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THE WORLD BANK  
Washington, D.C.

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Washington DC 20433  
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McNamara Papers

Mr. McNamara's Chronological file (I-1) (incoming)  
from January - December, 1977 (Jan-June)

The World Bank Group  
**Archives**



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A1995-258 Other #: 2

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President's papers - Robert S. McNamara Chronological files (incoming) - Chrons 16

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16



Translation

The President of the Republic of the Ivory Coast

Abidjan. June 22, 1977

Dear Mr. President,

I am deeply grateful for your letter of May 13, and especially your appreciation of my efforts to help you replenish the resources of the International Development Association at a satisfactory level.

I have, of course, been informed of your willingness to accept a third term as the Head of the World Bank Group, and am keenly happy about it.

I am entirely convinced that, under your direction, the Group will continue to be one of the best and most important stimulators of development.

Let me also assure you that any influence that I possess will always be used in support of your efforts.

Sincerely yours,

sgd. FELIX HOUPHOUET-BOIGNY

Mr. Robert MacNamara  
President  
World Bank  
Washington, D.C. 20433



493/2/10

*Le Président de la République de Côte d'Ivoire*

ABIDJAN, le 22 JUIN 1977



Monsieur le Président,

J'ai été très sensible aux termes de votre lettre du 13 mai et particulièrement à l'appréciation que vous formulez de mes efforts pour vous aider à reconstituer, à un niveau convenable, les ressources de l'Association Internationale de Développement.


J'ai naturellement été informé de votre acceptation d'assumer un troisième mandat à la tête du Groupe de la Banque Mondiale et m'en félicite très vivement.

Je suis tout à fait convaincu que sous votre haute direction le Groupe va continuer à être un des moteurs les meilleurs et les plus importants du développement.

Aussi puis-je vous assurer que ce que je possède d'influence s'exercera toujours dans un sens qui seconde vos efforts.

Je vous prie de bien vouloir agréer, Monsieur le Président, les assurances de ma haute considération.

Monsieur Robert Mac NAMARA  
Président de la B.I.R.D.  
WASHINGTON D.C. 20433  
- U.S.A. -

  
Félix HOUPHOUËT-BOIGNY



493/2/9

THE WORLD BANK

Office of the President



To Ambassador Young  
Mr. Ambassador, Attached  
for your information is a  
copy of a memorandum which  
I am sending today to the  
Executive Directors of the World Bank.

At your convenience, either  
here in Washington or in New York,  
I would appreciate an opportunity  
to discuss the document with you.

With best wishes,

Bob M. Vassar



493/2/7



THE WORLD BANK

Office of the President

5/26

To Mr. Owen

Henry, please call  
me when you have  
read this draft of  
the "World Development  
Program" proposal  
BA



MEMORANDUM TO THE EXECUTIVE DIRECTORS

Recently there has been much discussion about the need to undertake a comprehensive analysis of major development issues in order to promote a better understanding of them. This would enable both policy makers and the general public to see the interaction of developed and developing economies and thus strengthen the political ability to deal effectively with development problems. Interest in developing a clearer understanding of development strategy and prospects also reflects concern with the growth of new development institutions in recent years, the increasing complexity of development problems, and the consequent need for coordination of policy actions.

At the last meeting of the Development Committee, a number of members suggested topics for future discussion which relate to a more coordinated approach to development problems. In his Summary, the Chairman of the Development Committee referred to these suggestions and, in subsequent conversations with me, he stated his hope that the Bank would undertake an analysis which would focus not only on the required expansion of trade, and on the needs and availabilities of development finance, but would encompass, as well, action programs in important sectors for which the developing countries themselves would bear important responsibilities. If the Bank could undertake such work, the Chairman indicated that, in his view, the completed study would be a suitable document for discussion at a future meeting of the Development Committee.

At the recent Summit Meeting there was also a discussion of this subject. President Carter proposed that the World Bank undertake an analysis of development strategies and development problems -- he referred to this as the preparation of "A World Development Program." Without discussing exactly what such a study should cover, the Heads of State agreed that it should be initiated.

After discussions with the IMF management, we have prepared a very preliminary outline, which is attached, of what a first attempt might consist of. We have agreed that work on this would be done in the Bank, in close consultation with the IMF in those areas of their interest. We would also consult with other interested parties.

It is important that the work be started soon. The complexity of the development process is such that it will take many years to arrive at a suitable format for a broad, integrated approach to the problem and for the accumulation of appropriate data. The lack of well defined strategies against which progress in development can be assessed regularly, and which would be the basis for prompt remedial actions is a serious handicap to formulating appropriate long-term policies in developed and developing countries alike to deal with pressing development problems.



The initial audience for such a document would be the Board of the World Bank, although we would hope that after discussion there, such a paper could be forwarded to the Development Committee for a further consideration at the political level. If work were to commence in June of this year, it might be possible to present a draft report to the Board by July 1978. This would allow for discussion in the Board in time for consideration by the Development Committee at the 1978 Annual Meeting.

It is important to recognize that we are a long way from being able to develop a series of sectoral action programs which fit into a consistent whole. The process of providing an overview of the financial and policy requirements for development is exceedingly complex since development involves the basic social and economic policies of industrialized and developing countries with a wide range of capacities and objectives. The first effort at such a paper will therefore necessarily be imperfect. Nonetheless, we agree with those who have expressed concern about the absence of a general framework and with those at the Summit Conference who stressed the importance of assessing actions of both the developed and the developing countries in the context of an overall framework. If we start the process now, it will be possible to build on the first product and make gradual improvements in the years to come. We believe, therefore, work on such a project should begin immediately.

I propose to send a copy of this paper to the Chairman of the Development Committee.



OUTLINE OF AN APPROACH TO AN "ASSESSMENT OF DEVELOPMENT PROGRESS AND PROSPECTS"

Objective: The purpose of the study would be to

- (a) develop a framework which will assist both developing and developed countries to see their respective roles in the development process;
- (b) establish a basis for reviewing progress in future years.

Such a study, revised annually or biennially, would be available for discussion by national governments and in appropriate international forums.

