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McNamara Papers

Memos for record  
1973

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792/1/155

MEMORANDUM FOR THE RECORD

MEETING TO DISCUSS FY74-FY78 PROGRAM PAPER, DECEMBER 20, 1973

Present: Messrs. McNamara, Knapp, Adler, Baum, Bell, Benjenk, Broches, Cargill, Chadenet, Chenery, Damry, Rickett, Wiese, Wright, Schulmann

Mr. McNamara asked that the meeting be focussed on substantive points and that drafting be discussed with Mr. Adler. The main points agreed upon were as follows:

1. The paper would be rewritten to explain better that the projections were based on the program of 1971 which was largely unchanged in real terms with adjustment of current figures to reflect new projections of inflation.
2. There should be ~~either~~ more clearly expressed caveats regarding the fluid situation of the world economy at present.
3. Next year there would be a careful look at the rates of world inflation and the projections would be revised.
4. Mr. Chenery would prepare guidelines for the treatment of inflation in preparing country program papers.
5. By the time the paper is distributed to the Board, it should have attached to it for the use of management regional programs which should be consistent with the over-all program shown in the paper.
6. Mr. Broches would draft new text regarding capital increases.

The final text should be agreed upon on December 21 for printing and distribution by December 27 and a Board discussion on January 31.

AL  
December 20, 1973

President has seen

792/1/154

MEMORANDUM FOR THE RECORD

Meeting to Discuss Furnishing of President's Office, December 19, 1973

Mr. McNamara met with Mr. Albert Hadley, interior decorator, who brought with him a number of proposals. The following agreements were reached.

President's Office

1. The walls would be kept as dark panels but should be waxed or polished.
2. Window bays may be painted white at a later stage.
3. A curtain fabric was acceptable and its suitability was confirmed in daylight the following day.
4. A fabric was selected for the sofa but furniture proposals would be revised to a more traditional style. A possible color for chairs would be red matching the carpet.
5. A desk chair was selected and ordered with the proposed leather covering.
6. A light linen fabric would be substituted for the yellow silk on the low wall and Mr. McNamara would try a piece of African art on the wall in addition to existing pieces.
7. The existing chairs at the conference table and at the desk would be retained and more of the same would be obtained for the Conference Room.
8. The Senegalese tapestry would remain on the wall where it presently is.

Conference Room

1. Walls would be painted in a light parchment color.
2. New light curtains would be installed.
3. Additional chairs would be procured to obtain 20 identical cork chairs.
4. A new boat-shaped table would be installed with traditional legs. The table should be as large as can be conveniently fitted into the room.

Reception Room

1. Mr. Hadley would provide detailed drawings for the proposed partitions and send them to the Bank where cost estimates would be made for the work involved. The partitions would probably be covered with vinyl to be selected later.
2. Mr. Hadley would provide pictures of the proposed furniture. The samples of artificial suede and checked fabric which he showed looked attractive but would be confirmed later.

Secretary's Office

Mr. Hadley suggested that the desk presently in the middle of the room should be moved to the President's side. This will be attempted by modifying ~~all desks~~ from the President's Office.  
an old

President has seen

Mr. Hadley called up on December 20 to say that the selected curtain fabric would have a very long delivery time and that he would send a very similar fabric for Mr. McNamara's approval.

Footnote: At a later stage it may be useful to ask Mr. Hadley to make a simple proposal for the President's Dining Room.

AL  
December 21, 1973

792/1/153

THE PUEBLA PROJECT

A seminar was held on December 12, 1973, to convey the experiences of the Puebla project team to the Bank staff. The Puebla project is an experiment mainly aimed at increasing production of maize in an area of 116,000 hectares of subsistence agriculture around the city of Puebla in Mexico. It is also intended to develop new methods of agriculture and to train staff.

The Puebla team emphasized the learning characteristic of the project which had been going on since 1967.

The project area includes 47,000 farms and a population of 300,000. The climate is fairly dry with annual rainfall of 600-800 millimeters. The average farm size is 2.5 hectares and the family income is in the order of \$500 per year.

Maize has been grown in the area for a long time. Relics have been found 5,000 years old. The team said that careful consideration was given to the geography, history and culture of the area before the project was started and the whole philosophy of their approach seemed to be one of learning and adapting to local conditions. They felt that a program of this type must be developed mainly by nationals of the country in order to have the proper understanding of local conditions and continuity of involvement. Therefore, the development of manpower is a crucial bottleneck for developing countries.

The agricultural technology introduced was mainly the combination of fertilizers and spacing of plants in addition to interplanting maize with beans. The technology package used was not developed in a controlled environment of a research station but on farmers' land, and the recommended technology did not coincide with that for the "miracle strains". The measure of success was the incremental cash earned by the farmer due to increased production and the increase of nutritional standards of the crop. The risk involved in the use of various technology packages was carefully considered.

The team considered the risk as one of the important factors in acceptance of new farming methods by small farmers close to subsistence. The various combinations of fertilizer and spacing of crops were categorized as to the variation of results. The timing of rainfall was the most important uncertain factor. The team did not describe any study of the actual risk aversion by farmers but, instead, had recommended packages which displayed only a moderate amount of risk so that the one mainly recommended had probability of 20% of yielding below the expected value for traditional farming methods.

Only 10%-15% of the farmers in the area participated directly in the project. Participation was defined as farmers receiving credit through the project. On the question as to why such a small percentage actually participated, the team responded it was not necessarily desirable to have a larger group participating under these circumstances, particularly as the number of technicians available was very small. The number of farmers benefitting through the demonstration effect was much larger, and these farmers received credit through other sources. Studies of the demonstration effect are underway.

The project had aroused discussion both in Mexico and elsewhere about the merits of focusing on irrigated or dry-land farming. This has been a topic of current policy discussion in Bangladesh. The obvious arguments were brought forward; mainly that dry-land farming after all constitutes such a vast majority of the cropland and number of farmers in the developing world.

President has seen

The ratio of technical assistance to farmers was extremely low: one technician and two assistants per 10,000 farms. In addition to technical assistance one of the keys to success was the institutional credit provided. Credit has been made available through existing banks which had accepted the farmers as clients because they had organized themselves in groups of about 10 and assumed mutual responsibility for debts. This seemed to have appeased the lenders as to the problems of land tenure and crop uncertainty. On time repayment has been 92%-98%.

When it came to evaluating the project, its originators considered whether to use an outside group for objectivity. It was decided to do it by scientific methods using existing staff. The evaluation consisted of a follow-up socio-economic study in 1970 of a 10% sample of the population to be compared with data from 1967. From 1968 on a study of crop results had been made for the same sample of farmers. Over the period 1967-1972, the yield increase for the whole project area was about 30%, while for Mexico as a whole, the yield for corn had remained stable. The average increase of production for participating farmers was 10% per year for seven years, or approximate doubling of production. Farm incomes had increased from \$666 to \$825 per year, and income distribution had improved since the category of earning below \$400 per year had been reduced from 57% to 44% between 1967 and 1970. This appeared as a movement up to the category of incomes from \$400 to \$600 per year which had increased from 12% to 20%. Other higher income brackets contain approximately the same percentages.

On-farm employment on participating farms had increased by 67% and correspondingly employment elsewhere had decreased. This was attributed to an increased labor intensity due to the recommended technology, especially as to planting, fertilization and harvesting.

The total cost of the project had been \$925,000 over the period 1966-73 which must be considered very low.

In the discussion the risk element received considerable attention. In the Puebla project it had been mainly treated in a statistical and normative manner in choosing the technological package which was most likely to be acceptable to farmers while yielding substantially more than traditional methods. It would have been interesting to see some empirical material on the risk preferences of farmers, since this would reflect their willingness or reluctance to part with established ways of farming and try the new ones. In terms of the explanation for their behaviour must be traced back to traditional social and economic behaviour.

A Bank staff member pointed out that the rate of return on the project was calculated at 50%, which is spectacular. Benefit/cost ratios would be 2.8-3.5 using a 14% discount rate.

The project team said that, if they were to start a new project, they would look carefully for an area favorable to the growing of a crop relevant to the farmers and where there were good prospects for political support. They felt there was need for considerable research on the social, economic and political aspects of the motivation of farmers for change. They would like to connect a new project closely to the existing institutional system and ensure that it was financed at least in part by local funds. They would like to design experiments close to existing conditions rather than importing exotic solutions. They emphasized again the importance of bringing a greater number of people into the experience to achieve a multiplier effect.

The conclusion must be that the project has been quite successful in improving the farming methods and yields of a great number of small farmers in the area at low cost. The conditions of the farmers at the beginning and the end of the period so far covered by the project have been well documented. However, few conclusions if any have yet been drawn about the applicability of the experiences in the Puebla project elsewhere in Mexico and in other parts of the world. The project team by implication seems sceptical as to the possibility of drawing many generalized conclusions. On the other hand, this might be easier to do if a second post-evaluation were to be done by an outside team with the specific aim of generalizing experience.

AL  
December 17, 1973



Meeting to Discuss Draft Paper on FY74-FY78 Program, December 5, 1973

Present: Messrs. McNamara, Knapp, Chenery, Baum, Adler, Tims, Schulmann

The paper had also been distributed to the Regional Vice Presidents. A meeting would be held within the next few days with Messrs. Knapp, Chenery, Baum, Adler and the RVPs. A revised draft would be ready by December 17 and distributed to the President's Council for a meeting on December 20. The paper should be distributed to the Board on January 22, five weeks in advance of a Board discussion on February 26.

Marked-up drafts were given to Mr. Adler but a number of points were discussed.

1. Mr. McNamara was concerned about the problem of debt and asked Mr. Tims to prepare a one-page table showing the factors relative to debt of the LDCs. The paper would be submitted within a week.
2. Mr. Chenery would have liked to see alternative projections and Mr. McNamara asked him to produce a paragraph or page for insertion in the paper on alternatives considered or to be considered in the next round of planning.
3. Despite the drastic changes in price and volume of oil exports, it was agreed not to change the assumptions regarding lending to oil-producing countries but to consider this problem later (for Venezuela, Iraq, Iran and Nigeria).
4. There should be a statement of the exact assumptions regarding oil prices. A paragraph would be drafted regarding the implications of recent drastic changes.
5. The projections regarding commodity prices and terms of trade are uncertain but Mr. McNamara asked that they be retained with proper caveats and be revised in the next round of planning.
6. Mr. McNamara asked that a table be introduced showing the costs of lending in various sectors and geographic areas as he had promised to the Board.

