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Folder Title: Chronological files (incoming) - Chrons 21

Folder ID: 1771810

ISAD(G) Reference Code: WB IBRD/IDA 03 EXC-10-4542S

Series: General correspondence

Sub-Fonds: Records of President Robert S. McNamara

Fonds: Records of the Office of the President

Digitized: November 8, 2012

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THE WORLD BANK  
Washington, D.C.

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McNamara Papers

Chronological file (incoming)  
1978 (Sept. - Dec)

The World Bank Group  
**Archives**



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Chronological files (incoming) - Chrons 21

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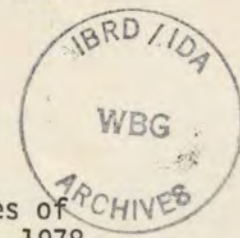
Co-FIN

## OFFICE MEMORANDUM

493/4/36 File

TO: Mr. Robert S. McNamara (through: Mr. Ernest Stern) DATE: December 29, 1978

FROM: Nicolas Ardito Barletta

SUBJECT: Co-financing with Private Banks - Meetings in New York

1. As I had informed you earlier, I met with representatives of over 40 private financial institutions in New York on December 12, 1978. The group included many of the largest US commercial banks, as well as a good representation of non-US banks with offices in New York, US insurance companies and investment banks.
2. The two sessions we had with the private bankers produced a great diversity of views. Many of the large banks with substantial LDC lending programs do not feel that the co-financing arrangement, as it exists, changes their view of country risk, even though most profess to feel "comfortable" with the project risk when the World Bank is involved. Bank of America takes exception to this view and made a forceful and positive statement on the benefits of the co-financing umbrella through its four "pillars": cross-default, information, supervision, and channelling of repayments.
3. Similarly, several of the large banks did not feel that the terms of lending for co-financing loans would depart much from prevailing market terms. One of the principal reasons they cited was that an improvement in terms for a co-financing loan would be viewed by borrowers as a precedent for changing the terms of all their other lending. Again, Bank of America's views differed from other large traditional lenders in that they believe co-financing consistently provides some benefit to the borrower either in terms of the maturities or interest rate.
4. Commercial banks that are relatively new to international lending or whose international activities represent a small proportion of overall operations, such as the Japanese or US medium size regional banks, view co-financing more positively than the large traditional lenders. They feel that their lending decisions are significantly influenced by co-financing. For these banks, the ability of the World Bank to influence the borrower and the government in the event of difficulties is an important aspect of co-financing. Marketing considerations are also important to these banks. The possibility which co-financing offers of establishing a long-term banking relationship with a sound borrower is an essential part of their strategy to build up LDC lending. Interestingly, the competition from these new lenders seems to be a principal factor in motivating the larger traditional lenders, regardless of their views of co-financing, to compete for such loans.
5. Several banks mentioned that they favor our co-financing procedures since they can form a direct relationship with the borrower and work out their own pricing, terms and documentation. Some added that while they believe the choice of the lender should be left to the borrower, the World Bank could exercise more influence to make the process of bidding and evaluation of offers more orderly.

6. The ability of the World Bank to make an overall loan package attractive and appropriate for a project by adjusting its amortization schedule is viewed favorably by most bankers. They say they too are concerned with the need for appropriate terms in project financing but they cannot overcome the constraints imposed by lending from a short-term market source. They feel that integrating the terms of the World Bank and the private loan makes their lending more sound and is one of the more attractive features of co-financing.

7. The "bigger" banks with a large number of field offices emphasized the timing of the contact to participate in co-financing arrangements because field offices prepare their lending budget to each country quite early. Once that budget is ready potential participation in co-financing is reduced. They also stressed more the "allocation of resources" aspect of co-financing and reduced the importance of it for "additionality". They accepted, however, that there was an element of additionality insofar as IBRD could lower the percentage of its financing of certain projects because co-financing would make the difference in order to allocate the savings to other projects. All shared the view that "smaller" and "newer-in-the-market" international banks would find it most useful to participate more in co-financing of projects with IBRD. In so doing, there would also be an element of "additionality" of medium-term resources to the countries.

8. All the banks accepted the view that co-financing was a useful tool to acquaint the market with many unknown borrowing institutions in the countries and also to train those institutions in developing a productive and sound relationship with the international private market.

9. It is apparent that many of the insurance companies' representatives do not fully understand the World Bank's method of project lending and the value of associating their own foreign lending with World Bank operations. One company (Equitable Life) which has worked closely with us in the past is actively seeking co-financing opportunities and feels that the World Bank's "umbrella" adds to the quality of the credit. In contrast to Equitable and the private banks, some of the insurance companies placed great emphasis on the legal security provided by the co-financing arrangements and seemed to feel that stronger protection is required in order to induce their participation in our program. They are concerned also that in a default situation the World Bank's involvement with the borrower would inhibit its taking action to safeguard the private lender.

10. Even though the main objective of the meetings was to get a feedback on experience so far to improve the mechanism as a bridge between developing countries and the international private market, many of the participants found it useful also as a source of information about co-financing. They still did not know enough about it. It seems that both the commercial banks and our operational staff have not yet reached the end of the "learning curve" on this procedure. "Learning by doing" and more information meetings will still make a positive contribution to the effectiveness of the tool.

11. We are now working at making our staff become more active in exploring co-financing opportunities with private banks and developing a more systematic and intensive approach for the whole procedure within our region.

