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THE WORLD BANK
Washington, D.C.

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Washington DC 20433
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McNamara Files

Chronological files, 1968 (Jul - Sep.)

The World Bank Group
Archives



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Robert S. McNamara Personal Chronological Files - Chrons 03

3

DECLASSIFIED

WBG Archives

487/2/147

September 30, 1968

Mr. Howard R. Dressner
Secretary
The Ford Foundation
320 East 43rd Street
New York, New York 10017

Dear Howard:

Thank you for sending me the check covering my services as Trustee for the quarter ending June 30. With receipt of that, I believe I am completely up to date.

As I told you last week, because I do not wish to receive personal compensation from the Foundation while serving as President of the World Bank, and because it is not practicable for the Foundation to direct the checks to a charity of my choice, I, myself, am recording the receipts as income, paying a tax on them, and remitting the remainder to a charitable organization.

Sincerely,

Robert S. McNamara

487/2/1746

September 27, 1968

Miss Laura Jones
Secretary
Institute of Politics
John Fitzgerald Kennedy School
of Government
Littauer Center
Cambridge, Massachusetts 02138

Dear Miss Jones:

Mr. Robert S. McNamara has asked me to tell you he regrets that he will not be able to be present at the Fall Advisory Committee meeting on November 18 since he will be out of the country on that date.

Sincerely,

(Miss) Polly Yates
Secretary to
Mr. McNamara

STANFORD SCHOOL OF LAW
STANFORD, CALIFORNIA 94305

OFFICE OF THE DEAN

487/2/143

9/14 to Dean Manning
Bob, I would enjoy
minimally a talk

September 14, 1968

with you during
your next trip to
Washington. We
have plenty of room
at home - perhaps
you could stay with
us - in the meantime,

Dear Bob:

I am sorry that the turn of conversation Friday did not permit me to pursue further with you new developments at the Bank. The subject is of great interest to me, and has been for quite a number of years.

On one of my forays into Washington in the near future, I should like very much to impose upon your luncheon schedule to receive some further information on that front.

In the meantime, would you please give my warmest personal regards to Libby.

Cordially,

Bayless
Bayless Manning

BM: saw

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

I shall
ask my
secretary to
send you a
copy of the
speech I
shall deliver
to the "Governors"
next Monday - it
sets out my
thoughts on the Bank.
BM

487/2/140

September 29, 1968

Dear Punch:

Thank you so much for the most interesting lunch with you and your colleagues yesterday. I always enjoy talking with you and them, and I am particularly grateful to you for turning the conversation to the concerns of the World Bank.

I shall be very interested to hear from you sometime what you think of the draft speech I left with you which expresses my views on the way ahead for the Bank, and for development. I am gratefully aware of the fact that the New York Times, more than any other paper, has drawn attention to the supreme importance of the development effort.

My deepest appreciation, and I look forward to seeing you all again before too long.

Sincerely,

Robert S. McNamara

Mr. Arthur O. Sulzberger
President and Publisher
The New York Times
229 W. 43rd Street
New York, New York 10036

WClark:pay

487/2/139

September 20, 1968

Dear Jim:

That was a most enjoyable evening, topped off with an extraordinarily swift and convenient flight back to Washington in your plane. Many, many thanks indeed.

I appreciated the chance to talk to your editorial and management associates and particularly enjoyed the very pertinent questions they brought up. The dinner provided the sort of wide-ranging discussion I thoroughly enjoy and from which I greatly benefit. I only hope it was of some use to you and your colleagues because the interest of TIME Magazine in our work around the world is something I value very highly.

Sincerely,

Robert S. McNamara

Mr. James A. Linen
President
TIME, Inc.
Rockefeller Center
New York, New York 10020

487/2/138

September 19, 1968

Dear Mr. Franklin:

Mr. Robert McNamara has asked me to acknowledge your letter of September 13 and to tell you that it will not be possible for him to meet with you and Mr. MacEachron until late in November. He suggests that you contact him again at that time.

Sincerely,

(Miss) Margaret S. Stroud
Secretary to Mr. McNamara

Mr. George S. Franklin, Jr.
Executive Director
Council on Foreign Relations
The Harold Pratt House
58 East 68th Street
New York, N. Y. 10021

48712/137

September 18, 1968

Mr. Eduardo Arias-Robledo
General Manager
Bank of the Republic
Bogota, Colombia

Dear Mr. Arias-Robledo:

Mr. Jose Camacho, one of the Bank's Alternate Directors, has personally brought to me the gold medallion commemorating the Thirty-Ninth International Eucharistic Congress recently held in Bogota. You were most kind and thoughtful to share with me a significant token of a momentous occasion.

Sincerely,

Robert S. McNamara

/pay

Chon
487/2/135

September 14, 1968

Dear Carter:

Margaret and I are most grateful for your invitation to stay at the Residence during our forthcoming visit to Buenos Aires. I wish we could accept, but I believe that this will be impossible. So many nations look upon the World Bank as an instrument of U.S. foreign policy that I fear our stay at the Embassy would be misinterpreted.

I hope your schedule will permit a quiet visit with me during the time I am in Argentina. May I write to you later for an appointment?

Sincerely,



Robert S. McNamara

Honorable Carter L. Burgess
American Ambassador
Buenos Aires, Argentina

IFC - Capital Costs and Source of Financing for Industrial Projects
(thru June 30, 1968 - in millions of dollars)

9/13/68
487/2/134

	Gross IFC Investment	Net IFC Financing	Total Project Cost
FY '57 - Siemens	2.0	1.0	5.0
FY '58 - Perfect Circle	.8 <u>1/</u>	.6	1.1
Mantos Blancos	4.3	2.1	24.2
Bristol	.5	.5	1.4
Duncans	.7	.7	.9
Olinkraft	1.2	1.0	5.3
D.L.R.	.5	.5	.7
Willys	2.5	2.5	22.3
Steel Corp.	.6	.6	2.6
	<u>11.1</u>	<u>8.5</u>	<u>58.5</u>
FY '59 - Adamfee	.8	.7	.9
Industria Harinera	.2	.2	.8
Cimento Portland	1.2	1.2	5.0
Rubbertext	.3 <u>1/</u>	.3	1.2
Industrias Textiles	.1	.1	.6
Kahkashan	.3	.3	.9
Carozzi	1.7 <u>1/</u>	1.7	6.2
Concrete Products	.3	.3	.7
Laminas	.5	.5	.6
Champion	4.0	.8	25.6
	<u>9.4</u>	<u>6.1</u>	<u>42.5</u>
FY '60 - Bio-Bio	1.3 <u>1/</u>	1.3	6.2
Noel	1.0	.8	2.4
Luren	.3	.3	.4
Industrias Reunidas	.3	.3	.5
Durisol	.3	.3	1.0
Fertisa	4.1	1.8	12.8
Kilombero	4.7	4.4	13.1
Assam	1.4	.9	3.3
Acindar	3.7	3.5	24.6
Magrini	1.0	1.0	3.6
Sivensa	3.1	2.0	6.4
Oy Kutomotuote	.2	.2	.8
	<u>21.4</u>	<u>16.8</u>	<u>75.1</u>
FY '61			
Diablitos	.5	.2	1.0
Rauma Repola	1.9	.6	18.3
Acero Solar	.3	.3	1.0
Envases	.7	.2	2.8
Morfeo (Berry Selvey)	.2 <u>1/</u>	.2	.4
K.S.B.	.2	.2	.6
Pre-Mix	.2	.2	.3
Electromanufacturas	.5	.2	.4
Fadisa	1.5	1.5	5.3
	<u>6.0</u>	<u>3.6</u>	<u>30.1</u>

IFC - Capital Costs and Source of Financing for Industrial Projects
(thru June 30, 1968 - in millions of dollars)

