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792/2/280

MEMORANDUM FOR THE RECORD

Meeting on Future Activities of DPS, December 22, 1977

Present: Messrs. McNamara and Chenery

The meeting discussed Mr. Chenery's memorandum on Scope of the Bank's Analytical Work, dated December 21, 1977

Mr. Chenery said that the most difficult issue was how to set priorities in country analysis work. He referred to the "Gabriel Report" (Report of the PP&B Working Group of September 1977) which contained an excellent annex (Annex VI) on planning, programming and budgeting of economic and sector work and suggested its discussion by the PC. The Bank's publication program had so far been very passive and he had agreed with Mr. Clark on the steps to be taken. However, internal dissemination of DPS research results was worse than external dissemination.

Mr. McNamara said the chief person in the Region did frequently not have the right priorities; funds were used for economic updating work instead of longer-term basic analysis. With regard to policy analysis, he agreed with the proposed relationship to the WDR. An increased impact of the Bank's economic work had to be achieved through publication. Even in research, the Bank did not get as much out of its expenditures as the Brookings Institution. Mr. Chenery disagreed with the latter statement; this was not the case if allowance were made for a build-up period and for the fact that Brookings had its data readily available.

Mr. McNamara said that he would ask Mr. Stern to work with the Regions on the programming of economic and sector work.

cc: Mr. Stern

CKW
December 23, 1977

MEMORANDUM FOR THE RF RD

792/2/279

Meeting in Preparation of the Informal Meeting of EDs (December 20) on the IBRD Capital Increase, December 19, 1977

Present: Messrs. McNamara, Knapp, Cargill, Damry, Broches, Gabriel, Wood, Bock

In summarizing the results of the informal meeting of EDs on December 13, Mr. McNamara said that

(i) with regard to non-disruptive adjustment, a large number of speakers favored Proposal A, i.e., no reduction of the nominal level of lending projected for FY83 in subsequent years; some others favored Proposal B, i.e., a 10%-15% reduction in real terms each year for four years;

(ii) with regard to repayment terms, there was no general agreement but a strong desire to return to the pre-1977 repayment terms; six EDs favored this but Mr. Fried had argued for deferring any changes in repayment terms until after appropriation of the capital increase;

(iii) a discussion of amending the statutory borrowing limit had been proposed (Messrs. Looijen and Ryrie); and

(iv) concern over the adequacy of the projected expansion of minerals and energy lending had been voiced (Messrs. Wahl and Fried).

He said that the next meeting should be scheduled for Tuesday, January 10, 1978, and address "Borrowing Prospects and Related Financial Issues." Under related financial issues, the meeting should discuss the interest coverage, reserve position and income objective.

In response to a question, Mr. Cargill said that the position of Japan during his last discussions had been to wait for the German position as to the size of the capital increase and to favor a conservative approach with regard to repayment terms and other financial issues, with exception of the 1:1 ratio (the Japanese ExImBank had a 20:1 ratio). Mr. McNamara said that Mr. Ushiba had tried to get in touch with him to discuss the possibility of reducing Japan's surplus through co-financing with the Bank. He asked Mr. Cargill to follow-up on this and IBRD capital increase issues with the Japanese Government in January 1978. Mr. Knapp said that the Japanese Finance Ministry now accepted untying in the case of co-financing arrangements with the Bank.

CKW
December 23, 1977

792/2/278

MEMORANDUM FOR THE RECORD

Meeting in Preparation of Private Meeting with EDs (December 20) on U.S. Congressional Oversight Hearings, December 20, 1977

Present: Messrs. McNamara, Knapp, Cargill, Damry, Broches

Mr. Cargill said that the Clarence Long letter had frightened the EDs because it indicated that his Committee aimed at damaging the institution. Mr. Knapp said that management should recast its thinking about how to handle the case. The Congressional investigation should be considered an issue between the U.S. ED and his colleagues. For example, the memorandum informing the Board should have come from Mr. Fried rather than Mr. McNamara. These questions of procedure were very important with the other governments. Mr. Broches said that there was a feeling in the Board that the Bank was too close to the U.S. Congress could only investigate the U.S. participation in the Bank, not the Bank as an institution. Mr. Damry said that the EDs realized that the only option was to comply with the requests for information; there was now at least an assurance from Mr. Fried that Treasury would do its best to support the Bank.

