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Fonds: Records of the Office of the President

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THE WORLD BANK
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PUBLIC DISCLOSURE AUTHORIZED

OFFICE MEMORANDUM

TO: Mr. Anders E.E. Ljungh ^{4/12/16}

DATE: December 16, 1971

FROM: H.H. Eschenberg ^A

SUBJECT: Dr. Jahangir Amuzegar's Call on Mr. McNamara at 4.30 p.m.
December 17, 1971

Dr. Amuzegar will be calling on Mr. McNamara on 4.30 p.m. tomorrow. I will meet him and bring him to your office. As I mentioned to you, his visit is in the nature of a courtesy call. He would like to convey a message from the Shah of Iran, essentially that the Government of Iran is grateful for the assistance it is receiving from the Bank and that it is most anxious to see the Bank's program continued and to the extent possible, expanded.

The following information on Dr. Amuzegar may be useful:
born 1920; present position, Ambassador at Large, Chief of the Iranian Economic Mission in Washington; son of former Senator Habib Amuzegar and brother of Dr. Jamshid Amuzegar, Ministry of Finance and Governor of the Bank: Education - Universities of Tehran, Washington and California, Ph.D. in Economics, University of California: Minister of Commerce and Minister of Finance in Dr. Amini's Cabinet (May 1961 to July 1962); Economic Advisor Plan Organization (1956 to 1957); Member, Council of Money and Credit (1961-1962); High Economic Council (1961-1962); Member of the Board of Directors, Bank Melli (1961-1962); Chairman, Board of Foreign Trade Company (1961-1962); Chairman, High Council NIOC (1962); present position since 1963: published extensively on economic development in Iran such as "Iran's Economic Planning once Again", "Administration Barriers to Economic Development in Iran", "Foreign Technical Assistance: Sense and Nonsense"

HHEschenberg/kw

President has seen

IRAN

IRAN

1. 6/26/68 Dr. Jahangir Amouzegar, Minister for Economic Affairs
Dr. Fereidoon Nasser, Economic Counselor of Embassy
- 6/26/68 Ambassador Husang Ansary
- 10/7/68 Dr. Jamshid Amouzegar, Minister of Finance
2. 4/2/69 The Shah (at the Ambassador's residence)
Ambassador Amouzegar
3. 4/4/69 Gasem Kheradjou, Managing Director of the Industrial and Mining
Development Bank (IMDBI)
- 7/18/69 Hamid Enayat, Professor of Political Science, Tehran University
(Aspen -
Eisen.Ex.)
4. 9/12/69 Mrs. Kasrai, Iranian newswoman
5. 10/1/69 Dr. Jamshid Amouzegar, Minister of Finance
- 10/13/69 Dr. Jamshid Amouzegar, Minister of Finance (lunch at the Bank)
- 11/7/69 General Mohammad Khatami, Air Force Commander-in-Chief
(Tehran)
- 11/7/69 Dr. Motamedi, Chancellor of Isfahan University
(Isfahan)
- " H. E. Mohammad Sam, Governor General of Isfahan
- " Jahangir Kia, Mayor of Isfahan
- 11/8-9/69 Their Imperial Majesties the Shah and Empress Farah
(Tehran)
- 11/8/69 Dr. Houshang Nahavandi, Chancellor of Pahlavi University
(Shiraz)
- 11/9/69 Prime Minister Amir Abbas Hoveyda
(Tehran) Dr. Jamshid Amouzegar, Minister of Finance
Hushang Ansary, Minister of Economy
Hasan Shalchian, Minister of Roads
Mansur Rouhani, Minister of Water and Power
- " Dr. Majid Rahnama, Minister of Scientific Research and Higher Education
Dr. Iraj Vahidi, Minister of Agriculture
Mehdi Samii, Managing Director, Plan Organization
Khodad Farman-Farmaian, Governor, Bank Markezi
- " Reza Moghadam, Deputy Managing Director, Plan Organization
- " A. Gasem Kheradjou, Managing Director, Industrial and Mining
Development Bank
- " Dr. Ali Khani, Chancellor, University of Tehran
Prof. Ponian, Chancellor, Melli University
Reza Amin, Chancellor, Arya Mehr University

11/6-10/69
(Tehran)

Others possibly met:

Farroukh Najamabadi, Deputy Minister of Economy
Aboul-Hassan Ebtehaj, Chairman and President, Iranian Bank
Daryoush Homayoun, Managing Director of Ayandegan Newspaper
Dr. Fereydoun Mahdavi, Deputy Managing Director, Industrial
and Mining Development Bank of Iran
Saeed Hedayat, Managing Director, Ahwaz Pipe Mill Company
Iraj Hedayat, Assistant Managing Director, Industrial and
Mining Development Bank of Iran
Abdol-Ali Farman-Farmaian, Chairman of the Board of Directors
and Managing Director, Pars Oil Company
Rahim Mottaghi Irvani, Chairman, Melli Shoe Company
Mr. Malm, Managing Director, Sherkat Sahami Aliaf (nylon plant
with Allied Chemical as partner)
Ali Rezaii, Managing Director, Iran Rolling Mill Company
Ebrahim Golestan, writer and film producer

Safi Asfia, Deputy Prime Minister, Development and Economic Affairs
Dr. (Mrs.) Farokhru Parsa, Minister of Education
Dr. Manuchehr Shahqoli, Minister of Health
Dr. Fathollah Sotudeh, Minister of Posts, Telephones and Telegraph
Dr. Abdol Asim Valian, Minister of Land Reform and Rural Cooperatives
Naser Golesorkhi, Minister of Natural Resources
Cyrus Samii, Deputy Governor, Bank Markezi
Dr. Hassan Zahedi, Minister of Interior
Ardeshir Zahedi, Minister of Foreign Affairs
Dr. Abdol Majid Majidi, Minister of Labor and Social Services
Assadollah Sanii, Minister of War
Manuchehr Parto, Minister of Justice
Hosein Kazemzadeh, Minister of State and Secretary General
of the Civil Service Commission
Dr. Masr Yegaheh, Minister of Development and Housing
Dr. Mahmud Kashfian, Minister of State
Mehrdad Pahlbod, Minister of Culture and Art
Javad Mansur, Minister of Information
Dr. Manuchehr Gudarzi, Minister of Agriculture Products
and Consumer Goods