	Gross IFC Investment	Net IFC Financing	Total Project Cost
FY '62 - Pasa	3.1	.3	56.2
Cemento Cindino	2.5 <u>1/</u>	2.5	4.5
Ismail	4.0	3.6	12.1
FEMSA	3.0	1.1	5.9
Aevol	.6	.6	2.3
Fundidora	4.1	.8	14.7
	<u>17.3</u>	<u>8.9</u>	<u>95.7</u>
FY '63 - Coltejer	2.0 <u>1/</u>	.3	12.9
N.P.K.	3.5	2.3	14.1
Precision Bearings	.9	.6	4.8
Productos	.3	.2	.4
Tubos de Acero	1.0	.1	5.0
Papeles y Cartones	3.0	2.1	47.2
Quimica del Rey	.8	.1	3.2
	<u>11.5</u>	<u>5.7</u>	<u>87.6</u>
FY '64 - Fort Gloster	1.2	1.1	5.1
Mahindra	3.3	3.2	13.8
Lakshmi	1.3	1.2	9.5
I. del H.	1.6	1.4	6.3
Arewa	.8	.2	4.2
Forjas	1.3	1.1	15.0
ECCASA	.4	.3	1.1
K.S.W.	.7	.5	6.0
Pacasmayo	1.6	.2	4.5
	<u>12.2</u>	<u>9.2</u>	<u>65.5</u>
FY '65 - Fundidora	6.4	.1	25.8
Femsa	.2	.2	9.1
Celulosa	2.5	2.3	27.0
Ismail	1.7	1.6	5.8
Cotton Company	2.5	2.0	5.4
Noel	1.0	.8	1.0
Litan	1.5 <u>1/</u>	.6	7.1
Huhtamaki	.8	.2	1.9
Crescent Jute	2.0	1.8	10.1
Mulco	3.5	1.9	5.7
Packages	3.2	2.4	12.7
	<u>25.3</u>	<u>13.9</u>	<u>111.6</u>

IFC - Capital Costs and Source of Financing for Industrial Projects
(thru June 30, 1968 - in millions of dollars)

	Gross IFC Investment	Net IFC Financing	Total Project Cost
FY '66 - ALMAVIVA	1.0	.6	2.6
Products	.3	.2	.5
La International	2.0	1.4	6.1
Precision Bearings	.1	.1	.9
Pulp and Paper	1.9	1.2	8.5
Aeos Villares	5.0 ^{1/}	5.0	7.8
Dominquez	.5	.4	5.6
General Cement	3.5	2.5	11.7
Tasek	1.6	.9	4.0
I. del H.	.4	.4	2.2
Lukus	1.4	1.1	4.5
Catarinense	6.1	4.7	26.0
Fundidora	5.9	1.5	43.0
SIFAS	5.9	1.4	5.9
INDUGAN	1.6	1.6	6.4
	<u>37.2</u>	<u>23.0</u>	<u>135.7</u>
FY '67 - SIES	3.5	3.5	12.8
Femsa	.1	.1	4.8
Meralco	12.0	9.8	93.6
Enka	.9	.9	14.9
Ultrafertil	10.7	10.6	70.3
Jayshree	1.2	1.2	6.4
Kenya	3.1	2.2	4.7
Arewa	.8	.4	4.5
P.P.C.	5.2	4.9	25.0
Indian Explosives	11.5	10.5	78.1
	<u>49.0</u>	<u>44.1</u>	<u>315.1</u>
FY '68 -			
Metahara	9.0	7.9	21.4
Malayawata	3.5	2.7	25.0
Fundidora	7.3	.8	40.1
Fabritex	2.1	1.3	9.1
Somima	20.0	14.0	59.8
	<u>41.9</u>	<u>26.7</u>	<u>155.4</u>
Total	<u>244.3</u>	<u>167.5</u>	<u>1,177.8</u>

a/ Net of "Sales" of \$46.9 million; "Cancellations" of \$7.1; and "Acquisitions by Others" of \$25.0.

1/ Small subsequent investments have been included with the original investment.

1423 Pueblo Drive
Pittsburgh, Pa. 15228

9/13 To Mr. Pendleton *Ch*

*Al thanks for the
invitation. I will
call you when it
September 10, 1968*

*looks as though I
can accept.*

487/2/133 BIT

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

Dear Bob:

The Harvard Business School Association would like to renew its invitation to you to spend an evening with us whenever it might be convenient for you.

You have made a record of which we are all proud, and we would feel it an honor to share in your plans for the future, and perhaps now and then to help in our own small way.

We would be delighted if Mrs. McNamara could come with you, for a dinner meeting and informal talk with our wives.

Whether you can make it or not, we certainly wish you well in your new work.

Best regards.

Sincerely yours,

Al Pendleton

S. Alden Pendleton
Vice President Finance
Ryan Homes, Inc.

487/2 1131

Boards of Governors - 1968 Annual Meetings - Washington, D.C.

INTERNATIONAL MONETARY FUND

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION INTERNATIONAL DEVELOPMENT ASSOCIATION

Address replies to:
INTERMEET
19TH AND H STREETS, N.W.
WASHINGTON, D.C. 20431

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We talked
RBS 9/12

CABLE ADDRESS:
INTERMEET

CONFIDENTIAL

TO: Messrs. Schweitzer and McNamara

DATE: September 11, 1968

FROM: W. L. Hebbard and M. M. Mendels

SUBJECT: 1968 Annual Meetings - Social Events Attendance

1. For the Chairman's reception on Sunday evening, September 29, it is expected that invitations will go to all Delegates, Observers, Special Guests, Press Representatives and Staff down to the level of Assistant Division Chiefs plus additional professional staff who worked in member countries during the past year. The detailed breakdown is shown in the attached Annex. The estimated attendance, and the figures for 1965 and 1966 are as follows:

	<u>Persons Invited</u>	<u>Attendance</u>	<u>Shortfall</u>
1968 (est.)	3700	2300	38%
1966	3465	2146	38%
1965	3374	2203	35%

2. For the Closing Luncheon on Friday, October 4, invitations will go to the same persons, except that, in the case of the staff, those below the level of Assistant Department Heads would not be invited. From the attached Annex, it will be seen that this will mean some 980 persons less than will be invited to the Opening Reception. Estimated attendance, and the figures for 1965 and 1966 are as follows:

	<u>Persons Invited</u>	<u>Attendance</u>
1968 (est.)	2700	1660
1966	1005	622
1965	2796	1628

9/12
is if undesirable
to follow the '66 pattern
RBS

3. The figures in paragraph 2 for 1966 are not comparable with this year because in that year, a smaller luncheon was given and the invitation list was considerably smaller.

4. We would be grateful for your reactions.

Attachment

[Signature] *Mr. McNamara*

487/2/127



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

OFFICE OF THE PRESIDENT

Thursday 9/5/68

Dear Prime Minister

I want to tell you again how much I both appreciated and enjoyed your hospitality last evening. I share the enthusiasm and excitement with which your colleagues view the future of Canada under your leadership.

Sincerely
Bob McNamara

487/2/126

September 4, 1968

Dr. Robert B. Livingston
Department of Neurosciences
School of Medicine
University of California, San Diego
La Jolla, California 92035

Dear Dr. Livingston:

Mr. McNamara has rushed off to Canada, but before doing so, he asked me to forward your letter to Mr. Howard Dressner, Secretary of the Ford Foundation, which I have done today. Mr. Dressner will reply direct to you.

The McNamaras send their best wishes to you and all your family.

Sincerely,

(Miss) Polly Yates
Secretary to
Mr. McNamara

487/2/123

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

OFFICE OF THE PRESIDENT

8/41

To Messrs Knapp
Friedman

Attached is a paper
prepared by Ed Mason
after you have had an
opportunity to review it
and perhaps discuss it
together, please discuss
with me your views on
when & how we should
present the subject to the Board.
RMN

INDUSTRIAL IMPORTS CREDITS AND THE CASE FOR PROGRAM LENDING TO INDIA

1. The provision of industrial import credits to India represents the furthest step the Bank/IDA has taken in the direction of program lending. There is a rather special case for program lending to India which is examined in this memorandum. It is understood that the general merits and demerits of program lending will be scrutinized in another paper.

2. The number and magnitude of industrial import credits to India is set out in the following table:

Industrial Import Credits	Amount (\$ million)	Approved by Executive Directors
First	90	June, 1964
Second	100	August, 1965
Third	150	August, 1966
Fourth	65	December, 1966
Fifth	125	Approved in principle June, 1968, subject to IDA replenishment.

3. The first credit was designed to "assist the construction industry and selected sectors of capital goods manufacturing by providing foreign exchange to pay for a portion of the imports of components, materials and balancing equipment required to fulfill a program of expanded production and investment in these industries." In presenting the credit to the Bank, President Woods described it as marking "a further evolution in Bank/IDA lending policy" and put it in a category similar to previous Bank loans to the Indian Railways and the private coal industry in India.

4. At the time of the first credit, a very strict production import licensing system was in operation. The Government of India allocated, on an annual basis, limited amounts of foreign exchange to manufacturing firms regardless of their efficiency. For most manufacturing firms in India the shortage of imported materials and components was a major factor limiting output. For the four industry groups affected by the first credit (construction, transport equipment, machine tools, and heavy electrical equipment) the Government agreed on substantial changes in import licensing procedures. This was the principal condition of the loan.

