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Series: General correspondence

Sub-Fonds: Records of President Robert S. McNamara

Fonds: Records of the Office of the President

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THE WORLD BANK
Washington, D.C.

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The World Bank
1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

PUBLIC DISCLOSURE AUTHORIZED

McNamara Papers

Mr. McNamara's Chronological file (incoming)
from January - December, 1978 (Jan-May)

The World Bank Group
Archives



1771807

A1995-258 Other #: 3

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Chronological files (incoming) - Chrons 18

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WBG Archives**

493/4/10

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Your No. }

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நிதி அமைச்சு
MINISTRY OF FINANCE & PLANNING

කොළඹ 1 }
கொழும்பு 1 } 10th May, 1978.
Colombo 1 }

Mr. Robert S. McNamara
President
The World Bank,
Washington, D.C. 20433
U. S. A.



Dear President,

I thank you very much for your letter of April 14, 1978, which I received only on my return from the Sri Lanka Aid Group Meeting in Paris. I appreciate very much the sentiments you have expressed and look forward to a period of close co-operation between the Bank and Sri Lanka.

With kind regards,

Yours sincerely,

W.M. Tilakaratna

W.M. TILAKARATNA

Secretary to the Treasury &
Secretary, Ministry of Finance
and Planning

1978
MAY 18
PM 2:26

MINISTRY OF FINANCE

TO: THE SECRETARY
GENERAL SECRETARIAT
MINISTRY OF FINANCE
10, RAJENDRA NAGAR
NEW DELHI - 110029

FROM: THE SECRETARY
MINISTRY OF FINANCE
NEW DELHI

RECEIVED
1978 MAY 18 PM 2:26
INCOMING MAIL UNIT

JACOB K. JAVITS
NEW YORK

493/4/9

United States Senate

WASHINGTON, D.C. 20510

April 28, 1978



Dear Bob:

I just wanted to let you know how much I appreciated your appearance before our group of Senators.

Your forthrightness in explaining and answering the questions of the Senators will be very helpful as we try to set the proper atmosphere in the Senate for consideration of IFI funding. I hope that this is the beginning of a new era of greater understanding and, hopefully, greater cooperation between the Congress and the IFI's.

Again, thank you very much for your remarkable performance.

With warm wishes,

*Best to
Mary!*

Sincerely,

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

Mr. Robert McNamara
President
World Bank
1818 H Street, NW
Washington, DC 20433

United States Senate

WASHINGTON, D.C. 20540



April 28, 1978

Dear Sir:

I just wanted to let you know how much I appreciated your appearance before

Your participation in explaining and answering the questions of the Senate will be very helpful as we try to get the most accurate information in the Senate for our consideration of the bill. I hope that in the beginning of a new era of greater understanding and respect for the Senate and the Congress we will see...

Again, thank you very much for your valuable participation.

With very sincere

RECEIVED
1978 MAY -5 PM 3:06
INCOMING MAIL UNIT

493/4/8

April 27, 1978

Dear Congressman Beard:

In your letter dated April 12 (which I received today) you asked for a copy of President Carter's instructions to U. S. officials to vote against certain loans which might be put before the Board of Directors of the World Bank. Such instructions would have been sent to the U. S. Executive Director in the Bank rather than the Bank's management. I am therefore sending a copy of your letter to Mr. Fried who represents the U. S. on the Board. I am sure he will reply to it promptly.

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

The Honorable
Robin Beard
The House of Representatives
Washington, D. C. 20515

RMcN:bmm

ROBIN BEARD
6TH DISTRICT, TENNESSEE

WASHINGTON OFFICE:
124 CANNON HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
(202) 225-2811

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

DISTRICT OFFICES:
813 RIDGE LAKE BOULEVARD
SUITE 305
MEMPHIS, TENNESSEE 38138
(901) 767-4652

22 PUBLIC SQUARE
COLUMBIA, TENNESSEE 38401
(615) 388-2133

April 12, 1978



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

Dear Mr. McNamara:

On October 18, 1977, the House of Representatives approved the Conference Report to accompany the FY'78 Foreign Aid appropriations bill.

4/26
As you will recall, there was considerable difference between the House and Senate regarding international banking institution loans to Cambodia, Laos, Vietnam and Cuba. The House dropped its bar on use of U.S. funds for loans to these countries only after receiving assurances from President Carter that he would instruct U.S. officials at international banks to vote against such loans.

I would appreciate your cooperation in forwarding a copy of this referenced communication to me.

Thank you for your attention to my request, and I look forward to your speedy reply in this regard.

Sincerely,

A handwritten signature in blue ink, appearing to be "Robin Beard".

Robin Beard, M.C.

RLB/dpk

RECEIVED
APR 13 1978
MEMPHIS

PRINTED AT THE
U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON, D.C. 20540
500 122-8817

House of Representatives
Washington, D.C. 20515

WASHINGTON OFFICE
122 CANTON HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
500 122-8817

April 12, 1978



Mr. Robert S. McNamara
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International Bank for Reconstruction and Development
1818 H Street
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national banks to vote against such loans.

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Thank you for your attention to my request, and I look forward to
your speedy reply in this regard.

Sincerely,

Robin Beard, M.C.

RFB/dpk

RECEIVED
1978 APR 26 AM 11:41
INCOMING MAIL UNIT



THE SECRETARY OF THE TREASURY
WASHINGTON 20220

493/4/7

March 17, 1978



Dear Bob:

I would like to express my concern and regret over the recent incidents in which the homes of World Bank employees were firebombed.

3/17 I have written to Attorney General Bell expressing my concern and requesting his assistance in ensuring that the Department of Justice is taking all appropriate steps within its jurisdiction with respect to these incidents.

Sincerely,

Mike

W. Michael Blumenthal

The Honorable
Robert S. McNamara
President, International Bank
for Reconstruction and Development
Washington, D.C. 20433

3-22

493/4/6



DEPARTMENT OF STATE

Washington, D.C. 20520

BUREAU OF OCEANS AND INTERNATIONAL ENVIRONMENTAL AND SCIENTIFIC AFFAIRS

March 17, 1978



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

Dear Bob:

I have just returned from a trip to India, Sri Lanka, Egypt, and FAO, Rome, and I would very much appreciate an opportunity to discuss some thoughts derived from this trip with you. Meanwhile, I enclose a copy of my overall report on India and will be doing a similar one on Kerala/Sri Lanka; Egypt; and FAO, population.

3/20

I am at your disposal; whenever you have a chance, I will be glad to drop around.

With all the best,

Sincerely yours,

Marshall

Marshall Green
Coordinator of Population Affairs

RECEIVED
APR 2 11 05 AM '78
TMO JAM

Enclosure

63-23472

*Suggest
handl time 3/27
or Wed 3/27
+ return to me
before lunch
Lm*

3/20 OK for 12³⁰ 3/22
B.

INDIA

The following impressions of the population/family planning situation in India are based on a recent visit to New Delhi and the South Indian States of Karnataka, Tamil Nadu, and Kerala, and a short stopover in Bombay. Since the population scene in Kerala is unique and most closely resembles that of Sri Lanka, I shall cover Kerala more fully in a separate report on Kerala and Sri Lanka.

Overall, the population picture in India is grim. It would be difficult to over-estimate the setback to India's population program resulting from reaction to repressive measures during the last year of Mrs. Gandhi's rule to achieve high sterilization target levels. There seems to be a widespread tendency these days to blame these excesses on Sanjay rather than on Mrs. Gandhi. She continues to be the big name in South India where, I was told, many of the villagers believe her to be the daughter or granddaughter of the revered Mahatma Gandhi. My impressions were largely based on travels in South India, which has been described as being "below the 1976 vasectomy belt." Excesses in the 1976 sterilization drive occurred principally in the north.

India continues to depend overwhelmingly on sterilization which has been mostly male. All other forms of contraception represent perhaps 15 percent of the total. The pill has flopped in India for a variety of reasons, including logistics, rumors of side effects, and inability to follow instructions on use by women whose national literacy rate is below 18 percent. The IUD has never recovered from the Lippe Loop fiasco of a decade or so ago.* It is against this background that India's family planning setback can best be seen. Sterilization acceptances in the three months of July, August, and September, 1977, were down to 190,000 compared to 2,442,000 for the same three months in 1976. Likewise, the estimated number of sterilizations for October, November, and December, 1977, were 281,000 compared to 3,171,000 for the same period in 1976.

It is estimated that 2.6 million sterilizations are required each year in order for India to stay even. Anything less than that figure results in a lowering percentage of

* Dr. Talwar, inventor of the anti-pregnancy vaccine, told me that his product would not be on the market for another 5 years, even assuming all the required tests are favorable.

eligible couples covered by contraception. Hence, every passing day now involves a further setback to India's program.