Dr. Manuchehr Eqbal, Chairman of the Board, National Iranian Oil Co.
Dr. Fallal, Deputy Chairman, National Iranian Oil Co.
Mr. Taleghani, Chairman, Goodyear Tire Co. (Iran)
Mr. Mostofi, Petrochemical Co. of Iran
Haslan Naraghi, Agribusiness
F. R. Felfels, Sepanta Industries (rolling mills)

6. 11/11/69
(Tehran)

Sir Denis Wright, British Ambassador to Iran

12/9/69

Dr. Amir Aslan Afshar, Ambassador of Iran

6/17/70

Dr. Jamshid Amuzegar, Minister for Economic Affairs

8/8/70

A. Gasem Kheradjou, Managing Director, Industrial and Mining
Development Bank (lunch at home)

7. 9/8/70

Mrs. Farrokhrou Parsa, Minister of Education

8. 9/15/70 Dr. Khodadad Farmanfarmaian, Managing Director, Plan Organization
9. 3/18/71 Dr. Khodadad Farmanfarmaian, Managing Director, Plan Organization
10. 10/4/71 Dr. Jamshid Amuzegar, Minister for Economic Affairs
Dr. Jahangir Amuzegar, Minister for Economic Affairs of Embassy
11. 12/17/71 Dr. Jamshid Amuzegar, Ambassador-at-Large
12. 1/14/72 Khodadad Farmanfarmaian, Managing Director, Plan Organization
Mansour Rouhani, Minister of Agriculture
Iraq Vahidi, Minister of Water and Power
Abdul Azim Valian, Minister of Cooperatives and Rural Affairs
13. 4/24/72 Dr. Jahangir Amuzegar, Minister for Economic Affairs of Embassy
7/26/72 Ali Nazeri, Eisenhower Exchange Fellow
8/2/72 Dr. S. Mohammad Meshkat, Faculty of Economics, University of Tehran --
Dr. M. H. Farrokh-Pars, School of Economics and Political Science,
National University of Iran, Ewin-Tehran
(at reception for professors attending Middle Eastern Seminar)
7/24/73 The Shah and the Empress (lunch at State Department)
14. 7/27/73 The Shah at Blair House
1/31/74 Dr. Jahangir Amuzegar, Minister Plenipotentiary for Economic Affairs
of Embassy (in his capacity as Executive Director, IMF)
2/20/74 Amir Abas Hoveyda, Prime Minister
(Tehran) Mohammed Yeganeh, Governor, Bank Markazi
Jamshid Amuzegar, Minister of Finance
2/21/74 H.I.M. the Shah
(Tehran)
15. 2/21/74 Plan and Budget Organization:
(Tehran) Dr. Majid Majidi, Minister of State for Plan and Budget Organization
Mr. Mejloumian, Under Secretary for Planning, PBO
Mr. Safavian, Under Secretary for Budget, PBO
Dr. Manuchehr Agah, Under Secretary of State for Economic Affairs,
Ministry of Finance
Firouz Vakil, Director, Planomatrix Bureau
Mehdi Amin-Salehi, Director of Information and Public Affairs
Mr. Bakhtiar, Advisor to the Managing Director, PBO
H. Ashraf, Director, Social Planning Bureau
Farrokh Aminzedah, Director, Population and Manpower Bureau
Fereidoun Mabasheri, Director, Natural Resources and Environmental
Protection
Mohsen Fardi, Director, International Economics Bureau
1/3/75 Jahangir Amuzegar, Executive Director, IMF (lunch)

- 4/17/75 Mehdi Samii, Chief, Agricultural Fund, Iran
(Joint Committee on Remuneration - Lunch)
- 5/15/75 The Shah and Empress (Lunch)
- 6/12-13/75 Ahmad Kooros, Under Secretary for Economic Affairs,
(Paris-Dev. Ministry of Economic Affairs and Finance
Cte.)
16. 2/3/76 Ambassador Jahangir Amuzegar, Executive Director, IMF
17. 4/9/76 Dr. Abdol-Majif Majidi, Minister of State-Plan and
Budget Organization
Ambassador Jahangir Amuzegar, Executive Director, IMF
18. 7/28/76 Ambassador Jahangir Amuzegar, Executive Director, IMF
19. 10/6/76 Hushang Ansary, Minister of Economic Affairs and Finance
(Manila) Hassan Ali Mehran, Governor, Bank Markazi Iran
Ambassador Jahangir Amuzegar, Executive Director, IMF
- 3/30/77 Ambassador Ardeshir Zahedi (lunch at the Bank)
- 5/10/77 Ambassador Ardeshir Zahedi - Dinner at the Embassy
20. 5/23/77 Hushang Ansary, Minister of Economic Affairs and Finance
(at lunch in New York - alone)
- 7/2-4/77 The Shahbanou (at Aspen Institute)
- 7/11/77 Ambassador Ardeshir Zahedi - dinner at the Embassy in honor of
The Shahbanou
21. 9/26/77 Hushang Ansary, Minister of Economic Affairs and Finance
Hassan-Ali Mehran, Governor, Bank Markazi Iran
Ahmed Kooros, Vice Minister for Economic Affairs, Ministry of
Economic Affairs and Finance
Jahangir Amuzegar, Ambassador-at-Large and Principal Resident
Representative to the World Bank and IMF
- 11/16/77 The Shah
The Shahbanou (Lunch hosted by Vice President Mondale)
- 1/27/78 Ambassador Ardeshir Zahedi (Hosted lunch for Hubert
Humphrey Institute of Public Affairs at the Embassy)
- 4/30/81 Mr. Jamshid Amouzegar
(at Tracy Place)



OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: June 14, 1968

FROM: Michael L. Lejeune

SUBJECT: IRAN

Dr. Jahangir Amouzegar, Chief of the Iranian Economic Mission in Washington with the rank of Ambassador, has asked whether he could pay you a brief visit. Dr. Amouzegar had hoped to meet you at the signing of the Fourth Loan to the Industrial and Mining Development Bank of Iran on June 4 which, however, you could not attend. He was at one time Finance Minister of Iran and is now our principal Iranian contact in Washington.

Dr. Amouzegar leaves for a visit to Iran about June 23⁸. I told him I felt sure you would try to see him before he goes. Since this is a courtesy call, the meeting need not take more than ten or fifteen minutes. Could you please let me know?

