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McNamara papers

Statements

1970

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Robert S. McNamara Statements / Speeches - Statements 03

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11/2/70

TANZANIA

Thru FYL8=3V
64-18=3V
69-73=153
69 = 41

My arrival in Tanzania brings me to a part of the world which it has long been my desire to see. I am particularly delighted that this visit will provide me with the opportunity to meet President Nyerere, under whose leadership your country has dedicated itself to achieving economic progress through your own efforts. This reminds us of a fact we should never forget: that the developing countries mobilize 85% of their development requirements from their own resources - on the average, only 15% is supplied from external sources. Over the next few days, my main aim here will be to meet with your leaders, to acquire a better understanding of your problems and your potential for economic progress, and to see how much more we in the World Bank Group can do to help transform that potential into reality.

We are already in the process of greatly increasing our assistance for Tanzania's economic development. In Fiscal 1969, we took a first step in this direction by more than doubling the volume of our new lending commitments. It is our hope and intention that in the five years 1969 through 1973, these commitments should be three or four times as large as they were in the previous five years. Apart from studying the sectors for which we have already provided assistance, such as education, transportation, agriculture and power, I look forward while here to seeing something of your beautiful country and the scope for investment in tourism.

Africa is the continent of the future. I am convinced that this is where many of the greatest development opportunities of the coming years are going to be found. The conviction has inspired us to prepare for a very major increase in our activities. In fact, we expect that in the five years to 1973, our lending in Africa will be several times what it was in the previous five years. I am happy to say that we are already well on our way to achieving that goal.

My visit to Tanzania marks the first stage of a two-week tour that will later take me to Uganda and Kenya - your partners in building the highly promising East African Community. Over the week-end, I shall be in Arusha to discuss with Ministers and senior officials of the Community how we can help forward this uniquely important experiment in regional cooperation. We have so far provided a total of \$110 million to assist the railways, harbors and telecommunications services in the Community. Before long, subject to the approval of our Executive Directors, we hope to be able to make two more substantial loans - of \$42 million for the railways and \$10 million for telecommunications.

Over the next few days, I look forward to becoming better acquainted with the problems and prospects of your country. From this there will, I hope, be developed a basis for closer and more fruitful cooperation in moving towards our common goal: enabling the people of Tanzania to achieve a better, happier and fuller life.

48

1/4/70

UGANDA

think 27-
64-68 18m
69-73 60-90
70 76

I am delighted to be here in Uganda, and am looking forward eagerly to meeting your leaders and seeing something of your fascinating country.

The objective of my visit is simple: it is to observe at first hand some of your efforts in the field of economic development, and to assess what we in the World Bank Group can do to support those efforts more effectively. This reminds us of a fact we ought always to bear in mind. It is that, on the average, only 15% of the resources which the developing countries need for their economic betterment come from external sources; ~~and as much as~~ 85% is raised ^{their own resources by} from ~~within~~ these countries themselves.

The Bank Group has ~~already~~ made some contribution to your country's development in the past. We now look forward to making a substantially greater contribution in the future. Indeed, it is our hope that in the five years 1969 through 1973, our lending for projects in Uganda will rise to several times the level of the previous five years. In the past, we have supported projects for agriculture, education, electric power and roads. For the future, we hope that while our support for such sectors will continue, we may be able to diversify our activities by exploring the possibilities for lending for tourism and water supply as well. In addition, Uganda will continue to be a beneficiary, as hitherto, of projects sponsored by the East African Community, a number of which we are planning to support. In this sphere, our commitments so far amount to \$110 million; they are aimed at promoting the development of the Community's railway, harbor and telecommunications services. Subject to the approval of our Executive Directors, we hope before long to be able to make two more substantial loans - of \$42 million for the railways and \$10 million for telecommunications.

The enlarged program of lending in Uganda is inspired by your country's economic progress in recent years, and by the new opportunities for productive

investment which it has brought into focus. It is also part of a program under which we expect greatly to increase our activities in Africa as a whole. Under this program, we ^{believe} ~~visualise~~ that in the five years 1969 through 1973, we ^{will} ~~could~~ lend three times as much for projects in this continent as we had lent in the previous five years. The first major landmark in that direction has already been reached: in Fiscal 1969, ~~Bank/IDA~~ ^{our} lending in Africa has risen to \$345 million, a level 150% higher than in the previous year.

In the next few days, I shall be meeting many of those who are directly concerned with your development plans. I look forward particularly to visiting Makerere University College, a centre of learning that has already won worldwide renown. And in a country which is striving to develop its potential for tourism, I shall see the scenic splendor of the Murchison Falls and the majesty of the Nile, already harnessed at Jinja to produce power for this area.

At the end of my visit, I hope to have acquired a better understanding of your economic problems and potentialities. In the months and years ahead, we shall look forward to doing all we can to assist you in dealing with the problems and developing the potentialities.

1/11/70

49

1/15/70
Jan 70

KENYA

It is a very great pleasure indeed for me to be in Kenya. I am here on the last stage of a tour that earlier took me to Tanzania and Uganda, Kenya's partners in the regional economic cooperation within the East African Community. During this visit, I look forward to meeting President Kenyatta, a man whose dedication to the economic development of your country has won him respect and admiration far beyond the borders of Kenya. From him, and from his ministers, I hope to gain a better understanding of what your country has done and what it hopes to do, and how we in the World Bank Group can be of assistance to you in the challenging tasks that lie ahead.

My pleasure and interest in visiting Kenya is compounded by the fact that it is a country which has framed an impressive development program, and has achieved a higher growth rate than most developing countries. We are proud to have been associated with that effort, an association that has enabled us to demonstrate in practical terms some of the immense potential for economic development not only in this country, but in Africa as a whole. It is our confidence in that potential that has led us to frame a program for trebling our lending in the continent in the five years 1969 to 1973. In that way, we hope to play our part in bringing to the attention of the world the great opportunities and rewards that are available to those who are genuinely interested in the economic development of Africa.

In the total African picture, Kenya occupies a position of particular importance. It has not only demonstrated its economic capability in the past; it has also given promise of framing an increasing number of projects of high economic priority in the future. That is why, while we expect to treble our lending in Africa, we hope that in the years ahead the proportional increase for Kenya will be above the average for the continent as a whole. Therein ~~perhaps~~ lies a measure of the confidence we have in the future of the Kenyan

economy, and in your ability to deal with the problems that confront you.

I am particularly impressed by your country's success in reorienting its agricultural development in the interests of the small farmer, and it is a source of pride to us to have been associated in this endeavor. No less a source of *satisfaction* ~~pride~~ is the fact that the Bank Group's very first venture in tourism was located in Kenya. In the coming years, we hope to take a close and friendly interest in other aspects of your economic development as well, including transportation, education, electric power, water supply and industrial expansion. The problems relating to urbanization and population growth ^{will} ~~may, in course of time,~~ be a matter of concern ^{with} ~~^~~ to you and to us. ~~Our Permanent Mission based in Nairobi is available to you, as to other countries in Eastern Africa, for advice and assistance in preparing high-priority projects that constitute the foundations of economic growth.~~

It will be our endeavor, in the years to come, to assist you in any way we can to deal with your problems, and move forward to the ~~more~~ promising future that ~~undoubtedly~~ lies ahead.

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BRAZIL

Signing of Loan to the Banco do Nordeste on February 16, 1970

Remarks by Mr. McNamara

I am particularly pleased the Minister and Mr. Vaz da Costa could come to join the signing of these documents. I think their presence here demonstrates their great interest in the northeast and I think the magnitude of this sum demonstrates ours. We know of the concern of your Government in the development of that part of the country in which one-third of your people live. We've been very much concerned at the income disparities, educational disparities, nutritional disparities, general difference in the level of growth and rate of growth and in anticipation of your coming I reviewed the most recent data that we have in our hands on the rates of growth in that area and I know that you must be as pleased as we are to see the increasing rate of growth and also the differential to the advantage of the northeast and the rates of growth there versus those in the rest of the country. This particular loan is the first of a series of major loans that we'll be making that have great application to that area. The highway loan has about \$50 million in it for roads in the northeast. We also have agricultural projects as you know, that are directed particularly to the advance in growth there. So this is important in itself for us. It's important because it's bringing us into closer association with an institution that you're very proud of and we're very pleased to be associated with and it's important because it's a reflection of our feeling that as Paul Samuelson says in his new book, "nations don't live on GNP alone". There's got to be a quality as well as a quantity to development. There's got to be a broader distribution in the gains of development as between areas and as among peoples. So we look upon this loan as carrying all of those objectives with it and I'm very very pleased you thought it important enough to be here with us to sign it.

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March 6, 1970

MOROCCO LOAN SIGNING

Mr. McNamara:

Good afternoon, Gentlemen. Mr. Ambassador, it's very pleasant to have you with us. Mr. Chairman, I am delighted to have the opportunity to welcome you. I understand from my colleagues that you're an old friend of the Bank, that we had many happy and pleasant associations with you while you were with the Bank of Morocco and then as Minister of Planning and Minister of Agriculture; and I am particularly pleased to welcome you here today to participate in the signing of this \$15 million loan to the BNDE, pleased for two reasons, three really. This, as you know, will be the third major loan we have negotiated and completed with Morocco this year. We expect that our lending to Morocco in our present fiscal year 1970 will come close to \$90 million, a substantial sum in itself and by far larger than all of the lending that the World Bank Group has participated in with Morocco in prior years, larger than all of the lending of the prior years in total. Moreover, it's the fourth loan to BNDE and I guess in addition to the other loans will amount to approximately \$62 million we have committed to that enterprise and therefore I think it emphasizes the importance we attach not just to that enterprise but to industrial growth in Morocco. I know your government is concerned at the apparent lack of aggressiveness in the private sector, at the relatively low rate of industrial development in Morocco. We are as well and we're delighted to . . . to be able to accept your government's request to send an industrial mission there and we're . . . we're anxious to do anything we can to assist you in accelerating the growth of your industrial sector, both because it will contribute to the

economic growth of your nation as a whole and also because it will do much to add jobs that are vitally needed in your country as your labor force increases. So for all these reasons, Mr. Chairman, it's a very great pleasure for me to join with you today in the signing and the formalization of this loan agreement. May we have the papers?

Mr. Bargash:

Mr. Ambassador, it is both a pleasure and encouragement for me to see you signing this new line of credit from the IBRD. I believe that the best way to justify the considerable financial support and the encouragement of the Development Bank found at the IBRD is to act in the very spirit of the Bank in which it has conceived the ten organisms. In this perspective it seems to me that it would be minimizing the mission of the development banks if we were to reduce them to the mere role of a regional bank for the regular distribution of the capital provided by the Bank. It seems to me, on the contrary, as I've had an opportunity to explain in Rabat when the Board of the BNDE has called upon me to become the chairman, that the two organisms must be so to speak at the forefront of the development policy and if my memory serves me right, this is the way Pearson Report expresses it, to mobilize actively savings, domestic capital, find possibilities of investments and facilitate their implementation; also to help the business to formulate and to implement the proposals of the investors. It is obvious that such principles on the one hand must take into account the institutional environment of each country. BNDE is not alone. It is only one part of a whole and therefore it cannot be separated from the whole.