India's ability to achieve several million sterilizations per year will require, aside from strong leadership commitment, the availability of doctors and hospital/clinic facilities in rural areas, which even Sanjay's campaign failed to penetrate on any wide scale. At present, these factors present formidable obstacles.

Although India is annually producing about 12,000 allopathic (modern medicine) doctors, these doctors tend to go in for post-graduate studies immediately after graduation and thereafter to settle down in urban areas or migrate overseas. One of the principal reasons they are reluctant to serve in rural areas (where live 79 percent of the population) is lack of medical backup, as well as poor living conditions for their families. Although the previous five-year plan had called for the construction of 1200 rural hospitals, none have been built. (Another source told me that 100 had been built.)

The inescapable conclusion from these basic facts is that for the near future at least, assuming the Government is seriously bent on coping with population growth, it will have to re-introduce mass sterilization through intense motivational campaigns, possibly along with the equivalent of sterilization camps, although they would unquestionably be called something else like "mobile family welfare centers" and probably provide health and nutrition services as well as voluntary sterilization. Doctors will also have to be required to perform national service in rural areas before final certification for medical practice or before being permitted to migrate abroad.

Already there is a major transformation taking place in official thinking on these matters. After the Janata Government came to power, India withdrew into its shell as far as family planning is concerned. Politicians talked about leaving population growth to be resolved the Gandhian way (Mahatma, that is), involving such "natural" methods as celibacy and abstinence.

Realities then intruded. The dimensions of disastrous setbacks to family planning soon became evident, including the dismaying spectacle of doctors refusing to perform sterilizations on the grounds that this might backfire on them politically.

Raj Narayan, the new Health Minister, began to revise his earlier statements opposing sterilization to make greater allowance for the need for urgent steps in "family welfare," including sterilization. Fortunately, he appointed Mr. Prasad as Secretary of the Ministry of Health. Prasad has the reputation of being one of India's best administrators.

When I called on Prasad, Mrs. Grewahl, and others in the Health Ministry, I was struck by how no one spoke ill of Raj Narayan. I subsequently learned that, although they may have deplored his earlier stand, they felt he was swinging around the right way, and they recognized him to have those qualities of dynamism and political clout essential for moving the Janata Government to take a vigorous stand on family planning.

So far, Narayan's main effort in the family welfare field has been his proposal for upgrading the 5,372 Primary Health Centres (PHC), covering India's 580,000 villages, ensuring they have adequate staffs of doctors and nurses, and using these PHC's for training and supervising community health workers (one for each village) who would be chosen by their villages and work there on a part-time basis after three months' training.

An important aspect of Narayan's plan is the training of traditional birth attendants (dais) in hygienic deliveries and providing them with medical kits. In addition to all this, the new health plan provides for upgrading the four or more health sub-centers within each Primary Health Centre, and for ensuring that there is one male and one female multi-purpose worker for every 5,000 population by 1984-1985 who can perform vaccinations, as well as serve as family planning motivators and family planning health assistants.

This grand design for bringing simple health services, including family planning and motivation, to the villages was resented by the medical profession which opposed such wide use of paramedics. But Narayan stood his ground. Finally, the Prime Minister intervened and compromised

between Narayan and the doctors by limiting the initial application of this new community health plan to only 777 blocks, which is about 1/7 of India's total.

In recent months, family planning organizations have been more outspokenly critical of the inadequacies of the Government's total approach to family planning. There has been a succession of Government clarifications and assurances, all in the right direction, and now there is even a target set for the year starting in April 1978 of four million sterilizations, 600,000 IUD insertions, and meeting the needs of four million condom and pill users. This target is, of course, quite unrealistic, barring the re-introduction of widespread use of major motivational campaigns and even of camps or their equivalent. The best sterilization record in India before the final year of Mrs. Gandhi's rule was only about three million sterilizations and that required mobile sterilization units.

I was interested to hear repeatedly in the course of my travels that some of the old sterilization camps had been well run, devoid of coercion. However, the general feeling in South India was that camps are no longer necessary there because of the availability of hospital facilities, unlike the rural areas in north and central India. It was emphasized that sterilization camps (or their equivalent) will require advance motivational programs in the areas where they are to operate. They will also, in my opinion, require services other than just sterilization and IUD insertions in order to overcome the horrendous reputation of what happened in 1976, reports of which have been magnified by anti-Gandhi politicians.

Another step which the Government of India may well decide to take is advancing the age of marriage. Until recently, it was 15 for girls, but that is about to be changed to 16. Officials I spoke to favored raising the legal age of marriage to 18 or 21 for women, both in order to reduce population growth rates and to promote the health of mothers. A leading doctor in Madras told me that raising the age of marriage from 15 to 16 was "totally inadequate." As a first step, he advocated raising the age to 18, and he believed this would have a major demographic effect. Respondents to a poll taken in Althoor block in Tamil Nadu showed that almost all respondents, especially men, favored raising the age of female marriage to 18. However, only 40 percent of the girl respondents favored raising the age of marriage, possibly out of fear that they may not find suitable

alliances, out of fear about pre-marital relations, or it may be that they want earlier independence from their parents. But all these and other indicators I picked up in India suggest that raising the marriage age of girls and boys to at least 18 for girls is not likely to meet with opposition except from lower socio-economic groups that may need some persuasion.

There is, in any event, a continuing trend toward later marriages in various parts of India. A 1974 research study by the Gandhigram Institute of Rural Health and Family Planning disclosed that in 1960-1962, 42 percent of marriages of women took place at the age of 15 or less; in 1966-1968, only 19 percent were married at that age.

Another area in which India could score major progress over the long run in lowering birth rates is closely related to the foregoing. I refer to improved education of women. Surveys conducted in Karnataka, Tamil Nadu, and Kerala show that the higher the literacy rate of women, the lower the birth rate. Indian law extends compulsory primary school education to boys and girls, but this law is not enforced. There are still twice as many boys as girls in primary schools, largely because girls are forced to drop out of school to take care of their younger brothers and sisters. There is clearly a connection between the fact that the State of Kerala has by far the highest female literacy rates of any State in India, and the fact that it has the lowest birth and death rates, even though it is regarded as one of the poorest States of India.

The Government of India will undoubtedly draw on the findings of model projects and other experiments being conducted in various States in improving its total approach to health and family planning in the context of community development. There are a number of centers in India, four of which I visited in South India, which are testing out different strategies in this field, involving improved management, incentives, motivators, paramedics, voluntary organizations, etc. Emphasis is being given at Malur (Karnataka) to the formation of social organizations like wives' clubs and youth groups that are designed to draw the communities together and to create greater community awareness. It has already been determined that this vitalizes the community, promotes self-help attitudes, gains better cooperation between the Government and people, and all this creates more receptive attitudes towards family planning, especially if the latter is seen as an integral part of the total community development process.

The Gandhigram Institute is likewise examining who are the most influential people in a given village, why they are considered leaders, and how best to influence them not only with regard to the use of family planning service but with regard to getting other people to follow their lead. The Voluntary Health Services Medical Centre at Madras is studying the role of the community health worker (recommending a more limited area of responsibility than that proposed by Narayan) as well as whether small payments for health services are preferable to free services. On some points, there is disagreement among the research institutes involved, undoubtedly related to the wide cultural differences within India.

All these models and research enterprises, useful as they are, raise fundamental questions as to the ability of the Government of India and the various State Governments to translate these experiments into practical programs widely replicated. In this connection, I discovered that even the models I visited depended on a "guiding spirit," that is, a man or a woman with the energy, drive, and conviction required to see these experimental programs through to completion.

I see no direct role for the United States Government at this time in support of India's population program, particularly since we have not been asked by the Indian Government to provide assistance. India knows perfectly well what needs to be done. It has had more expertise in this field and has been at it longer than any other country. India has the doctors, the brains, the experience, and understands the many cultural contexts into which India's programs must operate. What remains to be seen is whether the Government of India has the will, the drive, the courage, the managerial skill; whether the new leadership is willing to drop past platitudes and pieties and speak up clearly and strongly in support of the kind of population program which just about everybody knows is necessary. Although there have been some encouraging signs in the last few months, the Government has a long way to go in meeting the problems.

The United States has, of course, a keen interest in India's success, including its ability to cope with excessive population growth. In the latter regard, we will wish to be of assistance in any appropriate way but only when, and if, the Government of India feels that it could benefit from U.S. help. Meanwhile, assistance from UNFPA, IPPF, and

private voluntary organizations is welcomed by India, and this should be selectively expanded.