Michael Lejeune

6/15
Polly
schedule
for 10:45
15 minutes
OKed

10:45
6/26

c.c. Mr. J. Burke Knapp
Mr. R. Steckhan

Mr. McNamara
to see please
see 9/2

OFFICE MEMORANDUM

TO: Records

DATE: August 14, 1969

FROM: I. P. M. Cargill *I. P. M. Cargill*SUBJECT: IRAN: Mr. McNamara's Meeting with H.M. the Shah of Iran

Mr. McNamara met with H.M. the Shah of Iran on April 2 at the Iranian Ambassador's residence. Present from the Bank were Mr. Jahanshahi, the Alternate Executive Director, Mr. Knapp and Mr. Cargill and from the Embassy Ambassador Amuzegar. The discussion opened with the question of what role the Bank could play in the development of Iran's economy. Mr. McNamara expressed disappointment at the low level of Bank lending in the past and expressed the hope that it would be possible to reach agreement with the Government on an expansion of Iran's development program with considerable support from the Bank. The Shah welcomed this statement, saying that the next few years were likely to be especially important for Iran's economic development and that help from the World Bank would be most desirable. He had taken steps recently to strengthen the agencies, in particular the Plan Organization, which were responsible for carrying out a development program. He mentioned in particular the appointment of Mr. Mehdi Samii to be the head of the Plan Organization.

Mr. McNamara mentioned that he hoped to pay a visit to Iran to familiarize himself with Iran's economic problems. The Shah replied that he would welcome this and would arrange for an invitation to be issued. In the rather discursive discussion which followed, the Shah made the following points.

- a. The special importance of providing aid to Iran now and in the next few years, was not fully enough appreciated abroad. In particular, reference had to be made to the attitude of the oil companies which should be changed in everybody's interest. Unless marked economic progress could be made over the next few years, difficulties might well arise which would be detrimental to the world at large.
- b. Iran was the only stable country in the area. This was largely due to the political and social policies of his Government which were designed to insure economic progress and insure that all classes of the population shared in this progress.
- c. With the withdrawal of the British from the Persian Gulf area, fresh responsibilities would fall on Iran. The British could not be replaced by another foreign power and certainly not by the United States or Russia. Iran's defense forces were well equipped and well trained and were needed to insure continued peace.
- d. The Arab world was highly unstable and it was difficult to see how or when a settlement could be reached, especially on the question of Israel. Meanwhile, those countries which were rich from oil revenues were not putting their large resources to good use as Iran was and this failure was likely to feed the discontent of their poorer neighbors.

President has seen

e. With regard to Asia, leadership would have to come from Japan at one end and Iran at the other. Most Asian countries were small and effective leadership was unlikely to come from India or Pakistan. India was too poor and suffering from too many social and political problems. In Pakistan the future was obscure; recent troubles had been due to widespread public conviction that corruption and nepotism existed in high quarters and that wealth was concentrated in the hands of a few people.

f. He felt hopeful about Indonesia and considered that the events of the last two years had considerably reduced the threat of communism in Southeast Asia which up to that time the U.S. had been trying to handle by their support of the South Vietnamese people.

f. With regard to Bahrain, Iran's position was clear. Iran would not attempt to take Bahrain by force. However, it felt that the proper course was for a plebiscite to be held to allow the people of Bahrain to decide whether or not they wished to be part of Iran.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: April 3, 1969

FROM: I.P.M. Cargill *Shapiro*SUBJECT: IRAN - Mr. Gasem Kheradjou

1. Mr. Gasem Kheradjou, Managing Director of the Industrial and Mining Development Bank of Iran (IMDBI), is in Washington to negotiate a Fifth Loan from the Bank to IMDBI. These negotiations have been successfully concluded and the amount of the proposed loan is \$40 million, the largest IMDBI has ever received.
2. Between 1946 and 1951 Mr. Kheradjou worked for the Bank Melli Iran, finishing as Chief Accountant. In 1951 he became Director of Finance of the National Iran Oil Company. He joined the World Bank in 1957 and in 1961 was appointed Deputy Director of the Far East Department of which I was then Director. In 1963, for about six months, he was Deputy Director of the Development Finance Companies Department before leaving the Bank to take up his present position.
3. Under Mr. Kheradjou IMDBI has grown remarkably rapidly, admittedly in a very favorable investment climate since the Iranian economy has been booming in the last few years. However, his leadership has undoubtedly been a major factor both in the expansion of IMDBI's business and in its development into one of Iran's leading financial institutions.

President has seen

OFFICE MEMORANDUM

TO: Mr. William Clark

DATE: September 11, 1969

FROM: Julian Grenfell SUBJECT: Mrs. Kasrai's Interview with Mr. McNamara

1. The interview is now scheduled for 4 p.m., Friday, September 12.
2. She has asked if our staff photographer could take a photograph as the interview starts.
3. She does not expect a long interview. She would like to leave with us, in written form, those questions not reached.
4. The line of her questioning is straightforward: major achievements after first year in office; emphasis on agriculture; general assistance climate; factors contributing to Iran's economic growth.
5. Her husband (a senior official of the Agricultural Development Fund) is currently at the EDI.

JG:mmh

President has seen

5

October 16, 1969

business leaders. On Monday a luncheon would be given by the Prime Minister and a dinner by Mr. Mehdi Samii, Managing Director of the Plan Organization, to which five or six key government officials would be invited. Mr. McNamara urged that these dinners should be kept small and informal to facilitate conversation. He thanked the Minister for the invitation and said he was looking forward eagerly to what promised to be a most delightful and instructive visit.

6

7

OFFICE MEMORANDUM

TO: Mr. L. E. Christoffersen

DATE: September 4, 1970

FROM: Mrs. Chandra Singh Hardy *CSH*SUBJECT: Brief for Mr. McNamara's Meeting with Mrs. Farrokhrou Parsa - Minister of Education on Tuesday, September 8, 1970

1. Mrs. Parsa, Minister of Education in Iran, was born in 1918 and educated at the University of Tehran (PhD and M.D.). She became a teacher in 1942 and Principal of the Reza Shah Kabir High School in 1957. She entered Parliament (Congress Party) in 1963, became an Under-Secretary in the Ministry of Education in 1965, and Minister in 1968. She is a member of various women's organizations connected with education, and has published books on education, hygiene, nursing and motherhood. Mrs. Parsa is easy to chat with; she has travelled in Europe and reportedly speaks both English and French.

2. As Minister of Education, Mrs. Parsa is responsible for the administration of primary and secondary (general and technical) education. The role of her Ministry is somewhat limited in that the Plan Organization controls capital and initial recurrent expenditures, whilst the Ministry of Science and Higher Education (established in 1966) is responsible for developing policy and plans for the entire educational system and the administration of post secondary education. Thus, for example, the Aryamehr University does not come under her jurisdiction.