AL  
December 5, 1973

President has seen

MEMORANDUM FOR THE RECORD

792/1/151

Yes

Meeting to Discuss Implementation of the 1973 Annual Meeting Speech, December 3, 1973

Present: Messrs. McNamara, Knapp, Baum, Chenery, Stern, Haq, Yudelman, Christoffersen, van der Tak

Mr. McNamara was very satisfied with the document on the subject and emphasized the need to develop an adequate data base. He hoped that the data collection work could be accelerated as compared to the program proposed in the paper. As to Section E regarding criticisms and responses on rural development and the poor farmer program, Mr. McNamara emphasized that the phrasing of the questions should not constitute an acknowledgment of the criticism and he asked to review parts of the document before distribution to the staff.

It was agreed that the paper would be distributed to the Regional Vice Presidents and a collective meeting be held to hear their views.

A monthly progress meeting would be held with Mr. McNamara, not necessarily based on a written report. The next meeting would be scheduled by Mr. Ljungh in the first week of January.

AL  
December 3, 1973

President has seen

MEMORANDUM FOR THE RECORD

792/1/150

Meeting on Preferences for Domestic Contractors, November 30, 1973

Present: Messrs. McNamara, Knapp, Baum, Cargill, Damry, Stern, Weiner, Jaycox

Mr. Jaycox summarized his visits to Germany and the U.K. The German Government had been for the proposal for 7½% preference while the U.K. Government had been undecided. U.K. contractors were against with feeble arguments. The same was true of the U.S. contractors who argue that the introduction of preference would be the thin edge of the wedge which would open the field for wider concessions. Other countries would seem to be mostly for the proposal.

Mr. McNamara said that, with due caution to the Congressional process of approval of the Fourth IDA Replenishment, he would like to go forward with the proposal in the Board, and for this purpose a paper was to be prepared for the use of the Bank in informing the Congress. He would outline the procedure and state that it would be a one-year experiment to be reviewed if necessary and possibly prolonged if there are no firm indications as to the results. It should be made clear that this is not the thin edge of the wedge and no increase in the percentage of preference is envisaged. The paper may well be shown to U.S. contractors to make them understand that their case is weak and then be handed to Congress. Mr. Jaycox would proceed with the preparation of the paper and the subsequent presentation.

AL  
November 30, 1973

President has seen

792/1/149

MEMORANDUM FOR THE RECORD

Meeting to Discuss Joint Board Committee on Compensation, November 28, 1973

Present: Messrs. McNamara, Chadenet, Shoaib, Damry, Clarke

Mr. McNamara said that he did not wish to chair such a committee. He wondered if Mr. Isbister should not be a member and expressed concern that the terms of reference not be too wide. He suggested that Mr. Barco be chairman.

It was agreed that Mr. Damry would work on a committee to be headed by Mr. Barco and that Mr. Isbister would be left off for the time being in order to avoid an excessive representation from Anglo-Saxon countries. The terms of reference would be in accordance with the recent Minutes of a Board Meeting: "to set up an ad hoc committee to discuss with the Management of the Bank and an appropriate committee of the IMF how future compensation reviews should be conducted."

AL  
November 29, 1973

President has seen

792/1/148

Meeting to Discuss Draft Board Paper on Review of FY74-FY78 Program, November 1, 1973

Present: Messrs. McNamara, Knapp, Chenery, Broches, Rickett, Shoaib, Adler, Haq, Schulmann, Tims

It was agreed that the paper would be finalized by January 15 for a meeting of the Board on February 26. A redraft would be prepared by November 11 and given to Messrs. Isbister and Wahl for their comments by November 16. A subsequent draft would be prepared for Mr. McNamara's review by November 26.

The paper was discussed page by page and Mr. McNamara handed his draft to Mr. Adler for use in redrafting. It was agreed that the conclusion would say:

1. The program would proceed as outlined in 1971 but adjusted for currency changes and inflation.
2. The changes in financial projections do not call for revision of financial policies. This point would follow the contents of paragraph 32 on page 53 in the draft.
3. The financial projections include consideration of the qualitative changes envisaged in the Bank's program.

AL  
November 6, 1973

President has seen

792/1/ 947

Meeting to Discuss Mining Sector Working Paper, November 1, 1973

Present: Messrs. McNamara, Knapp, Alter, Baum, Chenery, Benjenk, Cargill, Chaufournier, Adler, Gaud, Stern, Nurick, Fuchs, Lejeune, Cash, Dosik, Bosson

Mr. Knapp expressed praise for the paper as a good analysis but was hesitant on several points. He wondered whether the Bank should really finance government ventures, and particularly government equity contributions which should only be financed by the Bank under exceptional circumstances. Mr. McNamara agreed with the latter point. He was also skeptical to the proposals for a UN fund for exploration and for advice to governments in negotiations. Mr. Gaud was equally skeptical to the latter two proposals. Mr. McNamara agreed to take out the specific recommendations to action on these points.

Mr. Stern said that the proposed substantial increase in the scale of operations was not adequately supported. Mr. McNamara concluded that he wished to have the staffing implications of an expanded program as part of the review of the industrial work program. He favored an increased program over what was shown which was the sum of all CPP programs.

Mr. Nurick expressed concern that there was implied considerable need for staff time, if the Bank were to enter into mining in advisory capacities. Messrs. Alter and Gaud expressed great skepticism to the ambitious tone of the paper which, in their view, promised things the Bank would not be able to achieve.

It was agreed that the paper would proceed to the Board as modified and as specific work programs and proposals for advisory functions would be worked out as soon as possible.

AL  
November 7, 1973

President has seen

792/1/146

Conversation with Mr. Khelif, October 24, 1973

I spoke to Mr. Khelif again about his proposal to initiate contacts with the Chinese in advance of the October 30 meeting. I thanked him for his constructive approach and frankness and explained that Mr. McNamara feels that he must ask for the Board's permission before initiating any direct contacts with the People's Republic of China. After the October 30 meeting, he would decide on a desirable approach as a result of the discussion.

Mr. Khelif said he had had a conversation with Mr. Sethness who had told him that the approach by China may be largely dictated by political motives and that the question should be approached very cautiously.

In response to Mr. Khelif's question, I outlined the procedure for a country to gain membership in the Bank and Fund.

Mr. Khelif said that the Chinese and other members supporting the People's Republic were worried that the proposed procedure was not serious but a means of procrastination, as he felt was the case in the 1950s. I assured him that this was not so and that it would be politically impossible today, as opposed to in 1950, and said that he would be serving the best interests of the Bank and the Fund and probably of his own Government if he could assure those who were in doubt that the response of the Bank and Fund to the Foreign Minister's cable is serious and deliberate and based on the best judgment available.

AL  
October 24, 1973

President has seen

792/1/145

Minutes of Meeting to Discuss Nutrition Paper, October 17, 1973

Present: Messrs. McNamara, Knapp, Aldewereld, Alter, Baum, Bell, Adler, Chaufournier, Chenery, Stern, Nurick, Berg, Hablutzel, Kanagaratnam, Wapenhans, Weiner, Vibert

Mr. Knapp said that nutrition is still an experimental area where we are meeting with considerable success in some places, such as Brazil, and with difficulties in others. Improving nutrition is intuitively appealing. He questions whether this should be financed internationally on a loan basis and said that certainly we would find border cases which would be difficult to justify under the Bank's Articles, such as the financing of direct nutritional input which could be termed operating costs.

Mr. Chenery said that the paper was a direct descendant of the report prepared by Mr. Berg and others in 1972. He praised it and said that nutrition is one of the main ways to improve income distribution since the poorest cannot be helped merely by increasing income. He felt that nutrition should receive higher priority than some other social sectors, notably housing. He question whether the emphasis should be on projects as stated in the paper or on general programs and nutrition componenets of other projects.

Mr. Aldewereld agreed with the analysis and expressed reservations about the ability of the Bank to put together projects at this stage. He thought nutrition is a problem of national policy.

Mr. Bell saw no problems in finding nutritional projects or nutrition elements of other projects. He mentioned examples of seed development in distribution of high nutrition strains, food processing projects, education projects with child-feeding components and family planning--health--nutrition projects.

Mr. Alter wondered if there are nutritional projects which can influence national policy and thought they would be difficult to find.

Mr. Chaufournier said that the Bank must decide by what means it intends to improve the well-being of the poorest segments of population. There must be a trade-off among investments in education, health, nutrition and other sectors.

Mr. McNamara concluded by saying that the Bank just does not know whether separate nutrition projects can in fact be developed. The only way to learn is by experience. The proposed program is small but it is probably the best we can do with present constraints on knowledge and staff and it is important to go ahead with the proposed program. There are indications that our activities are having an important impact and he mentioned the example of Brazil. He mentioned a number of detailed changes and gave his marked-up draft to Mr. Baum. The paper would be presented to the Board as planned.

AL  
October 18, 1973

*President has seen*



792/1/144

Minutes of a Meeting to Discuss Implementation of Nairobi Speech, October 17, 1973

Present: Messrs. McNamara, Knapp, Baum, Chenery, Stern, Yudelman, Christoffersen

Mr. McNamara asked that Messrs. Chenery and Baum be responsible for preparing a paper to Messrs. McNamara and Knapp setting out specific plans for attacking the problem of increasing the productivity of small farmers. The paper should be ready by Monday, November 26, for a meeting on December 3. Specifically, it should contain the schedule of missions up to the end of the year, with a statement to what degree these missions will address that very problem.

It was also agreed that, at the next Department Directors' Meeting, Mr. McNamara would discuss in a general way the efforts under way to implement the speech, but not himself outline a detailed program.

Mr. McNamara emphasized that he will require a quantification of objectives in order to be able to follow up their achievement. This would greatly increase the likelihood of success of a program. Mr. Baum asked whether he would be willing to make statements to reduce the fears of some staff that areas not immediately concerned with small farmers or rural development or rural poverty would be neglected. Mr. McNamara agreed, ~~and said something~~

Mr. Chenery advocated addressing a wider concept of rural poverty including the problem of landless laborers. Mr. Stern took the opposite view that the Bank does not yet have ideas and resources for attacking the whole problem and that doing so would blur the focus. Mr. McNamara said that at least for the coming 90 days he wanted specific concentration on the poor farmer problem. He would be willing to expand to a wider problem once there is a program for dealing with the increase of productivity of small farmers. He agreed to the selection of a number of countries for intensive study and cooperation and emphasized that the approach should not be one of choosing small and simple countries but rather those with important rural poverty problems, but not necessarily India, the largest and most complicated one. Countries mentioned were Bangladesh, Indonesia, Tanzania and Nigeria.