It may be a major piece but it is not a single element. Obviously, on the other hand, the principles may be easier to formulate than to implement because their implementation presupposes a strong structure of the various agencies with highly qualified staffs, economists, market analysts, etc. So we are perfectly aware in the last analysis that my agency will only reach its full development after a difficult evolution towards what we know is to be the perfect concept. First of all, it will have to resolve a problem, the bases of which are difficult. We have to increase the net profit of the bank so as to enable it to increase qualitatively and quantitatively its internal structure, thereby to increase its possibilities of action while providing fair remuneration to the shareholders and take into account the overall view of a developing country. This should be an appeal for productive investments. The mere statement of the basis of the problem is enough to . . . for us to perceive the difficulties of the undertaking how the reactions are going to be multiple, reactions of the primary, secondary sector, multiplicities of the direct and reciprocal reactions which one or another decision will bring about. So Mr. Chairman, it is with great pleasure and impatience that we are expecting the report which the mission will publish in the mission to Morocco, because everybody understands that results will be the reflection of the means available. We understand not only capital which is of course the war material of development bank but also and particularly a structure man project prospective which is to be as high in quality as the success of the mission. Mr. Chairman, allow me to add a word before I finish. It is how much we appreciate in Morocco and how much my government, how much His Majesty appreciates

the effort which you make at the head of the World Bank in particularly, this effort of adapting the Bank to the countries. . . to the situations of the countries instead of having the countries be adapted to the situation of the Bank. Mr. Chairman, I thank you.

INCOMING CABLE

DATE AND TIME
OF CABLE: MARCH 17, 1970

LOG NO.: WU TELEX / 17

TO: INTBAFRAD

FROM: PARIS

ROUTING	
ACTION COPY:	MR. CLARK
INFORMATION COPY:	
DECODED BY:	

TEXT: ~~1384 FOR WILLIAM CLARK~~

FOLLOWING IS MR. MCNAMARA'S STATEMENT AS GIVEN TO PRESS ON DEPARTURE FROM PARIS

"I HAVE MUCH ENJOYED THIS BRIEF VISIT TO PARIS AT THE INVITATION OF THE GOVERNMENT OF FRANCE, AND I AM GRATEFUL TO THE GOVERNMENT FOR HAVING ORGANIZED A FULL AND INTERESTING PROGRAM OF DISCUSSIONS. I WOULD LIKE ESPECIALLY TO THANK THE PRESIDENT OF THE REPUBLIC FOR THE VERY CORDIAL AND USEFUL CONVERSATION THAT I HAD WITH HIM YESTERDAY AFTERNOON. I AM GRATEFUL ALSO FOR HAVING HAD THE OPPORTUNITY TO MEET WITH THE PRIME MINISTER AND THOSE MEMBERS OF HIS CABINET AND GOVERNMENT PARTICULARLY THE MINISTERS OF FINANCE AND FOREIGN AFFAIRS WHO ARE CONCERNED WITH FRANCE'S ASSISTANCE TO THE ECONOMIC DEVELOPMENT OF THE THIRD WORLD. IN OUR MEETINGS WE HAVE DISCUSSED THE RELATIONS BETWEEN FRANCE AND THE WORLD BANK GROUP OF INSTITUTIONS AND WE HAVE SPOKEN IN PARTICULAR OF ASSISTANCE TO FRANCOPHONE AFRICA, TO WHOSE OVERALL DEVELOPMENT FRANCE CONTINUES TO MAKE SUCH A MAGNIFICENT CONTRIBUTION. THE WORLD BANK, ESPECIALLY THROUGH ITS SOFT LOAN AFFILIATE, THE INTERNATIONAL DEVELOPMENT ASSOCIATION, HAS GREATLY EXPANDED ITS OWN OPERATIONS IN THAT AREA OVER THE PAST EIGHTEEN MONTHS. THE EFFECTIVENESS OF OUR EFFORTS THERE HAS DEPENDED TO A LARGE EXTENT ON THE SUCCESSFUL COOPERATION BETWEEN THE BANK GROUP AND FRANCE'S OWN DEVELOPMENT ASSISTANCE INSTITUTIONS. DURING OUR DISCUSSIONS WE HAVE EXPLORED THE WAYS AND MEANS OF MAKING THAT COOPERATION STILL CLOSER IN THE FUTURE. THE SIZE AND URGENCY OF THE DEVELOPMENT TASKS TO BE UNDERTAKEN IN THE THIRD WORLD WILL CONTINUE TO MAKE HEAVY DEMANDS ON BOTH BILATERAL AND

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INCOMING CABLE

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LOG NO.: WU TELEX / 17

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FROM: PARIS

ROUTING

ACTION COPY: MR. CLARK

INFORMATION
COPY:

DECODED BY:

PAGE 2

TEXT:

MULTILATERAL SOURCES OF ASSISTANCE. THE ROLE THAT FRANCE PLAYS IN THIS
GLOBAL EFFORT TO IMPROVE THE QUALITY OF LIFE OF THE PEOPLES OF THE THIRD
WORLD IS THEREFORE OF OUTSTANDING IMPORTANCE." ~~RESULTS.~~

~~RESULTS~~

JAO

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5/18/70

Mr. McNamara's Statement on Arrival in Korea

It is a very great pleasure indeed to be in Korea, and I look forward to the opportunity of meeting President Park and other leaders of your country. My pleasure is increased by the knowledge that this nation has made remarkable economic progress in recent years, mainly through its own efforts. [It is efforts such as yours which remind us of a fact we at the World Bank never forget -- that, on average, developing countries raise from their own resources as much as 85% of what they need for development, and only 15% comes from outside.] During the next few days, I hope to gain a better understanding of the economic progress you have made, the problems you face, and what we in the World Bank Group can do to help carry forward your already impressive achievements.

Korea occupies a place of special importance in the Bank Group's plans for the future. We are now in the midst of a program for greatly increasing our activities round the world. Under the program, we expect that in the five years ^{1969 thru} to 1973 we will be able to lend twice as much as we did in the previous five years. But while the worldwide average will double, we hope that our lending to Korea will increase more than 20 times.

The first landmark in this direction has already been reached: in Fiscal 1969, Bank/IDA lending to Korea totaled over \$83 million, which was not only more than five times the level of Fiscal 1968 but also more than double the cumulative total of all previous lending to Korea. Now, while I am here, I will be signing another two agreements under which the Bank and IDA will together provide \$55 million for the expansion of the Korean National Railroad -- [an enterprise we first began to support in 1962.]

As our lending to Korea has increased, the purposes of the lending have been diversified. Until a couple of years ago, the assistance had been mainly for railroads and industry. But, more recently, we have provided funds for developing irrigation and educational facilities, as well as for highway studies. [For the future, it is our hope that apart from increasing and diversifying our support for such sectors, we will be able to take a more positive interest in power development.]

[In the course of this visit, I plan to study at first hand the progress of rural development. And since I am in a country which has won worldwide ~~fame~~ ^{attention} for the effectiveness of its family planning program, your admirable efforts to deal with your population problems will be of particular interest to me.]

[I am convinced that] Korea has a highly promising future. Whether in the field of population or agriculture, industry or exports, you have shown a great capacity for moving towards the objectives you have set yourself. We in the Bank intend to do all we can to assist; and thereby share in ~~the~~ ~~privilege~~ of helping to make Korea one of the outstanding economic successes of our time.

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Mr. McNamara's Statement at Signing of Korean
National Railroad Loans

5/14/70

I am extremely gratified to have the opportunity, while in Korea, to sign the agreements now before us. I am particularly pleased because, under these agreements, the World Bank Group will be committing more money than we have ever committed ^{before} for any single project in Korea, ~~before~~.

^{being} ~~The total of \$55 million which the World Bank and IDA together are now providing~~ ^{ed} will help to expand and modernize one of your greatest economic assets -- the Korean National Railroad. It will go to support a project whose priority in your country's development plans is proven. And, most important of all, it will symbolize once again the concept of partnership that has always governed our relations with Korea, since we will be assisting a project for which you yourselves will be raising most of the resources.

The project is a child of Korea's economic success. That success has not only been facilitated by, but has also in turn created the demand for, the expansion of its transportation facilities. Of these facilities, the railways are clearly the most important. They carry more than three-fourths of your freight traffic and nearly half of your passenger traffic. [They represent the best means of transport for such vital commodities as grain, coal, cement, oil and iron ore.] They link the ^{rural areas} ~~villages~~ to the industrial centers and the ports, [and thus constitute the economic muscles of the country.] We are proud to be associated with a project designed to strengthen ^{such vital facilities.} ~~these muscles.~~

Our support for the Korean National Railroad has extended over several years. Indeed, our first two lending operations in this country -- the

first of them in 1962 -- helped in the expansion and modernization of this enterprise. [Both were IDA credits, and they provided a total of \$25 million.] [The project covered by today's agreements thus represents the third KNR project that we will be assisting.] [Including the IDA credit of \$3.5 million made in 1968 for highway feasibility studies and engineering, it is our fourth operation in the transportation sector in Korea.]

The circumstances which have made the latest project both necessary and possible are gratifying. As Korea's economy has expanded rapidly, the demand for transport, particularly rail transport, has exceeded the expectations of only a few years ago. KNR therefore now plans to invest almost 30% more than it intended under its original program for the 1967-71 period. As a result, it will be able to handle 10% more traffic than had been visualized earlier. The last two years of that program will now go through at a cost of nearly \$156 million. Of that total, as much as \$82 million will come from KNR's own resources.

The purpose of projects such as these is not simply to move so many more tons of coal, or so many more bushels of grain. The purpose is to create the facilities that will help the people of this country to build a fuller and more productive life. That is the purpose to which our contribution to this project today, and indeed all our assistance to Korea, will be dedicated.

Deputy Secretary 5/16/70

In the few days that I have been in Korea I have had the opportunity to talk with the President, the Prime Minister, the Deputy Prime Minister and all those Ministers who are concerned with this country's economic development.

I am most grateful to them all for the time they gave me, and I am deeply impressed by what I learned of the rapid progress this country is making.

Ministers and officials were frank in telling me of problems that lie ahead, but I am sure they can be overcome by the ^{combination} ~~coordination~~ of wise leadership and the vigorous, skilled, hard working efforts which I saw every where I went. We, in the World Bank, are determined to maintain our partnership with you in helping all the people of Korea in the cities and on the farms to attain a better standard of life based on the solid foundation of a sound and expanding economy.