Background for Discussion

3. In the last ten years, the Government of Iran has made tremendous efforts to improve the general level of education, but the tasks that lie ahead remain substantial. At the present time, with a population of 28 million growing at 3% per annum, 76% of those over the age of 10 are illiterate. Ten years ago the figure was 80%. Primary school education is compulsory to the extent that places are available. In spite of the fact that enrollment in primary schools have been growing at 10% per annum, only 57% of the 6-11 age group is enrolled (39% in the rural areas). Educational standards are low, schools are overcrowded, and about 40% of the primary teachers are inadequately trained. Enrollment in secondary schools has also been growing fast and yet only 21% of the 17-21 year age group is currently enrolled (10% in the rural areas); staff recruitment and educational facilities have not kept pace with recent enrollment and have therefore worsened already low standards.

4. Iran is in the process of implementing a reform of the entire educational system, and the loan which is about to be negotiated would assist the Government in improving the quality of education from primary schools through to the universities. Among other things, the project makes provision for strengthening the administration of education in order to effect improvements in the curricula and facilities at primary and secondary schools.

CSHardy:kvj

President has seen

شماره
تاریخ
پست



سازمان بزرنامه

Madame Dr. Farokhrou Parsai was born in February 1921 in the city of Ghom. In that time her mother has published an article on the necessity of equal education for both boys and girls. But because the Government of the time was against such an idea, she was exiled to this city, where she stayed for a year.

Madame Dr. Parsa finished her primary studies and secondary studies in Teheran, and because she was excellent student, getting the highest mark in examinations she was sent to the Teachers' College where she obtained her BSC degree in educational and natural sciences in the same year she was engaged in the secondary school of Reza Shah the Great at a teacher.

But in 1942, she left teaching and entered the medical school where she finished her medical studies and was qualified as a doctor; but because she was very found of teaching, she returned to the teaching profession and she never really practiced medicine.

In 1957 she was chosen as the head of one the most important girls secondary school in Teheran and then in 1963 she was chosen as a member of Parliament; and in the second year of the 21st legislation period, she was chosen as the secretary of the board of director of the Parliament. In 1965 she was elected as the deputy assistant of the ministry of training and education and in Sep. 1968 as the Ministry of education.

Besides her administrative duties she has been engaged mostly in the social services as a volunteer. Among the services are the following:

Establishment of Nomcu educational societies, preparation of training programs for the social services, head of the university women societies in Iran, head of the Teheran women society, deputy board of director of teacher's cooperative society, member of the women sporting council, head of educational committee of women high council which is principally engaged in the illetracy program and so for succeeded to teach 45000 illiterated women.

شماره
تاریخ
پست

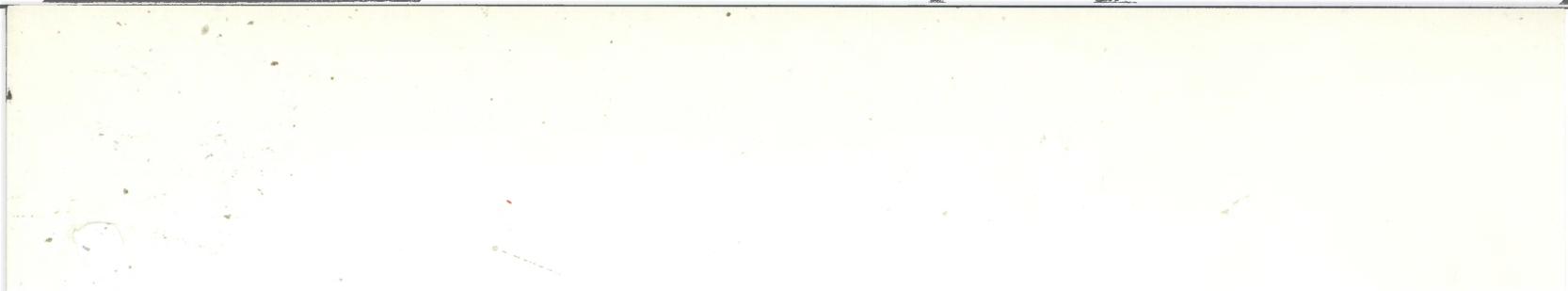


سازمان برنامه

Her publication

1- A serie of books of new method of health and taking care of children to be used by young married women.

2- Women in old Persia with cooperation of otherwomen.



8

OFFICE MEMORANDUM

TO: Files

DATE: December 31, 1970

FROM: Gregory B. Votaw *GN*SUBJECT: IRAN - Dr. Khodadad Farmanfarmaian, Managing Director of Plan
Organization - Courtesy Call on Mr. McNamara, September 15, 1970

1. Dr. Farmanfarmaian, who was in Washington on other business, called briefly on Mr. McNamara late in the afternoon, September 15, 1970. The following topics were discussed.
2. Telecommunications: Dr. Farmanfarmaian reported that he foresaw no difficulty regarding the increase and rationalization of telephone charges, which the Bank's appraisal mission had endorsed. Farmanfarmaian noted that the Shah, who spoke to him about this recently in Tehran, was very much in favor of both the increase in charges and the reorganization of the telecommunications sector, which were important considerations in the Bank's appraisal and negotiation of the forthcoming project. Farmanfarmaian (and HIM) were grateful for the Bank's involvement in this new sector.
3. Aryamehr University: Dr. Farmanfarmaian welcomed the UNDP's recently repeated request to IBRD to serve as executing agency for a preinvestment study, which would provide the basis for planning higher technical education in Iran as well as a Master Plan for the phased development of Aryamehr at a campus in Isfahan. Mr. McNamara replied that he knew something about the plans for Aryamehr University as a result of his visit to Iran in November, 1969, and that he would welcome an opportunity for the Bank to become involved in a constructive way in the project. He asked why we had not responded favorably to the UNDP. Votaw explained that there were a number of difficulties, none overwhelming, but some which might require a few weeks to sort out, especially because some of the Bank staff involved would be tied up with Annual Meeting responsibilities.
 - (a) Although we have known about the Aryamehr project since early 1968 and the proposed UNDP study since late in 1968, the formal September request to serve as executing agency had only just been received.
 - (b) We did not wish to project ourselves into an area which some might consider a UNESCO responsibility and would, therefore, have to satisfy ourselves that UNDP had checked with UNESCO before asking IBRD to serve as executing agency.
 - (c) The Education Projects Department had never served as executing agency for a UNDP project and, being short of staff, was reluctant to take on this new responsibility.