5. In addition to a simplification of import licensing procedures, the Bank was interested in expanding the overall volume of maintenance imports and in opening a dialogue with the Indian Government on a number of aspects of industrial policy, including price controls, tariff simplification, the procurement policies of public construction authorities, and other matters. The Consortium meetings in the years after 1960 had heavily emphasized the need for non-project aid and the importance of non-project lending had been underlined by a number of Bank missions.

6. The second credit in 1965 added another major industry (cables and wires) and import licensing procedures were simplified for this industry also. It was, however, decided not to press forward with respect to other sectoral policy issues, largely because a major involvement of IDA in this area would have required a substantial amount of staff time. Another reason may have lain in the fear that the Bank/IDA, in arguing with the Government on a number of smaller issues, might jeopardize good will and lose influence in the face of the more important negotiations with the Indian Government then coming to the fore.

7. The third, fourth, and also the fifth, industrial import credits were essentially part of the Consortium commitments to India of extensive commodity import assistance to make effective the devaluation of the rupee and the extensive import liberalization measures announced in June, 1966. The Bank mission, headed by Bernard Bell, in arguing the case for devaluation and import liberalization, took the position that India could not, and should not be expected to, move far in the direction of import liberalization without assurances of substantial external financing of commodity imports. This was also the opinion of the I.M.F.

8. The import liberalization measures, attached as conditions to the first and second industrial import credits, and applicable to firms in five industries, were extended, in modified form, in 1966, to a much wider range of industries. Further reforms have been introduced since then and the import control policy of India presently in force, while it still has some restrictive features, represents substantial liberalization as compared with the earlier strict policy of allocation.

9. However, the continuance not only of import liberalization but of favorable prospects for economic development in India depend very much on a substantial volume of non-project assistance. A major part of non-project assistance to India over the last few years has been provided by the U.S.A.I.D. program. But the Bank through its industrial import credits has also made a sizeable contribution. It would be difficult, if not impossible, for the Bank to convert its non-project lending into project lending unless a commensurate increase in non-project assistance is made available from other quarters. A

diminution of non-project aid to India would mean a diminution of total aid flows, since the possibility of shifting the proportions of non-project to project aid are severely limited. The dependence of India's development on non-project assistance represents a rather special case and it is important to understand why this is so.

10. The principal economic rationale of external capital assistance to developing countries is to make possible a level of investment exceeding the level that could be sustained by the developing country's own national savings and foreign exchange earnings. For some countries external resources can be supplied in adequate quantities entirely in the form of capital equipment for specified projects. For others this is more difficult and India represents an extreme example of this difficulty.

11. There are three main factors that bear on the question of the proportion of project to non-project assistance in which a country can productively absorb external resources. These concern the relation of total external assistance flows to the gross level of investment; the relation of total imports to gross national product; and the commodity composition of imports.

12. If external assistance constitutes a small fraction of gross investment, there will normally be little difficulty in limiting this assistance to project financing. Either a country's own savings rate and foreign exchange earnings are large enough to take care of the major part of investment requirements and their import component as in the case, say, of Mexico or, as in many African countries, absorptive capacity for any kind of foreign investment is small. In countries in which the share of external assistance in gross investment is larger, there may be more difficulty in balancing an expansion of productive capacity with the inputs, many of them imported, needed for full capacity

operations. But, if projects are not defined in too narrow a fashion and, particularly, if foreign lending covers a part of local currency costs, it may be possible to limit foreign assistance to project financing. In India total external assistance does not account for an unusually large fraction of gross investment. In recent years it has averaged around twenty-five per cent which is lower than in many countries receiving external assistance. If India's total imports were a larger fraction of G.N.P. and, particularly, if the composition of imports was substantially different, India might well fit into the category of countries in which twenty-five per cent of gross investment could be supplied from abroad largely in the form of project lending.

13. As in the case of some other very large countries, India's imports as a fraction of G.N.P. is very low. If foreign assistance is excluded, imports have in recent years been running at about six to seven per cent of G.N.P. Foreign assistance from all sources, amounting to twenty-five per cent of total investment, inevitably constitutes a large fraction of total imports; in recent years of the order of thirty per cent. Because India's imports represent a relatively small per cent of G.N.P., foreign lenders have much less choice in what they will finance (assuming total assistance flows are not reduced), compared to the options available where imports are larger. To finance a difference between gross investment and domestic savings representing two per cent of G.N.P. offers much more selectivity in the items financed in a situation in which imports amount to twenty per cent of G.N.P. than it does when imports are only six per cent of G.N.P. Putting it crudely, foreign assistance must finance one out of three items imported in the one situation as against one out of ten in the other. This is the principal reason why, if foreign lenders to

India decided to limit their lending to projects, they would have to choose between a sharp reduction in total assistance or financing projects that would be unviable because of a shortage of inputs.

14. The problem is greatly exacerbated because of the composition of Indian imports. For many reasons, including the fact that project assistance has been much more easily available than commodity assistance, India has become an economy which is long on capital equipment manufacturing capacity and short on the inputs of raw materials and components needed to operate this capacity. The Bank has recognized this fact in a number of loans to India other than the industrial import credits. The second telecommunications credit in 1964, for example, provided not only for finished equipment but for materials and parts for three manufacturers of finished equipment for Posts and Telegraphs. The Railway loans and credits to India essentially provided what the Indians call maintenance support and so also did the Bank loan to the private coal industry.

An examination of the Indian import bill reveals the very great importance of foodstuffs, petroleum and petroleum products, and metals. Most, though by no means all, of food imports in recent years have been financed by PL. 480 but, if Indian agriculture lives up to its present promise, India may soon be self-sufficient in foodstuffs. Petroleum imports, however, and non-ferrous metals, will inevitably increase along with other raw materials and components needed to keep installed capacity in operation. While a broad definition of projects, and some financing of local currency costs, can take care of some part of these import requirements, the case for an approach toward program lending to India is, in significant aspects, stronger than for most other countries with which the Bank is concerned.

15. While the industrial import credits to India specify the imports to be financed by the Bank and, in some cases, the firms using these imports, no attempt is made to follow these items through the process of manufacture to final use. Nor, considering the administrative difficulty of the task, should it be attempted. This does not mean, however, that it is impossible to form a considered judgement on how effectively non-project imports are used in the particular sector of the economy they are expected to serve or in the economy as a whole. "Industrial imports" lending has been criticized largely because supervision cannot be limited to specific investment programs. It is, however, possible to establish performance criteria other than the progress of work on specific projects; criteria that have to do with government policies and business practices relating to the efficiency of operations in a particular sector. This is customary Bank policy in its lending in the areas of agriculture, power and transportation. The Bank had begun to move in this area in connection with the first industrial imports credit to India but this attempt was abandoned, partly for reasons cited above, and partly because, in 1965, the responsibility for industrial operations was transferred to the I.F.C. which decided that supervision-in-depth was not an appropriate activity for its staff.

16. If a non-project lender desires to go beyond the question of how effectively imports destined for a particular sector of the economy are used in that sector and enquire into the matter how a borrowing country relates these imports to its use of all resources, domestic and foreign, other data and other types of analysis will be required relating to the performance of the economy as a whole.

17. Program lending is, of course, balance of payments support and, in the view of some, this is enough to damn it without more. But any dependence

on foreign financing whether for projects or non-project imports is, speaking literally, balance of payments support. It must be admitted that it is within the competence of any government to enlarge its payments deficit by inflating and over-valuing its currency, or by discriminating in favor of domestic consumption and against exports. But it is necessary to distinguish between a deficit created by irresponsible monetary, fiscal and foreign exchange policy and a deficit arising from the fact that the opportunities for productive investment in the interests of development may exceed the limits of domestic savings or foreign exchange earnings even with highly responsible monetary, fiscal and foreign exchange policy. The effective administration of program lending requires that the program lender be able to make this distinction; to determine whether the deficit he is helping to finance is or is not the product of a sensible development program. The distinction is not between project lending and balance of payments support; both are balance of payments support. The distinction is between lending that can be, at least partially, justified on the basis of criteria relating to project viability and lending whose justification depends on general economic policies affecting the behavior of the economy as a whole.

487/2/128

9/5 to Mr. Bell
Thanks Dave
for a most
illuminating
report
Bob

THE FORD FOUNDATION
320 EAST 43RD STREET
NEW YORK, NEW YORK 10017

DAVID E. BELL
VICE PRESIDENT
INTERNATIONAL DIVISION

August 23, 1968

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

Dear Bob:

You might be interested in the attached
memorandum I wrote on my recent trip to Africa. Needless
to say, it was intended only for internal use within the
Foundation.