Mr. McNamara said that (i) there was no disagreement on the procedural points but he would emphasize again that all contacts would be through the U.S. ED's office; however, he agreed with Mr. Knapp that Mr. Fried should develop a better understanding of the Board and its procedures; the analogy to the FED oversight was wrong; (ii) the real issue was not procedural but to develop a strategy to deal with the Committee, e.g., to prevent the misuse of information obtained; such misuse and not the confidentiality of the information provided was the real cost to the Bank; (iii) the safeguards mentioned by Mr. Fried were useless; the Bank could not afford to let Mr. Fried handle the issue alone and the U.S. take it to the Board; management needed a mandate to be close; (iv) the EDs were reluctant to pay the price of moving too close to the U.S. in order to obtain the appropriations; but the Bank would lose votes and not get the appropriations passed if it did not provide information; and (v) if the Bank did not obtain the next $800 million IDA and the IBRD capital increase appropriations, IDA and the capital increase would be destroyed; the Japanese Government gets the necessary votes only because of the association with the U.S. and the other OECD countries would not continue their IDA support without the U.S. and would probably rather strengthen the FED. He said that he would encourage Mr. Fried to talk to the other EDs about the Executive Branch's handling of the Congressional investigation.

CKW
December 23, 1977

MEMORANDUM FOR THE RECORD

792/2/277

Meeting on Operational Travel Policy, December 19, 1977

Present: Messrs. McNamara, Knapp, Cargill, Chadenet, Damry, RClarke, Twining

Mr. McNamara said that two questions had to be addressed: (i) whether to put the paper on Operational Travel Policy Revisions (dated December 14, 1977) to the PC for discussion, and (ii) if the Bank's travel policy was to be changed, whether it should be done now or await the settlement of the compensation issue. Mr. Knapp said that he would favor a change in travel policy and would do it now. Mr. Chadenet agreed with Mr. Knapp. Slow surgery was painful and the Bank had to put an end to its vulnerability on this issue. Mr. Damry recommended to delay any action until the budget discussion, particularly if the more drastic "all economy" option were chosen. Mr. Cargill advised to wait and not to discuss the paper in the PC. In view of the 50-50 split of opinions, Mr. McNamara asked the meeting to comment first on the substance of the report.

Mr. Knapp said that, on the basis of 12-hours travel time, more countries than indicated by the report should fall into the short zone. In particular, it should be possible to intrude further into West African territory. It should also be considered to eliminate firstclass travel for very junior-level staff (secretaries, assistants, etc.). Mr. McNamara said that there was still too much first-class travel left in the option recommended by the paper. He suggested to (i) eliminate stopovers altogether for firstclass travel; (ii) eliminate firstclass travel for junior staff; (iii) refer explicitly to exceptions made on health grounds; and (iv) strictly enforce an upper limit of 90 days spent on travel per year. Mr. Cargill said that staff might well accept economy travel but discontinue traveling on weekends and for more than 90 days a year.

Mr. McNamara said that a conclusion on the salary issue could be expected at the earliest in four months' time. However, management could not defer any action on salaries until mid-summer. Therefore, the full cost-of-living adjustment effective March 1 would probably have to be proposed to the Board. Because of these forthcoming problems on compensation, he would not like to defer action on the Bank's travel policy. Mr. Knapp said that the Board would probably not approve the full cost-of-living increase in March. Mr. McNamara disagreed. The U.S. Government would probably not agree to such an increase, but the other governments probably would. He asked Mr. Chadenet to distribute a modified travel policy paper (eliminating stopovers for firstclass travel) to the PC for discussion on January 5, 1978. The sequence of events would probably be that 80% of the PC would be opposed to acting now; consulted by the Bank, the IMF would react in the same way. Management would then ask the Board for a decision on further action. Mr. Chadenet reported that the IMF had so far come only under remarkably weak U.S. attacks on its generous travel policies. Mr. McNamara said that the Bank could not afford to change its travel policy without any changes occurring at the IMF in about one year's time.

CKW
December 21, 1977

792/2/276

MEMORANDUM FOR THE RECORD

Meeting on Memorandum to the Board on Congressional Oversight Hearings, December 16, 1977

Present: Messrs. McNamara, Knapp, Clark, Damry, Broches, Kearns

The meeting reviewed the draft memorandum informing the EDs of the U.S. Congressional Oversight Hearings on Activities of the World Bank and Other Financial Institutions. The meeting agreed on most of the text but revised the last three paragraphs.

Mr. McNamara said that the main issue was how to handle requests for the release of information which had not been released to all governments. The memorandum should state that the Bank considered itself fully accountable to its members, and proposed to make every effort to be responsive to requests in line with present practices. It should be vague on the handling of requests for new information, i.e., whether these requests would be taken to the Board or would be decided upon by management, which would then inform the Board.

Mr. Clark said that the first page background on recent Congressional dealings with the Bank would evoke past hostilities. He recommended to reduce that section. Mr. McNamara replied that, while these statements would certainly be a source of irritation, they should not be reduced. The Bank faced serious problems; in addition there was a feeling among staff that "McNamara had sold out to the U.S."; the Board therefore needed to be fully informed. Mr. McNamara asked Mr. Damry to show the memorandum to Mr. Fried and circulate it to the Board before the end of the day.