President has seen

(d) Even if experienced staff were available, the Education Projects Department had reservations about (i) the concept of Aryamehr, (ii) the economic justification for establishing a new campus at Isfahan, (iii) Iran's choice of Arthur D. Little, Inc., as the consultant, and (iv) the usefulness of a preinvestment study since basic decisions about establishing Aryamehr and its location had already been taken "at the highest level", i.e., by His Majesty.

4. Dr. Farmanfarmaian stated that UNESCO would definitely not be acceptable to Iran as executing agency for the UNDP financed study. He felt that Bank involvement would make for a better study and might also provide the basis for Bank financing of Aryamehr once the study was completed. Farmanfarmaian acknowledged that a decision had been taken to create Aryamehr as a center of excellence for higher technical education in Iran and that the university would be built even if the Bank could not assist; but all Iranians concerned with Aryamehr felt that it would be a better institution, and more in keeping with Iran's needs, if the Bank were involved in the project. He also confirmed that a decision had been taken to locate the new university in Isfahan; it certainly could not stay in its present temporary and limited quarters in Tehran, partly because the city was already terribly congested. The Iranian authorities believed that Isfahan, the ancient capital, a traditional center of industry and the site of a new steel mill complex, would be an ideal location, but would be willing to listen to arguments to the contrary. Farmanfarmaian said he understood that the Bank would wish various alternatives examined to be sure that the Aryamehr plan made sense and could be implemented at a reasonable opportunity cost. He and his associates were looking forward to the results of the UNDP study not only because it would provide a solid basis for Aryamehr (and the phased development of the various faculties of engineering proposed for the new university) but also because it would suggest, at least in outline, the appropriate role of other higher technical training institutions, for which investment proposals would have to be reviewed by the Plan Organization during 1971 while framing the 1972-75 development plan.

5. Mr. McNamara commented that he did not wish to offend UNESCO, but if the UNDP and Iran wanted IBRD to serve as executing agency we should be prepared to do so. He viewed Aryamehr as a key project in the development of higher technical education in Iran. He had no patience for the argument that the Bank had insufficient staff to handle a proposal of such high priority and welcomed the opportunity for the Education Projects Department to initiate itself in the role of executing agency. On the other hand he would want to be satisfied that consultants chosen to do the study were the best available and that other firms, particularly those of other nationalities, had been given a fair opportunity to present proposals for this work. Also, it would have to be understood by all parties that the Bank would not participate in financing the construction

of Aryamehr unless we could say that various alternatives for meeting Iran's need for technical personnel had been examined objectively and that the Aryamehr alternative was found to be a reasonable choice. This did not necessarily mean that Aryamehr would be a "least cost solution", but the Bank would have to be satisfied that any additional cost of implementing His Majesty's decision (compared to alternative schemes) was reasonable. There should be no question about keeping Aryamehr in Tehran; the city was already excessively congested by any standard. Isfahan appeared to have many advantages but would have to be studied in comparison with alternative locations.

6. Dr. Farmanfarmaian thanked Mr. McNamara for his personal interest in the project and the understanding he had shown. He pleaded for a quick and positive response to UNDP by IBRD. Mr. McNamara instructed Votaw to expedite the Bank's answer in consultation with Dr. Ballantine.

7. Preinvestment Studies: ^{a/} Dr. Farmanfarmaian noted how very helpful Bank missions had been in recent months in drafting terms of reference and locating consultants for preinvestment studies in a variety of fields. He also welcomed the Bank's recent sector studies which were producing reports on Iran's industry, transport and agriculture. He hoped this informal, ad hoc "technical assistance" would continue in the preinvestment field. Specifically, he asked Mr. McNamara to allow Iran to call on Bank specialists to review terms of reference and consultants' proposals as and when required. He mentioned the possibility of 25 different studies about which Iran might wish to call on IBRD specialists for technical advice during the next year or two.

8. Mr. McNamara replied that he could not offer any firm commitment to Iran on this. What Farmanfarmaian described could be enormously costly in terms of very scarce staff time. We would continue to do what was possible in a small way, but this was unlikely to be on the scale described by Farmanfarmaian. Plan Organization might be better served by hiring a firm of general consultants to handle this work. Moreover, even if the Bank could afford to participate, however indirectly, in feasibility studies, this could put us in an awkward position, if the projects were

^{a/} Prior to meeting Mr. McNamara, Dr. Farmanfarmaian had mentioned his proposal on preinvestment studies to Votaw, who had outlined the Bank's general (and less micro-economic) approach to the planning of preinvestment studies. Votaw agreed to send Farmanfarmaian a letter on this, enclosing the general outline which had been circulated earlier in the year. This letter was sent on October 7, 1970. Dr. Farmanfarmaian's "piecemeal" approach is obviously very different from the "comprehensive" survey which the Bank has proposed for Iran and some other member countries.

eventually presented for financing. The Bank could not undertake any study which could be interpreted as prejudicing the objectivity of its appraisal, when and if the project was posed for Bank financing. On the other hand, the Bank staff could not afford to concern itself to any great extent with projects for which there was absolutely no prospect of Bank financing if it was to fulfill the ambitious targets for a rapidly growing world-wide lending program, as was envisaged for the next five years.

9. General: Dr. Farmanfarmaian praised the Bank for the way in which its affairs in Iran had been conducted during the past year-and-a-half or two. He noted specifically the accelerated pace of lending, the Bank's interest in "new" fields such as telecommunications, power and education and the continuity of staffing (which meant that the Bank was now represented by people who had a better and better understanding of Iran's problems and the Persian way of doing things). He hoped this continuity of Project and Area Department staffing could be maintained.

cc: Messrs. Christoffersen
Chadenet/Baum
Ballantine/Calika
Eschenberg

GBVotaw/rwm

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9

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: March 18, 1971

FROM: Gregory Votaw *GV*SUBJECT: IRAN - Visit of the Managing Director of Plan Organization,
Dr. Khodadad Farmanfarmaian

-
1. Farmanfarmaian will see you at 5 p.m. this afternoon. You will remember him from previous visits (most recently, I believe, in September, just after he switched back to Planorg from The Central Bank).
 2. We are told that he does not wish to discuss any Bank operations (which in any case have just been reviewed in Tehran by Cargill and Eschenberg) but will seek your personal advice on how to approach the problem of government reorganization, which His Majesty has asked Farmanfarmaian to consider on what is still a highly confidential basis. We do not at this point know much more, and I am not even sure how much of this Cargill discussed with you last Saturday.
 3. My hunch is that the Iranians have not yet defined at all clearly what they mean by "government reorganization" and that it would be useful to try to persuade Farmanfarmaian to focus on some specific areas before going too far in identifying foreigners to help with the proposed Royal Commission. There seem to me to be several quite different possibilities which merit high level attention and/or major reform.
 - a) Personnel issues: Iran would probably benefit from the formal establishment of an elite career civil service cadre, such as the inspectorate in France. More generally, there are problems of incentives for government service, honesty, proper use of technicians, etc.
 - b) Ministries: How many should there be, now and ten years from now? Should departments (under deputy ministers?) be grouped under a few superministries? Are there too many High Councils and/or Cabinet Subcommittees? and if so, how should they be regrouped, simplified?