With best personal regards.

Sincerely yours,

Dave

David E. Bell

487/2/121

August 20, 1968

Mr. Thomas J. Schwab
Co-Chairman
Metropolitan Washington
Fair Housing Council
Suite 616
1511 K Street, N.W.
Washington, D.C. 20005

Dear Mr. Schwab:

I wish it were possible for me to accept your invitation to serve as Chairman of a Metropolitan Washington fair housing program. I fear, however, that my existing commitments will make this impossible.

If ever I can assist by endorsing a policy statement in favor of fair housing, I should be delighted to do so.

Sincerely,

Robert S. McNamara

August 16, 1968

4872/199

DRAFT STATEMENT TO BE MADE BY THE PRESIDENT TO THE EXECUTIVE DIRECTORS

ON SEPTEMBER 3, 1968

I have been giving fresh consideration to our IDA lending program in the light of the following facts:

- (a) IDA expects shortly to receive a modest replenishment of its resources in the form of a transfer of \$75 million from the Bank.
- (b) The processing of applications for IDA credits is continuing on an active basis, and an increasing number of credit proposals are being circulated to the Executive Directors with consideration "subject to replenishment".
- (c) Yet, there continues to be substantial uncertainty regarding the effective date of the Resolutions covering the Part I country contributions to the Second Replenishment of IDA's resources.

Although we may assume for planning purposes that the proposed Resolutions on the Second Replenishment will become effective in due course, if this does not happen within the next few weeks, it is possible that action will be delayed until well into the calendar year 1969. I believe that in the meanwhile we must do everything possible to get ahead with our job of financing development, and I think the time has now come for us to initiate a new action program to carry out as far as possible the lending activities in which IDA would have engaged during this fiscal year if the Second Replenishment Resolutions had become effective.

In my memorandum to the Executive Directors on "IDA Policies" dated July 16, 1968, I recommended among other things that, assuming the Second Replenishment became effective, IDA should plan to make credit commitments during the fiscal year 1969,

- (a) to cover the "backlog" of \$169.5 million of credits submitted to the Executive Directors in the fiscal year 1968 "subject to replenishment", and
- (b) to cover new credit proposals amounting to \$530 million, plus such further indeterminate resources as might accrue to IDA during the fiscal year 1969 from the transfer of Bank profits, earnings, and other sources.

This recommendation was accepted by the Executive Directors. Furthermore, since that time the Executive Directors have recommended the transfer to IDA of \$75 million from the Bank's profits for the fiscal year 1968, and it is now possible on the basis of the Executive Directors' decisions regarding the terms of IDA credits to estimate IDA earnings during the fiscal year 1969 at approximately \$11 million. Allowing a further say \$4 million for possible receipts by IDA from other sources during fiscal year 1969, we would be planning an IDA lending program of around \$620 million in fiscal year 1969 if the replenishment had become effective, aside from clearing up the \$169.5 million "backlog".

Against this requirement for \$790 million (\$620 million plus \$169.5 million), there will be available for commitment in fiscal year 1969, until such time as the Second Replenishment will become effective, an estimated \$130 million.^{1/}

^{1/} Consisting of the following:

	<u>\$ million</u>
Old funds (including earnings through June 30, 1968)	7.2
Proceeds from Swiss loan	12.1
Special supplementary contribution from Sweden	21.4
Transfer of Bank profits	75.0
IDA earnings during the fiscal year 1969	11.0
Other possible receipts - say	4.0
Total	<u>130.7</u>

I now plan, subject of course to full review and reconsideration whenever the Resolutions on the Second Replenishment become effective, to begin presenting to the Board, for its approval, loans and credits based upon

- (a) allocating the \$130 million estimated to be available to IDA for commitment in fiscal year 1969, to the extent that it has not been already earmarked, to cover top priority projects in the developing countries for which other funds are not presently in sight, and
- (b) having the Bank undertake as much as possible of what might otherwise have been the IDA lending program, employing these Bank loans in "blend" countries where the Bank has lent in the past. Their effect in hardening the blend of Bank Group assistance to the countries concerned can be reversed by the extension of additional IDA credits if and when the Second Replenishment of IDA's resources becomes effective.

The first projects to be presented under this plan, Bank loans for Pakistan and Tunisia (to replace the IDA credit proposals which were distributed in June), IDA credits for Niger, Togo, and Ceylon, and a Bank loan for Turkey, will be scheduled for review by the Board in September.

IDA LENDING PROGRAM
(\$ millions)

	<u>Original Program</u>	<u>Revised Program</u>		<u>Decision To be Deferred^{1/}</u>
		<u>To be Covered from Available IDA Funds</u>	<u>To be Switched to Bank Loans</u>	
		(Col.I)	(Col.II)	
<u>Backlog from FY 1968</u>				
India - Indust. Imports V	125.0			125.0
Pakistan - Transport	36.0		Sept. 36.0	
Tunisia - Port	8.5		Sept. 8.5	
	<u>169.5</u>		<u>44.5</u>	<u>125.0</u>
<u>FY 1969 Program</u>				
<u>AFRICA</u>				
Burundi - Coffee Improvement	1.7	Oct. 1.7		
Cameroon - Oil Palm	6.0		Nov. 6.0	
Central Afr. Rep. - Roads	4.0	Nov. 4.0		
Chad - Road Maintenance	4.1*	Aprv'd. 4.1*		
Chad - Livestock	1.4			Mar. 1.4
Chad - Education	1.8*	Aprv'd. 1.8*		
Congo (Kinshasa) - Highway Maintenance	6.5	Feb. 6.5		
Congo (Brazza.) - Highway Engineering	0.5	Jan. 0.5		
Dahomey - Hirvi Agr. Devel.	4.6	Nov. 4.6		
Ghana - Volta Power II	5.0		Jan. 5.0	
Ghana - Road	1.0	Apr. 1.0		
Ghana - Fisheries	3.0			Mar. 3.0
Ghana - Water Supply	5.0		Apr. 5.0	
Kenya - Feeder Roads	11.0		June 11.0	
Kenya - Agric. Roads	4.0		June 4.0	
Kenya - Livestock	3.6*	Aprv'd. 3.6*		
Liberia - Power	4.0		May 4.0	
Liberia - Monrovia Port	2.0		Jan. 2.0	
Malagasy R. - Roads & Bridges	9.0	4.5	Oct. 4.5	
Malawi - Tedzani Power	7.0			Jan. 7.0
Niger - Road Maintenance	6.1	Sept. 6.1		
Niger - Agric. Credit	2.5			Apr. 2.5
Rwanda - Highway Engineering	0.7	Dec. 0.7		
Senegal - Agric. Credit	9.4		Oct. 9.4	
Somalia - Port Mogadiscio	0.6	Nov. 0.6		
Tanzania - Tanzam Highway	24.0	Dec. 10.0	Dec. 14.0	
Tanzania - Livestock	1.3	Oct. 1.3		
Tanzania - Education II	5.0	Jan. 5.0		
Togo - Road Maintenance	3.7	Sept. 3.7		
Uganda - Power Transmission	7.0		June 7.0	
Uganda - Livestock	3.0	Sept. 3.0		
Uganda - Agric. Credit	4.5			May 4.5
Upper Volta - Telecommunications	0.7	Dec. 0.7		
TOTAL AFRICA	<u>153.7</u>	<u>63.4</u>	<u>71.9</u>	<u>18.4</u>

