrastructure.

3. Mr. McNamara responded by indicating that he, too, hoped for an expanded program of Bank lending and technical assistance to Ecuador. For this to happen, however, Ecuador and the Bank would both first have to overcome the poor past record of project execution. As an example of the implementation problems he was referring to, Mr. McNamara cited the Guayaquil Water Supply project (Ln. 1030-EC) which was already several years behind schedule and was threatened with further delays by a counterpart funds problem. Mr. McNamara went on to propose that senior Government officials and Bank staff meet in Quito on a quarterly basis to review all projects in execution and to devise ways of overcoming problems that were slowing down implementation. In this way, the past record --which was unsatisfactory to both Ecuador and the Bank-- could be improved.

4. As in other discussions with Ecuadorian officials, Mr. McNamara also conditioned an expansion of Bank lending on the drawing up by the Government of a satisfactory medium-term development program. This program

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should contain not only a list of bankable projects but also actions aimed at tackling the major issues facing the economy. These included: (i) the low domestic price structure for petroleum derivatives; (ii) income distribution problems; (iii) falling agricultural productivity, particularly on small farms; (iv) the large public sector deficit; and (v) the mounting external debt, particularly on commercial terms.

5. At Mr. McNamara's invitation, Energy and Natural Resources Minister Davalos then discussed the new Government's energy strategy. He began by pointing out that past Governments had neglected the country's hydroelectric development. Consequently, Ecuador was heavily dependent on thermal power for its electricity. This dependence was spurred on by the low domestic price for petroleum derivatives which had made the thermal alternative look particularly attractive. The Roldos Administration was working to reverse this trend and was considering several large hydroelectric investments including, inter alia, the Agoyan (160MW), Toachi (300MW), Paute-Mazar and Daule-Peripa hydroprojects. He hoped that the Bank would be able to assist in the financing of this ambitious program and noted the Bank staff had already shown an interest in both the Toachi project and in a much-needed power interconnection program to be carried out by INECEL, the national power company.

6. Minister Davalos then turned to the petroleum sector and to its two main problems: exploration and low internal prices. He recounted how exploration during the 1970s had virtually ceased resulting in a dangerous drop in Ecuador's proven reserves to only about one billion barrels. The new Government intended to launch an aggressive exploration program and was hopeful that foreign firms would join CEPE, the state-owned petroleum company, in this effort. Owing to changes in the hydrocarbons law, the Minister was hopeful that exploration/exploitation contracts with several foreign firms would be negotiated and signed in 1980. In order to maintain production levels, the Government also intended to launch an aggressive secondary recovery program.

7. Turning to the pricing problem, Minister Davalos indicated that the magnitude of the subsidy given to petroleum consumers was of the order of \$525 million per year. Viewed in another way, this was equivalent to the cost of one large hydroelectric project. The Roldos Administration was determined to correct this price distortion and had already begun to explain the problem to the population and to educate Ecuadorians on the need for an increase in domestic petroleum prices. The Government was also studying a package of measures to rationalize prices and Minister Davalos volunteered that action would be taken on this front in 1980. Minister Davalos concluded his presentation by expressing the hope that the Bank would help finance some of the investments which Ecuador would be making in the petroleum sector during the next few years.

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8. Mr. McNamara then asked Minister Davalos whether he felt that domestic prices for petroleum derivatives in Ecuador would be raised to international levels. The Minister answered that it was not the Roldos Government's policy to move domestic prices to world levels. Rather, domestic prices would be increased gradually until they were "close" to world prices. At this point, Mr. McNamara cautioned those present that it would be impossible for the Bank to assist Ecuador in its petroleum development program unless a satisfactory plan to rationalize domestic prices was prepared by the Government and steps were taken to carry it forward. Without specific action, the Executive Directors would never approve a loan for petroleum development in a country where the domestic price for gasoline was only 18¢ per gallon. Minister Davalos took note of this point and pointed out that the Government had already begun to take some modest steps to rationalize energy pricing. Power tariffs were, for example, being raised and the price of certain fuels (naval and aviation) would quickly be moved up to international levels.