../2

President has seen

- c) Economic: How should the planning function be handled? (What can be done to rejuvenate, or kill, Planorg itself?) How can the preparation and implementation of investment projects be improved? and by whom? What is the proper forum for policy decisions, which determine the climate for, and therefore the effectiveness of, investment activities?
- d) Regional/Local: How many Ostans (provinces) should there be, now and 25 years from now? Should civilian governors replace the present military management? Should there be provincial parliaments? How should municipalities be defined and governed? should there be elective municipal councils? should municipal authorities have responsibility for local taxes?
- e) Parliament: Future prospects? Relations with Ministries individually and government generally?

4. My point in reciting this list is not to pretend to know either what Iranian's most important problems are or what Farmanfarmaian (and H.I.M.) have in mind, but rather to illustrate the very wide variety of subjects that might be considered by a Royal Commission. In my view, unless the Iranians select from among these possibilities a few issues meriting particular attention at this time, the Commission is unlikely to be very effective. Meanwhile, I think it would be somewhat irresponsible for us to suggest individuals to help in the study without knowing what their focus will be, or whether they will be asked to participate in the focusing process.

5. If I learn anything more from Farmanfarmaian when I see him at 3.30 p.m. today, I will phone you before five or mention it when I bring him to your office.

GBVotaw:hh

cc: Mr. Eschenberg

10

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

10/4/71
10720
[Eschbacher]
- to send
note to
and re
monthly
outgo
- then
through
to [William]

Amougyei 10/4/71
Recently some showing down in loans
concerned about no. of projects for
next yr.

Could IBRD help in financing of projects
don't want cost of all projects -
can't you use for supplies, etc.?
not only 5% - if IBRD could help
- find 10-15% for this would help -

His brother:
a. Why things are going it is impossible
to meet the IBRD objectives
72 173

73 not viable
because some projects aren't acceptable
b) procedures are so complicated
the ministers shy away -
he + his brother can't ignore the
facts of life
can't IBRD make custom-made
procedures for countries who are
reliable -
even if they won't deal with the
e.g. oil price. Can't been reduced
for 1 yr + you paying 40% on loan
[they want to pay interest in
] even if it costs us; Proj Dept not

OFFICE MEMORANDUM

TO: Mr. Gregory B. Votaw

FROM: Horst Eschenberg

SUBJECT: Iran: Lending Program

DATE: October 24, 1971

1. The Iranian Minister of Finance, Jamshid Amouzegar and the Ambassador-at-Large in Washington, Dr. Jahangir Amouzegar called on Mr. McNamara on October 4. They expressed concern about the probability of a sharp decline in the Bank's lending program to Iran for FY73. Mr. McNamara asked me subsequently to prepare a brief note explaining why the Government of Iran feels that the Bank lending to Iran in FY73 and possibly beyond is likely to be less than anticipated. He also asked me to explain the reasons as I see them and to propose actions which would help avoid the shortfall in lending.
2. The level of Bank commitments to Iran averaged \$50 million during the five-year period ending in FY70. At the country program paper review meeting held in December 1969, it was agreed to increase substantially the level of commitments to Iran. The objective was to help improve the average terms of Iran's borrowing and more importantly to assist the Government in improving the quality of its investment program. The figure of \$125 million per annum was approved. Bank lending to Iran in FY71 was \$165 million. The excess was in part justified by the fact that the level of commitments was only \$48.5 million in FY70. At the subsequent CPP review for Iran which took place in February 1971 it was agreed that the average annual level of Bank commitment should be raised to \$150 million. Probable lending during FY72 is about \$170 million.
3. Given Iran's recent economic performance, the vastly expanded investment program and increased oil revenues, Bank lending could probably be increased to a level exceeding \$200 million annually without raising serious creditworthiness or exposure problems. While the Government does wish to avail itself of such a level of IBRD lending, the question is whether or not the Bank would be able to sustain it given the existing constraints in Iran as well as in the Bank.
4. As you know, we have suggested for some time that the lending program proposed for FY73 is likely to be sharply less than anticipated and have taken a number of actions to avoid a shortfall below the level of \$150 million. However, it should be pointed out that the FY73 is not a good illustration of the basic problems which raise doubts about the ability of the Bank to sustain a level of lending to Iran of \$150-200 million annually.
5. As shown in greater detail in the annotated summary of the lending program to Iran attached, the reasons for the probable shortfall in FY73 are:

- (a) Slower than expected preparation of projects: Fisheries \$30 million, Highways \$40 million and Airport \$35 million.
- (b) Decision taken during February 1971 CPP meeting not to finance Pipeline II (\$60 million).
- (c) Decision of the Government to undertake master plan for relocation of Arya-Mehr University without Bank involvement which means that the project is not likely to materialize for Bank financing (\$20 million).
- (d) Government did not take action to prepare irrigation package project in suitable form for Bank financing because of low foreign exchange cost.

6. In view of the slippage of projects, we have made efforts for some time to add new projects such as the Industrial Credit Bank (\$10 million) and a population project (\$5 million). It should be emphasized that our efforts for the FY73 program were hampered by the fact that the Bank's fiscal year straddles the end of the Fourth Plan and the start of the Fifth Plan. Since the preparation of the Fifth Plan is behind schedule and "shelves of projects" per sector have not yet been agreed upon, it is therefore unusually difficult to identify new projects. This "problem" will disappear within the next 10 months and should not be significant for the Bank's program for FY74 and subsequent years.