Principal Elements: The study would seek to define the domestic savings, foreign exchange earnings, and structural adjustments required in developing countries, and the external capital flows associated with achieving a range of alternative development objectives within, say, five or ten years. Underlying such an analysis must be assumptions about overall, aggregate growth rates in developing and developed countries, to assure consistency among development objectives, to derive internal and external capital requirements, and to assure that trade and capital flows are broadly consistent with the development objectives. The emphasis would be on the internal and external policies necessary to meet the development targets.

An Approach to the First Report: The first edition of the study could outline action programs in some of the principal areas of concern. The action programs would differentiate between different categories of developing countries to the extent feasible. Subjects which might be covered in a first attempt could include:

Food Production: Definition of principal deficit areas; prospects for growth with present policies; policies needed to accelerate growth in different types of countries; policies needed to increase effective demand of specific target groups.

Population: Identification of population dynamics and impact on such areas as health, literacy, employment; areas of serious overpopulation pressures; areas with highest rates of growth; present programs and policies; targetted reductions to Net Reproduction Rate of 1; policy packages associated with such targets; implications for development planning.

Rural Poverty: Profiles of rural poverty in different types of LDCs; objectives to reduce specific aspects of rural poverty with particular emphasis on programs to raise the productivity of the small farmers; actions affecting literacy, water supply, electrification and health facilities.

Urban Poverty: Profiles of poverty in different types of cities in LDC groups; known and experimental tools to improve standards of life and productivity; objectives in terms of services (shelter, water, health, etc.) and numbers covered; policy implications and resource allocations.



Export Development and Industrial Growth: Export patterns and performance by groups of ODCs. Growth rates by types of commodities; growing importance of manufactured good exports; investments and technology requirements for accelerated industrial growth and export expansion; associated domestic policy changes; market impact in importing countries of targeted expansion. An effort would be made to spell out the short-run and long-term effects of specified trade liberalization measures on both developed and developing countries.

Mineral Development: Scope for development of energy and mineral exploration in developing countries; the importance of this to trade balances and to capital and technical assistance requirements; the volume and type of capital likely to be available under present policies and the nature of policy changes to increase the flow from non-official sources.

Capital Flows: Estimates of capital flows from both public and private sources, by groups of developing countries; the impact of such flows on the debt structure and debt-servicing capacity of the developing countries and on the capital markets of the developed nations.



March 5, 1977

MEMORANDUM

TO: Henry Owen

FROM: Ed Fried

SUBJECT: A World Development Budget: Issue for the Summit?



Problem

Foreign aid as a term denoting the major source of capital flows to the developing countries has long since been a misnomer. Such capital now consists of a variety of major categories: bilateral official capital and technical assistance on concessional terms, multilateral capital and technical assistance on concessional terms, multilateral loans on essentially market terms, official supplier credits, short and medium term borrowing on private capital markets, and equity and debt capital associated with private direct investment.

The major sources of official development capital have also become diversified: the United States, other OECD countries, the OPEC countries, and the communist countries. Multilateral official development capital moves through the four major international financial institutions led by the World Bank and such specialized organizations as the UNDP, the European Development Fund, the Arab development banks and the International Agricultural Development Fund.

This proliferation has not been a liability. Some of the new institutions were a response to special international constituencies, and consequently helped to mobilize additional capital for development. The Arab development funds are an example.

Nonetheless, closer coordination of these international capital flows and a coherent framework for considering requirements may now be in order. As matters stand, there can be no assurance that the volume of capital will be adequate for future needs, or that debt problems will be approached from a sufficiently broad perspective to avoid heavy losses for both industrialized and developing countries, or that resources will be used effectively.



## Concept

What would help is a structure to assess requirements for official development capital in a systematic and understandable fashion and to see that the use of these resources is coordinated with the flow of capital from private sources. The fact of the matter is that the major sources of development capital -- domestic savings, official external capital, and private external capital -- are now closely related. It would make sense, therefore, to approach the problems affecting capital availability in the developing countries in terms of a World Development Budget.

A few observations about capital investment in the developing countries can help to set the framework:

- Total net investment in the non-OPEC developing countries amounts to perhaps \$150 billion, of which some \$30 billion comes from abroad.\*

- External capital can be apportioned as follows: one-fourth in bilateral official loans; one-fourth in multilateral loans; and one-half in private capital (direct investment, export credits, and bank and other private lending).

- The rapidly growing (medium income) developing countries receive about three quarters of the total, including virtually all of the private capital. They also account for the major share of the outstanding international debt.

- The poorest countries receive mostly concessional capital (bilateral development loans, and loans from IDA and other multilateral soft loan windows). Their policies, their poverty, or both, largely shut them off from access to private capital.

These capital flows will have to rise considerably (in constant dollars) if the non-OPEC developing countries are to make reasonably satisfactory progress over the future. Capital from domestic savings will continue to

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\* This amount is roughly equal to recent current account deficits. It excludes about \$6 billion in technical assistance, food aid, and other grants.



be the dominant factor in the total. Here the economic policies of the developing countries themselves will be decisive. Achieving a satisfactory flow of external capital, however, will require greater international attention and new forms of concerted action to deal with the debt and the concessional capital problems.

Mounting debt could soon threaten the continued flow of private capital, with the consequences coming close to being a catastrophe -- for the developing countries, for the private lending institutions, and for business confidence and economic activity everywhere. Yet much of the rapid rise of this debt has been associated, quite normally, with rapid economic development, in both a cause and effect relationship. Another part of the rapid rise in debt is the result of efforts by the developing countries to maintain economic growth in the face of the recent deep recession in the industrial countries. Still another part -- and the most difficult -- is attributable to higher oil prices, the consequences of which will necessarily require a long adjustment period to overcome. Eventually, the restoration of more rapid economic growth should make the debt problem tractable. In the meantime, much larger governmental lending (IMF and World Bank loans, OPEC oil credits, and other bilateral official loans) on sufficiently long term will be needed to place the developing countries in a more credit-worthy position and thus to avoid a disruptive curtailment in the flow of private capital.