9. Mr. Salgado then made a brief statement. He recalled that the Roldos Administration had inherited an economy with serious distortions and problems, some of which Mr. McNamara had alluded to earlier. He also mentioned that the political "effervescence" associated with the drawn-out democratization process and caused by the rift between the executive branch and Congress had made tackling some of these problems more difficult. He wanted, however, to assure Mr. McNamara that the Government was taking its economic problems seriously and would take steps to resolve them. He requested Bank assistance in mounting a Consultative Group once the five-year development plan being drawn up by the National Development Council was completed. Mr. Salgado also acknowledged the existence of serious execution problems and reminded those present that Mr. Mervin Weiner had agreed to visit Quito in early 1980 to assist the Government in mounting a more efficient project monitoring unit. Once the Government had succeeded in taking steps to put its economic house in order and in improving project execution, he hoped that the Bank would be able to increase lending to the country to the \$500-\$700 million range during the five years of President Roldos' mandate. Mr. Salgado concluded his remarks by requesting IDA financing for the Government's social projects, particularly those in the rural development field.

10. Mr. Quevedo Toro of the BNF seconded Mr. Salgado's plea for soft money for the agricultural sector. He also suggested that the Bank consider making a sector loan to Ecuador for rural development if the Bank-financed Tungurahua rural development project --an experimental operation for both the Bank and Ecuador-- proved successful. Mr. Quevedo Toro briefly outlined some of the new Government's investment priorities in agriculture. These included cocoa rehabilitation, rural development, credit for small- and medium-sized farmers and investments in marketing infrastructure and

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colonization. Mr. Quevedo Toro concluded by expressing the hope that future Bank agricultural credit projects would have simpler procedures than those incorporated under Loan 1459-EC.

11. As in his meeting earlier that afternoon with Vice President Hurtado, Mr. McNamara ruled out the possibility of any IDA lending to Ecuador. He explained that IDA funds were severely limited and were, therefore, earmarked for those countries whose level of development and per capita incomes were much lower than Ecuador's.

12. The final Ecuadorian statement was made by Mr. Correa, General Manager of CFN. Mr. Correa thanked Mr. McNamara and Bank staff for the \$40 million fourth DFC loan approved in June, 1979. He also expressed the hope that the Bank would quickly process and approve a first loan for small scale enterprise development. Mr. McNamara acknowledged Mr. Correa's thanks and assured him that he, too, attached top priority to the small scale enterprise project. He understood that it would be appraised in the near future and be ready for Board action in mid-1980.

FJAguirreSacasa:sh

Distribution

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Messrs.: Ardito Barletta
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Ms. Jones

Outside Region

Messrs.: Clark
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Weiner
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OFFICE MEMORANDUM

CONFIDENTIAL

TO: Memorandum for the Record

DATE: November 26, 1979

FROM: Francisco J. Aguirre-Sacasa, Division Chief, LAC I

SUBJECT: ECUADOR - Minutes of Meeting between President Roldos
and Mr. McNamara in Quito on November 14**DECLASSIFIED****MAR 20 2013****WBG ARCHIVES**

1. President Roldos had a 40 minute interview with Mr. McNamara prior to the dinner which he offered in Mr. McNamara's honor on November 14. Also present were Messrs. Ardito Barletta and Aguirre-Sacasa of the Bank and Messrs. Leon Roldos (head of Ecuador's Monetary Board and the President's brother) and Manuel Varas (advisor to the Vice President).

2. The President welcomed Mr. McNamara to Ecuador and indicated that his visit in the early months of his democratically-elected Administration would give it a significant boost. President Roldos went on to add that Ecuador had difficult political and economic problems. His democratic election was an important first step in resolving the political difficulties and in bringing about democratic change within a constitutional framework. However, pressing political problems -- particularly with the Congress' leadership-- continued to be severe, required a great deal of attention and had hampered tackling Ecuador's economic problems during the Administration's first 90 days.

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3. Turning to economic issues, the President indicated that his twin goals were to maintain economic growth while furthering social justice. His Government wanted increased World Bank involvement in Ecuador to help achieve these objectives. In this regard, he was aware of the past operational difficulties which the Bank had experienced, particularly the problem of slow disbursements. These problems were, he felt, due to nine years of dictatorship, administrative inefficiencies in past Governments, budget deficits and too much commercial bank borrowing. His Administration would address these points and help expedite disbursements and, concomitantly, new lending.

4. President Roldos then commented on the petroleum sector. He stated that one of the major challenges his Administration faced was how to deal with Ecuador's inadequate energy policy. It had inherited a low domestic price structure for petroleum products from the previous regime and was working on ways to correct it. This would be politically difficult to do and would require careful action. The challenge would, however, be met and the Government had already kicked off a campaign to "educate" the people on the need for rationalization of petroleum prices.

5. Mr. Roldos concluded his opening remarks on a positive note. He cited Ecuador's agricultural and livestock potential, hydrocarbon resources, possible mineral wealth and people as the main reasons for his optimism. Economic development was a top priority for his Government. To this end, he had instructed the Vice President to draw up a five-year

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development plan which would include a list of projects in sectors such as petroleum, power and urban/rural development. The plan and project list would then be submitted to international agencies for review.