12. In summary, most banks seem to believe that the concept of co-financing has merit and they welcome a close working relationship with the Bank. They see various advantages in co-financing and are willing to provide funds for Bank projects; however, the majority are reluctant and find practical difficulties in departing substantially from prevailing market terms for co-financing loans. The question of bringing in the insurance companies probably requires an educational process which might be pursued more deliberately with those institutions by inviting them to our offices, even though the potential for lending is much less than for banks.

CWLudvik:NArdito-Barletta:cf

493/4/35

Office of the President

December 21, 1978



NOTE TO MR. STERN

Mr. Mentre stated that France's decision to support or oppose our proposed "energy meeting" would be influenced in part by the attitude of the OPEC countries, particularly Saudi Arabia. When you return please make a low-key approach to El-Naggar and inquire as to his views of the proposal.

A handwritten signature in cursive script, appearing to read "R. McNamara".

Robert S. McNamara

631

493/4/34 1499 Blanche, call & say (3/10)  
a heavy travel schedule makes it difficult for me to set a meeting for Feb or Mar ask if I may remember about #1.

PRESIDENT'S COMMISSION ON WHITE HOUSE FELLOWSHIPS

THE WHITE HOUSE

December 1, 1978

Dear Mr. McNamara:

As you know, the White House Fellows, in addition to their full-time job assignment with a cabinet-level officer, also engage in an intensive educational program. During their educational sessions the Fellows meet as a group with high-level government officials for off-the-record discussions with questions and answers. This vital exchange of ideas and experiences in their agencies adds a significant dimension to their educational program.

*informed they will contact us late March 12/13/78*

The former class of Fellows have enjoyed and benefited from their meeting with you, and we shall find it most rewarding if you can meet with the current class of White House Fellows sometime during February or March. We are convinced that you have a substantial contribution to make to their educational program. The usual format opens with comments made by the guest and then the meeting is opened for questions and a free exchange of ideas and views. John Gardner has mentioned to the current class his high regard for your breadth of vision, and it would be very useful if you could discuss the changing responsibilities of the developed nations towards the developing nations, particularly in light of the profits from oil exploitation and the difficult time the dollar is having. A luncheon or dinner meeting hosted by the Fellows is often most useful to avoid conflicts with the Fellows' work assignments, but a session at another hour can be arranged.

12/8

For your information, I am enclosing our updated brochure, describing the Fellowship and including the Fellows' biographies, and a list of their assignments.

I hope it will be possible for you to meet with the 1978-79 White House Fellows, and will look forward to hearing from you. Our telephone number is (202) 653-6263; our ZIP code is 20415.

Sincerely,

*Olga M Pierre*

Olga M. Pierre  
Associate Director

Mr. Robert McNamara  
President  
The World Bank  
International Bank for Reconstruction  
and Development  
1818 H Street, N.W.  
Washington, D.C. 20006



RECEIVED  
DEC -8 11 10:15

*Handwritten notes:*  
N 03/1/78  
a very important  
meeting  
of the  
members of the  
White House

COMMISSION ON WHITE HOUSE FELLOWSHIPS  
THE WHITE HOUSE  
PRESIDENT'S

December 1, 1978

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I hope it will be possible for you to meet with the 1978-79 White House Fellows, and will look forward to hearing from you. Our telephone number is (202) 623-6263; our ZIP code is 20415.

Sincerely,  
*Oleg M. Pierre*

Oleg M. Pierre  
Associate Director



INCOMING MAIL UNIT

1978 DEC - 8 AM 10: 12

RECEIVED

Mr. Robert McNamara  
President  
The World Bank  
International Bank for Reconstruction  
and Development  
1818 H Street, N.W.  
Washington, D.C. 20006



1098  
FROM: TOKYO  
November 15

INCOMING TELEX

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DISTRIBUTION

749 GABRIEL

TODAY SENT FOLLOWING TELEX TO CARGILL QUOTE

IBRD/IDA  
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ARCHIVES

Mr. Gabriel

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COMMUNICATIONS DIVISION

ONE MET WITH KAKIMIZU AND KANARI TODAY. BOTH EMPHASIZED THE VERY POSITIVE APPROACH OF MOF TO MULTILATERAL DEVELOPMENT ASSISTANCE. HOWEVER, KAKIMIZU EXPRESSED DISAPPOINTMENT THAT PAPERS FOR PARIS MEETING DID NOT MENTION THE NEED TO ADJUST JAPAN'S SHARE IN IBRD CAPITAL. SUCH AN ADJUSTMENT IS REGARDED BY MOF AS AN "ABSOLUTE CONDITION" FOR JAPAN'S PARTICIPATION IN IDA 6. KAKIMIZU STATED AT GREAT LENGTH AND IN STRONGEST POSSIBLE TERMS THAT SIGNIFICANT PROGRESS MUST BE MADE ON ADJUSTING JAPAN'S SHARE IN IBRD CAPITAL BEFORE JAPAN CAN TAKE POSITIVE POSITION ON AMOUNT AND SHARE IN IDA 6.