- - - - -

My last conversation in India was with an officer from our Consulate General in Bombay, who told me that, during the last 18 months, the population of Bombay has reportedly increased by one million people, largely migrants from rural areas. Such migration influxes to the cities do occur after bad harvest, but for them to occur now after two good monsoons is unique and alarming. It suggests that the countryside has reached the demographic saturation point.

Democratic rule faces many serious tests in India, perhaps the most serious and decisive of which is whether it can cope with excessive population growth which results every day in 35,000 more Indians.

MG:gjg
3-10-78

E1227

493/4/5

General M. Zia-ul-Haq
Head of the Government of
the Islamic Republic of
Pakistan
Islamabad, Pakistan

March 3, 1978

Dear General:

I am grateful to you for your letter of February 16, 1978, and for your kind remarks regarding the recent visits of Mr. Ernest Stern and Mr. Mahbub ul Haq to Pakistan. I am glad that you found your discussions with them useful.

I have been following with considerable interest the steps which have been taken by your Government to stabilize the economic situation and to place the Pakistan economy on a sound basis for long-term development. I am sure you are aware that, although the Government's recent measures should be helpful, more fundamental action will be required to restart the development process. I was therefore glad to learn that a new Five-Year Plan is now under preparation and particularly welcome your intention to make every effort to strengthen Pakistan's population planning program. I hope that our recent population mission was helpful to you in that respect.

I want to assure you, as Mr. Stern did, that the Bank stands ready to do everything it can to assist Pakistan in its efforts to readjust its economic policies and programs. As you no doubt appreciate, the Bank's effectiveness in assisting the various countries in its membership derives in large part from its ability, as an international organization, to draw upon expertise throughout the world and not be confined by considerations of nationality. In trying to respond to the needs of our members, we endeavor to define as specifically as possible the assistance which appears to be required in any particular instance to complement the expertise available in the country and to see how that assistance can best be provided.

As I read your letter, you appreciate our position and have in mind asking certain Pakistani nationals for their assistance as individuals and under private arrangements with your Government. We would have no objection to such an approach and assure you that we will treat sympathetically requests for leave of absence from the individuals you mention or other staff members of Pakistani nationality, who you think could be of help to you. The next step would then be for your Government directly to contact the individuals you have in mind.

I am sympathetic to your request for assistance in reorganizing the management of public sector enterprises and recognize that this is an important area which deserves urgent attention. I have asked Mr. David Hopper, Vice President of the Bank for South Asia, to discuss this matter during his upcoming visit to Pakistan with a view to establishing precisely what assistance is required and how best we may help in meeting this requirement. I look forward to receiving his report.

Sincerely,

Robert S. McNamara

cc: Messrs. Cargill
Stern
Hopper
Picciotto
Waide
Ambassador of Pakistan

RClements:MBlobel:ad
March 3, 1978



No. 270-ED/78

EMBASSY OF PAKISTAN
2315 MASSACHUSETTS AVENUE, N. W.
WASHINGTON, D. C. 20008

February 23, 1978

AMBASSADOR OF PAKISTAN



Dear Mr. McNamara,

I enclose herewith a cover bearing
No. 57/1/CMLA dated 16 February, 1978, addressed
to you, which has been received from the Chief
Martial Law Administrator's Secretariat.

Please accept the assurances of my
highest consideration.

Sincerely
Yaqub Khan

(Sahabzada Yaqub Khan)

Mr. Robert S. McNamara,
President,
I. B. R. D.,
1818 H St., Room # E1227
Washington DC.

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ
General M. Zia-ul-Haq



HEAD OF THE GOVERNMENT
OF THE
ISLAMIC REPUBLIC OF PAKISTAN
ISLAMABAD

57 / 1 / CMLA
16 February 1978

Mr Robert S McNamara
President I. B. R. D.,
1818-H, St N. W.,
Washington D. C. 20433,
USA



Dear Mr McNamara,

I have been intending to write to you for some time to express my gratitude on the positive and helpful interest shown by the World Bank in the revival and continued development of the economy of Pakistan. Mr Ernest Sterns visit to Pakistan in December 1977, immediately after the Paris meeting of Aid-to-Pakistan Consortium was of considerable help in establishing a basis of cooperation for progress towards re-inforcing Pakistan's efforts for rapid economic development on healthy lines. I had an extremely useful discussion with him on a wide range of issues. I am sure that he would have briefed you on that.

I am also grateful to you for enabling Dr Mahbubul Haq to spend a week with us in Islamabad to assist with the formulation of policies and programmes for accelerated economic rehabilitation of Pakistan. His discussions at various levels, particularly with planners, who are engaged in the task of formulating the new Five-Year Plan were very helpful.

The Population Planning Mission sent by the World Bank in January 1978 will also, I am sure, prove of great help. Unfortunately in this crucial programme, we went too hastily in certain directions



and ran into difficulties. A re-organisation is essential. We hope that with the help of your experts, we will soon be able to evolve a strategy enabling us to move forward rapidly in this urgent task. I am extremely concerned with slow progress in implementing population planning programme. My government would do everything possible to strengthen measures for making population planning fully effective.

I have been attaching high priority to the objective of economic rehabilitation and revival and have taken various steps during the past six months to improve the situation. The first set of measures announced in September were designed to increase industrial and agricultural production and to revive business confidence. There is some indication of a positive response to these measures. We have also introduced a number of measures on 1st January 1978 aimed at narrowing the domestic resource gap and reducing the balance of payments deficit.

It is, however, obvious that the task of full rehabilitation of the economy can only be undertaken within a medium-term comprehensive Plan framework. The Planning Commission has been instructed to prepare by March 1978 an Outline of Fifth Five-Year Plan with special emphasis on identifying measures which would stabilize the economy in the immediate future and set the country on the road towards steady progress. Thus, the objective is two-fold. A beginning has to be made with stabilization measures which include a review of all existing commitments on major development projects and further efforts towards mobilization of resources. At the same time, the lines on which future development should be taking place need to be defined clearly for the medium-term perspective.

During this difficult phase of a review and readjustment of our policies, the Government will need the understanding and support of its



friends abroad specially of the World Bank. It would be of particular help to us to be able to benefit from the expertise which is available in the World Bank to help our experts in the Planning Division to formulate a really effective programme of action which provides an adequate response to the situation we are facing. Since the time is short, I feel that the best support could be provided by the World Bank allowing some of the Pakistanis who have been working in the Bank to come to Islamabad for periods of 4 to 8 weeks. This suggestion is based on the consideration that the Pakistanis who have been intimately connected with the planning and policy making in Pakistan would be able to make a contribution quickly and would become easily a part of the team. I would particularly suggest the name of Mr Shahid Javed Burki whose work on agriculture and basic needs strategy could be highly useful. Dr Parvez Hasan, as a general economist, would equally be of great assistance. Others could also be considered, depending upon their other commitments. I hope it would be possible for at least these two to visit Pakistan for a short-term assignment beginning Mid-February.

Later, when the Plan Outline is ready we may hold an international Seminar in which we would like international experts from different countries to participate alongwith Pakistanis. I hope it would be possible at that stage to get Mahbubul Haq and other Pakistanis working in the World Bank and I.M.F. to join this Seminar.

Both in terms of short-term stabilization programme and medium-term plan, an important problem is the management and profitability of public sector enterprises. I have set up a Commission with Mr Uqali as its head to look into this problem. The Commission has collected considerable material and would be submitting a report shortly on certain aspects of this group of enterprises. However, I feel



that in this area our own experience and expertise is rather limited. We could benefit a great deal from an international expert. The World Bank has at its disposal the experience of various countries. I would be grateful if you could help us with a high-level expert to advise us on re-organizing the management of public sector enterprises making them accountable and responsive to economic challenge. Spade work would have been done by the Uqali Commission on Public Enterprises. The World Bank expert could carry it further towards practical changes. I feel this to be most crucial in our attempts to evolve a balanced resource picture in the country.

I feel confident that I can rely on your continued support for our efforts to revive the economy of Pakistan.

With profound regards,

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'M. Zia-ul-Haq', written over a horizontal line.

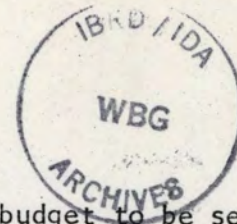
General
(M. Zia-ul-Haq)

OFFICE MEMORANDUM

DECLASSIFIED
 CONFIDENTIAL
 SEP 25 2012
 WBG ARCHIVES

TO: Mr. John E. Merriam

DATE: January 13, 1978

FROM: Peter Riddleberger *PR*SUBJECT: 1979 IFI Budget Requests

File

IFI requests that will appear in the 1979 budget to be sent by President Carter to Congress later this month are as follows (in millions of U.S. dollars).