The problem of providing adequate concessional capital to the poorest countries also will have to be re-thought. Requirements are comparatively small if viewed on a world basis, but in absolute terms much more help from abroad will be needed to help solve the food and population problems in the poorest countries -- mainly those in South Asia and sub-Saharan Africa. The very intractability of the economic problem in these countries argues for a concessional and non-political flow of external capital, continued over long periods. Unfortunately strong political support is lacking in the United States and in the other major industrial countries for the kinds of commitments that are required.

It makes more sense than ever, therefore, for the donor countries to pool much of their aid resources through the multilateral institutions, which are the best position to deal with the recipient countries on a professional basis. Beyond that, some form of multilateral fixing of aid targets and shares may be necessary to improve public understanding of the problem and to build public support for remedial action.

This suggests the need to regularize, as much as possible, a lending program for the developing countries through periodic World Development Budgets.



The World Bank could be requested to assemble experts from the regional banks and United Nations: (1) to prepare 3-5 year estimates of total capital needs for the developing countries; (2) to examine the prospects for meeting these needs through domestic and foreign sources (bilateral, multilateral, and private); and (3) to pinpoint capital short-falls, domestic policy obstacles in the developing countries, and other problems that will have to be faced. In its annual staff assessment of "Prospects for the Developing Countries," the World Bank comes close to meeting the first of these needs now, but a new effort should incorporate the participation and analytical contributions from the other multilateral institutions concerned.

The next step would be to submit the draft budget to the joint Ministerial Committee of the Bank and the Fund (the Development Committee) for review. At that point, with the implications of current trends laid out, a basis would exist for a critique of the domestic policies of the developing countries, the aid and credit policies of the OPEC countries, the aid and credit policies of the OECD countries, and the lending policies of the international financial institutions. Such a budget would also provide a framework for examining other important aspects of the international development system, notably the relationship between private and official capital flows, the relationship between bilateral and multilateral lending, the geographic distribution of external capital, and the coordination of lending activities -- multilateral as well as bilateral.

A revised World Development Budget could then be submitted for approval, perhaps biannually, to the plenary meeting of the Bank and the Fund. Approval would not be equivalent to a national commitment by member countries, but the budget would provide a helpful framework within which each industrial country government could more persuasively request appropriations for bilateral aid and for financing the international development institutions from its legislature. The budget would show what was to be accomplished, where the capital was coming from, and how the burden of concessional finance was being shared. Such a budget would also set performance standards for the developing countries and exert pressure for improving their domestic policies, including commercial, financial, and agricultural policies. In short, as the process developed, a foundation would be established for building an invigorated World development effort.

As a possible final step, a report incorporating the World Development Budget, as approved by the Governors of the Bank and Fund, could be



submitted to ECOSOC and the General Assembly, where trade and other economic policies could be taken into account, and where the socialist countries could participate and their economic performance could be assessed. It is also conceivable that this framework could encourage a more rigorous and useful discussion of economic policies in the UN.

### The Politics

There are serious problems ahead in mobilizing capital for development, and the end of the road may be at hand for the traditional approaches in persuading legislatures in industrialized countries to take needed action to this end.

The proposal will also be useful in connection with the position to be taken at the Summit and at the CIEC on North-South matters. The OECD countries are in the position of having to be negative on most of the demands that have been advanced in UNCTAD and in the CIEC over the past few years. By the date of the Summit, for example, it will have become apparent that there is little to be gained from new commodity agreements, since only a few more will be feasible, that the Common Support Fund will not come into being on the basis envisaged by developing country spokesmen, and that there is no simple across-the-board solution to the debt problem. A proposal to try to work out a World Development Budget would open the possibility of turning the North-South discussions to a more constructive course.

If the development budget approach can be moved ahead during preparations for the Summit, the heads of government might agree at London to propose jointly to the CIEC that the concept of a World Development Budget should be explored. The objective would be to have the CIEC request that the President of the World Bank convene a representative group from industrialized and developing countries to examine the proposal and recommend next steps. If so, the Summit Declaration could include some such language as the following:

"The heads of government believe that new measures are necessary to ensure that the developing countries will have access to sufficient external capital to sustain acceptable rates of growth. Intergovernmental lending facilities need to be enlarged to support a continuing flow of private capital to the rapidly growing developing countries. A more ambitious program to provide capital on concessional terms to the poorest countries is equally necessary. The need, in brief, is for a comprehensive and coherent approach to the development problem. To meet this need, we propose to explore the concept of a World Development Budget with the developing countries in the course of the forthcoming CIEC meeting."





INTERNATIONAL LABOUR OFFICE  
GENEVA



THE DIRECTOR-GENERAL

16 May 1977

Dear Bob:

Many thanks for the luncheon the other day and the opportunity to continue our discussions on matters of mutual interest.

I also want to express my deep appreciation for your help in making my visit more productive. The Vice President was very cordial. He gave me enough time to get beyond the political issues raised in the Kissinger letter and to explain some of the substantive work of the ILO. So I was pleased to have had this opportunity and am most grateful for your help.

Looking back on my visit, I think one of my major efforts must be to familiarize the senior people in the Administration with the relevance of the ILO to U. S. policy in such areas as human rights, development assistance, and negotiations with the developing world. Needless to say, I would be most indebted for anything you can do to reinforce my efforts.

With my very warmest regards.

Sincerely,

Francis Blanchard  
Director General

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

PERSONAL

P. S. Herewith, for your information only, a copy of the letter I have just sent the Vice President.





INTERNATIONAL LABOUR OFFICE  
GENEVA

THE DIRECTOR-GENERAL

16 May 1977

The Vice President  
United States Senate  
Washington, D. C. 20510

Dear Mr. Vice President:

It was a great honor for me to meet with you. I deeply appreciate your willingness to receive me despite your very busy schedule, and I am greatly encouraged by your interest in the International Labor Organization and its work.

The points which I wished to leave with you, and which I think it is important to bear in mind in any global assessment of the ILO, are the following:

- First, The U. S. letter of intent to withdraw, and the greater attention the U. S. is giving to the ILO, have had a very positive effect. There is greater cohesion of the democratic forces in the ILO. Progress has been made on the four points of the letter. The objective is to sustain this forward momentum.
- Second, The United States, through its aid legislation and through the World Bank, is trying to bring about broadly based development in the developing world. The ILO, as a tripartite organization, is trying to rally workers and employers to the same objective through its basic needs strategy.
- Third, The United States is placing greater emphasis on human rights. The ILO can make a significant contribution to this objective both because of its human rights machinery (which is unique in the UN system) and because its tripartite structure encourages an autonomous role for workers and employers.