TWO MOF OBVIOUSLY WANTS TO GIVE ALL SUPPORT WE NEED IN IDA 6 NEGOTIATIONS ON BOTH AMOUNT AND SHARE. HOWEVER, THIS SUPPORT WILL NOT BE FORTHCOMING

UNLESS THE BANK MOVES TO NEGOTIATE INCREASED SHARE FOR JAPAN IN IBRD CAPITAL. MOF HAS NO FLEXIBILITY ON THIS BECAUSE MOF HAS A CLEAR POLITICAL OBLIGATION TO THE DIET. THEREFORE, ESSENTIAL THAT DECEMBER PAPER TO BOARD ON IBRD CAPITAL INCREASE CONTAIN CLEAR EXPRESSION OF MANAGEMENT INTENTION TO NEGOTIATE INCREASED SHARE FOR JAPAN IN CONTEXT OF GENERAL CAPITAL INCREASE. KAKIMIZU UNDERSTANDS FROM YOUR PREVIOUS TALKS IN TOKYO, FROM YOUR SUPPORT OF JAPAN AT LONDON MEETING OF DEPUTIES AND FROM MCNAMARA'S DISCUSSION WITH MINISTER THAT BANK IS READY TO NEGOTIATE AN INCREASE IN JAPAN'S SHARE IN IBRD. THERE WILL BE A SERIOUS LOSS OF TRUST IN BANK MANAGEMENT IF DECEMBER PAPER DOES NOT SIGNAL THIS INTENTION. MOF WILL TALK AGAIN BILATERALLY TO BOTH UNITED STATES AND GERMANY TO EMPHASIZE POLITICAL IMPORTANCE OF ISSUE FOR JAPAN. PLEASE WOULD YOU TALK TO MCNAMARA TO AVOID A QUITE UNNECESSARY OBSTACLE TO THE IDA 6 NEGOTIATIONS AS WELL AS TO AGREEMENT ON SIZE OF CAPITAL INCREASE ITSELF.

THREE MOF HAS NO PARTICULAR SIZE OF ADJUSTMENT IN IBRD SHARE IN MIND BUT WOULD LIKE TO SEE "A SIGNIFICANT STEP" TAKEN NOW TOWARDS HARMONIZING IBRD SHARE WITH IDA SHARE IN THE LONG RUN.

FOUR I DID NOT TAKE ANY POSITION ON SUBSTANCE OF KAKIMIZU'S REMARKS BUT PROMISED TO CONVEY THE MESSAGE TO YOU. KAKIMIZU WAS EMPHATIC AND UNAMBIGUOUS ON THIS ISSUE AND I HAVE NO REASON TO DOUBT THAT MOF IS SERIOUS. KAYA CONCURS.

FIVE HOPE THIS WILL CONTRIBUTE TO AN ENJOYABLE VACATION. AM COPYING TO GABRIEL. KAKIMIZU SENDS HIS REGARDS AND WILL SEE YOU IN WASHINGTON ON DECEMBER 4 OR 5. REGARDS VIBERT UNQUOTE

VIBERT

From: Tokyo  
November 15, 1978

749 GABRIEL  
TODAY SENT FOLLOWING TELEX TO CARGILL QUOTE

ONE MET WITH KAKIMIZU AND KANARI TODAY. BOTH EMPHASIZED THE VERY POSITIVE APPROACH OF MOF TO MULTILATERAL DEVELOPMENT ASSISTANCE. HOWEVER, KAKIMIZU EXPRESSED DISAPPOINTMENT THAT PAPERS FOR PARIS MEETING DID NOT MENTION THE NEED TO ADJUST JAPAN'S SHARE IN IBRD CAPITAL. SUCH AN ADJUSTMENT IS REGARDED BY MOF AS AN 'ABSOLUTE CONDITION' FOR JAPAN'S PARTICIPATION IN IDA 6. KAKIMIZU STATED AT GREAT LENGTH AND IN STRONGEST POSSIBLE TERMS THAT SIGNIFICANT PROGRESS MUST BE MADE ON ADJUSTING JAPAN'S SHARE IN IBRD CAPITAL BEFORE JAPAN CAN TAKE POSITIVE POSITION ON AMOUNT AND SHARE IN IDA 6.

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REGARDS VIBERT UNQUOTE

493/4/32

INCOMING TELEX

cc: Mr. McNamara<sup>sj</sup>

Distribution

Mr. Gabriel

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2797 GABRIEL

MEETING WITH FRENCH WAS CORDIAL STOP THEY BELIEVE INCREASE OF  
NINE TO ELEVEN BILLION WOULD ENABLE THEM MAINTAIN THEIR IDA  
FIVE SHARE OF TOTAL BUT THIRTEEN BILLION WOULD PRESENT CONSIDERABLE  
DIFFICULTY FOR EXPECTED REASONS BUDGET PRESSURES ETCETERA STOP  
ASKED PARTICULARLY FOR MORE MATERIAL DEMONSTRATING GROWING IDA  
INTEREST IN FRANCOPHONE AFRICA ALSO INDIA'S SHARE RAISED AS  
PRESENTING POLITICAL PROBLEMS STOP OTHERWISE NOTHING NEW STOP  
THEY ALSO RAISED CAPITAL INCREASE EXPRESSING IRRITATION AT  
DELAY BACKGROUND TO WHICH THEY WERE FULLY INFORMED. REGARDS

CARGILL

EG

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INTBAFRA WASH DC

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INCOMING TELEX



From: London  
2nd November 1978

FOR MR GABRIEL COPY MR VIBERT

MET PRESTON KIRKNESS TODAY STOP HMG SEEMS QUITE WILLING TO SUPPORT TWELVE POINT FIVE FIGURE WHICH CONFORMS WITH CURRENT BUDGETARY GUIDELINES FOR NEXT FOUR YEARS AND READY TO SPEAK EARLY BUT NOT FIRST.