Mr. McNamara's Statement on Arrival

in the Republic of China

5/12/72

I am delighted to be here in the Republic of China, and look forward to having the opportunity to meet your leaders, and particularly the President. [I also hope to see something of this vigorous and fascinating country.] The purpose of my visit is ~~simply one~~ to look, to listen and to learn, and then to assess how we in the World Bank Group can contribute more effectively to Taiwan's economic development.

Our interest in Taiwan's plans for the future, already great, is growing. We are now in the midst of a program for increasing very substantially the Bank Group's activities round the world. Under the program, we hope that in the five years ^{15/9 then} ~~to~~ 1973 we will lend twice as much as we did in the previous five years. But we hope that while our global average will double, our lending for projects in Taiwan will rise more than 3½ times.

We are already well on our way to achieving that goal: in Fiscal 1969, our lending to Taiwan totaled over \$81 million, ^{and} ~~at which level it was almost 65% more than in the previous year and not far short of the total for all the five years to 1968.~~ ^{during my visit here,} Later today I will be signing agreements providing another \$62.5 million for the development of electric power and industries in your country. ^{In these two} ~~Thus, in the past couple of years alone we will have~~ committed more money for projects in Taiwan than we did in all the previous years since lending began in 1961.

The latest agreements symbolize our confidence in your economy, and in your capacity to bring forward an increasing number of sound and high priority projects which we can support. Your achievements in the fields of

family planning, agriculture and education will be of particular interest to me during ~~this~~ ^{my stay} visit. In these as in other fields, it is by learning from you and participating in your endeavors that we hope to build upon our already close partnership -- a partnership that is devoted to creating a better, happier and fuller life for the people of this country.

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Mr. McNamara's Statement at Signing of Loans to

5/12/73

Republic of China

I am delighted to be able to sign the agreements for two World Bank loans here in Taipei, in the presence of your Finance Minister, Mr. *K.T. Li*, who represents your country on the Bank's Board of Governors.

The loan of \$44.5 million will help the Taiwan Power Company to install 555 megawatts of new generating capacity and associated ~~high-voltage~~ transmission facilities. The other loan, of \$18 million, will provide the China Development Corporation with foreign exchange for financing private industrial enterprises ~~in Taiwan~~. The total of our ^{previous loans for} ~~lending commitments so far for~~ projects in the Republic of China came to \$186.4 million. These two ~~new~~ loans will ~~now, at one stroke,~~ raise that total by ~~more than~~ a third -- to \$248.9 million.

The Bank's interest in assisting the development of electric power facilities and of private industrial enterprises ^{the Rep of China} in ~~Taiwan~~ is not new. Our first loan to the Taiwan Power Company was made in December 1968; the loan of \$50 million was the biggest we have ever made for a project in your country. The China Development Corporation, ~~similarly,~~ has received two loans, of \$15 million each, in 1964 and 1967, in addition to an IDA credit of \$5 million in 1961.

We are very pleased now that we should be providing further assistance to these two enterprises which have made ~~so valuable a contribution over the~~ ^{ed} years to the ^{growth} and diversification of your economy. The fact that so substantial a part of the cost of both projects will be financed from your own resources indicates the high priority you attach to them, and reminds us that development is always primarily the responsibility of the developing country with the World Bank and such external agencies only junior partners.

The need for both projects has been created by the vigorous ^{growth} ~~expansion~~ of your economy in recent years. The demand for power in Taiwan has been increasing rapidly. We expect that it will continue to grow by about 13% a year through 1975. Most of this demand comes from industry; but the needs of small-scale enterprises and of domestic consumers, particularly in the rural areas, is also rising rapidly. The benefits of the project we are supporting will thus go not only to your manufacturing enterprises, but also right into your homes.

Much the same might be said about the project sponsored by the China Development Corporation. The growth in ^{the Republic of China's} ~~Taiwan's~~ industrial production during the 1960s, averaging 16% a year, has been ~~altogether~~ remarkable. Industries in this country now contribute nearly a third of the gross domestic product, and 62% of the total exports. They are not only expanding vigorously; they are also diversifying. And to this process CDC has ~~made a valuable contribution over the years.~~ ^{ed.} An aspect of its policies which is particularly noteworthy is that it has given priority to projects that help both to increase exports and to provide more jobs. In 1968 CDC's clients exported goods worth over \$151 million, thus accounting for nearly one-fifth of ^{the Republic of China's} ~~Taiwan's~~ total exports. And between 1966 and 1969 the Corporation helped create 9,000 more jobs. ~~We in the Bank are proud to be associated with so worthy an endeavor.~~ ^{with an endeavor}

The projects, ^{represented by} ~~visualised~~ in today's agreements stand as testimony to the close, ~~friendly and fruitful~~ relationship which has been built between your country and the Bank over the years. They constitute a token of our confidence in the future of your economy, and of our desire to assist you in the ~~challenging~~ tasks that lie ahead.

ROMA

This is now mimeoed & is being translated.
But it is not too late to alter if you need.
me

DEPARTURE STATEMENT BY MR. MCNAMARA

May 19, 1970

I leave the Republic of China deeply impressed by what I have seen and by what I have learned from talking with the President and his ministers.

I had known before I came here of your magnificent record of steady economic growth, but while here I was able to appreciate the dynamism of your people at all levels - the minister and the official; the businessman and the worker. It is this dynamism, enthusiasm, and determination which have made your economic miracle possible.

The enormous growth of literacy, with universal education for nine years, is another deeply impressive facet of your society. And as I went through the National Palace Museum I became more than ever before aware of the magnificence of that ancient and enduring civilization of China on which as a nation you can draw for inspiration.

Two of your recent and modern policies have interested me immensely : one is the Land Reform Program which seems capable of spreading the benefits of improved agriculture far more widely amongst the rural population. The other is your family planning program which can help you to keep population growth within bounds, so that each citizen can lead a fuller and more worthwhile life.

I am immensely grateful to all those who took so much time and trouble to make my visit so enjoyable, encouraging and informative. I shall return to the World Bank proud that we have played some role as partners in your success, and determined to help even more in the future.

1. Second Highway Construction Project
2. Central Eletrica de Furnas S.A.

Mr. McNamara:

Gentlemen, let me express what I know all of my associates feel, the pleasure that we have today in having our Brazilian friends join us for this signing ceremony. It is a major step forward in our relations with Brazil. In these two loans that we have signed today totalling \$180 million we've gone a long way to meeting the goal that I spoke to you about, Mr. Minister, in 1968, September and October, when we talked of the future Bank lending program for your country. I think I said then that we hoped in the five years 1969 to 1973 to treble or perhaps even quadruple the lending rate at which we had loaned in the five years 1964 to 1968. With these two loans and the other loans that we had processed in the present fiscal year, we'll loan about \$200 million to Brazil for this period and that is more than three times the average rate of 1964-68 so we're well on our way to achieving our objective, and although the amounts of the loans, themselves, were large, they are but a rather small percentage of the total cost of the two projects which exceed \$500 million, and as large as that is perhaps even more impressive I think is that each of these projects is an element of a sectoral program that Brazil has developed. We've been very pleased to be a part of the process of the studies that have led to these developments, one in the field of transportation and the other in the field of power, and from those sectoral studies which in turn have been based on preinvestment studies, I think we will develop further projects in the years to come along with institutional reforms as well. So the projects represent many things to us -- a major change in the volume of lending to Brazil,

major advances in sectoral programs of lending for the present and the future, and the potential for institutional reforms. None of this of course could have been possible had it not been for the very dramatic improvement in the economy of Brazil. Mr. Minister, I think you and your associates should take great pride in the changes that you have made that have made that economic advance possible. It's been reflected most obviously perhaps in the rate of growth of 1968 and 1969, rates of, if I recall correctly, 8%, 9% and less obviously in reforms that extend geographically and otherwise throughout the whole of the economy. We expect those reforms to continue in the future. We're looking forward with great optimism to that future, both with respect to the general economy and with respect to our own lending program. So again, let me tell you how pleasant it is for us to welcome you here today and how important an occasion this is for those of us in the Bank. Thank you.

Mr. McNamara:

I continue to be amazed at the rate of growth of the power sector in Brazil and the skill with which Brazil has planned for expanding to meet that rate of growth, and I hope the same will be said for the transportation sector. The road loans we are financing today provide for several different types of activity in transportation construction, design, study, but in total cover 8,000 kilometers of road so you can see the magnitude of the program that Brazil has under way. We're very pleased to be a part of it. Thank you for being with us.

Annual statement in Colombia

6/2/70

I am delighted to be in Latin America again, and particularly to make my first visit here to Colombia since becoming President of the World Bank.

Colombia is taking significant steps forward in its development, and I plan to have a first-hand look at some of the projects in which the Bank is cooperating.

I look forward, too, to discussions with officials in the Government who are dealing with the nation's development plans, and of exploring ways in which we in the World Bank Group can be of the greatest possible help in assisting the Colombian people to realize their own aspirations for continuing social and economic progress.

REMARKS OF MR. McNAMARA AT THE COLOMBIA LOAN-SIGNING CEREMONY

Mr. President:

I am delighted to have been able to participate with you here in Bogota in this loan signing ceremony ^{- a ceremony} which symbolizes a partnership between Colombia and the World Bank that has lasted for nearly 20 years, and ^{a partnership which} will, I am sure, continue for many years to come.

We ~~are~~ ^{are} ~~conscious~~ ^{are conscious} at the World Bank that we are only the junior partners in this development process, for the main effort must always come from the people of the developing country itself. It is to see those magnificent efforts, ~~that~~ ^{that} I have come to this country, and to find out how we can improve and enlarge our ~~relationship~~ ^{relationship} partnership with you, ^{that I have come to this country.}

In 1968, I said in Buenos Aires that I believed that in the five years from 1969-1973 the World Bank should lend twice as much money in Latin America as it had in the previous five years. In these past two years we have met that schedule --

and I believe we can achieve ^{both} that goal for the entire five-year period. ^{the 100% increase in Latin America as a whole and the much greater increase in Colombia.}

During the current fiscal year, which ends ^{on the 30th} with this month, we will have lent in Latin America as a whole some \$700 million. -- ~~easily a record sum for the~~

~~World Bank Group in the area.~~

And with the loans which we have just signed this ^{afternoon} ~~morning~~ our total lending in Colombia this year will ^{amount to over 130} ~~exceed~~ \$125 million, nearly 20% of the Latin American ^{total} sum. ^{4) This increase in lending to Colombia is not simply the result of a greater request on our part of the need for the World Bank to contribute more to the development of your country. It is even more a response to your own efforts to increase public savings and to establish more effective investment programs.}

Our partnership has been durable, and it has been productive. It has been productive because we have been able to find sound projects which really benefit your people. Those for which we made loans today are typical. One was the sixth highway project, and the other the 18th power project on which we have worked together. These two ~~particular~~ loans have special significance because they deal

*development
and
business.*

with the power and transportation sectors at critically important stages in their development. The highway project will help complete Colombia's network of main highways -- linking the nation's principal cities and ports. And the ~~Chivor~~ power project ^{which by itself will add 452 to Colombia's total generating capacity} represents the first major generating program undertaken by the inter-^{Ma de an} connected transmission system for the four cities of Bogota, Medellin, Cali and Manizales. The economies of scale which it provides will mean cheaper and more abundant power for the residents of all these cities.