	<u>FY 1979 NEW</u>	<u>Unfunded FY 1977-78</u>	<u>TOTAL</u>
IBRD paid in capital	52.3	14.3	66.6
IBRD - callable capital	470.7	128.7	599.4
IFC	33.4	6.6	40.0
IDA	1175.0	375.0	1550.0
IDB - paid in capital	0	27.29	27.29
IDB - callable capital inter regional	450.0	0	450.0
IDB - callable ordinary	0	97.36	97.36
IDB - FSO	200.0	125.3	325.3
ADB - paid in capital	20.4	3.6	24.0
ADB - callable capital	183.2	32.0	215.2
ADF	60.0	10.5	70.5
AfDF	25.0	0	25.0
	<u>2670.0</u>	<u>820.65</u>	<u>3490.65</u>

To this can be added \$1.7 billion for the IMF Witteveen facility.

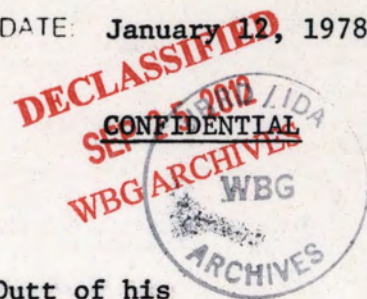
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cc: Messrs. McNamara, Knapp, Cargill, Clark, Stern, Nurick, Gabriel
 Mrs. Boskey

OFFICE MEMORANDUM

TO: Those Listed Below

DATE: January 12, 1978

FROM: Lester Nurick *JN*SUBJECT: Long Committee; Congressional Research Service

Attached is a copy of a memorandum from Mr. Dutt of his conversation with Prof. Weaver.

Messrs. Baum and Stern also spoke to Prof. Weaver. They both tell me that Weaver seems to be concluding that we are putting too much emphasis on new style projects, that we should not neglect the traditional projects and should try to demonstrate more aggressively their effect on the poor, that there should be a better balance between the two types of projects, and that his conclusion is not likely to satisfy his Congressional supporters.

11/12
Enc.

Distribution:

Mr. Cargill
Mr. Clark/Mr. Merriam
Mr. Damry
Mr. Vibert

cc - Mr. McNamara
Mr. Riddleberger

OFFICE MEMORANDUM

TO: Mr. Lester Nurick

FROM: Devbrat Dutt, ^{JDW} / Division Chief, LACIA

SUBJECT: Long Committee Inquiries - Meeting with Prof. J. Weaver

DATE: January 11, 1978

1. At the request of Ms. Gonzales (Technical Assistant to US Executive Director) I met today Prof. Weaver. Ms. Gonzales informed me that she had cleared this interview with you, that you had informed her that no one from your side would be present but you would appreciate a note summarizing the discussions.
2. Prof. Weaver explained to me his terms of reference and wanted to learn about the Bank operations in Mexico in support of the "poor".
3. I gave him a quick rundown on our portfolio in the country, and in response to Prof. Weaver's request explained in some detail the special efforts made by Mexico, with support from the Bank, in reaching the rural poor through (1) the Agriculture/Livestock Credit projects and (2) Integrated Rural Development (PIDER) projects. In the context of the former, I explained how, over time, the Bank has encouraged the country to earmark investment credit for low-income producers and the success in reaching them through the Fourth FIRA project. Prof. Weaver took note of the special features of the project for encouraging Mexican financial institutions to lend to low-income producers through mechanisms such as: (a) higher spread (and therefore yield on their own exposure) on loans for the poor, (b) arrangements for crop/livestock insurance, (c) grant funds for technical assistance, and (d) preferential interest rates. He also put questions on impact of these two projects on the income levels of the Mexican poor. Prof. Weaver asked if 'PCR' or an evaluation report of the FIRA IV credit existed, I replied in the affirmative; he did not ask from me a copy, nor was one shown or given.
4. Prof. Weaver asked several searching questions on: (a) what went wrong with the management of the economy in the later years of Echeverria Administration, (b) whether the Bank could do more of the social and 'new style' projects in Mexico, (c) whether any analysis had been made on the impact of the traditional (e.g. power, highway) projects on the poor, and (d) whether it would be appropriate for the Bank to insist on Governments to do more for the poor.
5. I explained that in Mexico the Bank has the opportunity of working with a Government expressing strong commitment to help the poor and therefore we did not have to press the Mexicans in this direction. In spite of that I could not claim that all, or even most of our projects, were exclusively in support of the poor. Mexico needs a well balanced

investment program to improve its balance of payments (and remain credit-worthy for external borrowings), to create more jobs, to ensure adequate infrastructure facilities (power, transport) to support the investments in agriculture, commerce and industry; the Bank has given support to several of these projects. Moreover, there are limits to the Government's capacity to rapidly expand a program for the poor, the limit being determined by availability of financial and personnel resources. Inflation has an adverse effect on income distribution and that high inflation rates in the closing years of the former Administration did not help the 'poor'. In its effort to contain inflation, the Government has adopted a policy of reducing public deficit, and its capacity to provide counterpart funds, or current expenditure to maintain new schools, hospitals, etc. would determine the level of 'new style' projects in the coming years. Prof. Weaver agreed that investment in highways do help the poor inasmuch as it reduces the cost of transportation, such benefit could be significant in Mexico as the Government favors low diesel oil prices (thereby reducing bus and truck transportation costs) and high gasoline prices (the impact is on the relatively well to do). Similarly water supply projects help the urban poor, as in shortage situations the poor are the first to suffer. He thought that some analysis of the benefit accruing to the poor from traditional projects would be useful and interesting.

6. I got the impression that Prof. Weaver was inclined to favor a balance between "traditional" and "new style" projects, and was looking for studies that establish the favorable impact of traditional projects on the poverty problem.

cc: Messrs. Lari
Nowicki
Division IA

DDutt:crm

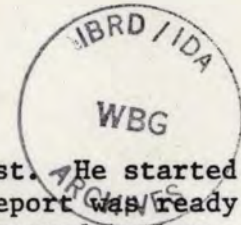
OFFICE MEMORANDUM

493/4/3

TO: Mr. Lester Nurick, Associate General Counsel

DATE: January 12, 1978

FROM: Ernest Stern, Vice President

SUBJECT: Discussion with Mr. Weaver

I spent about an hour with Mr. Weaver today at his request. He started the conversation by saying that the draft of his first report was ready and that he had discussed it with Mr. Fried, who had suggested he have a conversation with me before submitting the document. Mr. Weaver's basic hypothesis, which he wanted to test out apparently, was that the Bank had not done enough to assess the impact of traditional (this he defines as infrastructure) projects on the low-income groups and that these projects therefore had fallen into some disrepute. On the other hand, the Bank had oversold the importance of new-style projects and that in this area rhetoric was very far ahead of actual implementation. He added that these provisional conclusions were not based on any analysis of actual Bank operations but on conversations with staff regarding Bank planning and intentions. He also noted that he was sure that this conclusion was not going to be very popular with the members of Congress who had initiated the oversight study.

In our extended discussion, I tried to make essentially three points. First, the Bank/IDA lending program contained a very large share of financing for infrastructure and other large-scale support activities, such as fertilizer plants, power and financial intermediaries. While it might be true that the special justification for this kind of lending had not figured heavily in our speeches and publications in recent years, there was no question that the Bank's philosophy was one of balanced development and that we recognized fully that if we financed only projects which dealt with the low-income groups, we would not be supporting sensible development strategies. Secondly, the basic objective of development clearly was to raise living standards, particularly of those people now below a minimum poverty line. This meant that the poverty problem was heavily concentrated in Asia, and within Asia, in the rural areas. We fully understood that no progress could be made in dealing with the problems of poverty except by accelerating the growth of the agricultural sectors with due regard to distribution effects. This would require investment in power, fertilizer and transport, as well as support for extension and minor irrigation. Third, Bank financing and that of other external donors was only a small proportion of investment in developing countries. A very large share of their investment portfolio was in infrastructure activities. This kind of investment did not need much of a push from us, but the planners and policymakers in most developing countries were only gradually becoming aware of the dimensions of the poverty problem and the political and social issues which this posed now and which would be aggravated in future years. It was therefore entirely proper for us to emphasize more heavily this issue in order to draw attention to it, to have countries

develop a profile of their own problems in the social sectors and to have them consider marginal shifts in investment priorities and in the composition of investment in particular sectors which would accelerate the growth of income of the low-income groups. There was therefore, in my view, nothing wrong or surprising in the fact that rhetoric was ahead of implementation. This indeed is one of the functions of rhetoric, and the Bank has an important role to play in providing intellectual leadership in formulating development strategies. While Mr. Weaver kept referring back to his original hypothesis, I had the impression that in general he accepted this line of argument.