RE SHORTFALL IN DRAWDOWN OF IDA THEY WELCOME IDEA OF ANNUAL RATHER THAN QUARTERLY CALLS BUT EMPHASISED THAT SHORTFALL IN IDA DISBURSEMENTS MAY COMPLICATE MATTERS WITH PARLIAMENT AND TREASURY. JUDITH HART MAY WRITE MACNAMARA ABOUT THIS. THEY WILL CONTINUE DISCUSSION THROUGH DEARE.

RE CAPITAL INCREASE THEY REMAIN READY SUPPORT ANY HIGH FIGURE WE PROPOSE BUT REITERATED IRRITATION THAT DISCUSSIONS LEADING TO RESOLUTION BY BOARD NOT YET STARTED AND EXPRESSED SCEPTICISM ABOUT USA INTENTIONS AND CAPACITY TO FORMULATE POSITION IN TIME TO SUPPORT THIS YEAR'S BANK COMMITMENT LEVEL

CARGILL

From: Paris  
November 14, 1978

2797 GABRIEL

MEETING WITH FRENCH WAS CORDIAL STOP THEY BELIEVE INCREASE OF NINE TO ELEVEN BILLION WOULD ENABLE THEM MAINTAIN THEIR IDA FIVE SHARE OF TOTAL BUT THIRTEEN BILLION WOULD PRESENT CONSIDERABLE DIFFICULTY FOR EXPECTED REASONS BUDGET PRESSURES ETCETERA STOP ASKED PARTICULARLY FOR MORE MATERIAL DEMONSTRATING GROWING IDA INTEREST IN FRANCOPHONE AFRICA ALSO INDIA'S SHARE RAISED AS PRESENTING POLITICAL PROBLEMS STOP OTHERWISE NOTHING NEW STOP THEY ALSO RAISED CAPITAL INCREASE EXPRESSING IRRITATION AT DELAY BACKGROUND TO WHICH THEY WERE FULLY INFORMED. REGARDS

CARGILL

Dictated by David Bock - November 15, 1978

On November 14 I spoke with Bill Thomson in the Office of the International Development Banks of the U.S. Treasury. He said that the U.S. Treasury has been discussing figures for the U.S. appropriation for IDA 6 in the range of \$1200 million to \$1500 million per year with a current point estimate of \$1450 million and said that the \$12 billion to \$13 billion proposed in the IDA amounts paper would not be a problem provided that the U.S. share could be kept to 30% or less.

OFFICE OF THE PRESIDENT.

Meeting on IDA VI, October 31, 1978

Present: Messrs. McNamara, Broches, Damry, Gabriel, Stern, Wood, Vibert, Knapp

The meeting reviewed the redrafted version of the paper on The Amount of IDA VI, to be distributed to governments for the Deputies' meeting on December 11.

Mr. Knapp commented that, for the time being, the maintenance-of-value concept was dead because the U.S. was not willing to accept it. With regard to the proposal of establishing increases in contribution by the different countries in their local currencies, he said that uniformity of percentage increases in national currencies was not compatible with the maintenance of the same country shares. Mr. Stern said that it was not clear to him why a \$12.5 billion replenishment figure had been picked. In the past, a 12% growth rate for IDA had been established. It was not unreasonable to (a) aim for the same growth rate as in the past, namely, 12%, and (b) to assume that ODA/GNP ratios as well as IDA/ODA ratios would have to increase. He concluded that the IDA VI replenishment figure should be pitched higher than \$12.5 billion. There was no solid basis for establishing shares and the negotiating strategy should be to focus on the total dollar equivalent of the replenishment and then work back from that figure. Mr. McNamara agreed that the Bank should initially concentrate on the total amount expressed in dollars at October 15 exchange rates.

Mr. Wood suggested negotiating the total amount of the replenishment in SDRs because it was not known how the dollar would behave during the negotiations. Mr. McNamara asked Mr. Wood to write a paper which would analyze the SDR issue. This paper should be written before the London meeting.

Mr. Knapp said that the 12% increase figures for past IDA replenishments did not carry weight since IBRD lending was projected to grow at only 5% per year. Mr. Stern replied that this was a different argument. The Bank's ODA participation through IDA was much higher than its participation in capital flows to the middle-income countries through IBRD. If all countries stayed at the present IDA/ODA level and if the three large countries took action to improve their ODA performance, a higher level than \$12.5 billion could be achieved for the replenishment.

Mr. Vibert said that the tactic of putting forward a high figure had not helped in the case of IDA V. Mr. McNamara disagreed; it certainly had helped. The Bank had to ensure that one or several deputies proposed the \$12.5 billion figure at the December meeting. The paper should present the 12% increase alternative, though at this point the Bank should not recommend any particular target figure.

Mr. McNamara asked Mr. Gabriel to find out about Mr. Cargill's travel plans for Bonn, The Hague, London and Paris and to inform Mr. Cargill that he should initially concentrate on the total amount of the IDA VI replenishment expressed in dollars at October 15 exchange rates. He asked Mr. Vibert to put in writing what DPS should do in terms of deflator work.