Mr. McNamara informed the meeting of Mr. Avramovic's resignation from the Bank. Mr. Avramovic had told Mr. Cargill that he wanted to join the Brandt Commission and thereafter return to his present position. This was not acceptable for the Bank, which had already suffered from his prolonged absences (UNCTAD) in the past. The Bank was eager to retain Mr. Avramovic but he decided to leave. Mr. Knapp urged to make this a convincing argument to the staff which questioned why he had not been granted leave of absence.

CKW
December 20, 1977

792/2/275

MEMORANDUM FOR THE RECORD

Meeting with Minister Jan Pronk, December 15, 1977

Present: Messrs. McNamara and Pronk

Mr. Pronk said that this was his last day as Minister because his party did not form part of the new Dutch Cabinet. His successor was a Christian Democrat, more conservative but competent. He (Pronk) had become an ex officio member and honorary treasurer of the Brandt Commission. As to the U.S./Canadian input into the Brandt Commission, he said that the members from these countries were very able persons but not as familiar with Third World problems as the European members. There was need for a strong Third World deputy director of the technical secretariat in order to countervail Mr. Ohlin who was more conservative and had his own strong views. He hoped that Mr. Avramovic would become available. According to Mr. Pronk, the ongoing meeting on the establishment of a Caribbean Consultative Group was proceeding well. He urged the Bank to support strongly the Jamaican Government which might constitute the last chance for a democratic way to development. Mr. McNamara replied that the Bank was committing more than $30 per capita to Jamaica, although there were doubts about the efficiency of its economic management. The country had suffered from a 30% decrease in real income per capita over the last five years, and an extremely skewed income distribution. High wage rates led to capital-intensive industrialization. In terms of per capita allocation, small countries received preferential treatment in the Bank.

Mr. Pronk reported on the breakdown of the Common Fund negotiations in Geneva. The Netherlands had pledged $25 million which was important only in terms of the political climate. Although he favored the Common Fund, he had some economic reservations. The conflict in the Common Fund was politically very damaging because the Fund had been the only concrete result of CIEC. No concrete proposals and figures could be discussed at the negotiations because there was also disagreement between developing countries (e.g., Brazil and the African countries). Mr. Gamani Correa was not providing the required strong leadership. Mr. McNamara said that these negotiations spent too much time on commodities instead of trade and financial flows. The amounts involved in the Common Fund's second window proposal or IFAD were not convincing. For example, the real food problem was posed by the inadequate reserve policy and the failure to build up production in 7-8 key countries.

Finally, Mr. Pronk said that he would continue his work on development as a member of Parliament. Mr. McNamara expressed his appreciation for the helpful role Mr. Pronk had played, particularly with respect to the establishment of the Brandt Commission, and urged him to keep in close contact with the Bank.

CKW
December 20, 1977

MEMORANDUM FOR THE RECORD

Meeting with Mr. James A. Lee, December 12, 1977

Present: Messrs. McNamara and Lee

In preparation for the luncheon with Professor Carl Taylor (Johns Hopkins University) on December 13, Mr. Lee handed Mr. McNamara a brief on Bank health activities.

Mr. Lee said that, since OEHA's work had become very operational, it was now an anomaly in the Projects Advisory Staff of CPS and a change in its locus should be considered. He suggested Mr. Kearns to look into this. In particular, its present locus presented problems in obtaining a sufficient budget. Mr. McNamara said that OEHA's budget had obviously to be built on operational output factors but that its organization locus was irrelevant as to this issue.

Mr. McNamara said that Professor Taylor had advised the Bank in his letter to move into health sector lending. In considering the implications of such a change in policy, two issues would have to be addressed: (i) the activities and performance of WHO and how the Bank would relate to this institution (he might consider a visit to Geneva for a day or two in order to learn about WHO's activities); and (ii) the sectoral context of Bank lending for health; he would be reluctant to finance health projects which were not based on a preceding strong sectoral analysis. Mr. Lee pointed out that the Bank already had carried out health sector work on Korea and Tanzania. These sectors studies constituted more candid assessments of health sector performance and constraints (particularly as to institutional and financial issues) than WHO's country health programming exercises.

cc: Mrs. Boskey

CKW
December 19, 1977

MEMORANDUM FOR THE RE RD

792/2/273

Meeting in Preparation of the Informal Meeting of EDs (December 13) on the IBRD Capital Increase, December 12, 1977

Present: Messrs. McNamara, Knapp, Cargill, Damry, Nurick, Gabriel, Wood, Bock

Mr. Damry reported that (i) Mr. de Groote had asked for a table which would include the alternative of a $25 billion capital increase and its implications so that he could then criticize this option as being unsatisfactory; (ii) some EDs intended to raise the issue of manageability, apparently under instruction from their governments and partly in response to the Wall Street Journal article on Indonesia; (iii) the Nordic countries might propose to consider delegation of Bank activities to regional institutions, in order to reduce growth of Bank administration and to address the problem of the Bank becoming an important political factor; (iv) quality control worried governments (more than their EDs) and that Mr. Johnston would ask for a breakdown between projected IDA and IBRD lending, implying a distinction between sound traditional IBRD projects and unsound new-style IDA projects.