		Original Program	Revised Program		Decision to be Deferred ^{1/}
			To be Covered from Available IDA Funds	To be Switched to Bank Loans	
		(Col.I)	(Col.II)	(Col.III)	(Col.IV)
<u>ASIA</u>					
Afghanistan	- Highway Maintenance	4.0			Un- sched. 4.0
Ceylon	- Highway Maintenance	9.8	Sept. 4.9	Sept. 4.9	
	- Galle Water Supply	5.5		June 5.5	
India	- Railway X	40.0			June 40.0
	- Telecommunications III	55.0		Mar. 55.0	
	- Industrial Imports VI	125.0			May 125.0
	- Drainage II	15.0		Nov. 15.0	
	- Tarai Seeds	13.2		Nov. 13.2	
Indonesia	- Agriculture	10.0	June 10.0		
	- Power	10.0	June 10.0		
	- Irrigation	5.0	Sept. 5.0		
	- Technical Assistance	2.0	Oct. 2.0		
Korea	- All Weather Farming	14.0		Apr. 14.0	
	- Highway Feasibility	3.5*	Apprvd. 3.5*		Un- sched. 12.0
	- Education	12.0			
Nepal	- Communications	1.0	May 1.0		
Pakistan	- General Consultants	2.0	Nov. 2.0		
	- Telecommunications	16.5		Nov. 16.5	
	- Agric. Dev. Bank	15.0			May 15.0
	- Railway	14.0			May 14.0
	- Low Lift Pumps	10.0		May 10.0	Un- sched. 20.0
	- Unidentified	20.0			
Papua & N. Guinea	- Agric. Development	6.0		Oct. 6.0	
TOTAL ASIA		<u>408.5</u>	<u>38.4</u>	<u>100.1</u>	<u>270.0</u>
<u>EUROPE</u>					
Turkey	- Seyhan Irrigation	<u>22.0</u>		Sept. <u>22.0</u>	
<u>M.E.N.A.</u>					
Jordan	- Potash	1.0	Apr. 1.0		
Morocco	- Tadla Irrigation	10.0		June 10.0	Un- sched. 20.0
Sudan	- Rahad Irrigation	20.0			
Tunisia	- Railway	15.8		Jan. 15.8	
U.A.R.	- Railway	10.0	May 10.0		
	- Drainage	<u>10.0</u>	June <u>10.0</u>		
TOTAL M.E.N.A.		<u>66.8</u>	<u>21.0</u>	<u>25.8</u>	<u>20.0</u>

	Original Program	Revised Program		Decision to be Deferred ^{1/}
		To be Covered from Available IDA Funds	To be Switched to Bank Loans	
	(Col.I)	(Col.II)	(Col.III)	(Col.IV)
<u>WESTERN HEMISPHERE</u>				
Bolivia - Power	7.0	Jan. 7.0		
Dominican Rep. - Agriculture	6.0			May 6.0
El Salvador - Education	4.0		Nov. 4.0	
Guyana - Education	3.0		Dec. 3.0	
Paraguay - Livestock	7.0		Apr. 7.0	
TOTAL WESTERN HEMISPHERE	<u>27.0</u>	<u>7.0</u>	<u>14.0</u>	<u>6.0</u>
TOTAL FY 1969 PROGRAM	<u>678.0**</u>	<u>129.8</u>	<u>273.8</u>	<u>274.4**</u>
<hr/>				
GRAND TOTAL OF BACKLOG FROM FY 1968 PLUS FY 1969 PROGRAM	<u>847.5</u>	<u>129.8</u>	<u>318.3</u>	<u>399.4</u>

* Credits already signed.

** As explained in the covering memorandum, IDA would only have about \$620 million available for commitment on its FY 1969 lending program, even if the second replenishment were to be effective. Hence some \$58 million of the "original program" outlined above would have to be deferred until FY 1970 or later, even if the second replenishment were to become effective.

^{1/} Staff work for these projects, including submission of papers to the Board, is continued on the basis of the original schedule.

48712/118

August 16, 1968

MEMORANDUM FOR MR. KNAPP

On page 9 of the memorandum outlining the "Five-year Plan for Peru" it is stated that "since mid-1966 no meetings have been held of the Consultative Group for Peru . . . Perhaps after the presidential elections in 1969, this situation should be reviewed."

Now that Peru has begun to undertake some of the financial reforms necessary to strengthen its economy, would it not be wise to call a meeting of the Consultative Group for later this year?

Robert S. McNamara

cc: Mr. Alter

8/15/68
4872/117

MONTHLY REPORT OF FY 1969 LENDING OPERATIONS THROUGH 7/31/68
(in \$ millions)

	Project Plan						Approved by Board						Credit Approved by President - Subject to Replenish- ment
	Loans		Credits		Total		Loans		Credits		Total		
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	
July	7	109.0*	2	7.6	9	116.6	7	109.0	2	7.6	9	116.6	
August	1	16.0	3	10.4	4	26.4							
September	11	103.7	5	44.6	16	148.3							
October	10	271.1	6	29.4	16	300.5							
November	4	45.5	8	51.4	12	96.9							
December	6	78.1	4	28.4	10	106.5							
January	4	139.0	9	65.3	13	204.3							
February	4	58.5	-	-	4	58.5							
March	7	114.0	2	56.4	9	170.4							
April	8	75.2	7	33.5	15	108.7							
May	10	171.0	10	201.5	20	372.5							
June	12	214.0	9	107.5	21	321.5							
Not Scheduled	3	54.0	2	25.0	5	79.0							
Total	87	1449.1	67	661.0	154	2110.1							

Comparison of Actual for FY '66, '67, and '68 and Plan for FY '69
(cumulative)

	No. of Loans & Credits				Amount of Loans & Credits			
	66	67	68	69	66	67	68	69
	2	5	4	7*	40	215	54	110*
	4	13	9	17	141	428	176	180
	11	21	16	32	329	542	301	391
	14	26	17	44	368	671	323	538
	17	27	20	65	428	681	347	742
	24	35	22	74	676	932	361	911
	26	38	32	83	706	988	559	995
	29	42	35	92	736	1029	580	1134
	32	48	38	103	788	1093	645	1255
	36	51	40	109	839	1118	663	1300
	42	61	42	117	931	1169	705	1449
	49	67	62	142	1123	1231	954	1854
				169				2101
IBRD	37	47	44	94	839	877	847	1441
IDA	12	20	18	75	284	354	107	660

*July Report included \$6.0 loan for Singapore Sewerage which was approved June 25 but was signed in July and is therefore not included in the Annual Report for FY 1968

MONTHLY REPORT OF FY 1969 LENDING OPERATIONS THROUGH 7/31/68
(in \$ millions)

	Project Plan						Approved by Board						Credit Approved by President - Subject to Replenish- ment
	Loans		Credits		Total		Loans		Credits		Total		
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	
July	7	109.0*	2	7.6	9	116.6	7	109.0	2	7.6	9	116.6	
August	1	16.0	3	10.4	4	26.4							
September	11	103.7	5	44.6	16	148.3							
October	10	271.1	6	29.4	16	300.5							
November	4	45.5	8	51.4	12	96.9							
December	6	78.1	4	28.4	10	106.5							
January	4	139.0	9	65.3	13	204.3							
February	4	58.5	-	-	4	58.5							
March	7	114.0	2	56.4	9	170.4							
April	8	75.2	7	33.5	15	108.7							
May	10	171.0	10	201.5	20	372.5							
June	12	214.0	9	107.5	21	321.5							
Not Scheduled	3	54.0	2	25.0	5	79.0							
Total	87	1449.1	67	661.0	154	2110.1							

Comparison of Actual for FY '66, '67, and '68 and Plan for FY '69

(cumulative)

	No. of Loans & Credits				Amount of Loans & Credits			
	66	67	68	69	66	67	68	69
	2	5	4	7*	40	215	54	110*
	4	13	9	17	141	428	176	180
	11	21	16	32	329	542	301	391
	14	26	17	44	368	671	323	538
	17	27	20	65	428	681	347	742
	24	35	22	74	676	932	361	911
	26	38	32	83	706	988	559	995
	29	42	35	92	736	1029	580	1134
	32	48	38	103	788	1093	645	1255
	36	51	40	109	839	1118	663	1300
	42	61	42	117	931	1169	705	1449
	49	67	62	142	1123	1231	954	1854
				169				2101
IBRD	37	47	44	94	839	877	847	1441
IDA	12	20	18	75	284	354	107	660

*July Report included \$6.0 loan for Singapore Sewerage which was approved June 25 but was signed in July and is therefore not included in the Annual Report for FY 1968

August 12, 1968

487/2/1115

NOTE REGARDING FINANCING OF LOCAL CURRENCY EXPENDITURES

If the level of consumption is not excessive; and the level of domestic savings reflects appropriate tax and other fiscal policies; but an optimum investment program cannot be financed by available savings; then and only then is foreign currency financing justified.

In principle, whether the foreign currency financing is provided through program loans or the financing of the foreign exchange costs of projects or the financing of local currency costs of projects is immaterial so long as it is provided in the proper amount. It would be sheer coincidence if the Bank's contributions to the foreign exchange costs of high priority projects, when added to the foreign exchange available from other sources, provided exactly the increment required to meet the total foreign exchange requirements.

In practice, however, the channeling of the Bank's foreign exchange contribution to the investment program deficit through the foreign exchange element of high priority projects gives the Bank a convenient means of insisting that the projects be well designed as well as a lever to force movement towards sound economic policies. But where the Bank could have even greater influence on the design of high priority projects and achieve more rapid movement toward the adoption of sound economic policies by financing local currency costs, without providing excessive amounts of concessionary foreign exchange, the Bank should do so.