The Vice President

- 2 -

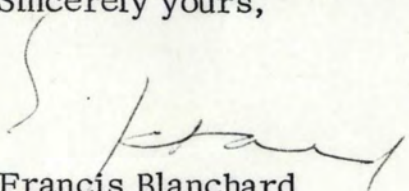
16 May 1977

I hope that I was able to convey these considerations to you during the course of our meeting.

The unique tripartite structure and pluralistic decision-making process of the ILO reflects, perhaps more closely than any other organization in the UN family, the democratic and social ideals of the United States. You can easily imagine what the loss of your country's leadership would mean to the ability of the ILO to preserve and strengthen those ideals.

Again, let me express my appreciation for your kindness in giving me the opportunity to discuss these matters with you.

Sincerely yours,



Francis Blanchard  
Director General



493/218  
May 12, 1977



To : See attached list

From : J. Burke Knapp

Subject: Criteria for Country Allocations of IDA Resources

Responding to the wishes of the Deputies in the IDA-5 negotiation, Mr. McNamara stated in a memorandum of March 18 to the Executive Directors that he had initiated work on a paper "on the criteria underlying the allocation of IDA credits which would provide the basis for a review" by the Executive Directors. We have thought it appropriate that these criteria should be discussed by the representatives of the countries which are contributing to the Fifth Replenishment, before the paper is circulated to the Executive Directors.

Accordingly, I am attaching the draft of the paper the President proposes to submit to the Executive Directors in early June, and am inviting representatives of the countries which are contributing to IDA-5 for an informal discussion of the paper on Wednesday, June 1, at 10 a.m. in Room C-1006. I would be grateful if you would inform my office as soon as possible who will represent [country or countries] at the meeting.

Attachment

Messrs. McNamara ✓  
Cargill  
William Clark  
Dawry  
Diamond/Vibert  
El Fishawy  
Gabriel  
Haq



Sent to

For 1/

Mr. R.A. Johnston

Mr. Jacques de Groote

Mr. Earl G. Drake

Mr. Einar Magnussen

Mr. Jacques H. Wahl

Mr. Hans Janssen

Mr. Giorgio Rota

Mr. Masanao Matsunaga

Mr. Said El-Naggar

Mr. Anthony Ij. A. Looijen

Ambassador Johannes H. de Loor (letter)

Mr. William S. Ryrie

Mr. Hal F. Reynolds

Australia, New Zealand

Austria, Belgium, Luxembourg

Canada, Ireland

Denmark, Finland, Iceland, Norway,  
Sweden

France

Germany

Italy, Spain

Japan

Kuwait, Saudi Arabia, U.A.E.

Netherlands, Yugoslavia  
*Republic*

~~Union~~ of South Africa

United Kingdom

United States

1/ Korea not invited.

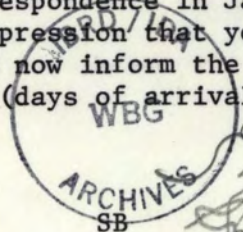


Mr. McNamara:

April 28, 1977

Bellagio Conference on Population in Denmark  
in June 1977

The Danes were quite surprised but pleasantly so last night when you said that you plan to attend the Bellagio Conference. The correspondence in January (attached) gave the Danes the impression that you would not be there. Should we now inform the Danes formally that you will attend (days of arrival and departure, etc.)?







INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
WASHINGTON, D. C. 20433, U. S. A.

OFFICE OF THE PRESIDENT

January 24, 1977



Dear Mr. Minister:

Thank you for your warm letter inviting me to address the Danish Council for International Development Cooperation, in connection with my possible participation in the IV Bellagio Conference in June 1977.

It is very kind of you to think of me in this connection, but unfortunately it is not yet clear whether I am going to be able to attend the Bellagio meeting. June is the final month of the Bank's fiscal year, and in the past the pressures of work connected with it have not made it possible for me to be away from Washington during that period.

In view of this, I think it would be better for me to decline the invitation as I would not want to complicate the Council's plans by a last-minute cancellation.

I do hope you will understand. It was very kind of you to write.

Sincerely,

Robert S. McNamara

*cc: Danish Embassy  
(handcarried by [initials] 1/27)*

The Honorable K.B. Andersen  
Minister for Foreign Affairs  
Ministry for Foreign Affairs  
Christiansborg  
1218 Copenhagen K, Denmark





INTERNATIONAL LABOUR OFFICE  
GENEVA



4/26  
return  
me  
Shu

THE DIRECTOR-GENERAL

DECLASSIFIED  
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PERSONAL  
WBG ARCHIVES

20 APR 1977

*Dear Bob*

Many thanks indeed for your kind invitation for lunch on 3 May in Washington which I gladly accept. I shall stay from 2-7 May and again on my return from Venezuela on 15-17 May.

I think it is important for me to have a chance to speak personally to key people in the new Administration who will be deciding on the future of US participation in the ILO. Therefore, in addition to Secretary Marshall, I have asked for appointments with the Secretary of State, the Secretary of Commerce and the Assistant to the President for National Security Affairs, all of whom are members of the Cabinet-level Committee dealing with the ILO.

I have just received word from the ILO Office in Washington that, due to Secretary Vance's other commitments, it may be difficult for me to meet him, and yet you will readily understand how important it is for me to have a short exchange of views with him. I thought that perhaps in view of your close past association with him you might be able to help.

*Of course,* I leave it to you to see what can be done.

*Kindest regards*

Yours sincerely,

*Francis*

Francis Blanchard.

Mr. Robert S. McNamara,  
President,  
IBRD,  
WASHINGTON D.C. 20433



March 30, 1977

Dear Mr. Young:

Many thanks for your letter of March 17, 1977.  
I was very happy that we were able to get together over lunch for a discussion of current problems.