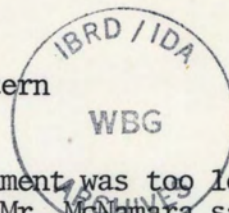
CKW  
November 10, 1978

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IBRD/IDA  
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OFFICE OF THE PRESIDENT

Meeting on IDA VI, October 30, 1978

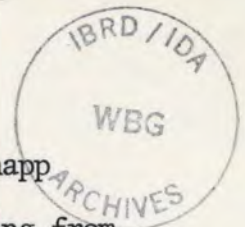
Present: Messrs. McNamara, Broches, Chenery, Damry, Gabriel, Stern



Mr. Stern stated that a \$12.5 billion IDA VI replenishment was too low in view of the value of the dollar in its present incarnation. Mr. McNamara said that a \$12.5 billion figure was certainly not too high. He asked Mr. Gabriel to obtain Mr. Knapp's views on the draft paper on the amount of IDA VI and not to send the paper to governments in preparation for the Deputies' meeting before it had been reviewed by the members of the IDA VI Steering Group. This would take about another week.

CKW  
November 10, 1978

Meeting on IDA VI, October 24, 1978



Present: Messrs. McNamara, Cargill, Stern, Gabriel, Wood, Vibert, Knapp

Mr. Cargill reported that Mr. McNamara had suggested starting from national currency contributions and then allowing for national price-level changes and an appropriate increase for IDA VI. His concern was that such an approach would lead to negotiations with individual countries. Mr. McNamara admitted that the problem with this latter approach was, of course, that it would change the pattern of thought on IDA of many years.

Mr. Stern said that starting with a figure of \$7.6 billion for IDA V did not make sense because governments would look at the present value of their national currency contributions. Further, exchange rate fluctuations had nothing to do with purchasing power movements. He suggested coming up with, for example, the deutschmark equivalent of a reasonable contribution, after application of the national currency deflator, etc. This would lead to the same real increase for everybody, and one would end up with a set of contributions in national currencies which would be converted into U.S. dollars. It would keep everybody's burden share constant in relation to IDA V. This approach would constitute an argument against the likely position of countries with appreciating currencies.

Mr. Wood suggested that there were two benchmarks: (i) the total increase which should be established by using SDRs; this would get the Bank off the \$7.7 billion hook and would not make the increase look very large (as it would if the U.S. dollar, i.e., a shrunk rod would be used); and (ii) the local effort which should be determined by using GNP ratios, etc. Mr. McNamara replied that governments were not used to thinking in SDRs.

Mr. Stern suggested using all three approaches: (i) national currencies for the budget people; (ii) SDRs; and (iii) U.S. dollars. Mr. McNamara concluded that (a) the paper should be redrafted as discussed yesterday and (b) two notes should be prepared on the use of the national currency and SDR approaches.

CKW  
November 9, 1978

OFFICE OF THE PRESIDENT

Meeting on IDA VI, October 23, 1978

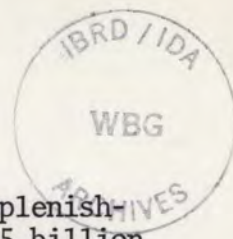
Present: Messrs. McNamara, Cargill, Chenery, Gabriel, Vibert, Knapp

Mr. McNamara said that the strategy should be to get a high replenishment figure on record and to create a feeling among deputies that a \$12.5 billion replenishment was feasible. There was considerable support for a \$12.5 billion figure. Because of exchange rate changes, IDA V now (October 15) stood at \$8.7 billion; this figure should be used as the IDA V base.

Mr. Cargill disagreed. In this paper, the Bank could not argue for a figure on the basis of exchange rate changes. IDA V stood at \$8.7 billion only today and this figure could change again. Mr. Vibert added that the Japanese and others would use, as a starting point, the IDA V dollar figure as negotiated. The Bank should use plausible assumptions and the danger of going the other way was that a sterile argument on exchange rates would develop at the first meeting. Mr. Knapp added that the use of actual deflators would act as an offset to the \$8.7 billion figure. Mr. McNamara replied that, if IDA VI were expressed in current dollars, IDA V should also be expressed in current dollars. He would not release an "understatement of IDA V" from this institution.

Mr. Chenery suggested expressing the amounts in terms of a basket of currencies or SDRs. The paper should differentiate between changes in relative exchange rates and inflation movements. Mr. McNamara replied that the use of SDRs would imply the application of a maintenance-of-value concept; such a discussion should not be started at this point in time. IDA VI amounts should be expressed in dollars and not SDRs. However, a note should be prepared, giving numbers based on a currency basket approach. The group should then later decide whether to use such an approach on tactical grounds. He asked Mr. Chenery for a note on the use of the basket of currencies.

CKW  
November 9, 1978





OFFICE OF THE PRESIDENT

Meeting on IDA VI, October 18, 1978

Present: Messrs. McNamara, Knapp, Cargill, Vibert



Mr. Cargill said that he wanted to discuss travel plans for discussions with governments on IDA VI. Mr. El Fishawy was leaving for the Middle East but mainly in order to deal with the capital increase. Mr. McNamara said that Mr. El Fishawy should not go without an agreed brief as to whom to see and what to say. At this crucial stage, no travel should be undertaken and no letters should be sent before Messrs. Cargill and Knapp and he himself had agreed. The whole undertaking had to be well-orchestrated. Mr. Cargill said that he was planning to go to Bonn and Paris. Mr. Knapp was planning to visit Iran and Romania before Christmas. Mr. Knapp said that Brazil and Venezuela were not ready but that he would probably go to Mexico. He wanted to cover the potential new donors around the Mediterranean (Iran, Libya, Greece, Romania, Spain) and the Scandinavian countries.