RMcN

48712 1112

August 7, 1968

MEMORANDUM OF CONVERSATION WITH SECRETARY RUSK

I called Dean to tell him Mike Pearson appeared interested in chairing the "Grand Assize." Dean favors such an exercise and agreed that Mike would be an excellent person to direct it. He suggested that we ask someone such as Ed Mason to prepare a memorandum for Mike, outlining the economic and political problems associated with the world's aid programs as they have been administered during the past twenty years. For example, Dean is inclined to believe that "half of the aid we have provided to Latin America since 1946 has disappeared without a trace."

Dean also suggested that it would be useful to ask George Harrar for his opinion of the aid programs of the past.

Robert S. McNamara

487/2111

August 7, 1968

Mr. Marshall A. Robinson
Program Officer in Charge
Division of Education and Research
The Ford Foundation
320 East 43rd Street
New York, New York 10017

Dear Mr. Robinson:

Mr. McNamara has asked me to tell you he would very much like to meet with you. Unfortunately, his schedule between now and the time of your departure for Europe is quite tight. He wonders if it might be possible to meet while he is in New York for the Foundation meetings on September 26-27. If this is convenient for you, he will be in touch with you upon his arrival to arrange the meeting.

Sincerely,

(Miss) Polly Yates
Secretary to
Mr. McNamara

487/2/109

August 2, 1968

MEMORANDUM OF CONVERSATION

Mr. Aldewereld called today to say:

1. Acting in accordance with my instructions, and after discussions with the Ministry of Economics, he had negotiated the sale through the Deutchesbank of a DM 400 million bond issue of 12 years maturity, carrying a 6-1/2% annual coupon. The issue will be sold at par and the commission will be 1-3/4%. The net cost to the Bank will be 6.61%.

2. The parties are prepared to sign the agreement August 6 and, therefore, we should plan to obtain the approval of our Board on August 6.

3. The Economics Ministry recommends that we enter the market now rather than wait, as was our original plan, until mid-September. They believe the market situation is favorable now and its future is uncertain. Currently, there is a lull as the Government sold a DM 300 million issue three weeks ago, but now has no immediate borrowing plans. The Economics Ministry considers the interest rate favorable to the Bank and, although they can't rule out the possibility of lower rates in the future, they think any drastic drop unlikely.

4. The last Federal Government issue marketed about three weeks ago was in the amount of DM 3 million and was sold at 99-1/2 with a 6-1/2% coupon. In small amounts it is now selling at 101.

Robert S. McNamara

MONTHLY REPORT OF IDA RESOURCES VERSUS COMMITMENTS
(in millions of dollars)

487/2/108

Resources through FY'68:		
Initial Contribution		\$750
1st Replenishment		750
Earnings through 6/30/68		21
Bank Transfer from:	FY'64	50
	'65	75
	'66	75
	'67	<u>10</u>
		210
Total Resources		<u>1731[±]</u>
Less: Earmarked for FY'69		<u>7[±]</u>
Resources Available		<u>1724[±]</u>
Commitments through FY'68:		
Approved		1724
"Papers" Distributed		167
Resources Available Beyond FY'68		
Swiss Contribution		12 [±]
Swedish "		25 [±]
Other Contributions not Tied to		
2nd Replenishment		?
Transfer from '68 Profits		75 [±]
Estimated Net IDA Earnings in '69		<u>10</u>
		122
		7
Earmarked from FY'68		
2nd IDA Replenishment:	1200	
Less: Reserved for FY'68 Projects	<u>167</u>	
Available for FY'69 and Beyond	1133 [±]	
Less: Reserved for FY'70	<u>567[±]</u>	
Available for FY'69		566
Total Available for FY'69		<u>695</u>
Less Commitments:		
Through 7/31--Approved		xx ^{a/}
"Papers" Distributed to Board		<u>xx</u>
		23
8/1-10/31--To be Approved		xx ^{b/}
--"Papers" Distributed to Board		<u>xx</u>
		44.7
Total "Approved" or "Papers" Distributed to 10/31		<u>\$ 67.7</u>

a/ Includes X chargeable to the \$7 of "earmarked" funds and Y chargeable to the \$12 Swiss contribution.

b/ [note similar to above]

8/1/68

487/2/105

July 30, 1968

MEMORANDUM FOR THE RECORD

Messrs. Machado and Lieftinck discussed with me yesterday their view that no "cost of living" increase granted by the Bank to professional staff members should be so large as to raise the salary of any one of those individuals to a level above that of the EDs. I stated I could not agree with their position; that I believed an unreasonable compression of salaries in the upper levels had already occurred; that I was confident, and believed they were, of the justification for an 8% increase in the salaries of all professional staff members; and that I could not accept the argument that we should deny a portion or all of such an increase to any single staff member solely because the result of such an increase would be to raise his salary temporarily above that of the EDs, thereby reducing the status and/or prestige of the EDs.

Messrs. Machado and Lieftinck stated they believed the Directors would not accept my proposal and would insist on adjusting the 80% across the board increase in such a way as to restrict professional members' salaries to no more than the salary of the EDs less \$300. They said, "Assuming that the Directors insist on such a ceiling, what is the best formula for achieving it?" I replied that I believed the best procedure would be to put into effect an 8% increase to all members of the professional staff, excluding the President, except that to the degree the salary increase raised an individual's salary above \$27,700, the increment above that figure would be temporarily deferred; at such time as the ED salaries were raised, the individual receiving a "temporary deferment" would have his salary raised to the full 8% level and consideration would be given to making the increase retroactive to September 1.

Robert S. McNamara

7/24/69
487/2/103

It has been estimated that the human population of 6000 B.C. was about five million people, taking perhaps one million years to get there from two and a half million. The population did not reach 500 million until almost 8,000 years later -- about 1650 A.D. This means it doubled roughly once every thousand years or so. It reached a billion people around 1850, doubling in some 200 years. It took only 80 years or so for the next doubling, as the population reached two billion around 1930. We have not completed the next doubling to four billion yet, but we now have well over three billion people. The doubling time at present seems to be about 37 years. Quite a reduction in doubling times: 1,000,000 years, 1,000 years, 200 years, 80 years, 37 years.

Doubling times in the UDCs range around 20 to 35 years. Examples of these times (from the 1968 figures just released by the Population Reference Bureau) are Kenya, 24 years; Nigeria, 28; Turkey, 24; Indonesia, 31; Philippines, 20; Brazil, 22; Costa Rica, 20; and El Salvador, 19. Think of what it means for the population of a country to double in 25 years. In order just to keep living standards at the present inadequate level, the food available for the people must be doubled. Every structure and road must be duplicated. The amount of power must be doubled. The capacity of the transport system must be doubled. The number of trained doctors, nurses, teachers, and administrators must be doubled. This would be a fantastically difficult job in the United States -- a rich country with a fine agricultural system, immense industries, and rich natural resources. Think of what it means to a country with none of these.

Remember also that in virtually all UDCs people have gotten the word about the better life it is possible to have... They know that a better life is possible. They have what we like to call "rising expectations." If twice as many people are to be happy, the miracle of doubling what they now have will not be enough. It will only maintain today's standard of living. There will have to be a tripling or better. Needless to say, they are not going to be happy.

One of the most ominous facts of the current situation is that roughly 40% of the population of the undeveloped world is made up of people of the under-15 years old. As that mass of young people moves into its reproductive years during the next decade, we're going to see the greatest baby boom of all time. Those youngsters are the reason for all the ominous predictions for the year 2000. They are the gunpowder for the population explosion.

In fact, I know of no country in the world that has achieved true population control through family planning programs (or in any other way). The often quoted examples of Taiwan and Korea are countries undergoing demographic transition where the role of family planning programs was at the most very small.

What kind of policies should we be designing to guide our actions during the time of famines? To my knowledge, there has been only one realistic suggestion in this area -- a policy proposed by William and Paul Paddock in their

book Famine -- 1975! The Paddocks suggest an American policy based on the concept of "triage" borrowed from military medicine. The idea briefly is this: When casualties crowd a dressing station to the point where all cannot be cared for by the limited medical staff, some decisions must be made on who will be treated. For this purpose the triage system of classification was developed. All incoming casualties are placed in one of three classes. In the first class are those who will die regardless of treatment. In the second are those who will survive regardless of treatment. The third contains those who can be saved only if they are given prompt treatment. When medical aid is limited, it is concentrated only on the third group -- the others are left untreated.