Power and transportation are, of course, fundamental to the economy of any nation. Their purely economic benefits are obvious and essential. Not quite so obvious ^{perhaps} -- but just as essential -- are their social benefits. Better roads, and cheaper power, ^{do} lead to more employment and greater opportunity, ^{forall}.

In the case of the other two loans we are signing today, Mr. President, the social benefits to the citizenry are even more directly apparent.

The Cali Water Supply and Sewerage project will extend essential services to some 300,000 inhabitants of that ^{city} ~~metropolis~~ who would otherwise be without them. And it will provide those services to those areas where the city's lowest income groups reside. ~~By improving sanitation, the project will help to upgrade and protect the health of these less privileged citizens.~~

Mr. President, the fourth loan we are ^{signed} signing today gives me particular ^{satisfaction} gratification, ~~for~~ it lies in a sector which we in the World Bank believe should command an increasing measure of our attention. It is the sector of education: a complicated sector, a difficult sector, a sector in which -- for nearly every nation on earth, be it rich or poor -- the need far outruns the resources.

Education is a problem everywhere ~~in the world~~ today, not ^{only} ~~merely~~ because there is not enough of it, but ^{also} because what already exists is often of so little ~~real~~ relevance to the ~~fundamental~~ needs of the individual student, and of the society in which he lives.

In 1968, Colombia -- with the World Bank's participation -- began an innovative and imaginative restructuring of the country's ~~entire~~ secondary school structure. It was a bold step to take. You have set out to establish a wholly new kind of secondary school in Colombia: a comprehensive school which will provide a ~~whole~~ spectrum of courses calculated to meet the growing need for trained middle-level manpower. Here is a multi-purpose type of school which will shift its emphasis away from ~~too great a dependence on~~ ^{reliance on} exclusively traditional academic ^{curricula} formalities, and will move instead towards agricultural, industrial, commercial and social-service-oriented studies which are tailored specifically to national, regional, and local needs.

It is a new kind of school that will meet the aspirations and enhance the talents of the individual student, and at the same time direct them into channels that can best serve the social and economic development of the nation as a whole.

If it succeeds -- and I believe it will -- it can serve as a model of secondary school reform in countries all across this continent.

The loan, ~~Mr. President~~, that we sign today will help move this creative project forward into its second phase, which will culminate in 19 of these new schools -- seventeen in departmental capitals of the country, and two here in Bogota.

It is an exciting project -- and one on which the Bank places very great expectations.

But then, Mr. President, Colombia itself is an exciting country -- and a country filled with ^{great} promise and ^{great} potentiality.

^{As I want to conclude I began by emphasizing}
~~And in the end I must repeat~~ ^{have and who} it is not the World Bank, but the people of Colombia themselves who will make this nation prosper. At ~~its very~~ best, the contribution of the Bank is modest in comparison with the contribution of the people to their own development. What the Bank can do is useful and important.

But what the people do is decisive. It is the people's aspirations, the people's efforts, the people's sacrifices for the common good that will be the critical factors in the country's future, as they have been in the country's past.

^{Yours}
~~They~~ are a great people, building for a great future.

We in the World Bank consider it a privilege to be ^{your} ~~their~~ partners.

Thank you, Mr. President.

END

Source: Directorate of Information of
the Government of Colombia

SPEECH BY PRESIDENT CARLOS LLERAS ON THE OCCASION
OF SIGNING OF BANK LOANS IN BOGOTA ON JUNE 4, 1970

Thank you, Mr. McNamara, for signing loan operations which will strengthen the relationship between my country and the International Bank for Reconstruction and Development.

Colombia followed her own best interests in establishing ties with the Bank almost from the moment that the Bank began to operate, and this connection has been fruitful in many ways. We have contracted loans, which, including those signed today, exceed the amount of US\$731 million, placing us fifth among all the borrowers of the Bank. Besides this, we have received help from the Bank in the orientation of the social and economic development of the country and the sound management of fiscal and monetary policy. The Bank's assumption of the leadership of the Consultative Group, which directs and coordinates international financial assistance to Colombia, indicates the special interest which the Bank, now under your direction, has dedicated to our country.

The idea of working in accordance with plans, particularly in the public sector, has been established in the Colombian Constitution almost contemporaneously with the creation of the Bank, but its practical application has been and continues to be difficult, despite the advances we have made. However, I would note that commentators reflect much upon the failures and deficiencies of planning, without giving adequate appreciation to the favorable results of the system and its by-products.

Medium and long term plans for economic and social progress require the study of the total situation of the country, compelling us to examine

more thoroughly our natural and human resources, the obstacles to employing them advantageously, where strategy would suggest the concentration of our efforts, and the methods which we have to introduce or improve in order to progress in a well coordinated manner. We have moved away from an excessive and exclusive preoccupation with the activities of certain public agencies towards a concept of the whole economy, evaluating what it already has, what has to be created, what fields remain for further investigation, and the relationships between the many aspects of development. I believe that the first report on Colombia written by the World Bank mission led by Professor Curry^{is} contributed greatly to open the minds of Colombians to these concepts of the interrelationship of economic influences, which have been slowly refined, with the progress of quantification, and the extension of the measurement of resources at our disposal. More recent World Bank reports on Colombia have all been of obvious usefulness, including some with viewpoints contradicting our own. I would say that the long periods of agreement, and the fleeting hours of dispute between Colombia and the Bank have both been equally useful. Since 1949 our dialogue has been constructive, because each party has taken account of the viewpoint of the other with tolerance and consideration.

Our relations with the Bank have greatly strengthened my conviction that a growing effort by our country is needed to complement international financial assistance. This effort has been made not without difficulties, problems and dangers. It has been a great effort as much in the field of taxation as in that of public utility tariffs. In making it we have not lost sight of the peculiar structure of our changing society, and the risks which can arise for political institutions from demanding sacrifices which are actually excessive, or which public opinion is brought to consider excessive

by propaganda from the classes which bear the main burden. However, it would be unfair to affirm that our relations with the Bank have been characterized by the confrontation of technical recommendations with political and social considerations. Colombian governments, while receptive to the technical recommendations of the Bank, have been equally sensitive to the counsel of Colombian leaders and technicians regarding the timing and methods for applying such advice, and indeed with the question of whether certain technical solutions should be applied at all.

The Administration over which I have the honor to preside, has greatly benefited from the policy towards developing countries which the Bank has intensified in recent years. Almost half of the Bank's loans to Colombia were contracted in the period between 1966 and 1970. Some of these loans, as I have explained, have been related to a new concept of social and economic development, as in the cases of those made for the establishment of diversified secondary schools, or those which respond to the needs of urban development. I must pause for a moment to detail the variety of fields covered by Bank loans to Colombia, and the importance of some of the concepts implicit in these loans.

I am pleased that you had the opportunity to visit one of the projects being developed by INCORA on our Atlantic Coast. Doubtless you have appreciated that we are carrying out a comprehensive agrarian reform which does not only consist in the modification of land tenure, but which is being accompanied by basic works of infra-structure such as those for irrigation, drainage and access roads; by the granting of supervised credit, the introduction of more profitable crops, technical assistance and above all by the introduction of new forms of cooperative rural enterprise, because we understand very well that the transition from individualistic to cooperative peasant farming is one of the fundamental steps in the development of a new

society. It is obvious that the efforts of INCORA must be complemented by those of other official organizations, principally in the fields of public health and education. The agrarian reform must have a human orientation, and we intend that it should. There exist nevertheless institutional problems which sometimes impede coordination of the efforts of different organizations, but these can be resolved. The raising of the standard of living of the peasants in the regions covered by the agrarian reform greatly stimulates demand for, and receptivity to measures taken in the fields of health and education. I have the impression that neither the scale of the agrarian reform nor the methods followed in Colombia to bring it to fruition are sufficiently understood abroad. While we should accelerate this program, I believe that our experience has been fruitful, and that the basis of the agrarian reform laws is sound. It is very satisfying for us that the Bank has made one loan for the Atlantico No.3 Project, another for credit to farms of medium size, and others for livestock development.

You have mentioned the loans made for the development of electric power. In this connection, I want to say that Colombia owes in large part to the Bank the introduction of the fruitful idea of establishing an interconnected power system. One of the major tasks of my Government has been to organize and enlarge this interconnection. The country has now acquired familiarity with this idea, and come to understand its benefits and this helps us to handle the problem of administration and of regional sentiment which so long delayed the establishment of the system:

During the present Administration we received the fifth loan for the National Railways, for a little more than US\$18 million. This is another project where the advice and recommendations of the Bank have been of great importance for Colombia. The completion of the railway system, the maintenance

and repair of the permanent way, the modernization of rolling stock, have been made possible by the help of the Bank. Equally important has been its assistance with the organization of the National Railways, and with their rate policy.

My Government has made a considerable fiscal effort which has been complemented by external financing, but it is satisfactory to note that in Colombia the Railways do not weigh upon the budget so heavily as in some other countries. Despite the competition of other modes of transport, we have almost reached a reasonable financial equilibrium in the Railways, and it is only fair to recognize the Bank's responsibility for this result.

You have mentioned the importance of loans destined for water supply and sewerage. I should like to add a reference to the loan for the modernization of our telecommunications, a work unprecedented in this country. We should also appreciate the importance of the help granted for highways and bridges. I am glad to say that apart from what has been carried out in highway construction and paving during the last four years, the country presently possesses undisbursed loans sufficient to finance highways of the greatest importance, to greatly accelerate paving programs, and to maintain adequate programs of maintenance.

Finally I should like to refer to the loans made for development finance companies. I have long held the conviction that the help of foreign capital is more satisfactory for countries such as ours if it is made in the form of redeemable loans rather than in the form of direct investment. This is not, of course, an absolute rule, but experience shows the unsatisfactory consequences of a progressive dominance of many fields of activity by private foreign investment. A more happy solution is that of loans for facilitating the growth of domestic private enterprises, which constitute, so to speak, an advance upon domestic savings. If we can find a way of solving

certain problems for the transmission of technology, I am sure that this is a path for cooperation between the advanced and the developing countries which is less exposed than private investment to dangers and reactions.