Mr. McNamara said that the strategy should be to first agree on a replenishment figure and then to identify the "lean horses" which would put forward positions compatible with a large increase. This would provide a general thrust towards a high level of replenishment. Key countries in this context were Germany and Kuwait. Mexico could also be a "lean horse" for the second group.

Mr. McNamara enquired about the objective of the December meeting in London. Mr. Vibert said that the meeting would lead to a wide-ranging discussion of amounts. Mr. McNamara urged not talking about amounts unless the Bank had some government proposing high amounts. These governments had to be identified and prepared. This was of crucial importance because some countries would talk low amounts, certainly Canada, Sweden and Japan. In response to a question, Mr. Knapp said that some potential new contributing countries might attend the London meeting as observers. Mr. Cargill observed that much of the work of these meetings got done at small dinner parties.

The meeting agreed that the general atmosphere for the IDA VI negotiations was much better ~~this time~~ than it was for IDAV. It was agreed that issues such as the IDAV base to start from would be discussed as soon as Mr. McNamara had received the IDA paper which was presently under preparation.

CKW  
October 20, 1978

Oct.

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Dear Mr. Mehemara,

That day, in my office, when I said the automotive industry is perhaps the most significant component of the U.S. economy, you raised your eyebrows in a manner to suggest that it was not.

16/31 I note from statistics that every tenth person in the U.S. is directly or indirectly employed by the automotive industry which accounts for nearly one-sixth of its gross national product.

Is there any other

single industry which has  
that much of an impact  
on the U.S. economy!

I hope you had  
a nice stay in my  
country. I'm looking forward  
to greater cooperation  
between us. But please  
don't forget our handbooks  
that must find a larger  
share of the US market.

All the best.

Yours

Frank Bunker

PS you were just as I had thought  
you would be. When you  
were Defense Secretary, I  
remember reading in TIME

MINISTER OF INDUSTRY

that you used to take copious  
notes in Viet Nam on a  
little pad that you carried  
with you. Though there was no  
pad, the notes taking habit  
was very much in evidence.

Best  
Sincerely,  
[Signature]

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OCT 31 1968

RECEIVED

that you want to take certain  
orders in Viet Nam on a  
little bit that you carried  
with you. I thought there was  
for the orders taking habit  
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That means

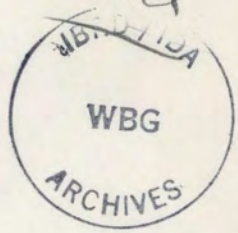
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RECEIVED

10/14/78

493/4/28 File



Mr. McNamara:

I have typed the attached for easier reading:

B.

Dear Mr. McNamara:

That day, in my office, when I said the automotive industry is perhaps the most significant component of the U.S. economy, you raised your eyebrows in a manner to suggest that it was not.

I note from statistics that every tenth person in the U.S. is directly or indirectly employed by the automotive industry which accounts for nearly one-sixth of its gross national produce.

Is there any other single industry which has that much of an impact on the U.S. economy?

I hope you had a nice stay in my country. I'm looking forward to greater cooperation between us. But please don't forget our handlooms that must find a larger share of the U.S. market.

All the best,

G. Fernandes

P.S. You were just as I had thought you would be. When you were Defence Secretary I remember reading in TIME that you used to take copious notes in Viet Nam on a little pad that you carried with you. Though there was no pad, the note taking habit was very much in evidence.

493/4/27

THE JOHNS HOPKINS UNIVERSITY

SCHOOL OF HYGIENE AND PUBLIC HEALTH

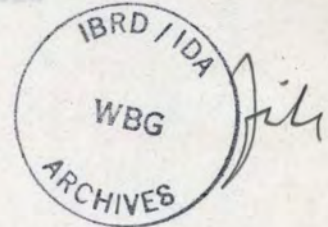
DEPARTMENT OF INTERNATIONAL HEALTH

615 North Wolfe Street • Baltimore, Maryland 21205

September 21, 1978

Cable Address: PUBHYG  
Phone: (301) 955-3934

*Cordially yours,*  
*[Signature]*



Dr. Halfdan T. Mahler  
Director-General  
World Health Organization  
Avenue Appia  
1211 Geneva 27  
Switzerland

Dear Halfdan:

First let me congratulate you and all your staff for your tremendous accomplishments at Alma Ata. Much of the credit for all the good things that happened there goes to you, starting with conceptualizing the basic ideas, stimulating and promoting the conference, the innumerable details of making sure that local arrangements were not overwhelmed by bureaucratic details, and then carrying through so magnificently during the meetings. Your ad lib closing comments were particularly eloquent and obviously came from deep within your spirit.

As everyone agreed, now the work begins. It would seem justified after the tremendous effort that went into the conference if everyone attended to other things for a while. But this would be unfortunate. To take advantage of the enthusiasm generated a process of implementation should start now. I applaud the emphasis in your opening speech on the need for promoting national plans for action. I do not think, however, a global plan of action should be slowly evolved over the next several years. Some kind of international framework is needed soon in order to develop the national plans for action. As you probably know I have been pushing the need for implementation mechanisms for the last six months.