The Paddocks suggest that we devise a similar system for classifying nations.

Mr. McNamara - No Sir, please. Park, let's talk about this.
7/25 to Mr. Clark
RBS 7/25

Mr. William Clark

Harold Graves

New York Times Sunday Magazine

July 24, 1968

487/2/1900

(Mrs.) Nona Brown, who represents The New York Times Sunday Magazine in the Washington bureau here, called this afternoon. She said that the New York office was wondering about the possibility of a thoughtful interview with Mr. McNamara for publication in the Magazine, and wanted a "reading" on whether this would be possible. I told her I thought the only way to find out would be to ask Mr. McNamara, that the question would be put, and that we (not meaning me) would call her when we knew the answer.

*what
things
to be
published
when
shortly after
annual
mtg: 10/5*

cc: Mr. McNamara ✓

HG:ap

RONALD W. HAUGHTON
WAYNE STATE UNIVERSITY
DETROIT, MICHIGAN 48202

*7/24 To Mr. Haughton
Can, I'll be
delighted to help.
487/2/97*

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

Dear Bob:

You may remember that a long time ago, when Sam McNally and I visited you in your Washington office, I said that I was interested in a Foreign Service appointment. You mentioned that I could use your name as a reference. I did not do so, but at this late date, I have taken the liberty of using your name.

I am being considered by John Macy's office for the post of Ambassador to El Salvador. When I was asked if I could give some references of people who know me and who know the President, I gave your name. I hope you don't mind.

Since you have done so much and gone so far since I last saw you, I thought it best to drop this note to alert you. I am enclosing a background statement because I am sure that if you are asked about me, you will need a refresher.

Anne joins me in sending our best regards to you and Margie.

Sincerely,

Ron Haughton

July 18, 1968

7/20/68

48712/194

I draw the following conclusions from this morning's discussion:

1. The Board desires that in its day-to-day operations, IDA should follow the following guidelines:

a. Credits to countries other than India and Pakistan during the remaining period of the second replenishment should approximate 58% of total credits.

b. Within the limits referred to in a. above, IDA credits should be allocated among countries taking account of:

- (1) lack of credit worthiness
- (2) economic performance
- (3) ability to present acceptable projects
- (4) relative stage of economic development.

c. In connection with the fourth criterion, countries with per capita incomes above \$300 per year should not ordinarily be considered eligible for IDA credits.

d. IDA should make particular efforts to assist the poorer countries in qualifying for IDA credits by assisting them in improving their economic performance and in identifying and preparing projects acceptable for IDA financing.

2. The majority of the members of the Board do not wish at this time to change the terms of IDA lending or to introduce specific controls over counterpart funds resulting from IDA lending. There was, however, general agreement that IDA should have some kind of assurance that the counterpart funds would be used for development purposes. We will set up procedures to meet this objective.

487/2/96

7/24 - to Amb. Cleveland
O'Hara, the Sat.
Kevin piece is a just

UNITED STATES PERMANENT REPRESENTATIVE

ON THE

NORTH ATLANTIC COUNCIL

Brussels, Belgium

class piece of
writing. I wish
I could have done
as well.
④ Too bad Denis

July 18, 1968

didn't read my
statement more
carefully.
Bob

The Honorable
Robert S. McNamara
President, International Bank for
Reconstruction and Development
1818 H Street, NW
Washington, D. C.

Dear Bob:

Just in case you haven't seen it, you will not want to miss the answers yesterday by our mutual friend Denis Healey about the notion of a rough balance in conventional forces between NATO and the Warsaw Pact.

We are continuing to plow the furrows here along McNamara lines. But I think it is fair to say that the chief uncertainties about NATO are now in Washington.

On this side of the water, the progress is I think quite impressive. Somehow, by turning off the "nuclear sharing" debate through the creation of NPG, and by turning on the political, détente-seeking role of NATO, we have created an atmosphere in which the notion of NATO either dying or being killed is no longer seriously discussed in Europe. You will perhaps have noted that the Norwegian Parliament voted 144 to 6 to stay with NATO -- which means that by skillful use of the changes we have made in NATO these past three years, the Norwegian Government was able to create a domestic political environment in which the anti-militaristic Left could participate with a straight face in a pro-NATO vote.

Clark Clifford has been over twice, for NPG and DPC, with good results and good rapport. But I miss the personal pleasure and professional stimulation of the frequent contact with you which was from the outset an important fringe benefit of my present assignment.

I am attaching an article of mine which the Saturday Review ran in its June 29 issue -- a rewrite of part of an earlier lecture at Notre Dame which you may have seen. I like to think that this piece could have been written by RSM.

Warmest regards,

Sincerely,


Harlan Cleveland

7/19 To Mr. Borklund

487/2/93



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July 18, 1968

Thanks Bill - I'll
look forward to
receiving what I

Dear Mr. McNamara:

*know will be a
thorough collaboration*

Enclosed please find an autographed copy of the
most recent result of your information and in-
struction; one sent with my thanks for your help.

Sincerely,

Bill Borklund
C. W. Borklund
Publisher

CWB/bjg
Enclosure

*The subject -
L-10*

Monthly Report of Actual vs. Budgeted Personnel
(thru July 31, 1968)

	6/30/68	7/31	8/31	9/30	10/31	11/30	12/31	1/31	2/28	3/31	4/30	5/31	6/30/69
<u>Prof. Staff</u>													
Off. of Pres.	12												12
Admin. Dept.	54												66
Area Depts.													
Africa	34												42
Asia	38												40
Europe	11												12
Mid. East & N. Af.	16												22
Western Hemis.	41												43
Sub-Total	140												159
<u>Projects Dept.</u>													
Director's Off.	10												10
Agri. Div.	58												83
Educa. Div.	16												30
Pub. Util. Div.	51												62
Tourism Div.	-												6
Transport Div.	56												66
Sub-Total	191												257
<u>Economics Dept.</u>													
Director's Off.	12												12
Country Gp.	15												18
Sector&Proj. Gp.	18												21
Interna. Gp.	15												21
General Gp.	18												27
Basic Research	-												7
Sub-Total	78												106
<u>Dev. Servs. Dept.</u>													
Info.&Pub.Af.Dept.	18												21
Legal Dept.	19												22
Prog.&Bud. Dept.	11												12
Secy's & AMBG	14												15
Treasurer's Dept.	61												66
European Office	12												12
New York Office	1												2
Resident Missions	10												10
Dev. Adv. Servs.	15												29
EDI & ICSID	16												19
Data Processing	12												26
TOTAL PROF.	720												890
Actual													
Planned	720	726	737	753	759	770	789	810	825	837	851	865	890
NON-PROF.-Actual	806												
-Planned	806												909
Total-Actual	1526												
Planned	1526												1799
<u>Recruitment</u>													
PROF.-Actual													
-Planned	15	12	20	7	10	21	26	20	14	18	19	18	200
NON-PROF.-Actual													
-Planned													

OFFICE MEMORANDUM

CONFIDENTIAL

4872/87

TO: Mr. Robert S. McNamara

DATE: July 16, 1968

FROM: J. E. Twining, Jr.

DECLASSIFIED

MAY 01 2013

WBG ARCHIVES

SUBJECT: SALARY INCREASE

If you wish to discuss in detail with me before proceeding very far on it call me on the telephone

1. The Bank Group Salary Policy study which we sent to you on May 29, 1968, recommended a general increase for Bank and Corporation staff amounting to about 5% for professional staff and 3% for non-professional staff, to be effective July 1, 1968. The Budget for Fiscal Year 1969 contains sufficient amounts to cover increases of this size and in the Budget Meeting of June 18, 1968, the Executive Directors were told that increases in these amounts were being considered.

2. You suggested that we defer action on any increase until the International Monetary Fund completed its salary study and decided what increase it would grant to its staff. The Fund has now completed its study and its Administration Department has recommended to the Managing Director an increase of about 8% for professionals and 4% for non-professionals, to be effective August 29. The Fund bases its recommendation on the fact that it last gave an across-the-board increase in September 1966 based on cost-of-living figures dated May 1966 and the cost of living in the Washington area since that date has risen by 7.3%. A copy of the IMF paper which would form the basis of a Board document if approved by the Managing Director is attached as Exhibit 1.

3. I believe that we want to move as nearly as possible in parallel with the Fund and I see no difficulty for us in granting an increase of about 4% for non-professional staff -- exactly the same as the Fund increase. (In fact the IMF originally proposed 5% but really without justification and in discussions with us we said that we could support and agree on the lower figure only which the Fund accepted). Salary increases for our non-professionals have historically been very much in step with the Fund, since we are competing in the same market for the same talent. The last across-the-board increase for both Bank and Fund non-professionals became effective on the same date, January 1, 1968, and in the same percentage, 4%.