I have had the Secretary of our Board look into the possibility of inviting you to observe a Board meeting, as suggested in your letter. For reasons you will appreciate, our Board-Procedure Rules have been drafted by the Directors with the object of maintaining the confidentiality of Board discussions. I am advised that the rules provide strictly for the attendance only of staff as the President may designate for the occasion. Even a country which is a member but has not elected or appointed a Director is entitled to send a representative only when the Board is to consider a matter of direct concern to that country other than proposals for loans. By the same token, the Board would use its prerogative to invite persons to attend only when their presence is deemed necessary for the discussion of the matter in hand.

The Secretary tells me that in the 30-year history of the Bank, the Directors have never made an exception to these rules of confidentiality, which are designed to ensure free and frank discussion within the Board. In the circumstances, I hope you will understand my inability to arrange for you to attend and observe a Board meeting. However, I look forward greatly to meeting you elsewhere.

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

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

PDamry:VRS McNamara:bmm

cc: Mr. Merriam



493/2/5  
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Congress of the United States  
House of Representatives  
Washington, D.C. 20515

C. W. BILL YOUNG  
6TH DISTRICT, FLORIDA

MEMBER:  
COMMITTEE ON  
APPROPRIATIONS

March 17, 1977

2453 RAYBURN BUILDING  
WASHINGTON, D.C. 20515

DISTRICT OFFICES:  
SUITE 627  
144 FIRST AVENUE, SOUTH  
ST. PETERSBURG, FLORIDA 33701  
SUITE 606  
801 WEST BAY DRIVE  
LARGO, FLORIDA 33540

Honorable Robert S. McNamara  
President, World Bank  
1818 H Street  
Washington, D. C. 20433

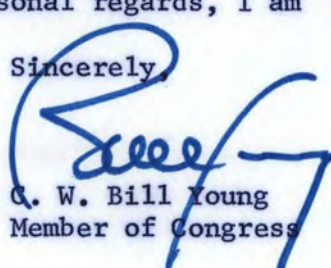
Dear Mr. McNamara:

It was a great pleasure meeting with you, and I want you to know how very much I enjoyed our luncheon discussion.

As the Ranking Minority Member of the Foreign Operations Subcommittee, with jurisdiction over appropriations to international banking institutions, I would be most interested in sitting in on a meeting of the Board of Directors of the World Bank, and will look forward to the opportunity of doing so. I hope you will consider this letter as my request for an invitation to participate.

Again, my thanks for a most interesting and worthwhile meeting, and with kindest personal regards, I am

Sincerely,

  
C. W. Bill Young  
Member of Congress

CWY/mcn

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SUITE 608  
801 WEST BAY DRIVE  
LARGO, FLORIDA 33410

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

C. W. BILL YOUNG  
5th District, Florida

MEMBER  
COMMITTEE ON  
APPROPRIATIONS

March 17, 1977

Honorable Robert S. McNamara  
President, World Bank  
1818 H Street  
Washington, D. C. 20433

Dear Mr. McNamara:

It was a great pleasure meeting with you, and I want  
you to know how very much I enjoyed our luncheon  
discussion.

As the Ranking Minority Member of the Foreign Operations  
Subcommittee, with jurisdiction over appropriations to  
international banking institutions, I would be most inter-  
ested in sitting in on a meeting of the Board of Directors  
of the World Bank, and will look forward to the opportunity  
of doing so. I hope you will consider this letter as my  
request for an invitation to participate.

Again, my thanks for a most interesting and worthwhile  
meeting, and with kindest personal regards, I am

Sincerely,

C. W. Bill Young  
Member of Congress

CWY/mcn

RECEIVED  
1977 MAR 18 PM 3:47  
INCOMING MAIL UNIT



Co-finance  
493/2/6

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara  
FROM: Ernest Stern, <sup>VP</sup>, South Asia  
SUBJECT: International Debt

DATE: March 25, 1977



1. I attended the Working Group Meeting of the Council on Foreign Relations on the International Debt Structure on March 23. Attached is a list of the participants, which, as you will see, included quite a lot of the leading lights of the banking community.

2. The opening presentation by Harold Van B. Cleveland of Citibank was on the whole rather naive and based essentially on aggregative data which concluded that there was no serious debt problem. The underlying analysis was poor, and also severely criticized. However, most of the people present, including Paul Volker and Chuck Cooper, agreed that in aggregate terms there was no evidence of a significant problem. The general view was that while the aggregate figures suggested that the debt of the developing countries was in fact quite manageable, there remained major questions in regard to the adjustment process, the capacity of commercial banks to continue this volume of lending, and the possibility of individual countries running into serious difficulties which might have a ripple effect on the whole system. Some of the participants from the smaller banks, such as Philadelphia National, refused to accept this proposition and remained excessively impressed by the nominal figures of outstanding debt.

3. The conclusions of the meeting, I thought, were interesting in that what I would consider the leading institutions seemed to be saying that they agreed that there was no overall debt problem and that continued lending to the developing countries was justified and feasible provided that care was taken in the review of individual debtors. Nick Rey of Merrill Lynch also provided some interesting information about the changing pattern of the placement of OPEC funds, since they have recently concluded direct placements in the Middle East of issues from three or four developing countries.

Attachment  
cc: Mr. Cargill  
EStern/l



COUNCIL ON FOREIGN RELATIONS

Current Issue Review Group on the  
International Debt Structure

First Meeting  
March 23, 1977

Harold Van B. Cleveland, Discussion Leader - Citibank

Robert Solomon, Chairman - Brookings Institution

Barbara Sprungli, Secretary - Council on Foreign Relations; U.S. Council,  
International Chamber of Commerce

Gerassimos D. Arsenis - UNCTAD

John P. Birkelund - New Court Securities Corporation

Henry S. Bloch - E.M. Warburg Pincus & Company

Frederick C. Broda - The Bank of New York

John R. Bunting - First Pennsylvania Banking and Trust Company

Miriam Camps - Council on Foreign Relations

Charles A. Cooper - Exxon Corporation

William Diebold, Jr. - Council on Foreign Relations

Rimmer De Vries - Morgan Guaranty Trust Company

David Finch - International Monetary Fund

Benjamin M. Friedman - Harvard University

James R. Greene - American Express International Banking Corporation

Catherine Gwin - Council on Foreign Relations

John C. Haley - The Chase Manhattan Bank

Frederick Heldring - The Philadelphia National Bank

Alexandre Kafka - International Monetary Fund

Harold F. Linder - Formerly Export-Import Bank of the United States

Lawrence McQuade - W.R. Grace & Company

Hart Perry - SoGen-Swiss International Corporation

Nicholas A. Rey - Merrill Lynch, Pierce, Fenner & Smith

Leonard S. Silk - The New York Times

William E. Simon - Booz, Allen & Hamilton, Inc.