He also was very interested in how the Bank dealt with countries which might have different degrees of interest in poverty alleviation programs. I told him that while we thought it important that governments begin to focus on the social sectors, we assessed our lending program in terms of overall economic performance and within that equity considerations were only one component. I cited the case of Pakistan, where we have a lending program although the Government's own policy in regard to the lower income groups is far from satisfactory. This shortcoming is an important aspect of our policy dialogue. On the other side, the Government of Sri Lanka had done exceptionally well in terms of income distribution but very poorly in terms of sustaining economic growth. In that case, we also had projects, but our policy dialogue focussed on getting the Government to initiate more efficiency-oriented growth policies. We also discussed a number of activities in India which had an impact on the lower income groups and his interest here seemed to focus on my assessment of likely results.

Finally, he asked about the causes for the change in perceptions in the U.S. regarding the international financial institutions and whether similarly negative views were held in other countries. I told him that this shift had been predictable for some time because a decade ago there was a large bilateral program and appropriations for the IFIs were nominal by comparison. The balance had now shifted dramatically. More attention was therefore focused on the IFIs and it became clear to members of the Congress that even though the IFIs might serve a broad and long-term U.S. interest, they were not as directly controllable by the Congress as the bilateral program. This was a substantial source of frustration. In my view in most other industrialized countries, the Bank was seen as the prime international development institution and they had a very high regard for its competence. They relied heavily on our economic analysis for their own decisions on aid allocations and participated with us frequently in financing of projects based on our appraisal work. Indeed, this assessment of the professional excellence seemed to me also to be shared by the U.S. Executive.



Record Removal Notice



File Title Chronological files (incoming) - Chrons 18	Barcode No. 1771807
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Document Date January 12, 1978	Document Type Letter
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Correspondents / Participants

To: Mr. Cargill, Mr. Clark/Merriam, Mr. Damry
From: Lester Nurick

Subject / Title

Long Committee; Congressional Research Service

Exception No(s).

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

Reason for Removal

Attorney-Client Privilege

Additional Comments

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.

Withdrawn by Vlada Alekankina	Date October 2, 2012
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OFFICE MEMORANDUM

M EG

TO: Mr. I. Peter Cargill, Vice President (VPF)

DATE: December 20, 1977

FROM: Ted J. Davis, Chief, RORSU

(through Mr. M. Yudelman) *MY*SUBJECT: Interview with Mr. James H. Weaver, Consultant, Special Study into World Bank Operations for U.S. House Appropriations Sub-Committee for Foreign Appropriations.

Mr. Dixon, the Alternate U.S. Executive Director, called me on December 15 advising me of a request by Mr. Weaver for an interview with me relating to World Bank operations in rural development. He explained that Mr. Weaver is a consultant doing a study for the House Appropriations Sub-Committee. Mr. Weaver called me on December 19 and I agreed to see him on December 20 at 9:30 A.M. I notified Mr. Merriam and Mr. Riddleburger of this point. Mr. Merriam after consulting you and Mr. Fried determined that I should go forward with the interview. I met with Mr. Weaver from 9:30 to 11:15 A.M. on December 20.

Mr. Weaver is a professor of economics at American University and has been engaged as a consultant by the Library of Congress which has been asked to do a study on the operations of the International Finance Institutions. Mr. Weaver explained that the study was to be done in two parts. The first part will be done by Library of Congress staff on the management and financing activities of the IFIs. The second part will be done by Mr. Weaver and his staff (on the World Bank) and another consultant (for the Interamerican Development Bank) on the subject of the poverty focus of the Bank's operations, the extent to which there has been a change in these operations, and the extent to which projects actually carry out their objectives relating to benefitting the poor.

Mr. Weaver is a very pleasant person, who had some very complimentary things to say about his limited contact with the Bank. He spoke of having worked for USAID on a short term assignment in Tanzania. He said he was very impressed with the Kigoma Rural Development Project and had apparently spent considerable time in discussing this project with project staff and visiting villages within the Kigoma area. He did say he was considerably less impressed with the National Maize Project in Tanzania which he was investigating in connection with possible USAID participation.

He gave me an outline of his study as follows:

- 1) What changes have occurred in Bank's policies and operations which have redirected or are redirecting the Bank's operations toward the poor? What are the difficulties encountered by the Bank in changing these policies and how effective are the policies in achieving their objectives?

- 2) What have been the changes in the gross allocation of funds (particularly IDA) in terms of poverty oriented projects?
- 3) Who have been the beneficiaries of these projects? (He stated his intention to compare the operations of the Bank in FY72 and FY77). He is interested in identifying the numbers of beneficiaries who are in the poverty target group.
- 4) He has been asked to design a framework for a study on selected projects (including field work) to determine whether the projects are, in fact, benefitting the rural poor.

He stated that he was trying to identify certain reports and documents which he expects to request from the Bank through the U.S. Executive Director's office. These included "copies of the project briefs prepared for projects prepared in FY77" (he had already heard of the Project Information Brief which has been used as a monitoring tool by our Unit); any documentation on the definition of the poverty target group which is used by the Bank in its project analysis; reports of the Bank's internal analysis of its poverty oriented projects which have been prepared by our Unit or other Units; a report on the proportion of IDA funds specifically related to poverty oriented projects.

Our conversation was easy and informal. He made no demands for documentation. We discussed in general terms the rural development policy paper and the Bank's progress in achieving the goals laid down in that paper. He seemed quite impressed with the Bank's move in this direction and had appreciation for the complexities and difficulties of project design and implementation. He was interested to know about Bank's procedures for following projects during implementation through monitoring systems, supervision reports, completion reports and audits. He also asked a great many questions about the Bank's organization and the management systems which are used to implement changes in policy.

I gave him a copy of the Bank's organization chart and explained that the actual project work is done within the operating divisions and that policy and procedural guidelines come from CPS and DPS.

At the end of the interview he stated that he accepted the assignment with some trepidation. He said that he was aware that certain Committee members and staff people were "out to get the Bank". However, he concluded that if he did not undertake the assignment someone else would and that he could be objective on the Bank's operations, pointing out the successes as well as the shortcomings. At the very end he said that he had apparently been very fortunate to have been directed to my office as the repository of most of the monitoring information about Bank's rural development operations.

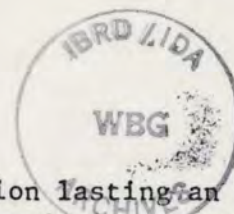
He said that he would be back in touch with me after having made requests to Mr. Dixon; that he would like very much for me to critique some of his writing relating to rural development operations; and that he would like to have my advice concerning the framework and selection of cases for indepth review and field work.

cc: Messrs. Fried, Dixon, Baum, Wapenhans, Yudelman, Turnham, Merriam, Riddleburger

OFFICE MEMORANDUM

TO: Mr. John H. Duloy, Director, DRC
FROM: *Clive Bell*
Clive Bell, Economist, DRCID
SUBJECT: The Long Committee

DATE: January 11, 1978



1. Professor James Weaver and I had a discussion lasting an hour and a half on Monday afternoon. For the record, the main issues covered are reported below, together with my impressions of Weaver's position.
2. Weaver's principal question was this: how should one design a system of monitoring and evaluation which would reveal the distributive impact of a project, especially on the standard of living of the poor? We agreed that identifying the direct effects of a project should not pose undue difficulties. A new factory provides new wage employment, a rural clinic additional services outside the market, and an irrigation scheme extra farm output and incomes. Analysts familiar with the socio-economic situation within which the project is to operate should be able to piece together a picture of who gains what in each case. The new factory may draw its workers from existing employment in the formal sector, thereby leading to a chain of movements up the job (and income) ladder, the last being a migration of peasants into the lowest paying of occupations in the informal sector. Alternatively, peasants might be recruited directly to jobs in the new factory itself. The rural clinic may provide some form of health care to people previously without it, while the more affluent villagers continue to go to the doctor in town. And the distribution of benefits from irrigation will depend heavily on the distribution of land ownership, the tenurial system, the workings of the labor market and access to complementary inputs such as fertilizer and working capital. The project monitoring arrangements should obviously reflect these a priori considerations, and should be tailored to supplement existing sources of primary and secondary information.
3. If, however, one is concerned also with the secondary (or "downstream") effects of a project, then the analyst's task is of a quite different order. In this connection, Weaver and I spent most of our time discussing the Muda irrigation project in northwest Malaysia, the impact of which has been the subject of active research by Peter Hazell and myself over the past three years (RPO 671-17). To summarize, the scheme of analysis features three classes of households within the irrigation command area--landless, "labor abundant" farms and "land abundant" farms. In the region's fringe areas, there are mixed holdings of rubber and un-irrigated paddy, which supply labor to irrigated farms at times of peak demand and so merit the status of a separate household category. Finally, there are non-farm households. Thus, the distribution of income within the farm sector itself should be captured adequately, as well as the farm--non-farm dimension of inequality. (For want of data, the distribution of income among non-farm households is not considered--though my impression

is that it has worsened somewhat as a result of the project.) The direct effects of the project are analyzed by means of a linear programming model of the irrigated paddy sector, and the "downstream" effects are then traced out using a model of the regional economy based on a social accounts matrix of the region for 1972. In essence, the story goes as follows: Investments in irrigation raise incomes and the demand for labor in the paddy sector. As a result, some labor is drawn in from the fringe areas, Kelantan and Thailand. Also, farmers spend part of their extra incomes on goods and services produced in the region's secondary and tertiary sectors, thereby generating extra incomes for the people thus employed, and so on.