6. Mr. McNamara thanked the President for having invited him to visit Ecuador. He added that he could think of no more rewarding activity than to be steering a country back to democracy as Mr. Roldos was doing. Mr. McNamara acknowledged that this was a difficult task but expressed confidence that the new Government would deal successfully with both its political and economic problems.

7. Mr. McNamara then stated that the Bank fully supported the Government's commitment to growth with equity. The Bank hoped to translate this support into increased financial and technical assistance. The Administration would, however, first have to improve on the execution of ongoing projects and draw up a satisfactory development strategy. Speeding up project execution would be relatively easy and Mr. McNamara proposed quarterly meetings --to identify, discuss and overcome obstacles to implementation-- as a way of dealing with this problem.

8. Drawing up and implementing a development strategy would be more difficult. The strategy would have to come to grips with Ecuador's high public sector deficit (equal to about 7.3 percent of GDP in 1978) and mounting external debt problem. The Government plan should also carefully establish expenditure priorities and propose measures to increase both oil and non-petroleum revenues. The problem of declining agricultural production --which had resulted in growing food imports-- would also have to be addressed. Finally, the plan should propose ways of narrowing Ecuador's tremendous economic and social inequalities. As soon as the five-year development plan was ready, Mr. McNamara indicated, a Bank team would gladly visit the country to review it.

9. Mr. McNamara then indicated that he was keen on improving Bank-Ecuador relations. He said it was the Bank's duty to serve its member countries efficiently and that the President should not hesitate to contact him, Mr. Ardito Barletta or Mr. Aguirre-Sacasa if this was not being done to Ecuador's full satisfaction. Mr. Roldos thanked Mr. McNamara for this offer, welcomed the idea of quarterly visits to resolve implementation bottlenecks and pledged to resolve the counterpart funds shortages facing some Bank projects.

10. Alluding to a demonstration that was taking place outside the Presidential Palace at the time of the interview, Mr. McNamara noted that the urban middle class did not often understand economic problems. In the case of Ecuador, for example, Mr. McNamara stated that he had been shocked to learn that productivity was lower on small farms than on those of 10 ha or more. This was contrary to experience elsewhere and suggested the need

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for more extension services, greater access to inputs and improved rural infrastructure at the small farm level. Mr. Roldos concurred that more had to be done in the area of rural development but added that, with the help of UNESCO, the Government was also developing schemes to help the urban poor through small-scale enterprise and low-cost housing programs. The Bank's proposed Guayaquil Urban Development Project would be of valuable experience in this area of endeavor.

11. President Roldos concluded the interview by stating that the Government had made a good diagnosis of Ecuador's problems. These were now known and it was time to get on with the business of solving them. This task was complicated, however, by the fact that the people "expected miracles of the Government".

FJAguirreSacasa:sh

Distribution

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Messrs.: Ardito Barletta
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Messrs.: Clark
Stern
Koch-Weser
Rovani/Friedmann/Sheehan
Bourcier/Elejalde

OFFICE MEMORANDUM

CONFIDENTIAL

TO: Memorandum for the Record

DATE: November 26, 1979

FROM: Francisco J. Aguirre-Sacasa, ^{JAS} Division Chief, LAC I**DECLASSIFIED**SUBJECT: ECUADOR - Minutes of Mr. McNamara's Meeting with
Vice President Hurtado on November 13**NOV 30 2012****WBG ARCHIVES**