Helena Stalson - Council on Foreign Relations

Ernest Stern - International Bank for Reconstruction and Development

H. Anton Tucher - Bank of America

Lawrence A. Veit - Brown Brothers Harriman & Company

Paul A. Volcker - Federal Reserve Bank of New York

Richard A. Wiley - First National Bank of Boston

Group Members Unable to Attend First Meeting

David O. Beim - Export-Import Bank of the United States

Mark C. Feer - Kuhn, Loeb & Company

Charles S. Ganoe - The Fidelity Bank

Lawrence B. Krause - Brookings Institution

Robert F. Maloney - General Motors Overseas Operations

William J. McDonough - First National Bank of Chicago

F. Taylor Ostrander, Jr. - AMAX, Inc.

Stephen R. Petschek - Schroder Capital Corporation

John R. Petty - Marine Midland Banks, Inc.

Robert V. Roosa - Brown Brothers Harriman & Company

John H. Watts III - Charter Atlantic Corporation



ROUTING SLIP

Date

March 18, 1977

OFFICE OF THE PRESIDENT

Name

Room No.

1. Mr. McNamara info

2. Mr. Damry to handle

*Parries please discuss  
with Reynolds and let  
me have your views and*

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

Remarks

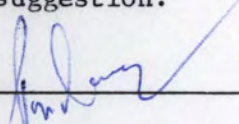
*a draft of a reply.  
Lm*

*S*  
Sven Burmester

From



THE WORLD BANK

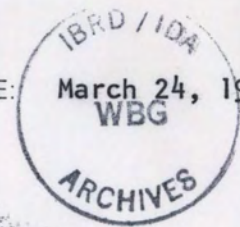
<b>ROUTING SLIP</b>		<b>DATE:</b> March 23, 1977	
<b>NAME</b>		<b>ROOM NO.</b>	
Mr. Burmester		E1227	
Mr. McNamara			
3/23			
<b>APPROPRIATE DISPOSITION</b>		<b>NOTE AND RETURN</b>	
APPROVAL		NOTE AND SEND ON	
CLEARANCE		PER OUR CONVERSATION	
COMMENT		PER YOUR REQUEST	
FOR ACTION		PREPARE REPLY	
INFORMATION		RECOMMENDATION	
INITIAL		SIGNATURE	
NOTE AND FILE		URGENT	
<b>REMARKS:</b>  <p>Sven:</p> <p>Please show this to Mr. McNamara on his return. Reynolds, who approves of the draft reply, has talked to Treasury and is very relieved that we are not making any exceptions to our regular rule excluding "strangers". I have also read the draft to Broches and made a few verbal changes at his suggestion.</p> 			
<b>FROM:</b> P. N. Damry		<b>ROOM NO.:</b>	<b>EXTENSION:</b>



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara  
FROM: John E. Merriam  
SUBJECT: Congressman Young's request to attend Board Meetings

DATE: March 24, 1977



This request properly should have been addressed to the U.S. Government. I fully concur with Purvis' suggestion that he receive a negative reply. I am glad it is someone like Young, who is going to be in the opposition anyway.

I suggest, however, that this letter be delivered through the U.S. Executive Director, so as to make it clear to Young that any comeback must come through him, i.e. that any request for his appearance at the Board would have to be raised by a member nation and not by you.

Attachment

cc: Mr. Damry

JEM:rgw



File  
493/2/4

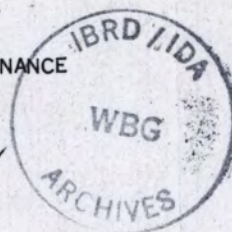
INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT  
ASSOCIATION

INTERNATIONAL FINANCE  
CORPORATION

OFFICE OF THE PRESIDENT

3/2



To Mr. Chabert

Blumenthal has pledged to me  
he will personally intervene  
& do everything possible to  
remove G.I. visa house restrictions.  
However he cannot promise immediate  
success. Therefore, to remove the  
impression the decision has already  
been made, I have changed A.E.

LSM

cc by Charles





# Record Removal Notice



<b>File Title</b> President's papers - Robert S. McNamara Chronological files (incoming) - Chrons 16		<b>Barcode No.</b>  1771546		
<b>Document Date</b> Mar 1, 1977	<b>Document Type</b> Handwritten note and Memo			
<b>Correspondents / Participants</b> Robert McNamara to Secretary Solomon				
<b>Subject / Title</b> A proposal for IBRD/IMF Staff Compensation Changes to be Effective March 1, 1977				
<b>Exception No(s).</b> <input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7 <input checked="" type="checkbox"/> 8 <input type="checkbox"/> 9 <input type="checkbox"/> 10 A-C <input type="checkbox"/> 10 D <input type="checkbox"/> Prerogative to Restrict				
<b>Reason for Removal</b> Corporate Administrative Matters				
<b>Additional Comments</b>		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td><b>Withdrawn by</b> Sherrine M. Thompson</td><td><b>Date</b> Nov 9, 2012</td></tr></table>	<b>Withdrawn by</b> Sherrine M. Thompson	<b>Date</b> Nov 9, 2012
<b>Withdrawn by</b> Sherrine M. Thompson	<b>Date</b> Nov 9, 2012			





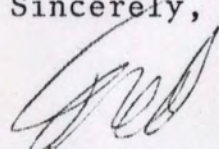
ASSISTANT SECRETARY OF THE TREASURY  
WASHINGTON, D.C. 20220

February 9, 1977

Dear Bob:

Attached is a copy of the testimony which I will be presenting before Senator Inouye's Subcommittee tomorrow. I thought you would be interested in seeing it as soon as possible. The reference in paragraph four is due to my conversations with Peter Cargill in the context of the IDA V negotiations. I am sure he has kept you fully informed.