4. We discussed both the methodology and the (preliminary) findings to date. I did not give him copies of the papers produced, but it was patently impossible to have an intelligent discussion without my giving him a verbal account of the principal qualitative results. These are: (i) a large increase in incomes for all households within the irrigation command, with the landless enjoying the biggest proportional gains, (ii) households in the fringe areas gained very little; (iii) non-farm households benefited considerably through "downstream" effects, though the proportional increase in their incomes was only about half of that accruing to farmers with irrigated paddy holdings.

5. An immediate question is whether these findings are typical. As for other Bank projects, I cannot say; but I did stress that the picture is quite unlike that following the completion of a river valley project in northeast Bihar, which I studied between 1969 and 1975 before joining the Bank. In that case, the technical execution of the project was poor. The weight of quasi-feudal tenancy arrangements and a highly unequal distribution of land slowed the growth of output and skewed the extra incomes so arising. And the institutions of the state made matters worse by directing scarce inputs to rich farmers--a policy which carries the unappealing title of "betting on the strong." By contrast, the technical execution of the Muda scheme was good. The distribution of landholdings is fairly equal, and tenancy arrangements commonly involve kin and are rarely onerous. Moreover, the creation of the Muda Agricultural Development Authority and the Farmers' Associations, which were ultimately responsible to the Federal government, destroyed what remained of the old power structure in the villages.

6. Weaver seemed rather reluctant to accept my agnostic stand, arguing that it was difficult to envisage circumstances in which the introduction of such projects might make anyone worse off than before. We agreed that if the project increased employment, as is usually the case, then the landless would certainly be better off, and that this outcome is all the more desirable because landless households are among the very poorest. But it is also easy to see that others among the poor might lose--for example, irrigation may increase the returns to own-cultivation and so cause landlords to evict their (poor) tenants.

7. This exchange provided a natural departure for a discussion of whether one could judge the character of a lending program solely by the kinds of projects which comprise it. But before embarking on this issue, there are two matters arising immediately out of the Muda case study which are worthy of mention.

8. First, there is the point that the Bank's loan for the Muda projects was advanced in the mid sixties under the old rubric. Did the Bank worry about who the project's beneficiaries would be when it entered into negotiation and appraisal? My (ill-informed) impression is that there was a rather vague notion that paddy farmers were poor and deserving, but that this was not the central issue in the Bank's decision to proceed. However, as I pointed out to Weaver, the Malaysian Government was perfectly aware of the fact that paddy farmers, virtually all of whom are Malays, are a most important part of its constituency. That paddy farmers were poor was almost certainly a live consideration for the more enlightened elements of the regime; but in my view, the main factor in the government's decision on the project was political in a strategic sense, namely, the advancement of Malay nationalism. Now this does not in any way detract from the performance of the project, nor does it imply that new irrigation projects in Malaysia should be avoided--on the contrary, they are prima facie desirable on income distribution grounds. But the episode does illustrate the very obvious point that governments have aims of their own and rarely have so little freedom of maneuver that donors can impose their will in all respects. As for the Bank's change of rubric, there can be no doubt that the Muda project should pass muster now, even in its "old style" guise.

9. Secondly, Weaver was anxious to know why the Muda case study appeared to be the only one of its kind in the Bank, although he was aware of the monitoring efforts associated with "new style" projects. The answer was simple. When the research project got under way in late 1974, Muda was the only project for which there were adequate data--thanks to a large survey under the auspices of the FAO/IBRD cooperative program. Furthermore, the analysis has been very demanding of both professional researchers' time (3 man-years to date) and Research Committee funds (c. \$200,000). If the former is regarded as scarce, it is hardly surprising that such case studies should be few and far between. I informed Weaver that we hope to develop short cut methods for operational work, but this phase of the research is still to come.

10. Returning to the general question raised in para. 7, Weaver and I were in agreement that one could not judge the value of a project solely by its own nature. Some consideration of the general thrust of government policy is also needed. For example, in country A a port development is designed to support the capital intensive mining operations of a lightly-taxed multinational corporation. In country B, however, new

port facilities may support the development of labor-intensive manufacturing for export markets and lower the costs of getting wage goods to the workers. Again, country C might want a port to fit in with a plan to develop extractive industries under public ownership and use the surpluses thus earned to finance the provision of public goods and services for the needy.

11. Of course, some donor-financed projects may be valuable by their very nature if the recipient governments had no intention of undertaking them with domestic resources or general program foreign aid. There are plenty of countries in which the provision of clean water, sanitation and medical services to the poor appear far down on the government's list of priorities. But there is also the project "substitution effect" to worry about.

12. Weaver and I agreed that these were compelling reasons for not judging the "effectiveness" of the Bank's lending program on the basis of a simple litany of its project and country compositions. Indeed, Weaver ventured the opinion that there is no simple answer to the question: Is the Bank's lending program effective in helping the poor?

13. Finally, it may help if I include a personal view of Professor Weaver's general position. He said that he had been most impressed with the openness of Bank staff he had met in his official capacity and that he had been struck by the widespread commitment to "new style" projects. Many of the staff, he added, seemed quite evangelical in their commitment. Overall, he left me with the impression that he is sympathetic to the new rubric and to the attempts to put it into effect.

OFFICE MEMORANDUM

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 WBG ARCHIVES

TO: Mr. I.P.M. Cargill, Vice President, Finance
 FROM: Peter Greening, Chief, LCPA3
 SUBJECT: Long Committee - Meeting with Mr. Weaver

DATE: January 9, 1978



1. I met with Mr. Weaver as arranged on Friday afternoon (January 6) and we talked for about an hour and a half. He explained that he had been recruited to undertake a study on the impact of Bank projects on the world's poor and said that he would like my opinion on essentially four points:

(a) What were the problems, difficulties, and opportunities resulting from the Bank's current shift from "old-style" projects to the "new-style" projects designed to benefit the poor?

(b) How does the Bank assess who will be the beneficiaries of a particular project?

(c) How much evaluation has there been of both the "old-style" projects and the "new-style" projects with regard to their impact on poverty?

(d) What were my views on the design of a long-term study to evaluate the impact of Bank projects on the poor?

2. I explained that I could only speak with any degree of authority on the countries with which I was involved, namely Brazil and parts of the Caribbean, and that of the "new-style" projects my experience was limited to those dealing with rural development. I emphasized the complexity of many rural development projects and indicated that by their nature they were extremely long term and that it was premature at this time to evaluate their impact. I illustrated my remarks with specific examples in Brazil, and much of our time was spent in discussing the nuts and bolts of project design and the ways in which Bank participation could be a catalyst for change.

3. Mr. Weaver gave me the impression that he was in sympathy with the views I expressed and that he was not looking for material with which to castigate the Bank. The tone of our conversation was relaxed and friendly. I would judge Mr. Weaver to be a rational and sensible person who appreciates the complexities of the issues involved though he does not have detailed knowledge of Bank operations.

4. Toward the end of our discussions I reversed roles and asked him why the Long Committee was so concerned with the Bank's lending strategy, and why so much attention was being focused on "new-style" projects. Mr. Weaver thought that certain elements in Congress had gained the impression, principally from Mr. McNamara's speeches, that the "old-style" projects were not of much benefit to the poor in comparison with the "new-style" ones. If that were so, Congress wanted to know why the Bank wished to increase lending and expand in size since such expansion would mean many more "old style" projects (assuming that is, that there are limits to the amount of money that could be absorbed in "new style" projects.) Mr. Weaver's opinion was that the Bank had in effect hoisted

itself on its own petard. He felt that it had, albeit inadvertently, understated the impact on poverty of the "old-style" projects, but had overstated the likely impact on its "new-style" projects. Mr. Weaver felt that this was unfortunate, and that he might be in a position to put a rather more balanced interpretation on the relative impact of the two styles of project.