I have taken the liberty of preparing a discussion draft of ideas about implementation. I know that you are meeting with UNICEF officials, with the Regional Directors and later with potential donors. Since I have been doing so much thinking, talking and writing about these issues, I could not refrain from crystallizing my ideas. I will be sending copies to Labouisse, McNamara and others as indicated below.

Dr. Halfdan T. Mahler

-2-

September 21, 1978

Again, congratulations on the success thus far. I close this gratuitous letter with one of my favorite quotations from Walt Whitman, "It is inherent in success that it leads only to the need for greater effort".

With warm personal regards.

Cordially yours,

Carl E. Taylor, M.D., Dr. P.H.  
Professor

CET/ac  
Enclosures

Copies will be sent to:

Drs. Tejada-de-Rivero, Tarimo, Cohen, Acuna, Dy, Gunaratne, Taba, Quenum, Kaprio, Richmond; Messrs. Labouisse, McNamara

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IMPLEMENTATION OF NATIONAL PLANS FOR ACTION ON PRIMARY HEALTH CARE

## Follow-up Proposal for Alma-Ata Conference

No conference, policy or plan will make a difference unless it promotes a process of change. Primary health care may be brilliantly conceptualized, exquisitely researched, carefully planned and systematically structured but still do little to improve the lives of people. The promises of the Declaration of Alma-Ata will be fulfilled only if new patterns of health and health care are implemented for the millions of village people around the world.

The Primary Health Care Conference demonstrated a wide base of international concensus. National leaders have returned home recognizing that they can be part of an international movement. As they undertake innovative programs reorienting health care in their countries to ensure coverage of the rural and urban poor their resolve will be strengthened by knowing that the new emphasis works and is being applied in many other countries, both developing and developed. They will have a framework of principles and practical experience on which to build their local adaptations.

However, all of the cumulative effort and collaborative impetus may fail unless there is a deliberate process started for following up Alma-Ata decisions and commitments. Practical measures need to be defined so that national leaders know what steps are needed to meet the new challenges and where to turn for help internationally in adapting past traditions of health care in a continuing process of planned change.

Dr. Mahler, in his opening address, referred rightly to the need for each country to develop its own Plan for Action. To do this, WHO, UNICEF and other

international agencies should develop a general framework for implementation within which each country and agency can formulate its own Plan for Action.

1. National Commitment and Political Will

The crucial action which the momentum from Alma-Ata should do most to encourage is that national political and administrative leaders stimulate public commitment to the new definition of Primary Health Care. This would require a tidal shift in emphasis to get coverage of health care to all the people, especially the poor and neglected in rural areas and urban slums, with emphasis on community participation and on health as part of development. While recognizing the importance of hospital-based health care in supporting primary care, the new orientation will mean that new investments in health services will be at the periphery. Courageous legislative and administrative decisions have to be taken to reverse the apparently inexorable drift to increasingly specialized, high technology overmedicalization that promotes dependency on the health system.

The first step in National Plans then is to promote policy decisions as a basis for action. A massive communication effort is needed that includes prompt and widespread mailings of conference reports and arranging for the Declaration of Alma-Ata to be printed in local languages and in a one-page format that can be placed on the wall of every health ministry office, health center and doctor's office in every country that decides to mobilize public support. This effort might well be coordinated by UNICEF.

2. Prompt Implementation of a Redesigned National Health System

Experience in several countries and in successful projects in almost every country shows that national services for primary health care can be

effectively expanded through adaptation and general implementation of principles that are known now. The health system needs to be reorganized to promote decentralization and a peripheral emphasis.

Some legislative and organizational changes should be nationwide, especially to alter rigid regulations so as to permit flexibility in working out new role allocations among members of the health team to get primary care as close as possible to the homes of the people in greatest need. New efforts are required to integrate the few preventive and curative functions which most effectively concentrate resources on appropriate technology for the greatest cost/effective impact. New mechanisms will need to be worked out to find locally appropriate supportive services, including training and retraining, supportive supervision, mobilizing and equalizing the distribution of manpower and technical resources, balancing categorical and integrated services and evaluation and feedback for progressive improvement.

In efforts to implement the concepts of primary health care that came together at Alma-Ata one of the most important issues will be to sort out relationships with the various vertical programs that have been and still are being promoted internationally. Obviously the balance of relationships depends mostly on the stage of development of various services in a country. In many developing countries the only services which have successfully reached the rural poor have been vertical programs directed against specific diseases or health problems. Rather than losing the advances that have been made in such programs primary health care should begin to build integrating relationships between them. However, the vested interests of these separate activities now represent one of the greatest obstacles to effective implementation of comprehensive care.

In vertical programs the priorities are set nationally or, more likely, internationally. A continuing problem in trying to phase vertical programs into general health services is that each one assumes that it should provide the base from which general health care should evolve. Present experience suggests that only if primary health care is given the responsibility and authority to put together locally appropriate mixes of the most effective preventive measures from various vertical programs will this kind of territoriality be overcome.

Community participation introduces the further complexity that health services must be responsive to local wishes and realistic appraisal of local priorities. Primary health care can all too easily be diverted into another vertical program providing simple and inadequate medical care since this is what the people usually want as their first priority. This attitude is supported by the vested interest of the medical profession which will continue to promote doctor-based care in preference to getting minimal coverage promptly to all the people. Promoting the necessary planning and management skills to carry out the complex endeavor of overcoming these obstacles is one of our greatest challenges.