I should also like to take advantage of this opportunity to say a few words on a problem which is one of your main concerns, namely the structural and chronic unemployment experienced by Colombia, among other countries. Within a few days we shall receive the report of the ILO mission, with which the Bank cooperated, relating to the application in Colombia of the World Employment Plan. This report has recommendations relating to the methods of international financing. In studying the problem of development from the aspect of employment, defects may be noted in the policy hitherto followed by international financial institutions. This is not the appropriate moment to enter upon a detailed examination of this theme, but there is no question that the need to create new opportunities for employment should take precedence over the objective of increasing international trade.

Let me in conclusion make some comment with respect to Colombia's foreign indebtedness. In 1977, our external public debt was US\$1,004 million; in 1969 it increased to US\$1,305 million; and this year it will increase on account of loans previously contracted, and those signed today. But this total includes undisbursed balances which in large part will be spent after the conclusion of the present Administration. In addition, it is important to recognize the proportion between the cost of debt service on the one hand and the value of the country's exports on the other; and we have increased total exports by more than the increase in debt service. The debt service ratio was 14.7 percent in 1965, 16.9 percent in 1966, but only 11.8 percent in 1969; and this year it is expected to be only 11.6 percent. Financial operations indispensable for the development of the country, and which distribute over more than one generation the costs of works with long term benefits, have not worsened the country's financial situation. Today,

thanks to the policy followed with respect to export diversification, we have a better international financial position than that encountered by the present Government at the start of its term in office.

I reiterate the thanks of Colombia to the International Bank for Reconstruction and Development and would also express thanks to you personally for the obvious interest with which you have studied our problems and for your visit. As must be obvious to everyone, the contracts which we have just signed are of great importance for Colombia's progress. We are pleased to have completed them with your assistance.

Translated by: Raymond M. Frost

I am most grateful for the graciousness of your welcome, the warmth of your hospitality and the very great compliment you have paid my associates and me of the institution we represent. But the accomplishments you refer to are not ours but yours - yours and those of your associates and your people.

6/4/70

MR. McNAMARA'S REMARKS AT STATE DINNER

Mr. President:

A nation's life depends ^{primarily} a great deal on a nation's leadership.

That is particularly true of a nation's social and economic progress, since progress always requires change -- and change always calls for courage ^{and, in addition,}

The gifted leader is one who is wise enough to know the worth of tradition, ^{I think,} but bold enough not to become the prisoner of tradition.

To lead is to reappraise, to reform and to revitalize a nation's social structures, while preserving a nation's permanent values.

No one, Mr. President, who is familiar with your more than 40 years of public life can fail to be impressed with your dedication to Colombia's social and economic development, ^{and no one can fail to be impressed with} and to the qualities of leadership you have brought to that great task.

As a legislator, a cabinet official, and as President you have given particular importance to the concept of planning: planning that is at once practical and pragmatic in its day-to-day application, and yet far-reaching and long-range in its results.

Your efforts to restrain inflationary pressures have resulted in ~~a salutary~~ financial stabilization ^{and} your concern for monetary, fiscal, and exchange policy has resulted in an improved balance of payments position, which in turn creates conditions for additional economic growth.

You have made a determined effort to provide the domestic resources required by Colombia's substantially enlarged public investment program.

In spite of strong pressures, you have taken the view that public utility tariffs should comprise one of the key elements in the expansion of these public services, ^{and thus} ~~have reduced the danger of increasing foreign debt to unmanageable proportions.~~

~~As we are all aware, coffee prices have been high over the past several months.~~ You have resisted the easy temptation to allow this additional income to be diverted into low-priority consumption but ^{from high coffee prices} have instead ^{have saved} husbanded these additional revenues for high-priority development projects. [Without reducing the incentive of the coffee-producing industry -- which is clearly important in your country -- you have thus taken steps to provide a prudent measure of stability in a seasonal and highly fluctuating sector of the economy. The results of such a policy strengthen the export capacity of the nation, its industrial growth, and diversification; and allow funds to flow into essential economic infrastructure that will benefit both the coffee producers, and the nation as a whole.]

Your talents both as a lawyer and an economist made it possible for you to draft ^{the} ~~personally your country's~~ courageous Agrarian Reform Law. Your skills as a legislator saw that act passed. And your executive leadership in the Office of the Presidency has seen its principles turn into practice.

Your concern with the issues of unemployment and urbanization have sought out solutions to these ~~tangled and~~ difficult problems -- problems that plague developing nations everywhere.

Further, you have taken measures to promote a more uniform regional development of Colombia. [Unlike a number of other developing countries, who have concentrated their industrial sector in a single city, Colombia has four industrial centers: Bogota, Medellin, Cali, and Baranquilla. These constitute a basis for further regional development, as do the plans to distribute the benefits of that development more equitably throughout the country.]

~~But, Mr. President,~~ you have looked beyond the horizons of Colombia itself, and have played a key role in the formation of the Andean Group, ^{and} this regional

^{which}
effort ~~between Colombia, Chile, Peru, Ecuador and Bolivia~~ offers great opportunities
for expanded economic growth both within and among ^{its} ~~these~~ ^{member} five nations.

Mr. President

As I was reading and thinking of these and the many other contributions you
have made to the development of your country, I was reminded of a favorite quotation
of Robert Kennedy, ^{who died just two years ago this week. Senator Kennedy was} He said: "Some men see things as they are and say why. Others
dream things that never were and say why not." *and of*

^{you}
You have dreamed things that never were and you have translated those dreams
into reality. The people of this Hemisphere are the beneficiaries.

*With respect, may I ask you to join with me in
a toast to a very great leader of his people: to the President.*

Source: Directorate of Information of
the Government of Colombia.

SPEECH AT THE DINNER GIVEN IN THE PALACIO SAN CARLOS
BY PRESIDENT CARLOS LLERAS AND MRS. LLERAS
FOR MR. AND MRS. MCNAMARA

Mr. and Mrs. McNamara, Ladies and Gentlemen:

One of my happier memories is the period of a few days during the summer of 1944, spent in Bretton Woods, a small place in New Hampshire, where representatives of more than 50 countries approved the agreements establishing the International Monetary Fund and the International Bank for Reconstruction and Development. Appearing for the first time at an international economic conference, I was surprised and fascinated by the show of intelligence, technical ability and constructive dedication given by the delegations at Bretton Woods. Lord Keynes was President of the Second Committee responsible for solving the problems related to the structure of the Bank. His participation alone placed the seal of intellectual grandeur upon the discussions, and I have never forgotten the picture he presented: the white hair, the blue eyes, clear as a child's, but with a hypnotic gaze. At his side were economists and statesmen, many of whom had played a great role in the lives of their respective countries, and others who are still active today.

When I compare that conference with many others which took place subsequently I can only conclude that Bretton Woods was one of the most constructive in the history of international economic cooperation - perhaps the most constructive of all.

The great depression seriously disturbed the traditional mechanism of the international financial market. Bankruptcy struck the developing

countries, and also many public and private enterprises in the industrial countries, creating a lack of confidence among investors which lasted right until the outbreak of the second world war. It was therefore necessary to construct machinery which would permit the flow of international capital for two great tasks: the reconstruction of the countries devastated by the great war which was still proceeding in July 1944, and the development of the backward countries, which was not considered so urgent then as it is today.

The subsequent course of events showed that the international organizations created at Bretton Woods were not adequate to deal with the problems of reconstruction. It was necessary to call upon unprecedented methods such as the Marshall Plan. Later we saw with astonishment the resilience of the countries of the Old World and the way in which the development of modern technology and improved management of economic policy not only restored what the war had destroyed, but generated the most surprising growth of productive capacity in industry and agriculture. This gave rise to a dizzy growth of living standards of peoples who had initially appeared to be so severely damaged by the war, as to be susceptible of recovery only by long, slow efforts.

Only then did the problem of the developing countries come to be of the first priority. It became so by a political act: the end of the colonial regimes which brought on the stage of history a number of new nations, sovereign but weak. At the same time other phenomena took place, such as the agricultural revolution, and the intensification of research, and of its application to industry and to works of infrastructure. These developments widened the gap between, on the one hand, nations already industrialized and now rejuvenated by the new technology, and on the other hand, the backward countries with low rates of capital accumulation, lacking

in general education, scientific creativity and ability to assimilate new techniques, and experiencing high rates of population growth. The problems arising from this dramatic contrast between two worlds constitutes the primary concern of the international agencies today. The World Bank is, of course, familiar with this situation, and is, in my opinion, the institution which has understood it best, and which is making the most systematic and general effort to find solutions.

It was precisely at the moment that these contrasts were thrown into greatest relief that you came to the Presidency of the Bank. Your name was a happy selection on account of your special qualifications: creative imagination, under strict discipline; the ability to understand the modern world and its democratic and egalitarian spirit; familiarity with the most intricate and complex organizational problems; and above all the humane judgment which has been abundantly demonstrated in the exercise of your present functions. Based on a view of the solidarity of mankind, you are concerned to increase the flow of capital from the rich to the backward countries. You have promoted the fundamental studies of the Pearson Report which is an appeal to the conscience of mankind to seek ways of reducing present inequalities. You have stated with great vigor the serious nature of the problems of the population explosion, and chronic unemployment. In the operations of the Bank you have given a growing importance to two critical sectors, namely agriculture and education, because you consider the improvement of human resources to be the most productive of investments. As I said earlier today, Colombia has benefited in particular from the orientations which you have given to the Bank, and we know with what interest and sympathy you are studying the course of our development and the plans we are preparing.

You are a most welcome guest on account of your position as the head of one of the most important organizations for international cooperation, your own personal qualities, and the great assistance which the Bank is lending to Colombia under your leadership. I am interpreting the sincere opinion of Colombians in expressing the affection with which we see you here, accompanied by your distinguished wife, and by those officials of the Bank who for many years have consistently helped to maintain our cooperative relationship.

I invite you to drink to Mr. and Mrs. McNamara and the members of their delegation. May the relations between Colombia and the World Bank continue to develop in the future, as in the past, in circumstances of mutual friendship and understanding.

Translated by: Raymond M. Frost

ADMINISTRATIVE CIRCULAR

June 30, 1970

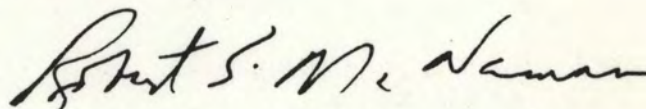
TO BANK GROUP STAFF

Today is the end of the fiscal year and the Bank Group can look back on an extraordinarily active twelve months.

During this period 147 Bank, IDA and IFC projects have been approved, with Bank Group commitments totalling \$2,297 million (compared with \$1,877 million for FY69 and \$1,004 million for FY68). But perhaps a more significant figure is the total cost of the projects in which we were involved. That was just about \$6 billion.