4. The proposed Fund increase for professional staff is higher than I believe we can justify if we are to relate our increase strictly to the rise in the cost of living and apply it uniformly across the board. From our discussions with the Fund on this whole matter they are aware that the average Bank increase will be lower than the average Fund increase. As discussed in the salary study, the majority of Bank/IFC salaries are ahead of the Fund's, in some cases by comfortable margins, but at the most junior level and at the Senior Staff level IMF salaries are ahead of the

Please draft a memo to the Board stating
a. We propose to adopt the policy of across the board cost of living adjustments made at the Federal level & in the same amount as the IMF
b. We recommend a 4% increase for non-professionals - state reasons
c. We recommend a 7% " " professionals - state reasons
(note the national & the Fund - it is excellent) R. C. W.

Bank's. The study also showed that the salary increases granted in the Bank on January 1, 1968, took account of cost-of-living movements through August 1967 for the junior and intermediate staff but to a declining degree for those on salaries between \$16,000 and \$18,000. Few increases were granted to those at \$18,000 or above.

5. The majority of Bank and Fund professional staff salaries will come closer into line if the Bank's across-the-board increase is slightly lower at the \$11,000 to \$21,000 salary level than that of the Fund. Since the Fund base date for measuring the rise in the cost of living is May 1966 and the Bank's is August 1967 for the junior and intermediate staff level a differential in the amount of increase is explainable. However, we now can justify an increase larger than the 5% proposed to you last May. Since making that recommendation two basic changes have occurred:

- (a) We had estimated the cost-of-living rise in the Washington area from August 1967 to May 1968 to be 2.7%. In fact the May 1968 index showed an increase of 3.15% for that period and from all indications the index is still rising at a rate faster than in recent years.
- (b) We had proposed that an increase in Bank salaries be made effective on July 1, 1968. By delaying action to await the result of the Fund's study the impact of raised salaries will be realized for only 10 months of the year.

Furthermore, we had assumed that the Fund professional salaries would also be raised by about 5% whereas in fact the Fund is proposing a higher rate of increase.

6. Accordingly, I recommend that a general increase for Bank/IFC staff of 4% for non-professionals and about 6.8% for professionals be made effective on September 1. The cost to the Bank, including related pension contributions, tax reimbursements and staff benefits, would be \$970,000 for the Bank and \$115,000 for the Corporation. These amounts are only slightly more than those provided in the Budget.

7. Attached, as Exhibit 2, is a table showing the rates of increase proposed for various levels of Bank/IFC professional staff ranging from 5.5% to 6.8% compared with increases proposed for Fund staff at similar levels. This table provides for increases below those of the Fund between \$11,000 - \$21,000 since our salaries enjoy a competitive edge over the Fund's at this range, whereas increases of \$1500 to \$1700 are proposed at rates from \$21,000 upward, slightly higher than those proposed for the senior staff of the Fund. Since Bank staff at the directorate level are behind those in the Fund, a case could be made to raise to \$2000 the amounts to be given from \$21,000 and above. The effect of such action is shown in the attached table, Exhibit 3. As a second

Apply a flat increase for all professional staff members

alternative we could restrict the Senior Staff increases to \$1500 as does the Fund and in January 1969 when considering merit raises for all professional staff grant larger than normal raises to those Senior Staff members you consider deserving to bring them more in line with Fund salaries at this level.

8. Since we have already told the Executive Directors of our plans to put in a cost-of-living increase and the funds have been included in the Budget, it may not be necessary to have this discussed at a meeting of the Board. Instead, the Executive Directors' approval could be sought on a lapse of time basis. If a meeting is considered appropriate, I suggest that we circulate a paper by August 1, 1968, for consideration at a meeting on August 13, 1968. I understand that the IMF Board will be asked to consider the Fund salary action proposals at a meeting on August 14, 1968.

9. If you approve these proposals I will prepare a memorandum for circulation to the Board for approval either on a lapse of time basis or, if you think it necessary, for discussion at a meeting on August 13.

10. Before any salary increase proposals in the amounts recommended are put to either Board for consideration a decision must be made as to what steps, if any, should be taken to raise the salaries of Executive Directors. Both the Bank and Fund salary proposals, if approved, will result in some Department Heads receiving salaries in excess of the present Executive Directors' salaries. In the case of the Bank and Corporation, this would be true of Messrs. Cope and Raj but all other Department Heads could receive \$1500 and in some cases up to \$2000 without exceeding the \$28,000 limit. The Fund Administration Department has prepared a note on the subject of Executive Directors' salaries for Mr. Schweitzer (copy attached as Exhibit 4) and I understand that he will call you to discuss a plan of action. If it is not considered appropriate to break the "ceiling" of \$28,000 for Bank and Fund Department Heads, then the increases for Messrs. Raj and Cope would have to be limited in amount and those for Messrs. Cargill and Chadenet could not exceed \$1500.

Attachments (4).

*probably
necessary
discuss*

*please look
ready for my
review by
7/24*

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F. GORHAM BRIGHAM, JR.
VICE PRESIDENT

48712/92

718
Bob
I'll definitely
hope to be with you.

My travel plans are
ready however and I
July 15, 1968

can't plan many weeks
ahead. It was good to
hear from you.
Our best to all the
Brighams.
Bob

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

Dear Bob:

Several months ago I wrote to you about our forthcoming 30th Reunion in early June, 1969 and my hope that you, with your many obligations, could begin to make plans to be with us. The festivities will take place on the 7th and 8th of June at The Harborside Inn which is located at the Edgartown end of Martha's Vineyard, not far from a good airport.

Subsequently, I had hoped to see you when you were to be honored by the Harvard Business School on Alumni Day but, unfortunately, Robert Kennedy's tragic death occurred about that time and you were called on to help the family. You certainly did a marvelous job and your tribute to him was one of the finest that any human being could have had.

More recently, I learned of your election to the Board of the Ford Foundation, so I have sent in to the Business School a brief note about it which, I hope, will be included in the next Alumni Bulletin notes.

I do hope, Bob, that there will be a chance for us to pick up where we left off, although the manner in which you have started your new job indicates that you are certainly going to be terribly busy traveling all over the world and doing a lot for many needy people. In any event, I do hope that our paths will cross and that you will find it convenient to attend the reunion. To date we have Georges Doriot coming, plus "Kersh" Cross and Charlie Williams who will be assisting with the program, also acceptances from about seventy classmates.

Amy joins me in sending our best to Margie and you.

Cordially,

FGB, Jr./dmr

487/2/91

July 18, 1968

Dear Mr. Buchan:

Mr. McNamara has asked me to send you the enclosed application for membership in the Institute which Mr. Nitze has signed as Proposer. Mr. McNamara very much appreciates your willingness to second him.

Sincerely,

(Miss) Margaret S. Stroud
Secretary to Mr. McNamara

Mr. Alastair Buchan
Director
The Institute for
Strategic Studies
18 Adam Street
London W. C. 2, England

487/2/90

July 18, 1968

Dear Mr. Dyer-Bennet:

Mr. and Mrs. McNamara have been in Europe all of this month and will not be back in the city until this weekend. I applogize for not having opened your letter earlier so that you would know they would not be able to see you on the dates you suggested.

Sincerely,

(Miss) Margaret S. Stroud
Secretary to Mr. McNamara

Mr. John Dyer-Bennet
Virginia Union University
Richmond, Virginia 23220

487/2/89

July 17, 1968

MEMORANDUM OF CONVERSATION WITH SECRETARY OF THE TREASURY FOWLER

In response to my request for authorization to market in the U.S. a \$250 million bond issue on September 17, 1968, Secretary Fowler asked that I agree to the following:

1. His authorization of the marketing of the \$250 million issue would be without prejudice to a later decision affecting additional IBRD borrowings during FY '69.
2. The IBRD intends to "lock up" through FY '70 in medium-term securities whatever it borrows in the U.S. in FY '69 in accordance with Mr. Friedman's memorandum of July 3, 1968, a copy of which is attached.
3. Following FY '69, the IBRD would use its "best efforts" to increase non-U.S. borrowing to 50% of total borrowing.

In consideration of my agreement to items 1, 2 and 3 above, Fowler agreed to authorize the marketing of \$250 million issue in the U.S. on September 17, 1968. Messrs. Friedman and Hirschtritt will start drafting tomorrow the written papers to incorporate this oral agreement.

Robert S. McNamara