Sincerely,

  
C. Fred Bergsten  
Assistant Secretary Designate  
for International Affairs

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

Attachment



493/2/2  
1/9 To Secretary Bergsten

Thanks Fred for

sending me your

testimony. It is

just class.

Do let us know if

we can help with respect

to the last sentence of

paragraph 4. It will be

a tight squeeze.

Bob



FOR RELEASE UPON DELIVERY

STATEMENT BY THE HONORABLE C. FRED BERGSTEN  
ASSISTANT SECRETARY OF THE TREASURY-DESIGNATE FOR  
INTERNATIONAL AFFAIRS  
BEFORE THE  
SUBCOMMITTEE ON FOREIGN OPERATIONS OF THE SENATE  
APPROPRIATIONS COMMITTEE  
THURSDAY, FEBRUARY 10, 1977, AT 2:00 P.M., EST

Mr. Chairman and Members of the Committee:

1. I am delighted to have this opportunity to begin the testimony of the Carter Administration on foreign assistance policy before the Congress. I hope that today's hearing will commence a close working relationship between the Administration and the Congress in this policy area, as do Secretary Blumenthal and indeed President Carter himself.
2. Close consultation with the Congress will be a hallmark of our approach. The President, in developing the domestic economic recovery program, has already demonstrated his commitment to work intimately with the Congress on all key issues. He extended that approach to the foreign policy area, even before Inauguration Day, through the full-day meeting at the Smithsonian in which you participated, Mr. Chairman, and at which extensive views on the topic now before us were exchanged. It is an honor for me to be able to intensify that commitment today.



3. In preliminary discussion with the staff of this Committee, and through conversations with yourself and others in the Congress, I believe that progress has already been made toward resolving some of the major issues which have been outstanding in the recent past.

4. First, we fully accept your view that U.S. contributions to the international development lending institutions be pledged "subject to appropriations." I have so informed the management of the World Bank, which is already at work on the adjustments that may therefore be required in their previous operating procedures, and will convey this position clearly to all other donor countries. This is not the time to discuss in detail the forthcoming fifth replenishment of the International Development Association ("IDA V"), which the Administration strongly supports and which we believe will be promoted by the development of a common view between the Administration and the Congress on this important issue. I should note, however, that we welcome the opportunity to have formal hearings, before both your Committee and its companion Committee in the House of Representatives, prior to determining and indicating our contribution to that particular operation.

5. Second, we will initiate a full review of the lending policies and practices, and the internal administration, of all international development lending institutions of which the United States is a member. As President Carter has indicated on several occasions, and as Secretary Blumenthal affirmed in his confirmation hearings before the Senate Finance Committee, this Administration strongly supports the extension of foreign assistance through international development lending institutions.



But, in keeping with the priority which the Administration attaches to efficiency in management and minimization of administrative costs, we will look carefully at all aspects of the banks' operations and report our findings to you as soon as our analyses can be completed. The Treasury Department will attach very high priority to this review. And we will appoint U.S. Executive Directors to each of these institutions who will forcefully convey U.S. policy to them.

6. Third, we accept the proposal in your letter of February 2 to Secretary Blumenthal, co-signed by Chairman Clarence Long of the House Subcommittee, that the fiscal year 1978 budget submission should seek appropriation of all callable capital for the international financial institutions. We have already informed the Office of Management and Budget of our desire to thereby revert to the traditional approach to this issue.

7. Hence we believe that we are moving toward a firm partnership with the Congress in this important policy area. In that vein, we note with pleasure your comment in that same letter to Secretary Blumenthal, Mr. Chairman, that "Congressional support for the development finance proposals of the Executive Branch will be enhanced" by a commitment such as we have just made. We are also heartened that the Budget Committees of both the House and Senate, after contemplating cuts in the appropriations under consideration today, have decided to include the full amounts in their Third Concurrent Resolution. We sincerely hope that these several expressions of support for the program do indeed presage a new period of the closest cooperation between us, beginning with these supplementary appropriations for



fiscal 1977 and continuing into the appropriations for fiscal 1978, which we will be discussing with you informally in the days immediately ahead and more formally in hearings next month.

8. President Carter has personally and publicly indicated his strong support for the legislation before you today. Speaking to a news conference in Plains, after a half-day session on the whole range of international economic issues last August 18, he stressed his firm belief that the United States should make its full contribution to the ongoing activities of the Inter-American Development Bank, the Asian Development Bank, and IDA -- the appropriations which we seek today.

President Ford also indicated his full support for these appropriations by including them in his final budget proposals.

9. We fully recognize that these contributions may have been negotiated without the full consultations with the Congress to which the Carter Administration is committed. Nevertheless, the President feels that it is incumbent on the United States to contribute its fair share to those operations. The United States cannot be viewed as a credible and dependable force in world affairs if it does not do so. Hence the Administration urges you to approve the proposed contributions, all of which have, of course, been fully authorized by the Congress and included in the budget resolutions. But I stress to you, again, that all future U.S. participation in international funding activities will take place only after the closest consultation with the Congress, with the firm intention of avoiding any repetition of such circumstances.



10. Today we seek appropriations of \$540 million. Only \$340 million would be expected to produce budget outlays, spread over a period of several years as the funds are actually expended by the several institutions. The appropriations sought, listed in order of the magnitudes involved, include:

- \$240 million for the second U.S. installment to the current replenishment of the Inter-American Development Bank resources (\$40 million for paid-in inter-regional capital and \$200 million in ordinary callable capital);

- \$200 million for the first installment of the replenishment of the IDB's Fund for Special Operations;

- \$55 million for the fourth replenishment of the International Development Association ("IDA IV");

- \$25 million to complete the U.S. contribution to the initial resource mobilization of the Asian Development Fund.

- \$20 million in paid-in inter-regional capital for the first U.S. installment of the current capital replenishment of the Inter-American Development Bank.