AL  
October 18, 1973

President has seen

792/1/141

Meeting to Discuss Paper on Export Credit Scheme, September 13, 1973

Present: Messrs. McNamara, Knapp, Broches, Stern, Blaxall, Kuczynski, Qureshi, Dosik, Swaminathan

Mr. Knapp said that he had been skeptical to the proposal all along and had not changed his mind. Export financing is a means of decreasing the resource gap but this vehicle is not the Bank's type of scheme. He also conceded that the paper's conclusion was negative but said that the paper was not satisfactory in its analysis of the total problem. He believed that the exporting countries should provide financing, not the importing ones, and that the Bank may be acting contrary to its Articles if it confines the scheme to financing imports from LDCs.

Mr. Broches was also negative. He said that guarantees of such a scheme would count as loans in the Bank's Financial Statements and that the total volume would be too large for the Bank to handle. He suggested promoting other schemes through other financial intermediaries.

Mr. McNamara said he was dissatisfied with the paper in that it did not convey an understanding of the problem as such. There was no calculation of the shift in capital goods exports and imports which would result from the implementation of the scheme nor an estimate of the size of the problem itself. He questioned whether the cost or availability of credit is the real difficulty. Mr. Stern admitted that the paper has an implicit assumption that the projected future expansion of trade among developing countries cannot be financed as it has in the past with export credits arranged by those countries.

Mr. Knapp said that in a country like India the problem can be phrased as one of local currency financing to local exporters and an over-all long-term foreign exchange problem.

Mr. McNamara asked why the scheme did not include exports from LDCs to developed countries. He also stressed the substantial political problem involved in that developed countries would oppose concessionary export financing by developing country exporters and said that this type of export credit scheme is bound to be expensive even if financed by the World Bank.

It was agreed that the paper would be modified to take into account comments by those present and resubmitted to Mr. McNamara by Tuesday, September 18, for his use in discussions at the Annual Meeting. Secondly, Messrs. Stern and Qureshi would further analyze the total problem of trade over a period of one to two months. Mr. McNamara commented that, if exports from LDCs can be increased by \$1 billion a year, he would be favorably disposed towards a scheme.

Messrs. Stern and Qureshi would inform Mr. Ljungh about the timing of the further study.

AL  
September 13, 1973

President has seen

MEMORANDUM FOR THE RECORD

792/1/140

Meeting on River Blindness, September 7, 1973

Present: Messrs. McNamara, Knapp, Chaufournier, Wright, Bazan

It was agreed that there should be efforts made to tie the United States to a specific commitment to contribute to the river blindness campaign so that the position would be known by the Annual Meeting. This was important, particularly in view of the fact that Dr. Hannah would be leaving AID in the near future. The target figure for the United States contribution would be 20% of the total and the Bank's should be at most 10%.

The proposal to the Board regarding the Bank's contribution should be phrased in terms of a budget allocation or later a transfer of IDA resources but there should be no advance asked against the transfer of IDA resources.

AL  
September 11, 1973

President has seen

MEMORANDUM FOR THE RECORD

792/1/139

Meeting to Discuss Paper on the Allocation of Currencies Among Bank Borrowers,  
August 8, 1973

Present: Messrs. McNamara, Aldewereld, Broches, Gabriel, Stern, Knapp

Mr. Knapp said that the Bank is in an untenable position and further criticism from borrowers can be damaging. He suggested letting borrowers decide on the degree of pooling which they desire and therefore would put the paper up for consideration with alternatives.

Mr. Stern asked if all alternatives had been explored and mentioned as examples whether the Bank could assume some exchange risk, whether repayment schedules could be changed and whether the Bank could answer the forward exchange market. Mr. McNamara asked that the two latter questions be considered in a redraft.

Mr. Broches agreed with the approach in the paper and suggested it be distributed to the Directors.

Mr. Gabriel proposed revising the paper to advocate the full pooling alternative since other alternatives give little alleviation of the exchange risk which is what borrowers are really complaining about. Mr. Aldewereld agreed that the Bank could only have one system and could not leave optional systems to individual borrowers. He advocated full pooling.

Mr. McNamara said that there was nothing in the paper on the cost to the borrowers of the present or proposed systems. Further no mention was made of inflation or terms of trade.

It was agreed that the paper would be revised to include reference to inflation and terms of trade which Mr. Gabriel would check with Mr. Stern. The paper would recommend full pooling and a revised version clearly labeled first draft would be discussed with authorities in Brazil, Mexico, Yugoslavia, Iran and Malaysia. A report would be made to Mr. McNamara in advance of the Annual Meeting in Nairobi.

AL

August 9, 1973

President has seen

MEMORANDUM FOR THE RECORD

792/1/137

Meeting to Discuss Policy Paper on Tea, August 8, 1973

Present: McNamara, Knapp, Aldewereld, Baum, Benjenk, Adler, Stern, Haq, Tims, Husain, Kuczynski, Hattori, Picciotto, Scott, Wiese, Hulley

Mr. Knapp said that the paper would fill the dual purpose of informing about Bank policy and influencing actions of LDCs in the tea sector. Among several comments, Mr. Baum maintained that the paper puts the Bank into an untenable position whether it lends for tea or not. In either case its decision would be detrimental to some tea-growing countries. He advocated including in the analysis international effects of tea projects in terms of alternative investment opportunities both in the country where the project is considered and in other tea-producing countries. He felt that justification is weak for any lending for tea. Mr. Husain agreed with Mr. Baum and proposed deleting the exceptions, (b) and (c) on page 2 of the paper. This would mean that the Bank would finance tea only in countries with no adequate investment alternatives.

Mr. McNamara asked that exception (b) be deleted, that suggestions for re-drafting be submitted to Mr. Stern and that Mr. Stern provide Mr. McNamara with a revised paper for approval.

AL

August 9, 1973

President has seen

Meeting to Discuss Strategy Regarding the Promotion of Domestic Construction Industries in LDCs, Wednesday, August 8, 1973

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Present: Messrs. McNamara, Knapp, Baum, Shoaib, Damry and Stern

Mr. McNamara suggested that Mr. Baum have his staff go over some 100 member countries and separate them into categories which would or would not benefit from technical assistance and financing recommended in the construction industries paper and those which would or would not benefit from a 7½% preference in procurement in the construction industry recommended in the same paper. Mr. McNamara commented that a selective approach to the eligibility for technical assistance financing and preferences was necessary in order to obtain a concensus from the Board.

Mr. Baum said that the criterion for IDA eligibility would fit close to the countries which would benefit from the policy recommended in the paper. He also felt that limiting benefits to that category could receive Part I country support. He also said that the study of categorization suggested by Mr. McNamara would require a couple of weeks.

After considerable discussion, Mr. McNamara concluded that he would initiate discussions with Directors in order to prevent the issue from arising at the Annual Meeting and, on the basis of a list of countries in the order of per capital income to be provided by Mr. Stern and the categorization of countries to be provided by Mr. Baum. He would pursue the matter in order to obtain the necessary votes.

AL  
August 8, 1973

President has seen

792/1/134

MEMORANDUM FOR THE RECORD

August 3, 1973

Procedure for Documenting Results of Meetings of the Policy Review Committee  
Chaired by the President or Senior Vice President

Mr. McNamara has agreed to the following:

1. The Secretary of the Policy Review Committee should prepare minutes to be distributed to those present at the meeting.
2. In addition, if the meeting concludes that the policy paper should be revised for purposes of reconsideration by the PRC or for purposes of its presentation to Executive Directors, the Secretary of PRC should prepare notes to be used in revising the paper. These notes will be distributed to the President, the Senior Vice President, and the Vice President for Development policy.
3. If the meeting concludes that specific action is required (apart from the revision of the policy paper), the Secretary of the PRC should transmit to the appropriate action authority, along with the minutes of the meeting, a memorandum specifying the action to be taken.
4. All documents mentioned should be cleared with the Office of the Chairman.

cc: Mr. Knapp  
Mr. Chenery  
Mr. Haq



Anders Ljungh

President has seen

792/1/133

Meeting to Discuss Preparations for the Review of the FY74-FY78 Program, July 11, 1973

Present: Messrs. McNamara, Chenery, Stern and Blaxall

Mr. McNamara determined that P&B would be the one office responsible for the final preparation of the paper. He asked Mr. Blaxall to return to the notes from the past review and analyze the criticism and comments made then. He said he would also rely on DPS to introduce a greater amount of qualitative factors. P&B would be responsible for preparing an outline of the paper and this would be the focus of initial work.

The paper would be confined to the period FY74-FY78 and the issue of rolling planning period would be financed at this time, since there is no data available for FY79. The responsibility for projections would be divided between P&B and DPS as previously.

Mr. Blaxall suggested and Mr. McNamara agreed that the paper place increasing emphasis on trade and less on financial flows of aid.

Mr. Chenery suggested that for the global framework which would be DPS responsibility. Mr. Tims would be mainly involved. The qualitative analysis would above all focus on new and important sectors. Mr. McNamara agreed and said that the policy statements made in his Annual Meeting speech should be addressed in the document.

In rural development in particular, Mr. McNamara said there is no five-year regional program and there will be an unpleasant surprise when everyone discovers how little is provided for in terms of manpower and projects in that sector. Therefore he requested P&B to provide him with regional and CPS manpower projection through FY78 and he asked that the economic missions be specifically instructed to address the rural development issues.

Mr. McNamara said that he had been waiting for quite some time for a five-year program of sector and economic missions. This was now due on July 31. When this becomes established, he asked that the procedure be followed that any change in the mission schedule had to be approved by Messrs. Chenery and Baum and, thereafter, by Messrs. Knapp and McNamara. He asked that P&B accompany their outline of the FY74-FY78 review paper with that sector and economic mission work program.

Accordingly the outline would be due on August 1 and it should include manpower projections, a financial section, a debt section, and should be geared to a paper of the length of approximately thirty pages.

AL  
July 17, 1973

President has seen



MEMORANDUM FOR THE RECORD

792/1/132

Meeting to Discuss 1973 Governors' Speech, June 22, 1973

Present: Messrs. McNamara, Chenery, Haq, Kuczynski, Clark, Stern, Baum, Yudelman

Mr. Chenery said the speech was good and objected only to the tone in the poverty section which he thought would not go over well with an African audience.

Mr. Haq said that the theme was the redistribution of growth rather than of existing income or wealth. This may sound conservative to LDC radicals. He also suggested an action program for shorter-term credit to farmers for working capital and "DFCs for the poor" to reach the unorganized many as opposed to the organized few.

Mr. McNamara asked Messrs. Chenery and Baum to work on a program for the Bank's provision of credit.

Mr. Kuczynski pointed to the ambitious goal of doubling output of small farms compared to the past growth (about 1%-2% annually) of agricultural output in the LDCs. The components of the small farmer problem are known but Mr. McNamara should tell what the Bank wants to do about it.