7. The Government of Iran agrees that the main reason for the shortfall in the Bank lending in FY73 is delayed project preparation resulting from problems in Iran. However, the authorities suggest that partly for FY73 but especially for subsequent years there are constraints in the Bank's lending policies and operational strength which cast some doubt on its ability to sustain an annual level of lending of \$200 million which the Government would like to achieve. The preference of the Bank to finance foreign exchange cost only is considered a severe financing constraint for high priority projects in agriculture and the social sectors. Recognizing the Bank's preference for foreign exchange financing, the Government had suggested Bank financing of imports required for the construction of domestic pipelines and a refinery. These are high priority projects in the opinion of our sector missions as well as the Iranian authorities, and fully consistent with a recent national energy survey carried out by the Stanford Research Institute. In these cases, financing would be on better terms than would otherwise be available and would further reduce cost. The Government feels that the reluctance of the Bank to consider financing of such projects (presumably because alternative resources are available) will seriously reduce opportunities for Bank lending especially when coupled with reluctance to finance local cost.

8. Referring to operational capacity for institution building, the Government suggests that sectors such as agriculture, education and rail and road transportation require a great deal of attention, for which Bank assistance would be most welcome. However, it is felt that in these sectors the Bank is constrained by limitations on staff. Lack of continuity in staff coverage has led to misunderstandings and delays creating situations which are taken advantage of by vested interest groups who succeed in describing the Bank as a slow and unreasonably arbitrary institution.

Recommendations

9. For the FY73 lending program, I recommend that in addition to the projects already added we also include a Third Power project (\$50 million) which at our insistence has been tentatively identified. Even though it is not yet recognized by the "Plan", it is likely that it can be included. A second project which is in the Plan would be a Second Port project (\$20 million), for which I understand preparation is fairly well advanced and should be tentatively included in the program. This should be pursued in connection with the appraisal of the First Port project scheduled for November and January. Thirdly, there remains the possibility of the Sar Cheshmeh Copper project materializing. In such a case \$50-100 million of Bank financing might be required quickly as the project is technically fully prepared and lacks only a suitable financing and management arrangement. We are keeping in close touch with the Government regarding this matter. Fourthly, Mr. Knapp's recent statement that for projects such as the irrigation package, financing of 40-50 percent of cost, regardless of foreign exchange cost, could be justified is being conveyed to the Government. This is likely to lead to a series of high priority projects in irrigation, livestock and in the social sectors. The irrigation package project may even materialize in FY73, provided sufficient manpower can be allocated to it. Fifthly, efforts are also under way to identify a Second Education project in the area of technical training. If it can be assumed that the 40-50 percent financing rule could also apply, the prospects would be fair to have this project in FY73. Actions on the above will, if not eliminate, keep to a minimum the shortfall in lending in FY73 program.

10. For subsequent years the decision to consider financing of 40-50 percent of project cost should provide the Bank with a fairly steady stream of high priority projects. However, projects of this type will impose a heavy burden on the Bank's staff resources, both in terms of adequate project supervision as well as in the guidance of project preparation. For this reason lending for projects of this type will probably be fairly limited say to \$40 million annually.

11. I believe there is merit in the Government's comments on the operational capacity of the Bank with respect to sectors that need institutional improvement most. I recommend that the supervision of ongoing problem projects such as roads, irrigation, education be intensified. Future projects in irrigation, education, population planning, road and rail transportation should be undertaken only to the

extent that we have reasonable assurances that adequate staff can be made available given the need of the sectors concerned. This, however, would tend to limit Bank lending for such projects.

12. To the extent the remaining lending gap cannot be filled with "no problem" projects such as power, telecommunications and industrial relending, consideration should be given to financing projects such as pipelines or refineries. Clearly projects should be limited to those with high economic priority and where it could be clearly demonstrated that Bank involvement would lead to much improved terms of lending and cost savings. I would also recommend that the possibility of joint financing be explored.

Attachment

HEschenberg:cj

IRAN
Annex - Lending Program

Project	Amount (\$m)	Comments
<u>FY70</u>		
Agri. Dev. Fund I	6.5	Although the speed of ADFI's total lending has been less than anticipated - IBRD funds are being disbursed as scheduled - ADFI is recognized as an excellent institution.
Highways V	42.0	Loan was declared effective on October 2, 1970' disbursements were projected to be about \$8 million by October 1971 - in fact are only \$0.3 million. Progress is extremely slow because of protracted dispute between Bank and Borrower over bid evaluation procedures. Issue has been resolved for contracts tendered to date. Bank is proposing improved selection procedure for remainder of loan. Also Government has not awarded consultant contract (to be financed out of the loan) for studies covering - transport coordination, organization of the Ministry of Roads, maintenance procedures, preparation of the next road project for IBRD financing. At Government request several Bank missions were sent to help speed up action. Contracts have not yet been signed.
Total -	<u>48.5</u>	
<u>FY71</u>		
Telecommunications I	36.0	Good progress.
Education I	19.0	Slow progress on selection of consultants and site selection.
IMDBI VI	50.0	Good progress.
Power I	<u>60.0</u>	Good progress.
Total -	<u>165.0</u>	
<u>FY72</u>		
Agri. Dev. Fund II	14.0	In view of Loan Committee decision not to insist on an increase in ADFI's relending rate presently at 8 percent, loan will be negotiated in December and presented to the Board in January 1972.

Project	Amount (\$m)	Comments
<u>FY72 (Cont.)</u>		
Irrig. Package Scheme	-	Project is considered of high priority, but low foreign exchange cost. Thus Government doubts of appropriateness of presenting the project to IBRD for financing. Progress on project preparation appears to be good, but not in suitable form for IBRD consideration. Now that the Bank is prepared to consider financing 50 percent of the project cost, probability is high that project will be presented to Bank in FY73.
IMDBI VII	50.0	Negotiations completed - awaiting Government clearance of documents.
Power II	50.0	Appraisal completed.
Pipelines	32.0	Negotiations completed - awaiting Government clearance of documents.
Port	8.0	Appraisal scheduled for January. Project is very urgent. New Port Administration makes quick execution of project likely.
Dez II	<u>20.0</u>	To be appraised in November, 1971
Total	- <u>174.0</u>	

FY73 Project	February 1971		Oct. '71 Status
	CPP Projections Operations Program (\$ million)	Status Subsequent to CPP Meeting	
Fisheries	30.0	30.0	-
Telecommunications II	25.0	25.0	50.0
Education (Arya-Mehr)	20.0	20.0	-
Highways VI	40.0	40.0	-
Pipelines II	60.0	-	-
Airport	35.0	35.0	-
Power II	-	30.0 ^{1/}	-
Irrigation Package	-	20.0 <u>I/</u>	20.0
Industrial Credit Bank	-	-	10.0
Population	-	-	5.0
	<u>210.0</u>	<u>200.0</u>	<u>85.0</u>

1/ Anticipated slippage from FY72 program.