1. Shortly after arriving in Quito from Brazil, Mr. McNamara had a 30 minute meeting with Vice President Osvaldo Hurtado of Ecuador. Messrs. Ardito Barletta and Aguirre-Sacasa attended as did Mr. Alejandro Aguayo, the Vice President's personal secretary.
2. Vice President Hurtado welcomed Mr. McNamara to Ecuador and proceeded to give him a general briefing on the Government's economic game plan. He began by stating that the Roldos Administration had the two-fold goal of pushing for economic growth and for a more equitable distribution of its fruits. At the President's request, Mr. Hurtado and his staff at the National Development Council (CONADE) were preparing a five-year development plan for the country. This plan would be ready by the end of this year or early in 1980. While the plan was still being drawn up, it would stress (i) agriculture, particularly rural development; (ii) energy, especially development of the country's hydroelectric potential and further petroleum exploration; (iii) industry; and (iv) social programs, e.g., low-cost housing, health and education. Vice President Hurtado added that the five-year plan would include a list of priority projects. He suggested that a World Bank mission visit Ecuador in early 1980 to review the plan and to establish, together with the Government, a mutually agreed upon future lending program for the country. Notwithstanding the need for this programming mission, the Vice President reiterated the Government's support for those operations which were already at an advanced stage of preparation including the Guayaquil Urban Development Project and the proposed small-scale enterprise project.
3. Mr. McNamara thanked the Vice President for the meeting and indicated that he understood the importance of consolidating Ecuador's democratic process. He acknowledged that it would be difficult to do so while tackling, at the same time, the thorny economic problems facing the country. He went on to offer the Bank's full cooperation in Ecuador's development effort. For the Bank to increase its financial and technical assistance, however, the Government would first have to improve on the rather dismal past record of project execution and formulate a sound medium-term development program.
4. With regard to execution problems, Mr. McNamara indicated that the Bank had about \$160 million committed but undisbursed to the country. This made it difficult for Management to recommend new loans to the Executive Directors. He also cited the counterpart fund shortage faced by the Guayaquil Water Supply Project as an example of the type of execution problems that had to be overcome. Mr. McNamara suggested quarterly meetings at a high level between Government officials and Bank staff to review all

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projects in execution and to identify solutions to bottlenecks which were slowing down implementation. He submitted that these reviews had proven useful in the context of other countries which had execution problems similar to those of Ecuador.

5. Turning to the medium-term development program, Mr. McNamara indicated that the Bank stood ready to send a team to go over the five-year development plan shortly after it was completed. This group could also examine the pipeline of future lending with Government officials. Mr. McNamara then briefly summarized some of the major problems facing the economy. These included: (i) Ecuador's high public sector deficit; (ii) its mounting external debt; (iii) the poor performance of the agricultural sector, particularly at the small farm level; (iv) serious deficiencies in petroleum exploration and in the domestic price structure for petroleum derivatives; and (v) the nagging dualism within the Ecuadorian economy. He expressed the hope that the five-year development plan being prepared would propose ways of dealing with these and other economic issues.

6. Vice President Hurtado noted that Mr. McNamara had a good grasp of Ecuador's economy. He indicated that the Government had submitted to Congress a package of measures tailored to increase non-petroleum revenues and to render its tax administration more efficient. It was also studying the inherited problem of inadequate domestic petroleum prices and hoped to take action on this issue early next year. As for the debt, the Government intended to make greater use in the future of multilateral and official bilateral aid although it would continue to borrow, albeit more judiciously, from commercial banks.

7. The Vice President then repeated the long-standing Ecuadorian request for a Bank resident mission in Quito. He argued that such a mission would assist the Government in preparing and carrying out Bank-financed projects. Mr. Hurtado also requested that the Bank Group consider providing IDA terms for social projects which frequently had a lower rate of return. Finally, he advised Mr. McNamara that the Government had decided to give him and CONADE a major coordinating function with regard to Ecuador's development effort and vis-a-vis international donors.

8. The idea of coordinating responsibility for development in a single agency was, in Mr. McNamara's opinion, a sound one. He suggested that such an agency could also play a significant role in expediting the execution of ongoing projects. Mr. McNamara, on the other hand, expressed serious doubts about the idea of opening a Bank office in Quito. A one man mission would, he felt, be inadequate to handle the wide range of problems facing ongoing projects in Ecuador. Moreover, the travel time between Headquarters and Quito was short and it would be preferable, he felt, to have Bank missions frequently visit the country. Finally, Mr. McNamara informed the Vice President that IDA financing was scarce and was limited to the poorest countries. With its per capita income, Ecuador could not qualify for any IDA financing. The Vice President took note of these comments but reiterated his request for a Bank mission in Quito.

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He indicated that there were, perhaps, already too many Bank missions visiting the country and that this approach was not as effective as opening a field office.

9. The meeting between Mr. McNamara and the Vice President ended with a general discussion on the role CONADE would play within the Administration. Mr. Hurtado indicated that it was, frankly, an experiment. The effectiveness of planning in Latin America had frequently been undermined by the fact that it was done within a political vacuum. In the Ecuadorian case, however, President Roldos hoped to overcome this problem by giving the Vice President direct responsibility for the planning effort. Mr. Hurtado then confirmed to Mr. McNamara that CONADE's enabling legislation had run into some problems in the Congress. These were, however, being overcome. In the meanwhile, CONADE had gone ahead with preparing the five-year development plan and would submit it to the President for his review as scheduled, i.e., before the end of this year or early in 1980.

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