Mr. Yudelman was worried about the doubling of production objective and pointed both to the fact that some countries would not be able to reach this goal and therefore others must exceed it, and, secondly, it would imply a very rapid acceleration of production.

Mr. McNamara asked Messrs. Stern and Yudelman to both check the realism of the objective and find an appropriate formulation.

Mr. Chenery felt that more stress must be placed on the provision of other services such as health and education in addition to direct measures to increase agricultural production.

Mr. Baum said he liked the poverty section but not the repetition of the 40%. He felt that the whole approach to the rural poor is novel and that we have stretched existing knowledge as far as possible.

Mr. Stern said that the rededication of the Bank is important and he felt a need for the speech to show that a drastic change can be made in people's lifetime. Therefore, there should not be unnecessary stress on very difficult institutional changes such as land reform. He felt that there was a need to strengthen the logic in the reasoning from the general development problem to the focus on rural poverty in the speech. He also asked if there should not be something said about the landless laborers, and there ensued a discussion as to how the Bank's proposed program would affect this category.

Mr. McNamara said he would work on the speech for another two weeks and then distribute it for review by the normal selection of Bank officials. Mr. Chenery would initiate accuracy checks at appropriate times, but there would be only one round of such checks.

AL

June 25, 1973

President has seen

MEMORANDUM FOR THE RECORD

792/1/131

Meeting to Discuss Information to Congress about the Colombian Evaluation Report,  
June 20, 1973

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Present: Messrs. McNamara, Knapp, Shoaib, Adler, Clark, Merriam, Willoughby

The U.S. Executive Director had asked for information on the Colombian Evaluation Report and actions taken as a result of it for submission to Mr. Passman's Committee. Mr. Adler had submitted a draft paper. Mr. McNamara said that the paper was well done but would immediately provoke a request for the full Colombia report.

As to procedure, Mr. McNamara said that Mr. Merriam should be consulted on all decisions regarding information to Congress. Mr. Shoaib should see all material concerning operations evaluation and audit. Messrs. McNamara and Knapp should review carefully all material before it is passed on to Congress.

Mr. McNamara suggested that a revised version of the report containing only the recommendations and actions taken as a result of them be distributed to Bank's Board and to Mr. Reynolds for Mr. Passman. He asked Mr. Shoaib to discuss with Mr. Isbister, in his capacity as Chairman of the Joint Audit Committee, whether the document should be given to that Committee or directly to the Board.

AL  
June 20, 1973

President has seen

792/1/130  
June 19, 1973Charter Flights for 1973 Annual Meeting

In April 1973 Mr. McNamara initiated an attempt to charter one or several planes for transporting Bank personnel to Nairobi for the Annual Meeting, in view of the number of persons traveling within a limited period of time and the considerable cost-saving which could be obtained.

The Bank's Travel Office asked for bids from a number of airlines and received bids from Pan Am, SAS, Swiss Air and Sabena. Others contacted had no aircraft available (Attachment 1).

The cost of the various modes of travel were as follows:

	<u>Round Trip Fare (\$)</u>	
	<u>First Class</u>	<u>Economy Class</u>
Charter	\$1380 (92 persons/plane)	\$460 (194 persons/plane)
Excursion ticket (14-45 days)	-	900
Normal travel	1920	1270

Since some of the Bank staff and Directors would have to travel to and from Nairobi by other than the direct route or at other times than a contemplated charter, the Bank contacted the IMF in order to propose a joint charter arrangement. Our lawyers advised us that the rules for affinity applied by the U.S. Government for charter travel would not prevent the Bank and Fund from using the same aircraft. The Fund management said that it was unwilling to change any of the existing travel rules but would offer its staff the Bank charter as one of several options with the inducement of extra leave days, if the Bank decided to proceed. The Fund was of the firm view that there should be no element of compulsion on the staff to fly by chartered plane.

The Bank and Fund canvassed their staff as to preference for the options of regular first-class travel, excursion travel (14-45 days) or charter (Attachments 2 and 3). The result was that, out of a total of 155 staff members canvassed in the Bank, 124 replied and, of those, 58 opted for excursion fare, 62 for first-class travel and 4 for first-class charter. In the Fund, of an undetermined number canvassed, 97 replied and of those 50 opted for excursion fare, 46 for first-class regular and 1 for first-class charter.

On June 11, 1973, the Bank received an offer in writing from Pan Am (Attachment 4) for two round-trip charters to Nairobi for the total sum of \$156,223. This was for first-class configuration on 92 seats on each plane, implying a cost of \$850 per seat which was very advantageous.

Mr. McNamara wished to act quickly on this favorable offer and therefore called the acting U.S. Executive Director to propose that the U.S. delegation use the same travel facility. He also called but was unable to reach Mr. Schweitzer to propose that the Fund act in unison with the Bank to direct its staff to use the charter facility to the maximum extent feasible. On June 14, we received a letter from Pan Am (Attachment 5) which retracted the previous offer pointing to a typing error and said that the sum would be \$256,223, which made the charter alternative less attractive

President has seen

than both regular economy travel and excursion travel. Mr. McNamara therefore decided not to pursue the matter further for the 1973 Annual Meeting and we so informed the acting U.S. Executive Director and the IMF management.

cc: Mr. Shoaib  
Mr. Damry

ALjungh  
June 19, 1973

INFORMATION RE NAIROBI CHARTER

	<u>Cost of Charter</u>	<u>Pro-rata Cost per Seat</u>	<u>Remarks</u>
<u>SAS - SCANDINAVIAN AIR SYSTEM *</u>			
<u>DC 8-63</u> 16 First Class & 178 Economy Class Seats (194 total seats)			Unable to consider configuration change.
Eastbound: Washington/Nairobi - Sept.	\$42,333		First Class food and beverages.
Westbound: Nairobi/Washington - Oct.	<u>\$47,585</u>		
	\$89,918	\$ 463.50	
 <u>PAA - PAN AMERICAN WORLD AIRWAYS *</u>			
<u>Boeing 707</u>			
179 Economy Class Seat Configuration	\$107,866	\$ 602.60	
92 First Class Seat Configuration	\$126,681	\$1376.97 -	(\$20,000 to change to either configuration.)
			Above prices reduced by one-half if charter required only one-way.
			First Class food and beverages in either configuration.
 <u>LUFTHANSA</u>			
No equipment available			
 <u>TWA - TRANS WORLD AIRLINES</u>			
No equipment available			
 <u>BOAC - BRITISH AIRWAYS</u>			
No equipment available			

SWISSAIR \*

DC 10 and DC 8S      249 Economy Class Seats

	<u>Cost of Charter</u>	<u>Pro-rata Cost per Seat</u>	<u>Remarks</u>
Washington/Zurich DC-10 (249 seats)	\$ 23,072.41		
Zurich/Nairobi DC-8S (249 seats)	\$ 44,334.37		
Nairobi/Zurich DC-8S (249 seats)	\$ 45,665.63		
Zurich/Washington DC-10 (249 seats)	\$ 32,206.71		
	\$145,279.12	\$583.45	

SABENA

Boeing 707      180 seats (*economy*)      \$ 93,600      \$520.00

No equipment available

WORLD AIRWAYS

No aircraft available. Completely booked for 1973.

OVERSEAS NATIONAL AIRWAYS

DC 8S      250 Economy-Class Seats      - No change of configuration possible.

No aircraft available - completely booked.

\*Quotations subject to availability of aircraft.

## OFFICE MEMORANDUM

Staff Members Attending the Annual Meeting  
in Nairobi

DATE: May 31, 1973

FROM: Director of Administrative Services

SUBJECT: ALTERNATIVE MODES OF TRAVEL TO NAIROBI

In order to help hold down travel costs to Nairobi, we are exploring some alternatives for travel to the Annual Meeting. To that end we would like to know of your interest in the following options for travel to Nairobi.

Please check the plan that you would prefer to follow and return to the Administrative Services Department, Room C 209, as soon as possible and in any event no later than June 7, 1973.

Normal first-class entitlement via commercial airline with actual travel time allowance including one night rest stop each way.

Economy class 14-45 day excursion fare. Travel would be by economy class on regular commercial flights with a minimum time overseas of 14 days and a maximum time of 45 days. This ticket would allow five stopovers en route in addition to Nairobi, with up to two of them each way being in Europe if desired. Otherwise there would be the same flexibility of schedule and routing as on a normal airline ticket. Baggage up to 66 pounds would be allowed and travel time paid for by the Bank Group would be extended by four extra days.

Participation in possible first-class charter flights. Flights to Nairobi would probably make one overnight stop en route; return flights might fly straight through. The departure times at each end have not been established, but an effort would be made to allow up to four days of extra time in the Nairobi area before or after the Meeting, without charge to annual leave.

For the information of staff members who are thinking of spouses going with them to Nairobi at their own expense, the cost of a round trip first-class ticket is about \$1,920 and the 14-45 day excursion \$900. The cost of the first-class charter flight has not been established but it will be substantially less than the normal first-class fare although more expensive than the excursion fare.

Your cooperation in replying will be appreciated. Any questions should be taken up with Mr. Hauenstein, Extension 2248.



# Office Memorandum

Attachment 3

TO : Staff Members Attending the Annual Meeting  
in Nairobi

FROM : Director of Administration

SUBJECT : Alternative Modes of Travel to Nairobi

DATE: May 29, 1973

In order to help hold down travel costs and to relieve the pressure on first class airline seats in and out of Nairobi, the Management has asked us to explore some alternatives for travel to the Annual Meeting. To that end we would like to know of your interest in the following options for travel to Nairobi.

Please check the plan that you probably would prefer to follow and return to the Administration Department, Room 6-306, as soon as possible, and in any event no later than June 7, 1973.

Normal first class entitlement via commercial airline with standard travel time allowances including one night rest stop each way.

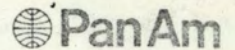
Economy class 14-45 day excursion fare. Travel would be by economy class on regular commercial flights with a minimum time overseas of 14 days and a maximum time of 45 days. This ticket would allow five stopovers en route in addition to Nairobi, with up to two of them each way being in Europe if desired. Otherwise there would be the same flexibility of schedule and routing as on a normal airline ticket. Baggage up to 66 pounds would be allowed and the normal travel time and per diem would be extended by four extra days, which may make this option more attractive.

Participation in possible first class charter flights. Flights to Nairobi would probably make one overnight stop en route; return flights might fly straight through. The departure times at each end have not been established, but an effort would be made to allow up to four days of extra time in the Nairobi area before or after the meeting, without charge to annual leave.