The \$6 billion invested in development, and, perhaps more importantly, the technical advice and expertise which go along with it, will help to advance the welfare of hundreds of millions of people around the globe.

The 147 projects processed by the Bank Group this year represent an enormous amount of very hard work by the members of our staff. It is this which has made possible the Bank's increasing contribution to world development.



Robert S. McNamara

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Opening remarks of ROBERT S. McNAMARA, Chairman, to the
Fourth Annual Meeting of the ICSID Administrative Council

(September 23, 1970)

It is a great pleasure to welcome the representatives and observers present today for this Fourth Annual Meeting of the Administrative Council of the International Centre for Settlement of Investment Disputes.

I am always a little embarrassed by the formality and the brevity of these proceedings. There is some danger that we will, in dealing with an agenda containing more formal than substantive items, overlook the materially significant elements of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States which established this organization.

The purpose of the Convention is very clear and it is very simple: to offer to those governments that wish to attract private foreign investment an instrument designed to place their relations with foreign investors on a footing of mutual trust and confidence. The Convention provides a forum, that may be agreed upon in advance, for the resolution of differences, should any arise at any time in the future that cannot be adjusted through direct negotiation among the parties.

I share the widely held belief that the confidence

inspired by the mere existence of such an ultimate forum will go a long way to avoiding the very situation for which it was created, by providing an atmosphere favorable to the adjustment, by the parties, of their disputes by means of negotiations. It would therefore not be surprising if the Centre were called upon only infrequently to conduct conciliation or arbitration proceedings. What matters is that parties to investment agreements should consent in advance to have recourse to it as a last resort. I am consequently most encouraged by the ever-increasing frequency with which governments and private investors do so agree. In particular, we know that the possibility of submitting future disputes to the Centre has been a crucial element in the conclusion of several investment arrangements in recent months.

Thus the Convention is already and in the future will increasingly play a part in creating the favorable environment for private investment so many of the Governors for both developing and developed countries alluded to in their remarks during the World Bank meetings in the past several days.

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Concluding Remarks - Spurbagen 9/14/70

Encl

Mr. Chairman:

Many stimulating statements have been made from this rostrum during the past week - not least by you, sir, and by the Prime Minister of our generous host country. I have been impressed by the refreshing frankness with which differing points of view have been expressed. But I have been equally impressed by the clear indications that resolution of the points of difference is being sought in a spirit of good will and mutual accommodation.

Many valuable suggestions have been put forward concerning the operations of the World Bank Group. We will carefully analyze and consider all of these suggestions. This morning, however, I wish to comment briefly on just ^{five} ~~six~~ points.

First, we in the Bank share the concern expressed by so many Governors ^{regarding} concerning the mounting external public debt of many of the developing countries. The total amount of such debt ^{stands} stood at over ^{\$53} \$53 billion ^{at the end of 1968}, of which roughly three-quarters had been disbursed. But more significant than the total amount of the debt is the fact that ^{the debt} it has been growing at an average compound rate of almost 15% a year and that total debt service has been growing ^{even more} almost as rapidly. The rate of growth of both debt outstanding and debt service payments has been about twice the rate of growth of the developing countries' export earnings, and almost three times that of their combined gross national product.

The debt situation is now becoming a problem of central importance to many countries, and one that, while by no means universal, ^{it is sufficiently general} is general enough so that we would ignore it at our peril.

The Bank ^{will} ~~has~~ therefore ~~decided to~~ undertake a major study of the debt problems that face our developing member countries. This work will be carried out by a special staff under the leadership of ^{our Vice President} Sir Denis Rickett. I have every hope that, by the time we meet next year, the study will have thrown considerable light on the complex issues involved, and on possible approaches to their solution.

Second, no subject was referred to more frequently during this week's discussions than the possibility of creating a link between Special Drawing Rights and development finance. Sharply conflicting views are, I know, held with respect to the desirability of such a link, but the great majority of those who spoke urged that the subject be given ~~prompt and careful~~ study. ^{Mr. Schweitzer referred to it a moment ago.} ~~The primary responsibility for any such study must obviously rest with the International Monetary Fund, but~~ ^B Because the availability of more concessional finance is of such vital importance to the development process, ~~the Bank also has a manifest interest in the problem.~~ If, therefore, the Fund decides to undertake a study of ~~the link,~~ ^{is} the Bank ~~will stand prepared to give the Fund whatever assistance it may wish from us.~~ ^{assistance in any study of this matter undertaken by the Fund.}

Third, I want to express emphatic agreement with the points so clearly made by Mr. Schweitzer and ^{by} many Governors concerning the impact on the developing countries of the economic policies pursued by the industrial countries. Inflation and instability in the industrialized countries ^{adversely affect both} ~~take their toll~~ upon the export earnings and the terms of trade of the developing countries; similarly, when the more advanced countries rely on monetary policy

too much and on fiscal policy too little to control demand pressures, the resulting high cost and restricted availability of credit adversely affect the low income countries. And it is the developing nations which suffer most when trade policies throughout the world become less liberal.

~~Third,~~
~~Fourth,~~ I want to welcome the numerous expressions of support from ~~both~~ developed and developing countries alike for now moving forward ~~promptly~~ with an international investment insurance ~~scheme~~ ^{plan} to help accelerate the flow of private capital into the developing countries by protecting investors ~~from political risks~~ ^{against non-commercial risks} beyond their control. We are ready to act on this ~~front~~ ^{matter promptly} ~~Within~~ ^{the next two weeks,} ~~the~~ Executive Directors of the Bank, sitting as a Committee of the Whole, ~~will meet to renew their study of~~ ^{for October 8. It is considered the subject of} this matter and to try to ~~reach agreement on the text of a charter~~ ^{present a specific proposal for} for governmental consideration. ~~for governmental consideration.~~ ^{consideration and action by governments.}

~~Fifth,~~ I have noted the importance attached by many Governors to greater flexibility in the lending policies of the World Bank Group, particularly in connection with non-project and local cost financing. As you know, not only are sharply divergent views held by member governments with respect to these issues, but our freedom of decision is ~~somewhat circumscribed~~ ^{limited} by the Bank's Articles of Agreement. Nonetheless, the time has clearly come for a full re-examination of both program lending and local expenditure financing, ~~and~~ I therefore intend to schedule ~~them~~ ^{these matters} for discussion by the Bank's Executive Directors within the next few months.

^{Fifth}~~Sixth~~ along with Mr. Schweitzer and many Governors, I ^{am delighted} warmly welcome ^{by} the declared intention of most of the governments which are members of the Development Assistance Committee to work promptly toward a general agreement on the untying of bilateral development loans. Our experience indicates that such an agreement would significantly ^{increase} enhance the value of those loans. We in the World Bank ^{are fully prepared} stand ready, ~~therefore~~, to assist both in the working out of a practical untying agreement and in its implementation.

I would not wish to close without expressing appreciation to the Governor for The Netherlands for the offer of his government to make a special contribution of \$5 million to the International Finance Corporation, ~~in 1971, by way of a loan on appropriate terms.~~ IFC will soon be faced with a need to augment its resources, as a result of the ~~encouraging~~ increase in the volume of its investments over the past two years. The generous Dutch offer is therefore very timely. The fact that it was wholly unsolicited makes it doubly welcome.

* * * * *

Mr. Chairman: Over the noise and clamor of those who sometimes seem unwilling to listen, the message of this Copenhagen Conference rings loud and clear: ^{it is simply} That our institutions, ^{after a} ~~with all~~ ^{quarter-century of} ~~the maturity of their~~ experience, remain young in spirit and imaginative and flexible in their approach; that both they and the community of nations gathered here regard present efforts as a far

from satisfactory response to the pressing needs of the developing world; and that all of us - developed and less developed nations and Bretton Woods organizations alike - stand ready - indeed, stand committed - to bring to the peoples of the ^{Developing} ~~Third World~~, ~~urgently~~ but ~~through peaceful processes of change~~, the benefits of faster economic growth and greater social justice. ^{that I believe} ~~Let that be the message of Copenhagen, and let it be heard and heeded around the world.~~

Thank you ^{all} and goodbye until next year.

Verbatim
Book

CLOSING STATEMENT OF ROBERT S. McNAMARA, PRESIDENT,
WORLD BANK GROUP, SEPTEMBER 25, 1970
1970 ANNUAL MEETING - COPENHAGEN

Mr. Chairman:

Many stimulating statements have been made from this rostrum during the past week -- not least by you, Sir. Many valuable suggestions have been put forward concerning the operations of the World Bank Group. We will carefully analyze and study all of them. This morning, however, I would like to comment on five of these.

First, we in the Bank share the concern expressed by so many Governors concerning the mounting burden of external public debt of many of the developing countries. The total amount of such debt stood at over \$53 billion at the end of 1968, of which roughly three-quarters had been disbursed. But more significant than the total amount of the debt is the fact that it has been growing at an average compound rate of about 15% a year and not only has the total debt been growing but the debt service has been growing almost as rapidly. The rate of growth of both debt outstanding and debt service payments has been about twice the rate of growth of the export earnings of the developing countries.

This situation is now becoming a problem of central importance to many countries, and one that, while by no means universal, is general enough so that we would ignore it at our peril. The Bank therefore will undertake a major study of the debt problems that face our member countries. This work will be carried out by a special staff under the leadership of our Vice President, Sir Denis Rickett. I have every hope that, by the time we meet next year, the study will have thrown considerable light on the complex issues involved, and on possible approaches to their solution.

Second, I think no other subject was referred to as frequently during this week's discussions as the possibility of creating a link between Special Drawing Rights and development finance. Sharply conflicting views are, I know, held with respect to the desirability of such a link, but I think the great majority of those who spoke urged that the subject be given special study. The primary responsibility for any such study must obviously rest with the International Monetary Fund, but because the availability of more concessional finance is of such vital importance to the development process, the Bank is prepared to give assistance in any study of this matter undertaken by the Fund.

Thirdly, I want to welcome the numerous expressions of support from developed and developing countries for moving forward promptly with an international investment insurance plan to help accelerate the flow of private capital into the developing countries by protecting investors

from political risks beyond their control. We will schedule a meeting for Thursday, October 8. At that time attention will be given to what action can be taken for specific proposals for consideration by the Executive Directors of the Bank.

Fourth, I have noted the importance attached by many Governors to greater flexibility in the lending policies of the World Bank Group, particularly in connection with non-project and local cost financing. There are divergent views held by member governments with respect to these issues, but our freedom of action is limited by the Bank's Articles of Agreement. Nonetheless, the time has clearly come for a full re-examination of both program lending and local expenditure financing, and I therefore intend to schedule them for review by the Bank's Executive Directors during the next several months.