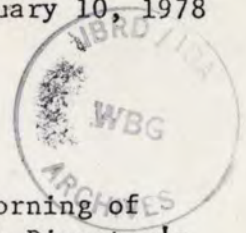
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cc: Messrs.:van der Meer
Goffin.

OFFICE MEMORANDUM

TO: Mr. I.P.M. Cargill

DATE: January 10, 1978

FROM: Mervyn L. Weiner *mlw*SUBJECT: Professor Weaver's visit

Professor Weaver visited me between 10 and 12.30 on the morning of January 4, in the company of Peggy Gonzalez of the U.S. Executive Director's office. The discussion was excellent. Professor Weaver, whose assignment was described as inquiring about the effectiveness of the World Bank's efforts to benefit the poor, seemed to be approaching his task in a balanced fashion, without preconceptions.

He said he had read fairly widely about the change in the directions and terms of Bank lending and now wondered what evidence existed about the effects on beneficiaries of these changes. I told him that as the recent generation of projects targeted to the urban and rural poor had not yet begun to come through the evaluation system in large numbers, substantial evidence about the incidence of benefits was not yet available. But the evidence about the evolution in project design to this end was abundant.

Professor Weaver said he had a second assignment of longer duration, which would involve field study of the impact of selected Bank projects, and wondered about how he might best approach this task. He said he would be returning in the near future to discuss his approach and would appreciate comment on the proposed methodology.

We spoke briefly about OED's broader sector evaluations, and at some length about OED's old study of Bank operations in Colombia. He had read the Colombia report, expressed much interest in it, and inquired whether there were others like it or planned. I told him that there were no others like it planned, why, and explained in this context why OED was now experimenting with reviews of operations in a sector in particular countries. Professor Weaver asked what follow up there had been on the many recommendations at the end of the Colombia country study. I suggested that he pursue these questions with the Colombian Division Chief, which I gather he has since arranged to do.

Professor Weaver seems to think that poor people can benefit indirectly from development projects, and not only from "targeted" projects, and would be bearing this very much in mind when formulating his answers to the question he has been asked to address.

cc: Mr. Merriam

Mr. P. Cargill

January 11, 1978

John H. Duloy

Long Committee

Attached is an account by Clive Bell of his discussions with Weaver. It seems to confirm the view that Weaver is approaching his task in a serious-minded way. However, he still does not seem to have accepted the essential difference, which I discussed with him earlier, between benefiting the poor directly through appropriately-designed projects on the one hand, and by relying on indirect approaches (through "trickle-down") on the other.

Finally, I understand that Weaver may request copies of the draft material produced as part of the Muda research referred to by Bell. If this would involve distributing copies to all members of the Board also, as required in your memo on the Long inquiry, I would prefer not to release the documents. This is simply because I do not favor premature distribution of preliminary drafts from research projects, except purely to elicit comments and suggestions and on a not-to-be quoted basis. I would have no problems with an informal release on the latter conditions.

Attachment

cc: Mr. Karaosmanoglu, VPD
Mr. Nurick, LEG ✓

JHDuloy:vec



Record Removal Notice



File Title Chronological files (incoming) - Chrons 18	Barcode No. 1771807
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Document Date January 12, 1978	Document Type Letter
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Correspondents / Participants

To: Lester Nurick
From: Paul P. Streeten, Special Adviser, PPR

Subject / Title

Talk with Professor James Weaver

Exception No(s).

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

Reason for Removal

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Additional Comments

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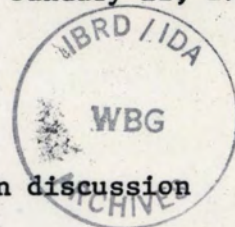
OFFICE MEMORANDUM

TO: Mr. Lester Nurick, LEG

DATE: January 12, 1978

FROM: Helen Hughes, EPDDR

SUBJECT: My discussion with Prof. Weaver.



I am enclosing a summary of the ground I covered in discussion with Professor Weaver. Following your request, I have made it rather lengthy.

Encl.

cc: Mr. Cargill
Mr. Karaosmanoglu

HHughes:ra

OFFICE MEMORANDUM

TO: Files

FROM: Helen Hughes, ^{1/11}Director, EPD

SUBJECT: Discussion with Prof. Weaver - 1/10/78

DATE January 11, 1978

1. Professor Weaver wanted to discuss two questions with me:
 - a. Bank research related to the evaluation of Bank lending.
 - b. The design of a project of approximately a year's duration that would evaluate the impact of Bank lending on the alleviation of poverty.

Bank Research related to the evaluation of Bank lending

2. With reference to (a) I told Prof. Weaver that the only piece of work I knew of other than the work on the Muda valley was Graham Donaldson's study of the consequences of farm tractors in Pakistan (W.P.210).
3. Prof. Weaver asked me if I knew of any other attempts to do this type of research. I told him we had tried to formulate a project in the Economics Department in 1974-75 that would have examined the choice of technique in Bank projects, but that we could not develop an effective research design and so abandoned the proposal. I pointed out that in my present position I dealt mainly with macroeconomic issues so that I was no longer in close touch with sectoral and project questions.
4. Professor Weaver spoke very highly of the Operations Evaluation Staff's work, comparing it favorably to AID efforts in this direction, and asked my views. I agreed with him, and told him that I thought that this activity was making a very important input into the Bank's effectiveness. I thought that the participation of developing countries in the evaluation of Bank projects would be an important step in further improving the Bank's efficiency. At the same time it would be likely to contribute substantially to standards of project evaluation in developing countries.
5. Professor Weaver asked me what I thought of the Colombia country evaluation study. I told him that I thought it interesting and useful. He asked me why other studies had not been carried out on the same lines. I told him I did not know.

Income Distribution and Basic Needs

6. Professor Weaver introduced a general discussion of these subjects in relation to development. I told him that, perhaps because my involvement with egalitarian issues was long standing, and because I had participated in the working party that had produced the initial ILO "Basic Needs" document, I was sceptical of the exaggerated claims and moral pretensions of much of the discussion concerning "income distribution" and "basic needs" and preferred to focus on poverty alleviation defined as improving

the living standards of the lowest income groups. I thought this primarily required the creation of increasingly productive employment opportunities with commensurate incomes, and the production of private and public goods that poor people could afford to buy. We then discussed what this meant in an urban context. I drew on the work that culminated in the Board paper on housing and Orville Grimes' book.

7. Prof. Weaver was interested in the question of trade offs between direct investment in poverty alleviation and in overall growth. We agreed that growth was necessary for poverty alleviation, that there were complementarities as well as trade-offs, and that the discussion of these only made sense in a specific, politically and culturally confined, country context. This led to a discussion of the variety of development experience, and the fact that similar projects could have markedly different poverty alleviation impacts in different social circumstances, and could thus vary in impact between and within countries. I told Prof. Weaver that I thought a study of the impact of Bank projects would have to take this into account by a careful stratification of the country sample.

Design of an Evaluation Methodology

8. Professor Weaver sketched his project evaluation approach. That is, he proposed to take projects in the same sectors and countries in 1972 and 1977, and evaluate their impact on poverty alleviation. I pointed out that the impact of a project could change with a country's development, but we agreed this was not likely to be a major problem during a five year period.

9. Prof. Weaver introduced the discussion by stating that he thought the Bank had moved from "traditional" to "socially oriented" projects without determining the impact of the traditional projects on poverty alleviation. It was not self evident that "infrastructure" projects, for example, had less/more impact than "rural development" projects. I agreed that such evidence was not available.