For the information of staff members who are thinking of spouses going with them to Nairobi at their own expense, the cost of a round trip first class ticket is about \$1,920 and the 14-45 day excursion \$900. The cost of the first class charter flight has not been established, but it will be substantially less than the normal first class fare although more expensive than the excursion fare.

Your cooperation in replying will be appreciated. Any questions should be taken up with Mr. Harrington, Extension 3145.





June 11, 1973

Mr. William Haunstein  
Chief, Transportation  
International Bank for Reconstruction  
& Development  
1818 H Street, N.W.  
Washington, D.C. 20433

Dear Mr. Haunstein:

In accordance with the itineraries submitted by your office on May 18, 1973 we are pleased to offer the price for this movement Washington - Nairobi - Washington for a total of \$156,223.00. The charters would be a first class configuration of 86 seats with first class meal and beverage service provided. Our New York office have advised they will be able to extend the seats to 92 but strongly recommend against it as it would be crowded. They request that we advise them as soon as possible if aircraft will be required for this movement.

Sincerely,

George D. LaRoche, Jr.  
Director - Passenger Marketing

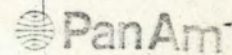
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RECEIVED

TRAVEL OFFICE  
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RECEIVED

Lee  
L. W. J.  
6/11/73



June 14, 1973

Mr. William Haunstein  
Chief, Transportation  
International Bank for Reconstruction &  
Development  
1818 H Street, N.W.  
Washington, D.C. 20433

Dear Mr. Haunstein:

We regret to inform you that there was a typographical error in the price quoted in our letter of June 11, 1973. The price of this charter movement of two aircraft, Washington - Nairobi - Washington is \$256,223.00 instead of \$156,223.00. The breakdown in charges is as follows:

Live Miles	31,530	\$157,650.00
Ferry Miles	26,191	78,573.00
Configuration change		10,000.00
Four overnights		10,000.00
		<hr/>
		\$256,223.00

We are very sorry if this typographical error has caused you any inconvenience but hope that this charter movement will be a reality.

Sincerely,

*George D. LaRoche, Jr.*

George D. LaRoche, Jr.  
Director - Passenger Marketing

792/1/129

June 1, 1973

MEMORANDUM FOR THE RECORD

Today in a meeting with Dr. Patino, attended by Messrs. Chenery and Stern, I agreed to finance 50% of the cost, up to a total of \$25,000, of a meeting of Latin American Health Ministers on the subject of population planning, assuming that the other 50% was financed by the Canadian Development Research Institute and that the prospects were that such a meeting would expand the understanding and the interest of government officials in population planning.

RMcN

792/1/128

Meetings to discuss Annual Meeting Speech - May 23 and 24, 1973

Present: Messrs. McNamara, Chenery, Stern, Yudelman, Haq, Kuczynski and on  
May 24 William Clark

May 23

Mr. McNamara said that he had received Mr. Kuczynski's paper late so that it had not been taken into account in his draft. He asked those present to read the speech overnight and give their reactions the following day at a meeting. Mr. Yudelman would solicit the views of Messrs. Picciotto, Avramovic and Darnell.

Mr. Chenery questioned whether the theme of assistance to raise productivity to poor farmers is sufficient for a speech.

May 24

Mr. Chenery summarized the views of those who had reviewed the paper and said that the speech should highlight the rural development issue but to put it in its perspective. To the comment that the speech seemed long, Mr. McNamara said that he sees it as a written document from which he makes an oral presentation. Mr. Chenery said that most of the ideas in the speech had already been voiced by various sources. The novelty would be putting it all in one package and stating that the Bank would do something about it.

Mr. McNamara had given the speech to Lady Jackson who had commented that the presentation is too cold and systems-oriented and gives the impression that the poor rural population of the developing world is forever condemned to 18th Century tenant farming existence. Mr. Chenery said that the urban part of the problem should not be too quickly dismissed, since urban growth will be as large as rural in terms of population over the next decades. He thought that their differentiation should be made between the poor and the poorest countries. In rural areas, the speech emphasizes mostly the production side while the resource and demand contexts are ignored. He suggested putting the problem in the framework of overall resource allocations, while admitting that the production is the central problem.

Mr. Stern pointed out that education would be an extremely important component and Mr. Yudelman said that the poorest 40% have in fact been bypassed by all forms of services. Mr. Chenery advocated including measures of cost effectiveness in the provision of services. There was a discussion of the validity of the rate of return concept for rural development projects, the major disadvantages being that it maximizes GNP unless proper shadow prices are used and that it may rule out projects at an early stage which seem to have too low a rate of return.

Mr. Kuczynski hoped that it would be possible to state more clearly what the Bank intends to do under each one of the five action points. Mr. Yudelman mentioned that new organizational forms must be sought out and Mr. Stern mentioned a study made by US AID on credit to small farmers. One conclusion there had been that credit institutions needed new internal incentives to provide credit to poor farmers.

Mr. McNamara stated in conclusion that he would wish the Bank to finance anything which will increase the productivity of the rural poor in an economic way.

President has seen

It was agreed that Mr. Yudelman would attempt an overall cost estimate of the measures proposed in order to achieve a 5% (or whichever goal is chosen) increase in the productivity of the rural poor and relate this to available Bank and world resources.

The idea of Development Finance Companies for rural areas was discussed and it was agreed that the possibility should be mentioned as one avenue of action, but Mr. McNamara wished to leave open exactly what solutions would be eventually found most productive. It was agreed that the income figures would be corrected for purchasing power in various countries and that the concepts of absolute and relative poverty would be further refined. The next draft of the speech should include an action program for the Bank including all promising ideas from which a choice could be made.

It was agreed that Messrs. Haq and Kuczynski would produce a new draft of sections IV to VI by June 14, three weeks from the day of the meeting.

AL

May 25, 1973

MEMORANDUM FOR THE RECORD

792/1/127

Meeting to Discuss Allocation of Responsibility for Costing and Accounting under the Pension Plan, May 18, 1973

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Present: Messrs. McNamara, Aldewereld, Shoaib, Gabriel, Clarke and Kearns

Mr. McNamara said that the current status of funding in the Pension Plan is unclear and the responsibilities are not optimally allocated. He proposed that Mr. Clarke take the responsibility for the administration of benefits and the changes therein, while Mr. Gabriel would be responsible for the accounting the advance calculation of financial impact of new benefits on the Plan, and financial policy, including funding of the Plan. This was agreed to by those present. Financial personnel dealing with the Pension Plan would be transferred from Personnel to Controller's Department. After this move has been effective for some time, it will be determined whether additional staff would be needed.

Mr. McNamara said that he was concerned that the reports he had received on the Pension Plan did not show any analysis of past service and current service liability which would be important factors in determining the proper method of funding the Plan.

AL

June 4, 1973

President has seen

MEMORANDUM FOR THE RECORD

792/1/126

Meeting to Discuss Annual Meeting Speech, April 27, 1973

Present: Messrs. McNamara, Chenery, Stern, Yudelman, Maddux, Clark, Kuczynski

Mr. McNamara said he wished to make a clear distinction between absolute and relative poverty. Absolute poverty is the lack of possibility to realize full genetic potential. Relative poverty is the inequitable income distribution between countries and between people within countries. He also wanted to reiterate the call for increasing ODA. Mentioning an example from his recent visit to Japan, he said it was necessary to recognize the difficulty in releasing local resources in view of domestic problems but that his speech would stress that all which is asked for is a part of the increment of growth in GDP.

He asked those present whether the outlined scheme, focusing on small unit, subsistence agriculture is acceptable. Mr. Yudelman commented that the major development problems cannot be solved by actions in agriculture only. Mr. McNamara asked for Mr. Yudelman's comments on pages 13-18 of the technical draft of the speech by the evening of May 3. This would apply particularly to the implicit assumption that a 5% growth in productivity of small farmers is possible. Mr. McNamara said he hoped that examples of successful projects to increase the productivity of small farmers, such as one in Malawi, could be made applicable through a series of general principles to large countries such as India, Pakistan, Bangladesh and Iran. There was considerable discussion about the conditions necessary for achievement of a 5% growth rate.

It was agreed that there would be mention of the situation of the landless rural population and Mr. Chenery said that he would seek correction of the income distribution data for different purchasing power at different levels of income.

Mr. McNamara asked that, in view of the time constraints, the technical drafting in Mr. Maddux's speechwriting would proceed in parallel. Mr. Maddux should emphasize that the speech focusses on one major issue within the larger complex of development problems.

Mr. McNamara asked for a draft to be ready by May 15 and hoped that those present could make time available to assist with the work on the speech until the time of the Annual Meeting.

AL  
May 16, 1973

President has seen

MEMORANDUM FOR THE RECORD

792/1/125

Review of the Industry Sector Work Program Paper, April 16, 1973

Present: Messrs. McNamara, Knapp, Baum, Stern, Stevenson, Fuchs, Qureshi, van der Tak, Gustafson and Mrs. Hughes

Mr. McNamara agreed with the program in general but said that it was probably too large for completion on time. He asked Messrs. Baum and Stern to review the program and reschedule when necessary. Initially the program would go ahead as planned.

AL  
April 17, 1973

President has seen



MEMORANDUM FOR THE RECORD

792/1/124

Review of the Urban Sector Work Program, April 16, 1973

Present: Messrs. McNamara, Knapp, Baum, Stern, Stevenson, Sadove, Dunkerley, van der Tak and Keare

Mr. Knapp advocated caution in the housing field and felt that the Bank should not go beyond financing of site and service projects.

Mr. McNamara asked that dates be determined for the completion of all policy and research papers. He wished to place particularly high priority on the papers on housing and the role of the private automobile. The program would go ahead as proposed.

AL  
April 17, 1973

President has seen

MEMORANDUM FOR THE RECORD

792/1/123

Review of the Rural Development Work Program, April 13, 1973

Present: Messrs. McNamara, Knapp, Stern, Stevenson, van der Tak, Yudelman and Baum

There was agreement that the program was good but Mr. McNamara asked if the output could not be obtained sooner. He said that he hoped that at least three and possibly four operations could be approved within 26 months. They should be chosen from projects in India/Bangladesh, Mexico, Indonesia or Tanzania/Zambia. He asked to receive a revised time schedule in two weeks' time.