Five, along with Mr. Schweitzer and many Governors, I want to say how pleased we are by the declared intention of most of the governments which are members of the Development Assistance Committee to work promptly toward a general agreement on the untying of bilateral development loans. Our experience indicates that such an agreement would significantly enhance the value of those loans. We in the World Bank are fully prepared to assist in the working out of a practical untying agreement itself and to implement it promptly.

I would not wish to close without expressing appreciation to the Governor for The Netherlands for the offer of his government to make a special contribution of \$5 million to the International Finance Corporation in 1971 by way of a loan on appropriate terms. IFC will soon need to augment its resources, as a result of the encouraging increase in the volume of its investments over the past two years. The generous Dutch offer is therefore very timely, and particularly appreciated because it was unsolicited.

* * * * *

Mr. Chairman: Over the noise and clamor of recent days, I think the message of this Conference rings loud and clear: and it is this: That our institutions, after a quarter of a century of experience, remain young in spirit and imaginative and flexible in their approach; that they and the community of nations gathered and represented here regard present efforts as far from satisfactory for the pressing needs of the developing world; and that all of us -- developed and less developed nations and Bretton Woods organizations alike -- stand ready -- indeed, we stand committed to bring to the peoples of the developing world, the benefits of greater economic growth and greater social justice. This is what the world should hear from the message of this week.

Thank you and goodbye until next year.

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Annual Statement Yugoslavia 1971
I am delighted to be in Yugoslavia, and look forward eagerly to meeting President Tito, and seeing something of your great country.

because our visit comes
My pleasure ~~in~~ being here is the greater, at a time when ~~our~~ *the World Bank's* commitment to the economic development of Yugoslavia is increasing very substantially. The ~~World~~ Bank is currently implementing a program under which we expect that in the five years, 1969 through 1973, the worldwide total of our lending will be twice as large as in the previous five years. But while the ~~global~~ *worldwide* total will double, we expect that the proportional increase in our lending to Yugoslavia will be even larger still.

We are already well on the way to achieving both targets. The annual average of the Bank's ~~Group's~~ worldwide financing commitments in the last two fiscal years has been almost twice as high as it was in the five years, 1964 to 1968. In Yugoslavia's case, the rise has been even sharper. ~~Indeed, the Bank Group's~~ *Our financial* commitments for development projects in your country have risen from an annual average of about \$35 million in 1964-68 to \$46 million in fiscal 1969 and a record \$108 million in fiscal 1970.

Our lending in Yugoslavia is not only being increased; it is also being diversified. In the past, we had supported projects relating to power, railways, roads, industry, and agricultural processing. While continuing our support for such sectors, we made our first loan for telecommunications in Yugoslavia in February this year. For the future, we hope to ~~examine the possibilities of lending~~ for tourism, for export-oriented industries and for projects in the less developed regions of your country. We, ~~too~~, firmly believe, as you do, that economic development is most effective when its benefits are widely shared.

Firm testimony to the growing partnership between the Bank ~~Group~~ and Yugoslavia is to be found in the proposal for the Third Replenishment of the International Development Association, an affiliate of the Bank. Your President's offer of a Yugoslavian contribution to the Third Replenishment is a sign of your generosity and farsightedness, for which we are deeply grateful. Under the ~~scheme~~ *plan*, Yugoslavia will acquire for itself the distinction of being among the first of the developing nations to contribute to an IDA replenishment.

During the next few days, I look forward to seeing something of the remarkable economic progress you have made, within a ~~socio-economic~~ *political, social, + economic* framework that is as fascinating as it is unique. In doing so, I hope to gain a better understanding of your prospects and your problems, and of what we in the World Bank can do to help your country, ~~develop in its~~ *meet its development objectives you have set for yourselves.*
~~own way.~~

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Belgrade 15/17/70 - Departure Statement

This has been a most pleasant and productive visit. I knew that Yugoslavia was a land of variety and of innovation and of success. But until I came ~~h~~ here I had no idea of how great that variety was, nor how widespread were both your innovations and your successes.

I have not been able to visit ~~all~~ all the Republics and regions, but in all those that I have visited I have learn_t something from each. For instance: while I was in Vojvodina I heard about your extraordinary success in agriculture. While I was travelling in Bosnia & Herzegovina, in Macedonia, in Croatia, and in Montenegro I saw some of the marvellous countryside -- mountain and lake, seashore and antiquities -- on which you are basing your ~~already~~ booming tourist industry. Such natural resources, added to your traditional hospitality of which we received so many samples, seem bound to bring success.

In Belgrade, in Sarajevo and in Zagreb we saw some of your export oriented industries, and we heard from officials and ^{enterprise} ~~business~~ managers of their ~~present~~ growing success in highly competitive fields, and of their plans to go further and faster.

But perhaps my most vivid impression ~~is~~ of the effort made by the whole nation to accelerate the rate of economic growth in your underdeveloped areas. That policy and your plans for further expansion of agriculture, industry, tourism and the associated infrastructure, lead me to believe that Yugoslavia both requires and can utilise effectively additional amounts

2.

of external capital. A substantial increase in World Bank lending above the ^{annual} level of the ^{five} ~~average~~ ^{of the} years 1964-68 would therefore appear justified .. I would hope we could double or treble the levels of that period during the next five years.

I owe a great debt of gratitude to President Tito and to his colleagues responsible for economic ^{and financial} affairs, to the Presidents of the Republics I visited and their associates, for all the time and carefully thought out information they gave me. I am sure that ~~as a result~~ the partnership in development between Yugoslavia and the World Bank Group will be permanently strengthened by the greater understanding of your ^{aims and efforts that we carry back with us.} aims and efforts that we carry back with us.

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Annual Statement - Addis Ababa 10/18/70

My arrival in Ethiopia brings me to a part of the world which I have long been anxious to see. I am particularly delighted that this visit will provide me with an opportunity to meet again ^{your} Emperor Haile Selassie, a man whose dedication to the development of his country and the advancement of its people has won him respect and admiration far beyond the borders of Ethiopia. From it, I hope to gain new insights into your problems and your potential, in order to see what we in the World Bank Group can do to help overcome the problems and transform the potential into reality.

We are already in the process of greatly increasing our assistance for Ethiopia's economic development. In the last two fiscal years, the annual average of our lending has been well above the average for the 1964-68 period. We hope that in the next five years, our lending for projects in your country will be more than twice as large as in the previous five years. This increase reflects Ethiopia's growing capacity to ^{set} prepare and implement viable projects.

In the past our lending to Ethiopia has concentrated on assisting you in building the infrastructure -- the roads and telecommunications facilities required to tie a vast country together and the electric power facilities required for industrial development. While we intend to continue lending in these fields, we hope also to be able greatly to expand our assistance for agricultural development. We are encouraged by the progress being made in this sector. As agricultural research continues, as extension services are expanded, and as farmers are provided with bigger incentives through land reform, it should be possible greatly to increase the productivity of Ethiopia's rich agricultural resources.

We are also particularly interested in your country's plan for developing educational facilities. We have already assisted an education project supporting your policy of placing greater emphasis on the practical subjects required for development. We look forward to working together in devising future education projects geared not to copying European or American models but rather to meeting Ethiopia's own special needs.

The purpose of our lending, in Ethiopia as in any other country, is not simply to help build a road here or a power plant there. The more important purpose is to fit our assistance into a program of activity designed to create a fuller, happier and more productive life for the people of the country. That is the purpose to which all our assistance to Ethiopia is dedicated.

Over the next few days, I plan to meet many of those who are concerned with your economic development, and to see on the ground some of the activities in progress. I hope that, at the end, I shall know more of your country and your people, so that the Bank can play a fuller part in helping you solve the problems -- relating to the mobilization of public savings, for instance -- that undoubtedly lie ahead. Thus do we hope to forge a closer partnership in moving towards our common goal of advancing the welfare of Ethiopia's people.

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Departure Statement - Addis Ababa 10/11/70
DEPART FAREWELL STATEMENT BY MR. MCNAMARA

Let me begin by expressing my deep appreciation to His Imperial Majesty for his invitation to visit Ethiopia, and to him and his ministers for all the time they gave me to explain the problems and policies and traditions of this historic country.

It has been a most enjoyable first visit to a country of which I had read and heard so much before I came; but the reality was even more exciting and challenging than I had expected.

I shall long remember the phrase in which the President of the University described its function "to be a modern institution for an ancient land". That seems to me to sum up the philosophy I heard and the process of change which I found wherever I visited.

For instance I saw some agricultural developments which were firmly based on the shrewd farming traditions of your peasantry, but were introducing modern scientific methods which can more than double the yield of crops and herds. The lessons of these experiments will need before long to be spread widely across the country - an immense but necessary task.

I was glad to learn that already progress is being made towards changes in the land tenure system and in the direction of effectively utilizing unused land - changes which are essential if agriculture is to be modernized and your farmers are to get the maximum benefits from this fertile and beautiful country.

It became very clear to me in the course of my conversations with His Majesty and his ministers that it is fully recognized that the two most urgent priorities for Ethiopia are the improvement of agriculture, and of your educational system. These are both immense tasks, and will absorb much of your own scarce resources; it was therefore encouraging to see progress in controlling the Government's general administrative expenses. It will be equally important to realize improvements in the tax system and its administration.

If these changes go forward, as I am sure they must, this country will be able to mobilize its own resources for priority developments on a larger and more effective scale. In these circumstances larger quantities of external resources could be both

justified and effectively used. And I would hope and expect that the World Bank Group could very substantially increase its contribution, particularly in your priority spheres of education and agriculture. A lot of work for you and for us lies ahead in achieving your goal - which we strongly support - of advancing the welfare of Ethiopia's people.

E. Pakistan Reconstruction Project

11/18/70

~~Results~~

Yesterday at our meeting we had a brief discussion about East Pakistan. We still have little information about the extent of damage done by the cyclone last week, but it is evident that this was a very great disaster. Reports put the number of people killed at over 50,000, and many observers believe that the number is very much greater than that. ~~Probably we shall never know the exact death toll.~~ *and all agree that the damage physical damage was extraordinary*

Yesterday the Secretary General of the United Nations called a meeting of representatives of various countries and U.N. institutions to make an appeal for help. I also received a telegram from him urging that the Bank consider what it could do to help in this situation. What is desperately needed right now is the provision of emergency relief supplies - food, medicine and such like. The Bank's representative at the meeting called by the Secretary General said naturally that the Bank Group could not join in emergency relief of this kind but also indicated that we were considering how we might help Pakistan in present circumstances.