Comments:

Fisheries project is no longer possible for FY73 - in spite of repeated reminders, the Government took action on necessary test fishing only in September.

Telecommunications II - The probable loan is now \$50 million. However, the probability of the project materializing in FY73 is only medium, In view of strong pressures of long standing German supplier who favors use of his type of switching equipment, Ministry of PTT and Telephone Company would prefer international tenders in which case German supplier would very likely lose. In such case competitive type of switching equipment would be introduced. If German supplier prevails, Bank lending for Second Telecommunications project would not materialize until FY74.

Education (Arya-Mehr) - This is an important project for the Government. The Shah is Patron of the University. Bank insisted that a major review of higher educational needs of Iran would have to precede or at least be undertaken simultaneously with the development of a Master Plan for establishing Arya-Mehr University in Isfahan. After considerable delay caused by discussion of this issue, the Government decided that a broad general study would be too time-consuming; it engaged Arthur D. Little to prepare a Master Plan for the University without direct Bank involvement. We are keeping informally in touch with this program because the Government is still interested in Bank financing of the construction of the project. University and Government officials concerned doubt Bank ability to provide timely assistance.

Highways VI - Project is delayed because Government action on the Highways V project has been extremely slow.

Pipelines II - In accordance with the conclusion of the February CPP meeting, the Government was informed that the Bank is very reluctant to provide financing for pipeline construction. The Government subsequently negotiated a contract with a U.S. supplier for this pipeline, apparently at a substantially higher price than was estimated.

Airport - Preparation for this project will require longer than anticipated by the Government as well as the Bank.

Power - This project was expected to slip from FY72 to FY73. It was prepared more quickly than anticipated and remained in FY72.

Irrigation Package - See above.

Industrial Credit Bank - This project was added recently to the FY73 program and the probability is high.

Population - This project was added recently to the FY73 program; probability is considered low because of the extensive preparation work which remains to be done by the Government.

Mr. McNamara's Talk with Sir Denis Wright, British Ambassador to Iran -- 11/11/69

The Ambassador mentioned that when the Shah travelled there were very considerable security precautions, but some of those we had seen, e.g., near the Pahlavi Dam, were attributable to fear of action by Iraq which was training saboteurs in the oil area.

Nancy Lambton had reported last year that there was considerable content with land reform; but this year she had found a lot of discontent among those peasants who felt they were being pushed out by the Agricultural Corporations. His Excellency had passed on this report to His Imperial Majesty.

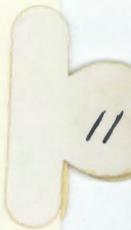
The growing number of university graduates who could be expected to press for more freedom (of speech, press, political expression, etc.) would be an explosive element in the future.

The Ambassador reminisced about the Shah's sickness 15 years ago, and said that now he was so strong that his ministers failed to make any adverse comments on his policy to his face. This led the Shah to underestimate the opposition he was likely to meet from, for example, the Oil Consortium if he pressed for further concessions. The situation as Sir Denis saw it was that the Shah would not get much change out of the American companies or government, i.e., no larger quota; therefore, he was liable to turn to the Consortium and press them to take even more Iranian oil. [McN commented that it was amazing that NIOC's output had been allowed to rise at about 14% p.a., compared with a world rise of about 5%.]

The Consortium was getting fed up and there was a real danger of a confrontation between Shah and Consortium, with disastrous results. Sir Denis hoped that Mr. McNamara had mentioned the copper reserve to the Shah, as the possibility of adding to their foreign reserves through copper sales must make him more cautious in his dealing with the Consortium.

WDC

President has seen



OFFICE MEMORANDUM

TO: Files

DATE: December 17, 1971

FROM: H. H. Eschenberg *HE*SUBJECT: Dr. Jahangir Amuzegar's and Mr. Yeganeh's Visit with Mr. McNamara

12/17

Dr. Jahangir Amuzegar and Mr. Yeganeh visited Mr. McNamara today. Dr. Amuzegar said that during his recent trip to Iran he had had an audience with the Shah. During the audience he had reported on the Bank's lending program. He said that the Shah had asked him to convey his best wishes to Mr. McNamara for the holidays and also appreciation for Mr. McNamara's personal interest in the Bank's lending program. Dr. Amuzegar went on to say that the Shah welcomed the Bank's financial assistance and any type of advice or suggestions as regards Iran's development program. Regarding the difficulties we have recently encountered with the wording of certain clauses of loan agreements, the Shah expressed hope that the Bank appreciated that he had a Public Relations problem and that occasionally statements which could be interpreted as impairing the dignity of Iran are difficult to defend. His Imperial Majesty hopes that these difficulties could be avoided to the extent possible. The Shah invited Mr. McNamara to contact him directly with respect to problems that might arise in the future.

Dr. Amuzegar reported that the difficulties of site acquisition for the education project had been removed by the Shah. In addition he said that His Imperial Majesty had also instructed the Ministry of Education and Roads to cooperate fully; both had been somewhat difficult in dealings with the Bank.

Mr. McNamara said that he appreciated His Majesty's holiday greetings and interest and support of the Bank's lending program. He said that, we in the Bank, share the view of Iran's immense development potential, that we are aware that Iran's needs exceed by some margin the substantial resources of the country. Mr. McNamara said that he understood that in meeting the additional needs, Iran is building up debt. He said that the Bank could help Iran a great deal in avoiding a serious debt problem. In addition the Bank could, and would, also provide technical assistance for various aspects of the development program. He said that he understood the need of preserving the dignity of the country and that this should be recognized in written documents.

Mr. McNamara said that the problem of carrying out a major lending program to Iran involved careful scheduling of operations. Problems should be anticipated far in advance so that delays of the type that threatened the FY73 program could be avoided. Dr. Amuzegar said that he agreed and felt that, through careful coordination, scheduling of projects could be vastly improved.

President has seen

December 17, 1971

Dr. Amuzegar enquired whether or not Mr. McNamara would favor a visit of members of the Board to Iran. Mr. McNamara replied that three or four members of the Board were at present visiting Latin America to ascertain whether or not such visits might be appropriate; for the moment he would like to hold his reaction to the question but that if he should find such visits productive, given the heavy workload of the Executive Directors, he would let Dr. Amuzegar know.

HEschenberg/kw