AL  
April 20, 1973

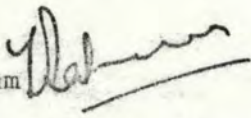
President has seen

792/1/120

## OFFICE MEMORANDUM

TO: Files

DATE: April 13, 1973

FROM: K. Kanagaratnam SUBJECT: Population Work Program: Meetings in Mr. McNamara's Office - April 3 and 9, 1973

## 1. Present were:

Messrs. McNamara

Knapp	- Sr.VP
Chenery	- VP., Dev.Policy
Baum	- VP, Proj.Staff
Stern	- Sr.Adviser, Dev.Policy
van der Tak	- Dir., Proj.Adv.Staff
Kanagaratnam	- Dir. PNP
Baldwin	- Dep.Dir., PNP
Hawkins	- Sr.Adviser, Dev.Econ.
Ljungh	- Pers.Asst. to the President.

2. Mr. McNamara opened the meeting by saying he did not want to review the paper directly but wanted to use the meeting to have a fundamental review of what the problems are for the Bank in making an effective contribution in population and for reviewing what our priorities ought to be. He made five major comments by way of introducing the subject.

- (i) We should not spend any time on contraceptive technology. The improvement of technology is not a major constraint to fertility reduction. Moreover, the Bank does not have specific expertise in this field; there is sufficient activity by others in this field so that it can safely be left to them;
- (ii) As a corollary, he said much can be accomplished within the possibilities offered by existing technology. We should therefore concentrate on what we can do within presently available methods;
- (iii) We know far too little about what is happening to fertility among major Bank countries; it should be feasible for the Bank to find out what is happening, and why. He feels that trends in age-specific fertility is the most revealing measure of fertility trends and steps need to be taken to see that such figures are collected in as many countries as possible;
- (iv) There is not much more to be learned from studying the relationship between population and the development process. Likewise, he was not concerned with knowing whether projects yield 10% or 10,000% on the resources devoted to them;
- (v) He felt that we should learn as much as possible about the motivations and influences underlying family-size decisions, i.e., the "demand" aspects behind the acceptance or non-acceptance of family planning.

Following these introductory remarks, Mr. McNamara invited comments.

3. Mr. Knapp foresaw these roles for the Bank:

- (i) Creating awareness and keeping high-level interest in the problem. This covered the President's speeches, contacts with national leaders where this was brought up, and appropriate treatment in Economic Reports.
- (ii) Operational involvement - helping build delivery systems and provision of financial and technical assistance, as well as institution-building through such actions - especially in areas of evaluation, organization etc.

4. Responding to these comments, Mr. McNamara said he was convinced that we should make a much more systematic coverage of demographic and population problems in our country economic reports. This statement met with agreement but the specific approach needed to be discussed with respect to which countries deserve attention in upcoming economic reports for the next 12 months and what specific demographic and other population information should be included.

5. Mr. McNamara emphasized his conviction that top priority should be given to establishing trends in age-specific fertility in key countries. It was agreed that global information of this nature was available in only a few countries, most of them small and with good census and other data. The view was also expressed that the establishment of delivery systems, with some kind of evaluation activities but not necessarily insistence on getting age-specific fertility, appeared a more important and feasible priority, although not as accurate. This question was left unresolved for a further presentation at a continuation meeting.

6. Mr. McNamara then gave his thumbnail reactions to points in the paper as a basis for discussion at the next meeting:

- (i) World Population Year - Not much use spending time and effort for a special issue of Finance & Development; the same would apply to the preparation of three papers for outside publication;
- (ii) Issues in Family Planning, Influences on Human Fertility Decisions - "This is important and should be pursued;"
- (iii) Research and Development on Incentives in the Pharmaceutical Industry - "Not one man-day;"
- (iv) Cost Effectiveness of Family Planning Programs - "Not worth pursuing;"
- (v) Factors in Success of Family Planning Programs - "Fundamental."

Mr. McNamara observed that it would be good to prepare an annual status report on population planning in the world. Such a report should also review the countries we should work in and the emphasis to be given to population work in them.

Resumed Meeting

7. The meeting resumed on Monday, April 9 at 5 p.m. Dr. Kanagaratnam reported on the current status of fertility knowledge. He said that while current knowledge was definitely inadequate, this was recognized by many in the field and the first major effort to get global knowledge is the World Fertility Survey (WFS) which is being funded by US AID (\$1 million), and UNFPA(\$5,000) for the first 12-18 months. The central team of researchers which will consist of about ten professionals based at The Hague, and operating under the aegis of the International Union for the Scientific Study of Population and the International Statistical Institute, hopes to carry out fertility surveys in 40-60 countries, both developed and developing. There will be certain core information obtained for all countries, but as far as the individual countries are concerned, the degree of sophistication in the Study will depend on the availability of data and may include anything from gross fertility information to information on child spacing, pregnancy order etc. The present fertility data used by the United Nations is based on the 1965 series of studies and provides the only available basis until the information from the World Fertility Survey becomes available. The WFS project is expected to cost \$10-12 million over the next five years and will be done using existing data as well as, where needed, new survey data. In addition, with the completion of the 1970 round of censuses including the African census program, there will be only about 4-5 countries which will not have census information on which such a survey may be based.

8. Mr. Hawkins reported that the general state of knowledge on the demographic picture and on fertility was inadequate but that the methodology on family planning evaluation and analysis was sufficiently developed and in ongoing programs this provided a basis for obtaining information on fertility change. For instance, evidence from Korea indicates that a third of the decline in the last decade could be directly attributable to family planning, another third to abortion, and the remaining third to rising age of marriage. Possibly the Bank could have more influence in this area than in improving the general state of fertility knowledge. Mr. McNamara raised the possibility of the Bank adding something to the World Fertility Survey operation and also adding and building more into our projects to support demographic and family planning knowledge.

9. There was a review of the main headings in the work program as follows. (These excluded those items which had specific project objectives such as guidelines for sector reviews, program monitoring etc.)

- The effectiveness of family planning programs and other influences on human fertility decisions is important and should be pursued.
- The study on incentives in the pharmaceutical industry was not useful because much of the problem is known and little can be done by the Bank. Mr. McNamara was told that this study has already started and is expected to be completed in mid-May.
- Mr. McNamara commented on the study of cost-effectiveness for family planning programs. He expressed the view that fertility reduction is so important, and costs so small an item in total government expenditures, that it is far more important to study effectiveness than costs.
- The results of family planning programs should receive attention and for this reason all were agreed that a study of factors affecting family planning programs was useful to pursue, provided it could have more clearly defined objectives and a time-frame attached to it.
- He considered that economic incentives was a very broad area and probably work on this topic should be delayed for a year or so until studies could be specified.
- Mr. McNamara suggested that a committee consisting of Messrs. Baum and Stern review the 1974-5 Work Program in Population, and also use the occasion to review the 1974-8 Population Project Operations Program. They may wish to use outside consultants (e.g. 3-5 persons both from developed and developing countries); Mr. McNamara suggested the name of Berelson as the kind and caliber of person who might be invited.

Copies to: Those attending meetings (see para.1)

KKanagaratnam:bli

792/1/722

Meetings to Discuss the Population Work Program, April 5 and 9, 1973

Present: Messrs. McNamara, Knapp, Baum, van der Tak, Chenery, Stern, Kanagaratnam, Baldwin and Hawkins

Mr. McNamara said that in general he felt that the Bank should not work at such things as contraceptive techniques where relatively much had been done but should probe into the problems of how it could best assist population programs and what countries it should focus on. Mr. Knapp felt that economic reports should emphasize population planning in relation to economic development and that the Bank should concentrate on provision of technical and financial assistance. He did not feel that motivational problems lay within the Bank's proper field of action.

Mr. McNamara said that one of the most important questions is what is happening to age-specific fertility (and other measures of the success of population programs) and why this is happening. It was clear that neither the Bank nor others have sufficient knowledge of the statistics for the world as a whole or even for major countries. Mr. McNamara said that money used to evaluate delivery systems has so far been ill-spent.

Messrs. Stern and Chenery said that a system of study and follow-up should not be a condition for the Bank to engage in family planning projects, since this would probably mean that we would do very little.

Mr. Knapp felt that not enough on population and demography comes into economic reports. Mr. McNamara agreed and he asked Mr. Chenery to monitor the emphasis in economic reports on demographic trends and population planning. The economic work program should be explicit on this point.

Mr. McNamara stressed the importance of a planned paper on issues in family planning and another on incentives systems. There should be an annual status report on population activities of the Bank.

Mr. McNamara asked Messrs. Baum and Stern to review the non-project work program for FY74 and FY75 and consider an extended five-year work program. He recommended the use of an outside group as a panel of experts of perhaps 3-5 people to advise on the Bank's role in population. One candidate would be Dr. Berelson. He asked to have a revision of the FY74 work program shortly.

AL

April 20, 1973

President has seen

## OFFICE MEMORANDUM

7912/1/121

TO: Files

DATE: April 16, 1973

FROM: Moeen A. Qureshi *mas*SUBJECT: Meeting with representatives of the National Academy of Sciences and Engineering

Representatives of the National Academy of Sciences and Engineering including Messrs. Bruce Old (Foreign Secretary of the Academy of Engineering), Behrman, Dennison, Engel and Miller, visited Mr. McNamara on April 5, 1973 at 4.30 p.m. to discuss their proposal for establishing an International Industrialization Institute (I<sup>3</sup>). Messrs. Gaud, Stern and Qureshi were present at the meeting.

Mr. Old said that the proposal for I<sup>3</sup> was the result of nearly two years of exploratory discussions and study undertaken by the Academy. The origins of the proposal could be traced to seminars on international industrialization problems held in April 1971 under the auspices of US-AID. Following the seminars, the National Academy of Sciences and Engineering was asked by US-AID to undertake a comprehensive study of the need and demand for I<sup>3</sup>. The Academy had convened an International Panel to assist them in developing the proposal and had now completed the study.

According to Mr. Old there was broad-based support for the proposal on the part of national research institutes, representatives of various international agencies and multinational corporations. He listed a number of prominent persons whom the Academy representatives had contacted and who had reacted favorably to the proposal for the new institution.

Mr. McNamara inquired about the work program of I<sup>3</sup>. Professor Behrman responded that I<sup>3</sup> would study problems of industry selection, would provide support to national and regional institutes and would assist both developing and developed countries on national and international aspects of industrialization.

There was some discussion about the type of research which the Institute might undertake. Problems of industry selection -- especially the national and regional aspects of automobile development in the Andean countries -- were cited as an illustration. Reference was also made to the need to study intersectoral linkages with industry, and problems of industrial adjustment and transition in the developed countries. The Academy representatives expressed the hope that I<sup>3</sup> might become an international center for competent and problem-oriented research in industry, and a supportive institution to national research institutes.