11. As you can see, most of the funds requested in the supplemental -- \$460 million -- are for the Inter-American Development Bank. These funds are being requested in a FY 1977 supplemental because they are needed by the Bank



before FY 1978 appropriations would become available, to permit continuation of the needed flow of commitments to borrowers in Latin America. Unless the United States makes this money available soon, the Bank will be forced to drastically curtail, or perhaps even halt, its lending operations. In addition, no further subscriptions from other countries will become effective until the United States acts. And this arrangement is necessary to prevent the U.S. vote from falling below 34.5 percent, thereby causing the United States to lose its veto in the Fund for Special Operations.

12. The Inter-American Development Bank has in fact exhausted its hard currency resources available for ordinary loan commitments. In the Fund for Special Operations, in addition, resources are available for anticipated operations only through April. All other member countries have fully subscribed to the first installment, but the United States subscription is essential to make it effective since it requires no less than 75 percent of the total contribution before the installment can be committed.



13. The \$55 million appropriation request for IDA would bring up-to-date the U.S. contribution to the fourth replenishment of that institution. IDA is central to our multilateral development strategy, and this contribution is needed to show our good faith and full support for the Association.

14. The FY 1977 supplemental bill also contains \$25 million to complete the \$150 million U.S. contribution to the initial resource mobilization of the concessional Asian Development Fund. As of today, that Fund has only \$42 million available for new loan commitments to its poorest Asian members. Most other donors have completed their contributions to the 1973-1975 resource mobilization of the Fund, and have made their first contributions to the 1976-1978 ADF replenishment. But further contributions from these donors will, under the current replenishment resolution, not become available to the Fund until the United States makes the contribution requested in the FY 1978 appropriations bill. Since this would not occur until after October 1, the \$25 million being requested for the ADF in the FY 1977 supplemental bill is likely to be the ADF's only new source of funds over the next six months.



15. Mr. Chairman and Members of the Committee, the Carter Administration strongly supports these proposed contributions to the international lending institutions. We believe that development of the poorer countries is of utmost importance to U.S. security, political and economic interests. We believe that foreign assistance can play a vital role in promoting development. We believe that the international development lending institutions are an extraordinarily valuable instrument for channeling such assistance. The President will be addressing these issues personally, on a number of occasions, over the coming months. We urge you to support the funding requests which are under discussion today, and we look forward to an early opportunity to discuss with you, in depth, the whole array of underlying issues.

16. We are also requesting today an appropriation of \$30 million in Israeli pounds for the U.S. contribution to the endowment of the Israel-U.S. Binational Industrial Research and Development Foundation. The Foundation's endowment will be created by contributions of \$30 million in Israeli pounds from each government. The United States share will be derived from simultaneous prepayment by Israel of a portion of its PL-480 local currency debt to us. There will be no dollar outlay. An appropriation is necessary for the United States to participate, however, because Israel is no longer an excess currency country.



3-20

PAUL SIMON  
24TH DISTRICT, ILLINOIS  
227 CANNON HOUSE OFFICE BUILDING  
WASHINGTON, D.C. 20515  
(202) 225-5201

COMMITTEES:  
EDUCATION AND LABOR  
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House of Representatives  
Washington, D.C. 20515

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(618) 932-2560  
FEDERAL BUILDING  
MT. VERNON, ILLINOIS 62864  
(618) 242-7808

January 14, 1977



493/2/1  
1/21 cc: Mr. Merriam  
3/1  
Return time  
3/28  
Done

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

Dear Friend:

It was good talking to you on the phone.

I have tentatively marked my schedule for March 30  
for you to speak to our group on the food and  
population problem.

It will be a group of approximately 30.

We meet at 8:00 a.m. and ask our speaker to begin  
about 8:15 and speak not longer than 15 minutes and  
use the balance of the time until 9:00 for questions.  
We close promptly at 9:00.

We will check with your office about March 9 to attempt  
to confirm more definitely whether you can be with us.

My best wishes.

Sign 7 Dist  
1.6 Set 2nd  
1.4 IDA  
1.5 IFC

Cordially,

*[Signature]*

Paul Simon  
U.S. Congressman

PS:ks

Probably more than 30 members  
with your appearance -

Am B 3/6 9  
Rayburn  
Indep. Gov. Return



PAUL SIMON  
24th District, Illinois  
227 Cannon House Office Building  
Washington, D.C. 20515  
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MT. VERNON, ILLINOIS 62564  
(618) 245-7000

January 14, 1977



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

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My best wishes.

Cordially,

Paul Simon  
U.S. Congressman

INCOMING MAIL UNIT

PS:ks

1977 JAN 19 PM 4:09

RECEIVED



TO: Robert S. McNamara

FROM: William Clark and Sven *Barmerster*

SUBJECT: The Danish Foreign Minister's Invitation for You to Address the Danish Council for International Development Cooperation in Early June 1977

*1/43 To Mr. Barmerster*  
*Sven, I don't know now*  
*whether I can attend the*  
January 20, 1977  
*"Bellagio" meeting. Therefore*  
*we should tell the Council*  
*I am*  
*unable*  
*to accept*  
*their*  
*invitation*  
*Enal*

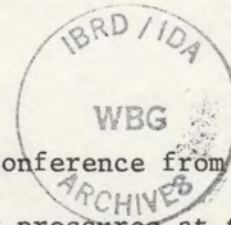
The objective of the Danes in inviting you to address the Council for International Development Cooperation is to sustain and boost Danish public support for development assistance in general and support for the Bank and IDA in particular.

You have two options:

(a) If you do not plan to attend the Bellagio Conference from June 6-8, 1977, you can simply tell the Danes that, due to working pressures at the end of the fiscal year, etc., you will unfortunately be unable to address the Council.

(b) You decide to go to Bellagio, in which case we feel that you should also address the Council. We suggest a theme along the policy paper on "25 Years of Development: Lessons and Perspectives," now under preparation in DPS, stressing the positive results obtained. If you decide to go, you are likely to receive invitations for visits to other Nordic countries.

When you have decided on which option you prefer, then Sven will draft a letter to the Foreign Minister for your signature.



*Some appearances & speeches*  
*in Europe would be very welcome*  
*this year.*