3. Progressive Research and Adaptation for Emerging Problems

Current thinking about primary health care is evolving rapidly as interactions between groups and organizational units take unexpected turns. New problems constantly emerge in implementation. Mechanisms are needed to systematize the search for solutions and experience in several situations suggest the desirability of setting up Research and Training Areas and Centers in parallel

with general programs for implementation. In a defined population unit or in a center that has access to various population units solutions to new questions can be worked out. The whole national service does not need to be subjected to trial and error experimentation whenever there is new leadership that wants to get credit for trying something different. In these centers innovative ideas can be tested and adapted, management procedures can be optimized, shifting priorities can be monitored and tough long-range problems faced forthrightly. As new procedures are worked out the Area or Center can be used for training or retraining service personnel. By filling such research and development functions Educational and Research Institutions can be brought into the center of the primary care implementation process. The most essential feature will be effective two-way communication of problems and solutions between the health system and such centers.

#### 4. Community Participation and Intersectoral Involvement

The two new emphases which make current thinking about Primary Health Care different from previous efforts to strengthen Basic Health Services are efforts to mobilize community participation and to promote intersectoral involvement. Much remains to be learned about how these goals can be translated from pious ideals to realistic interactions. Practical mechanisms need to be experimented with to try out ideas such as using community incentives, giving recognition and education to effective community leadership without weakening their relationships with their people, involving busy agricultural workers or teachers without interfering with their own work, etc. These potentials will be realized only within a dynamic process of intersectoral development creating new relationships between ministries.

5. Evaluation and Progressive Improvement

Implementation of primary health care will never be definitively achieved but a process of change needs to be started. Simple evaluation procedures should establish baselines, monitor progress and suggest new and dynamic improvements. Evaluation methods should be related to surveillance of high risk groups to identify those in greatest need. In keeping with the fundamental principles of social justice and human rights the measurement process must focus especially on whether benefits are reaching the poorest people. Monitoring of local achievements is especially needed as responsibility is turned over to community leadership to ensure that benefits are not coopted by the local elite in traditional patterns of exploitation.

6. International Commitment

Just as those who have access to benefits within countries must now assume responsibility for ensuring care to those who have been neglected in the past, similarly those countries who have and use the most resources must face their obligations to the poorest countries. To make a reality of the rhetoric large new allocations of funds and technical cooperation will be needed. These should be coordinated by interagency mechanisms that establish systematic communication and collaboration.

There are three areas in which international collaboration is needed to promote the new emphasis on primary health care. Rather than having a single mechanism to meet all three purposes, a linked combination of arrangements would probably be best. Rather than setting up entirely new mechanisms which would be excessively time-consuming, it will probably be best to build on and

modify existing capacities. This is especially true because primary health care should not be a separate international endeavor. It will be successful only inasmuch as it is able to support and mobilize the strength of existing national capabilities and organizational units.

A. Major funding for service activities

It is likely that fairly sizable new funds are going to be available, mainly from bilateral donors. In fact, some of the money that has been going into vertical programs for services such as family planning and nutrition will probably be channelled into efforts to promote integration.

Some effective means of communication between potential donors will be needed to facilitate the best use of resources. One possibility is a special emphasis under DAC of OECD, but this does not include representation of the developing countries. A more useful mechanism might be to develop an inter-agency committee bringing together the types of representation that meet in World Bank sponsored country consortia. This would be facilitated if the World Bank were to enunciate a new health policy. Obviously WHO, UNICEF, and other UN agencies, the bilateral donors and possibly NGO's could be members of such a group, together with appropriate representation from developing countries.

B. Promoting National Plans for Action and Training in Planning and Management.

The steps 1 to 5 outlined above require a consistent application of international stimulation and communication. WHO is probably the agency with the best country contacts to promote both the development of national plans and the necessary training. A major internal process of restructuring is already under way in WHO to improve working arrangements between headquarters and the

regions. If these relationships can become facilitating mechanisms rather than barriers the decentralization process will strengthen inputs at country level. WHO should build this new restructuring around the goal of making implementation of primary health care effective. In the past the structure of WHO was designed mainly to promote vertical programs, but now it should demonstrate the feasibility of integration by showing how it can be done within its own system without losing technical expertise and management skills.

More specific, but absolutely essential to everything else, is the need for massive expansion of training programs for planning and management. A network of institutional linkages is needed in which specialty centers in developed countries specifically undertake to develop the capacity of regional and national centers. Such a systematic development requires a central focus which could probably be done best by a sub-unit of the new organization in WHO headquarters with branches in the regional offices.

C. Health Services Research

The WHO Advisory Committee on Medical Research has identified health services research as one of its three main priorities. The regional committees are appointing task forces to promote actively such research in country studies. These beginning mechanisms need to be specifically promoted by being given a significant percentage of all new money for primary health care. Training of research workers and the evolution of new research methods is particularly urgent. This research training should be related to the group that is responsible for promoting training in planning and management and since all training and research should be mutually reinforcing perhaps a single mechanism at WHO needs to be set up for all these activities with appropriate represent-



ation and control from other agencies such as UNICEF, World Bank and other international agencies.

Carl E. Taylor

September 1978