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President has seen



Mr. McNamara thought that there was already considerable knowledge about industrialization which was not being fully utilized. In many developing countries, the governments were aware of the major problems in the development process but there were political obstacles to their successful resolution. Similarly, in the developed countries, the need for adjustment policies was well known but there were strong political constraints on what could be done in this field. Consequently, Mr. McNamara expressed some doubt as to whether there was any pressing need for a new institution at an international level to perform research in these areas. He agreed however, that it would not be difficult to employ 40 competent persons usefully on research on key industrialization problems. Given the dearth of reliable information and research on issues of industrial development, Mr. McNamara indicated that if such an institute were to be established, the Bank Group would certainly use it.

Mr. McNamara also questioned the feasibility, under present conditions, of aiming at a permanent endowment for I<sup>3</sup> of \$100 million. He suggested that the sponsors should plan more modestly, and possibly set their sights on obtaining financial support for I<sup>3</sup> for the next three or four years, during which I<sup>3</sup> would have the opportunity to prove itself.

Mr. Old requested Mr. McNamara's views as to who might be approached to become the original founders of I<sup>3</sup>. A number of names were mentioned -- e.g. Messrs. George Woods, Marcus Wallenberg, Charles Robinson and Mrs. Barbara Ward Jackson. Mr. Old said that their next step would be to contact some of these potential founders and to explore the feasibility of a meeting in which they might take another look at the proposal. He wished to keep in close touch with the Bank Group and said that he would keep Mr. McNamara informed on their future work and plans.

MAQ:gmb

cc: Messrs. McNamara /  
Gaud  
Chenery  
Stern

792/1/119

Meeting to Discuss the Israeli Proposal for an Export Credit Guarantee Scheme,  
March 26, 1973

Present: Messrs. McNamara, Knapp, Chenery, Stern, Kuczynski

Mr. Knapp said that he was opposed to further involvement or study of the scheme. It would be mainly a scheme against insurance for political risks and only involve developed countries initially. The main problems were that the Bank would have to judge credit limits, that we would be forced to finance uneconomic schemes, that we may be involved in financing heavily subsidized export, and finally that the guarantee fund may be very large thereby reducing our creditworthiness by the full amount. In addition he had been told by Governor Sanbar that, if the scheme had existed, he would have asked for assistance to retrieve Israel's investments in Uganda which were mainly for military equipment and airports.

Mr. McNamara said that he was interested in the scheme for two reasons: first, export development is very important. Secondly, the Bank would have to study the scheme in order to be able to turn it down if that were the final decision. He therefore recommended the study to be made. The degree of subsidization must be carefully scrutinized. He thought that commitments under the scheme would be treated the same as the Bank's loan portfolio.

The study would require one man-year and take six months.

AL  
April 4, 1973

*President has seen*

792/1 /118

MEMORANDUM FOR THE RECORD

Meeting to Discuss the Financial Policy Paper, March 26, 1973

Present: Messrs. McNamara, Knapp, Broches, Aldewereld, Chenery, Shoaib, Adler

Mr. McNamara asked that comments be limited to points of principle, while editorial changes should be submitted to Mr. Adler.

One major point of discussion was the actual constraints placed by the Article of Agreements on the amount of the Bank's lending. Mr. McNamara asked Mr. Adler to prepare revised set of financial tables to be consistent with the Financial Policy paper.

Another subject was the effects of rescheduling upon the Bank's financial position. Mr. McNamara asked Mr. Chenery to look into the "bow wave" effect which would develop by 1980 if the Bank were to begin now to participate in debt reschedulings.

It was decided that the paper would be distributed with the appropriate amendments.

AL  
April 4, 1973

President has seen

792/1/117

MEMORANDUM FOR RECORD

Meeting to Discuss the Status Report and FY74 Program for the Operations Evaluation Division, March 22, 1973

Present: Messrs. McNamara, Knapp, Aldewereld, Baum, Chenery, Adler, Kearns, Willoughby

Mr. McNamara said that he did not agree with the distinction made in Mr. Willoughby's paper between accountability and learning from experience. He said that he felt that as many completed projects as possible should be audited to show whether they had fulfilled what had been the basis for their approval by the Board.

Mr. Knapp said that outside pressure for auditing Bank activities could be largely satisfied by a very simple form of audit, i.e., measuring results in relation to the stated purpose of each project. However, evaluation in a more ambitious sense would be much more valuable to the Bank internally.

Mr. Chenery agreed with Mr. Knapp's position but cautioned against making audit too sterile by oversimplification.

Mr. Aldewereld advocated auditing activity up to 70% of the total budget of the Division and covering as many projects as possible.

Mr. Baum said that, if accountability required it, then indeed all projects should be audited, but he pointed out that even audits, certainly if as ambitious as done to date, consume a great amount of staff time, not only in the Operations Evaluation Division, but in other departments as well. This had been true of the Costa Rica and Trinidad and Tobago reports, for example.

Mr. McNamara felt that evaluation need not deal exclusively with projects. The important objective is to see how the Bank is choosing its projects today in order to fulfill its present objectives. We can learn from the past only if it has a direct bearing on the present and future.

Mr. Adler warned that the GAO and other outside critics of the Bank would want more than a narrow audit in the sense discussed. Mr. Willoughby said that he felt it was wrong to line up the accountability/learning dichotomy with the audit/evaluation distinction; evaluations might meet accountability requirements as well or better. He felt that the concerns of the recent GAO report would not be met by auditing as many projects as possible; the report was preoccupied with more current trends in Bank activity. The IDB audit group, which was supposed to be what GAO recommended, was even studying IDB's organization.

Mr. McNamara said that the GAO and US Congress are not the only outside critics of the international financial institutions. Moreover, management needed to know what was the outcome of all projects financed. Mr. Kearns said he thought brief reports to the Board on completion of a project would fill an important gap in supply of information to the Board.

It was agreed that, for present purposes, audit should be defined to mean "post-audit", i.e., analysis of a project after its completion and/or the end of disbursement.

President has seen

Mr. Knapp proposed that each project be audited one year after its physical completion. It may be necessary in many cases to return to the project at a later stage in order to get a picture of the benefits. The starting point should be the completion report of the Projects Department concerned.

Mr. Baum said that the main questions to be asked in an audit would be: first, if the project were completed on time and within the estimated cost; second, whether the financial objectives were met; third, whether institutional objectives were met; and, finally, whether the project had the intended economic impact.

Mr. McNamara said the audit unit should be independent of the rest of the Bank, providing for a system of checks and balances as when its financial accounts are audited by internal auditors. He considered this a necessary part of responsible management. The audit might often consist of simply verifying a completion report and summarizing it. He asked that Mr. Aldewereld lay out an audit program for the Bank in cooperation with Messrs. Baum, Chenery, Adler and Willoughby. A short paper should state the objectives and how they will be achieved, and what criteria will be used to select projects for auditing. The aim should be to achieve fairly full coverage of completed projects.

As to the proposed FY74 program, it was acknowledged that country studies are of great importance but that the experience with Colombia, where both the Government and the Executive Director had been estranged, required caution. The Kenya country study would be the subject of a special proposal by Mr. Willoughby. The objectives should be to learn as much as possible of value for present and future decisions; specifically what impact country programming and sector work is having on the choice of projects and economic development in the country. It may be necessary to analyze other aid, since the Bank only provides a small percentage of total amounts going to Kenya. Mr. McNamara doubted that it would be possible to produce country reports without submitting them to the country and to the Bank's Board.

The proposed FY74 budget and program were approved, except for the audit of the Congo (B) Potash project; it was also suggested that it might be preferable to reduce the scope of the very difficult "spread effect" evaluation study. Mr. Aldewereld's report should contain a revised FY74 program showing how many projects would be covered by the new form of audit.

ALjungh

March 23, 1973

792/1/ 116

MEMORANDUM FOR THE RECORD

Review of Financial Policy Paper Draft, March 7 & 9, 1973

Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Shoaib, Chenery, Adler

The paper was reviewed in detail and it was agreed that it should be distributed on March 27 in order to allow Directors four full weeks of review before the Board Meeting of April 24. The next draft would be submitted to the meeting for review on March 21.

A major issue arising out of the discussion was the treatment of net income. The Bank is subject to the conventional myth of the desirability of a rising income. Since it is different from commercial enterprises, we should attempt to be released from the conventional thinking by showing that the Bank can control the amount of its income to any figure within a given range, and that there is a clear distinction between cost items which are unavoidable and predetermined as opposed to those which can be controlled from year to year. For internal purposes, the emphasis should be on the use of gross revenue, while, for external reporting purposes, we may have to live for quite some time with a conventional net income concept.

Mr. McNamara asked Mr. Adler to redraft the section on net income (paragraph 34-38) and distribute to participants within two days.

He also asked Mr. Adler to look into the structure of the length of maturities on the borrowing and lending sides of the Bank's activity. The conventional thinking that an organization must borrow long in order to lend long must be refuted in the case of the Bank.

AL  
March 9, 1973

President has seen

792/1/115

MEMORANDUM FOR THE RECORD

Meeting to Discuss the Bnk's Approach to Rural Development, March 7, 1973

Present: Messrs. McNamara, Knapp, Chenery, Stern, Aldewereld, Shoaib, Baum, Yudelman

Mr. Knapp reported from a meeting with the Regional Vice Presidents that they felt that the organizational proposal for rural development was overly ambitious. Rural development did not warrant a special position as an organizational unit but each RVP would like to have an assistant director in the Projects Department for coordinating various activities, including rural development.

Mr. McNamara said that there is need for a special monitoring unit within the Bank to deal specifically with rural development. He proposed the formation of a committee chaired by Mr. Baum and with Mr. Stern as vice chairman. Its initial task would be to monitor the FY74 program for rural development. It should report monthly to Messrs. McNamara and Knapp. He would allow the creation of seven new positions above the budget for rural development specialists to be placed initially in the Central Projects staff. The first item of work for the group should be a work program.

Mr. Yudelman pointed out that the FY74 program for the Regions already contains several rural development projects and manpower allocated to these. Mr. McNamara said that the committee would monitor all rural development projects including those still being worked on by the regional staff. He said that his objective would be to complete at least one rural development project in FY74 and Mr. Yudelman confirmed that this could be done. Mr. McNamara suggested that at least one of the projects should be located in Mexico where work had already started.

AL  
March 9, 1973

President has seen

792/1/194

MEMORANDUM FOR THE RECORD

Meeting to Discuss the Inventory and Policy Papers by the Planning and Programming Review Department, February 28, 1973

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Present: Messrs. McNamara, Chenery, Stern, Haq

Mr. McNamara intended to finish his meetings on the work programs of the Departments of the Central Projects Staff and requested that priority papers of a policy nature would be extracted from those programs and included in the inventory of policy papers. He also requested to be placed as recipient of a number of additional papers on the schedule and asked that a number of papers be added; namely, a population sector paper to be completed in January 1974, a paper on non-formal education, a paper on extending electric power to rural areas, a paper on the optimum design criteria for roads in developing countries, and a paper on housing.