10. We then discussed the principal difficulties of evaluating the impact of projects on poverty alleviation under the following general headings:

a. The lack of detailed baseline information about the target population in even very well designed and appropriate socially oriented projects.

b. The need for a monitoring structure. I referred to the way in which this had been built up with the Bank rather pioneering the way. We agreed that it would make project evaluation much easier in the future.

c. Prof. Weaver thought it only practicable to estimate the direct impact of projects. I agreed that, given a year in which to carry out and write up the field studies, this was so. I had made some attempts to gauge indirect employment effects of Singapore. It could take a year or so to develop a method of estimating the indirect effects of a project through employment, lower prices of goods other than those produced in the project etc. However, not evaluating the indirect effects would limit the type of project that could be evaluated. The poverty alleviation impact of most infrastructure projects was likely to be mainly indirect, but it could be very considerable. This was also true of D.F.C. projects. Such projects would have to be excluded from the sample if only the direct impact were to be considered. We agreed that the inability to evaluate the indirect effects of projects would be a serious limitation on the efficacy of the proposed exercise. However, I thought that the limitations of evaluating the Bank's effect merely by looking at project impact was an even greater problem.

d. I thought that the Bank's impact on poverty alleviation is felt more through its influence on the analysis of development issues facing a country and consequent effect on policy formulation, on investment trends and on institution building. The extent of this influence depends on the Bank's "leverage" and this in turn depends on the state of the recipient country, the relative scale of Bank lending and the quality of the Bank staff involved. The time frame is important for the appropriate evaluation of these effects. The fungibility of investment funds makes the study of project impact even more suspect. Even in the medium term it is thus the Bank's impact on the total utilization of resources that affects poverty alleviation, and it is this that should be analyzed for an evaluation of the Bank that would stand up to serious discussion. Prof. Weaver asked me how such an impact could be evaluated. I told him that while I had given the question some general consideration, I required notice to answer it in the context of his concerns and timetable.

11. Professor Weaver asked me if I knew of any other evaluation of the Bank. I told him I thought there had been some SIDA exercises of this type.

12. We discussed the difficulties of doing poverty oriented projects in countries whose governments were not interested in poverty alleviation. Professor Weaver had clearly been impressed by operational staff arguments that even in the most conservative countries some interest groups such as state governments could always be found to sponsor such projects. Once established they had considerable demonstration effect. In general Prof. Weaver appeared to be favorably impressed by the caliber and attitudes of the operational staff.

13. We discussed issues of the Bank's comparative advantage in traditional projects versus the need for innovative socially oriented project.

We also discussed the role of the regional banks.

14. Prof. Weaver told me he would send me his research proposal for comment.

cc: Messrs. Cargill
Karaosmanoglu
Nurick

HHughes:ra

The World Bank

1818 H Street, N.W.
Washington, D.C. 20433, U.S.A.



With the compliments of

I.P.M. Cargill
Vice President, Finance

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Mr Mcnamara

You will be interested in this.

It conforms with the impressions
of all who have talked with Weaver.

On your return, you will have
a complete file to browse through

Lee

OFFICE MEMORANDUM

TO: Mr. I.P.M. Cargill

DATE: January 10, 1978

FROM: Mervyn L. Weiner *mlw*SUBJECT: Professor Weaver's visit

Professor Weaver visited me between 10 and 12.30 on the morning of January 4, in the company of Peggy Gonzalez of the U.S. Executive Director's office. The discussion was excellent. Professor Weaver, whose assignment was described as inquiring about the effectiveness of the World Bank's efforts to benefit the poor, seemed to be approaching his task in a balanced fashion, without preconceptions.

He said he had read fairly widely about the change in the directions and terms of Bank lending and now wondered what evidence existed about the effects on beneficiaries of these changes. I told him that as the recent generation of projects targeted to the urban and rural poor had not yet begun to come through the evaluation system in large numbers, substantial evidence about the incidence of benefits was not yet available. But the evidence about the evolution in project design to this end was abundant.

Professor Weaver said he had a second assignment of longer duration, which would involve field study of the impact of selected Bank projects, and wondered about how he might best approach this task. He said he would be returning in the near future to discuss his approach and would appreciate comment on the proposed methodology.

We spoke briefly about OED's broader sector evaluations, and at some length about OED's old study of Bank operations in Colombia. He had read the Colombia report, expressed much interest in it, and inquired whether there were others like it or planned. I told him that there were no others like it planned, why, and explained in this context why OED was now experimenting with reviews of operations in a sector in particular countries. Professor Weaver asked what follow up there had been on the many recommendations at the end of the Colombia country study. I suggested that he pursue these questions with the Colombian Division Chief, which I gather he has since arranged to do.

Professor Weaver seems to think that poor people can benefit indirectly from development projects, and not only from "targeted" projects, and would be bearing this very much in mind when formulating his answers to the question he has been asked to address.

cc: Mr. Merriam

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OFFICE MEMORANDUM

TO: Mr. I.P.M. Cargill, Vice President, Finance

FROM: Peter Greening, Chief, LCPA3 *PG*

SUBJECT: Long Committee - Meeting with Mr. Weaver

DATE: January 9, 1978

1. I met with Mr. Weaver as arranged on Friday afternoon (January 6) and we talked for about an hour and a half. He explained that he had been recruited to undertake a study on the impact of Bank projects on the world's poor and said that he would like my opinion on essentially four points:

(a) What were the problems, difficulties, and opportunities resulting from the Bank's current shift from "old-style" projects to the "new-style" projects designed to benefit the poor?

(b) How does the Bank assess who will be the beneficiaries of a particular project?

(c) How much evaluation has there been of both the "old-style" projects and the "new-style" projects with regard to their impact on poverty?

(d) What were my views on the design of a long-term study to evaluate the impact of Bank projects on the poor?

2. I explained that I could only speak with any degree of authority on the countries with which I was involved, namely Brazil and parts of the Caribbean, and that of the "new-style" projects my experience was limited to those dealing with rural development. I emphasized the complexity of many rural development projects and indicated that by their nature they were extremely long term and that it was premature at this time to evaluate their impact. I illustrated my remarks with specific examples in Brazil, and much of our time was spent in discussing the nuts and bolts of project design and the ways in which Bank participation could be a catalyst for change.

3. Mr. Weaver gave me the impression that he was in sympathy with the views I expressed and that he was not looking for material with which to castigate the Bank. The tone of our conversation was relaxed and friendly. I would judge Mr. Weaver to be a rational and sensible person who appreciates the complexities of the issues involved though he does not have detailed knowledge of Bank operations.

4. Toward the end of our discussions I reversed roles and asked him why the Long Committee was so concerned with the Bank's lending strategy, and why so much attention was being focused on "new-style" projects. Mr. Weaver thought that certain elements in Congress had gained the impression, principally from Mr. McNamara's speeches, that the "old-style" projects were not of much benefit to the poor in comparison with the "new-style" ones. If that were so, Congress wanted to know why the Bank wished to increase lending and expand in size since such expansion would mean many more "old style" projects (assuming that is, that there are limits to the amount of money that could be absorbed in "new style" projects.) Mr. Weaver's opinion was that the Bank had in effect hoisted

itself on its own petard. He felt that it had, albeit inadvertently, understated the impact on poverty of the "old-style" projects, but had overstated the likely impact on its "new-style" projects. Mr. Weaver felt that this was unfortunate, and that he might be in a position to put a rather more balanced interpretation on the relative impact of the two styles of project.

PG/akh

cc: Messrs.:van der Meer
Goffin.

OFFICE MEMORANDUM

493/4/1

TO: Mr. P. Cargill
FROM: John H. Duloy
SUBJECT: Long Committee

DATE: January 6, 1978

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long ditto file

Yesterday morning I met with James Weaver at the request of the American ED's office, after it had cleared the request with your office. I was told that Weaver wanted to discuss the effectiveness of the Bank's reaching the poor.

In the event, Weaver was really concerned with the factual basis upon which the Bank switched to new-style projects. To what extent did the poor benefit or not from traditional projects; to what extent did they gain from the development process relative to other groups?

These are interesting questions. But Weaver did not seem fully aware of the distinction between direct benefits to the poor and indirect, e.g. through the process of "trickle-down." Nor did he seem to want to focus on the differences between the very poor in very poor countries with slow rates of growth, and the poor in the middle-income and faster growing. Finally, it seems likely that he may want subsequent further discussion, to follow up on some points.

cc: Mr. Karaosmanoglu, VPD

R. Cargill

76/28

OFFICE MEMORANDUM

TO: Mr. W. Clark, Vice President, External Relations DATE: January 5, 1978
FROM: Raymond M. Frost *WR*
SUBJECT: Enquiry from Long Committee

Mr. Max Brown, a lecturer in our Rural Development Courses Division, received an enquiry by telephone from Mr. Bill Anderson, on the staff of the Long Committee.

Mr. Anderson, in some previous incarnation, attended some sessions of a Rural Development Course given by Mr. Brown.

The enquiry was innocuous, being simply for references for material that would be helpful in analyzing rural projects. He asked Mr. Brown to confirm the reference to Mr. Gittinger's "Economic Analysis of Agricultural Projects," and Mr. Brown also referred him to a publication of the Government Affairs Institute, entitled "Managing Planned Agricultural Development."

I wonder if Mr. Anderson is seeking these references to help him to analyze Bank project documents.

cc to Cargill Liason Committee.