We have at the moment several members of the staff in East Pakistan, including Mr. Sadove and ~~of course~~ Mr. Kuriyama, our Resident Representative there. As Mr. Cargill told you yesterday, several members of the staff were in fact in the coastal area worst hit by the cyclone. We ^{have} cabled ~~on Monday to~~ Mr. Sadove to enquire about the extent of physical damage, ~~done. Preliminary reports suggest that many highly import facilities and -~~ ^{and} ~~projects have suffered severe damage.~~ We understand that vital communication links, such as bridges and roads, were **either** destroyed or badly damaged and that projects like the coastal embankment scheme, which our mission was

visiting at the time of the storm, have also been damaged. I expect to get more detailed information in the coming days. We shall, of course, be consulting with other institutions and with aid-giving countries to insure that there will be no duplication of effort. The Pakistan Government has already established a disaster commission which has the responsibility for coordination of this work and we would work closely with this commission.

If present reports are substantiated, it seems clear that the top economic priority for Pakistan in the immediate future will be to make good the damage that has been done and to review the adequacy of arrangements for cyclone warning and protection. In my view the Bank should offer its help in this task. It is impossible for me now to make any precise proposals to you. However, subject to the conclusions we may

reach as we get more information, it seems to me that it would be appropriate for the Bank or IDA to make a reconstruction loan or credit, and I wanted to share my thoughts with you as early as possible for two reasons. First,

I think it important that we should inform the Government of Pakistan and, through the Secretary General of the United Nations, other aid-givers that the Bank is actively considering ways in which it can help East Pakistan. Second, it is more than likely that to provide this help as quickly as is necessary - and I should emphasize that in present

circumstances the speed at which we move is all important - we shall have to circumvent some of our normal procedures. Furthermore, a very great part of the cost of reconstruction will certainly be in local currency, and probably much of the work will have to be done by local labor, in itself a benefit to those people deprived of their livelihood.

As we get more information and our ideas crystalize, I will inform you.

I would like to ask Mr. Paccetti, I tell you how we propose to approach the problem.

but we have certain tentative ideas, we will describe to you at a moment.

we should provide financial assistance for reconstruction with you on this subject

Coordinator of the E. Pakistan + agriculture program in the S.P. of

EAST PAKISTAN

Reconstruction After the 1970 Cyclone

Violent storms and tidal waves are yearly occurrences along the coast of East Pakistan. They usually take place in April/May or during September, October or November. For example, two typhoons struck East Pakistan in 1960, causing about 14,000 deaths in the Meghna estuary and along the Chittagong coast. In 1961, a storm hit the same estuary and the coastal area of Barisal district, causing 4,000 deaths. A similar toll was caused by a typhoon in 1963. The latest severe typhoon was in May 1965, again in Barisal district: more than 20,000 persons died.

The 1970 Cyclone

While of the same kind, the damage caused by the 150-mile winds and the 20-foot tidal waves which ran through the Bay of Bengal last week is of a different order of magnitude. It affected an unusually large area of the delta and of the southeastern coast, and brought total devastation to several heavily populated islands - including Bhola and Hatia. The official death count has already reached ^{60,000}~~55,000~~ and, according to some Government officials, the final figure may well reach or even exceed 200,000. The human damage to East Pakistan from the 1970 typhoon, when finally assessed, may therefore exceed the toll of any natural calamity anywhere in the world this century.

The dimensions of the physical damage (and, hence, of the reconstruction task) are also considerable. In addition to immediate crop losses, saline intrusion in some areas is likely to affect yields of future crops. Losses of livestock - a major form of farmers' savings - are known to have been extensive. Thousands of houses - in some cases entire villages - have been destroyed. Most of the areas hit are fishing areas and it is likely

that, in these areas, much of the rudimentary equipment which offshore fishermen use (boats, nets and gear) ^{was} ~~has been~~ lost to the storm.

Finally, many miles of embankments overtopped by the tidal waves, as well as roads and bridges in coastal areas, are likely to require repair or rebuilding.

Preparation of a Reconstruction Project

Mr. Sadove, the Director of the Special Projects Department, arrived in Dacca yesterday. We have cabled him to discuss with ^{East Pakistan} Government ^{authorities} steps to prepare a reconstruction project for IDA financing. Some of the work required to put such a project together can probably be initiated by Bank staff and Bank-employed consultants already in the field.

A team of five consultants led by Mr. Hugh P. Dugan of the Bank staff has been visiting the coastal areas hit by the storm. The mission also included USAID representatives. The mission was reviewing the coastal embankment program, a major on-going scheme of the East Pakistan Water and Power Development Authority. The scheme aims at protection of coastal areas against oceanic tides. It has already absorbed investment of US\$200 million equivalent, much of it being counterpart funds generated from US-PL480 grain shipments to Pakistan. Some 60 polders involving one million acres now have some degree of flood protection and embankments for an additional 25 polders protecting 500,000 acres have been partially completed.

The purpose of the mission was to draw up guidelines for further development in the area with a view to improve water supply, maintenance of facilities and agricultural practices so as to increase the benefits from flood protection. We expect to get from this team (and from Leedshill-De Leuw, a firm of consultants financed by USAID) an assessment of the protection and reconstruction work required in the coastal embankments following last week's calamity.

The Coastal Embankment Project has been designed to provide protection against tides, not against cyclonic storm surges.

For that part of the polders situated inland from the Sundarbans, protection is satisfactory excepting the effect of extremely high river discharges. Though cyclonic storm surges penetrate into the Sundarbans area through the estuaries, the thick forest cover there results in extenuation of the surges.

As regards the polders on the offshore islands and those near the open coast and the estuaries, the situation is less favorable. These areas are directly exposed to the full impact of the cyclones, as has been tragically demonstrated last week. This leads to overtopping and, in some cases, breaching of embankments given present designs. In principle, it is possible to heighten and strengthen the embankments to such an extent that this danger, if not entirely excluded, will be reduced to a very low frequency of occurrence. However, the expenditure involved in a substantial increase in height and strength of the embankments is large. The alternative of building dykes back a mile or two from the shoreline, with protective vegetation on the seaward side, have been suggested but, there again, the added safety must be balanced against the costs in terms of land unprotected from regular tides. Up to now, Government policy has been to accept flooding of the exposed areas in the case of high storm surges. It should be pointed out that even in their present shape, the embankments have an important effect in retarding the onslaught of a surge.

~~In any case,~~ the acceptance of cyclonic storm flooding should not mean that loss of human life and of livestock on a large scale needs to be accepted. Through an efficient warning system and by providing places of refuge for the population and livestock, it should be possible to reduce at

reasonable cost

these tragic losses to a great extent.

Efficient cyclone warning suffers from insufficiency of data. Accuracy of forecasting where and at what time a developing cyclone will hit the coast could be improved by more frequent and more detailed weather observations in the Bay of Bengal, either by means of one or more permanently stationed weather ships or unmanned automatically transmitting weatherbuoys, or by a well-organized system of interlocking radar stations, weather observation airplanes or satellites. The economics of these alternatives need to be worked into. Furthermore, warnings to the population could be improved through communications by VHF communication and further dissemination through community organizations.

More attention might also be given to cyclone shelters - i.e., "surge proof" and "wind proof" buildings, where the population could find refuge. A complementary solution, that has the advantage of also providing protection to the livestock, consists in the erection of earthen platforms of sufficient space to receive the population and livestock of a given area. Such platforms or mounds should be at a distance of at least 1-1/2 miles from the nearest exposed embankment and have a sufficient height above ground to keep away from the sea flood level. A part of the space provided by them could be used for public buildings. Another alternative would be the erection of similar but smaller mounds for every individual farm or for groups of farms or villages.

~~Another~~ Bank mission now in the field has been helping the Government in the preparation of a rural infrastructure project designed to provide thanas (administrative units) of the province with funds for labor-intensive schemes of high economic priority, e.g. minor irrigation works, access roads, marketing facilities, etc. This project would form part of the Rural Works

program, and we expect that the same program will be a major instrument in the East Pakistan reconstruction effort following the cyclone, notably for road repair and for cyclone shelter construction.

A third Bank Group activity now underway, whose work may well bear in the formulation of the reconstruction project, is the Flood Consulting Panel. This mission, led by Mr. Kirpich of our staff, includes five top international experts in the fields of river planning, sedimentology, river training, hydrology and water resource economics. It was sent to East Pakistan to assist the Government in the formulation of major water studies and in the review of technical problems that have arisen with respect to water control projects about to be implemented. We now propose to request the Panel to assess the damage caused by the cyclone, to make a critical review of engineering criteria now employed for flood and tide protection in East Pakistan and to look into possible improvements in cyclone and flood warning systems.

Finally, we are in communication with Dacca to determine whether additional expertise, notably in the field of road engineering, telecommunication and fisheries will be required to complete preparation of the proposed reconstruction project.

~~Thus,~~ In addition to the long-term development efforts which the Bank Group has launched in the water and agriculture sector of East Pakistan, it should be possible to put together, ~~and finance by January 1971,~~ a sound investment project which, together with complementary relief assistance from other sources, should help the Government of East Pakistan in the difficult and urgent task of reconstruction which lies ahead.

*with subject by
at the least this to the Bd in Jan '71-*

STATEMENT TO FOLLOW ANNOUNCEMENT OF CIRCULATION TODAY OF PEARSON COMMISSION PAPER ON PROGRAM LENDING AND FINANCING OF LOCAL CURRENCY EXPENDITURE:

want to show you the t
~~In this connection I should add that~~ the semi-monthly report
will be
on Bank and IDA operations which ~~is being~~ issued to the Executive Directors
it
later this week will record the receipt of a request from the Government
of Nigeria for a program loan from the Bank to support its reconstruction
and development program during the next two years. Similar requests
are being made to a number of donor countries interested in Nigeria
and the Bank is entering into consultations with these countries within
the framework of the Nigerian Consultative Group to try to work out a
coordinated response. The Nigerian proposal to the Bank appears to have
special justification arising from the fact that the available pipeline
of specific reconstruction and development projects in Nigeria
suitable for World Bank financing does not seem to be adequate, even
if we were to engage in the financing of substantial local currency
expenditures, to support the volume of ~~loans~~ *assistance* from the Bank which would
be appropriate to the present circumstances in Nigeria. We are requesting
additional information from the Nigerian Government in support of
this proposed loan, and I expect in due course to invite negotiators
on the loan and to present it for the consideration of the Executive
Directors. I expect this presentation to take place ~~about the time~~
~~that the Executive Directors complete their consideration of the policy~~
~~paper being circulated today.~~ *some time after the*
middle of Feb



Record Removal Notice



File Title Robert S. McNamara Statements / Speeches - Statements 03	Barcode No. 1772439
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Document Date Aug 28, 1970	Document Type Board Record
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Correspondents / Participants
From: The Secretary

Subject / Title
Minutes of Meeting of the Executive Directors of the Bank held in the Board Room on July 14, 1970, at 10:00 a.m.

Exception No(s).

1 2 3 4 5 6 7 8 9 10 A-C 10 D Prerogative to Restrict

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Additional Comments
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