The policy paper inventory would be reissued with the changes and additions required.

Mr. McNamara wished to review all papers affecting the budget and Bank policy. In such cases the paper should be submitted with a covering note from Mr. Chenery suggesting how it should be treated. The views of Regional Officers should either be incorporated or specified as differing from the text of the policy papers.

Mr. McNamara asked that a policy review subcommittee of the President's Council be formed and requested that Mr. Kearns prepare a proposal for its organization. Messrs. Knapp and Baum would review Mr. Kearns' proposal before it is submitted to Mr. McNamara. Mr. Haq would act as the committee secretariat.

AL  
March 9, 1973

President has seen



792/1/113

MEMORANDUM FOR THE RECORD

Meeting to Discuss Mr. McNamara's 1973 Annual Meeting Speech, February 28, 1973

Present: Messrs. McNamara, Chenery, Stern, Haq, Clark, Maddux

Mr. McNamara said that the proposed outline by Mr. Chenery and his associates was excellent and he wanted it modified only on a few points: there was no clear statement of Bank objectives. He would like this to be quantified as far as possible in order that they could serve as operational goals for the whole organization for the next five-year period. He would like the emphasis on least developed countries to be quantified. Growth of total Bank commitments should be expressed in real terms. Ideas on rural development which emerge during the period of the writing of the speech should be incorporated. He asked that a table on ODA be included at the end of the speech and emphasized in the text.

Mr. Stern suggested that they go deeper into the meaning of poverty in individual countries. Mr. McNamara agreed but wished to continue using the quintile ratio as a measure, complementing it by as much detailed information on the income distribution in individual countries as is available at the time.

It was agreed that a complete draft would be produced by April 15 for Mr. McNamara's review, even if certain figures must be rough estimates.

AL  
March 9, 1973

President has seen

792/1/112

MEMORANDUM FOR THE RECORD

Meeting with Dr. Roy Prosterman, January 30, 1973

Dr. Prosterman, who is a Professor at the University of Washington Law School and advisor on foreign policy matters to Senator Packwood, said he had asked to meet with Mr. McNamara since he was interested in land reform. He had studied the problems in Vietnam, Brazil and the Philippines. He felt that President Marcos is making some headway with his land reform program, while the 1963 law had not been very effective. The rate of tenancy on Luzon is 70% and substantial problems have been encountered with crop disease, lack of credit and lack of will to experiment on the part of the farmers. In the last few years, this has been a definite shift from tenancy to landless farmers. However, the success of the land reform program, and indeed the stability of the Marcos regime, would be dependent on President Marcos' ability to raise the external funds necessary to carry out a comprehensive land reform program. Failure could lead to great turmoil. Dr. Prosterman's own prescription was (1) land reform, (2) additional food production based on land reform, and (3) population planning. He also felt that there was a difference between the so-called martial law imposed in the Philippines and that of Greece or Brazil.

Mr. McNamara said that the Bank was constrained in its ability to assist in land reform, since it could not, except in unusual circumstances, provide program loans or local cost financing. Consequently, the Bank's accomplishments in land reform had been modest to date. However, the Bank could help by providing credit to new farmers through intermediary institutions or financing programs for the development of small industry and tourist enterprises. He said that he would ask Messrs. Cargill and Goodman what the current state of work on land reform in the Philippines was and how the Bank could possibly assist. He asked that Mr. Prosterman give him his impressions when he returned from a forthcoming trip to the Philippines.

AL  
February 2, 1973

President has seen

792/1/111

MEMORANDUM FOR THE RECORD

Meeting to Discuss Draft Financial Policy Paper, January 24, 1973

Present: Messrs. McNamara, Knapp, Aldewereld, Broches and Adler

Mr. McNamara suggested that the meeting discuss major issues while drafting points should be submitted to Mr. Adler before Mr. Knapp's departure. A redraft of the paper would be ready on February 15 for discussion on February 25. Programming and Budgeting should give priority to completion of the mid-year review paper.

Messrs. McNamara and Knapp agreed that there should be no change of the interest rate because of the uncertainty of interest rates in capital markets.

Mr. Knapp advocated maintaining at least a net annual income which is constant in real terms. Mr. McNamara disagreed with the statement in paragraph 8 that net income is a major sign of good financial management. He pointed out the differences between the Bank and commercial enterprises in that it need not pay dividends nor attract capital. The Bank's objectives are to maximize the development of its member countries while maintaining the security of repayment to its lenders. The appropriate level of income should be determined by this. The income may over time go down and he would not rule out this possibility by formulating too strict a policy. However, he felt that it would not be possible to move quickly from a successful position. He was thinking about using income for other purposes than lowering the interest rate, for example: greater expenditure per dollar lent to rural development once a policy has been formulated.

Mr. Broches felt that there was no need to be defensive in the paper.

The projected level of liquidity in 1978 would be accepted and the suggested simplification of the liquidity formula would be retained. The actual rate of build-up towards the 1978 liquidity figure could be discussed later.

The arguments the Bank's participation in debt rescheduling should be reinforced by emphasizing that the amounts of past and future reschedulings have been large and will increase. Secondly, that the Bank's securities do not have the same call on national resources as do those of bilateral agencies. Finally, if member governments were to provide backing for Bank bonds, we could consider participation in rescheduling. Mr. Knapp suggested stressing that equity value has been maintained at more than constant level but not through pegging it to gold.

The conclusions in paragraphs 56 and 57 would be redone to stress that the Bank is not a commercial enterprise and should not be judged as such, but, since there are no standards for evaluating the performance of organizations such as the Bank, it was inevitable that commercial enterprise criteria will be applied by lenders. Consequently, we cannot move away quickly from a traditional financial management concept.

AL  
January 25, 1973

President has seen

Meeting to Discuss Current Problems with Chile and Nicaragua, January 8, 1973

Present: Messrs. McNamara, Knapp, Aldewereld, Alter

Chile

Mr. Knapp said that Chile had paid its obligations through December 31, 1972, but was not intending to default on amounts due in January 1973 and had asked to come to the Bank to discuss the matter. The major amounts outstanding were a payment of \$3.1 million in January and a payment of \$3.8 million in April. Total payments for 1973 calendar year would be \$16 million, including interest and principal, and the comparable figure for disbursements would be \$13 million. The point of negative transfer had been reached earlier than anticipated because of slow disbursements. Mr. Knapp wanted to propose rescheduling of \$4 million of principal payments due in the first half of 1973 to be distributed in some fashion over the remaining payments on Chile's debt to the Bank.

Mr. McNamara said he was very much concerned with the precedent which would be set by a rescheduling of Chile's debt, since many other countries could be argued to be in an economically much more difficult situation, and much of Chile's troubles were of its own doing. He also questioned what the period of rescheduling would be and said he would be quite reluctant to spread it out over as long a period as 20 years. Mr. Knapp said that the Chileans obviously had in mind a full participation of the Bank in a major debt rescheduling operation.

It became apparent that Chile had not used all its possibilities for assistance from the Fund and that it had not agreed to any economic program which would entitle it to more funds. Mr. McNamara therefore said that he would be against rescheduling for the time being. He suggested that Mr. Alter hear the Chilean proposal the following week and ask what the situation is regarding their discussions with the Fund. He also said that he would accept a deal similar to the one made in October where Chile would pay its outstanding obligations over a short period.

Nicaragua

Mr. Knapp said that the Nicaraguans had requested Bank assistance due to the earthquake and that the power system needs reconstruction which would make possible rescheduling on project grounds in order to ease Nicaragua's debt burden.

Mr. McNamara questioned why rescheduling rather than providing new loans. He would be willing to consider a reconstruction loan, a program loan or any other feasible form which could be processed rapidly. It was agreed that Mr. Alter would make an estimate of how much the Bank should contribute to reconstruction in Nicaragua and then propose a vehicle for lending other than rescheduling of power loans. Mr. McNamara said he would support IDA funds for Nicaragua.

AL

January 10, 1973

792/1/109

MEMORANDUM FOR THE RECORD

Discussion of Draft Paper on IDA Policies, January 8, 1973

Present: Messrs. McNamara, Knapp, Aldewereld, Rickett, Stern, Adler, Kuczynski, Vibert

Mr. Knapp suggested changing the emphasis from the least developed countries to poverty in general. Mr. McNamara agreed and said that the Bank should be willing to spend more effort to increase lending to the least developed countries. He asked Mr. Adler to check that the projections for FY73-FY74 show this. Mr. Aldewereld agreed that the lending to least developed countries should increase but advised against tying the Bank down to a specific figure. Mr. McNamara asked that the table on Page 5 be changed to show the time periods FY61-FY68, FY69-FY71 and FY72-FY73 or FY72-FY74.

Mr. Knapp said that the share of the big four recipients was the wrong subject at the wrong time and suggested deleting that reference. Mr. McNamara agreed and said that only a "provisional planning figure" should be given in the main text of the paper, if at all.

Mr. Knapp said he was disappointed with the statement of the problem regarding the terms of IDA lending. He was open to flexible IDA terms, especially regarding windfall countries. Mr. Stern added that it may be desirable to hedge against rapid increases in GNP for those countries approaching the upper limit of IDA eligibility. Mr. McNamara said that he was favorable to the idea of flexible IDA terms, but, since he did not see any prospects for agreement on this issue and Sir Denis confirmed that there had been no pressure for flexible terms during the negotiations, he was inclined to leave the terms untouched but to support this by pointing to the possibility of lending Bank and IDA funds and for new lending in order to change the average terms of Bank lending to any particular country.

Mr. McNamara asked that the paper stress that there should be no difference in the criteria used to evaluate projects depending on hard or soft financing. Mr. Stern argued for emphasis on social sectors in IDA lending. Mr. McNamara said that it was possible that IDA would be lending more to social sectors due to its emphasis on poorer countries, but he would not wish to yield to the "Swedish" pressure to follow different policies of project selection for the Bank and IDA.

Mr. Knapp was not satisfied with the part on counterpart funds and Mr. McNamara asked that material be extracted from the 1968 paper on this subject and used to expand the present draft.

It was agreed that those attending the meeting would submit their comments to Mr. Stern by the end of the week and that a new draft would be prepared for Mr. McNamara's review by January 22. Sir Denis would receive a copy of the draft by January 19 in order to be able to comment before his departure. A meeting would be held to discuss the new draft on January 25 and, if necessary, on January 26.

AL  
January 10, 1973