Mr. McNamara said that (i) previous meetings had indicated a Part I consensus in favor of a capital increase which would ensure a 5% real lending growth per year, assuming a 5% inflation rate; since these rates could be achieved with a $25 billion capital increase at five-year intervals, it would be unwise to circulate a paper containing the $25 billion alternative; he asked Mr. Cargill to talk to Mr. de Groote; (ii) the manpower projections probably understated the need for new staff by 1983, mainly because of new areas of activity; (iii) delegation to regional banks was not the answer; the Bank had pulled the regional banks along in the past 10 years; (iv) and, on management issues, management at this point should only listen to the arguments advanced.

It was decided to propose scheduling the next informal meeting for January 12, 1978 (but carrying on with unfinished business on Thursday, Dec. 15) in order to discuss "Borrowing Prospects and Related Financial Issues" (taking Mr. Janssen's memo as point of departure). In response to questions from Messrs. Knapp and Wood, Mr. McNamara said that the issues of graduation and relationship with regional banks should not be proposed for discussion. A subsequent meeting should deal with the voting issue.

The meeting* then discussed required Bank action in response to the Congressional oversight hearings. Mr. McNamara said that he would appoint a Staff Director on Oversight Hearings. Mr. Cargill said that IPA was not familiar enough with Bank operations to deal with this problem. Mr. McNamara said that the necessary familiarity with Congressional procedures would probably require the person to be an American. He would have to develop both a strategy of defense (e.g., what information to provide to the investigators) and a positive counterattack strategy. Four candidates should be considered: Messrs. Cargill, Stern, Nurick and Kearns. However, Mr. Stern would be away during the crucial next three weeks. A decision would be required by tomorrow (December 13).

* Present: Messrs. McNamara, Knapp, Cargill, Damry, Nurick

CKW
December 16, 1977

792/2/272

MEMORANDUM FOR THE RECORD

Meeting on the Governors' Speech 1978, December 12, 1977

Present: Messrs. McNamara, Cargill, Chenery, Clark, Damry, Stern, Maddux

Mr. McNamara said that he expected the World Development Report to provide the raw material for next year's Governors' speech. There would certainly be controversy on the World Development Report which would provide more focus for the speech and make its statements more interesting. He asked Mr. Stern for a list of the separate working papers under preparation for the WDR and a time schedule for these papers and the WDR.

Mr. Clark said that by next summer the economic situation in the developed countries would have further deteriorated and protectionism would have become an even hotter issue. Trade would therefore be an essential theme for the Governors' speech. Mr. McNamara agreed that trade will be the gut issue. The question should be asked whether LDC-manufactured exports could not be expanded in an orderly way. Mr. Stern said that the speech should focus on the political aspects of the trade issue. Mr. Chenery pointed out that work on trade in the Bank had doubled over recent months.

Mr. Stern said that the speech should contain a clear statement on the role of the IFIs in maintaining the welfare of the present economic system. The linkages between aid and trade should be pointed out. Mr. Cargill said that, in a world heading toward depression, the IMF would increasingly come under attack for being too restrictive and pressure would be brought to bear on the Bank to increase program lending, etc. This should be raised with the Board at an appropriate time. Mr. Stern said that cofinanced program loans could become an attractive possibility. Mr. McNamara asked Mr. Maddux to note cofinancing of program loans and the IBRD Capital Increase as potential themes for the speech.

Mr. Clark suggested the speech to advance the mutual self-interest argument in international trade. Mr. McNamara agreed. A loss in growth of OECD countries was also a function of unsatisfactory development of LDCs. Mr. Damry suggested the speech to recapitulate the Bank's achievements. Mr. Clark said that this could better be done in the Annual Report which received good press coverage. Mr. McNamara agreed.

Caio Koch-Weser
December 16, 1977

MEMORANDUM FOR THE REC

792/2/270

Meeting on Basic Human Needs, December 1, 1977

Present: Messrs. McNamara, Chenery, Damry, Stern, Karaosmanoglu, Haq

The meeting discussed three papers: (i) International Implications for Donor Countries and Agencies of Meeting Basic Human Needs (by Paul Streeten), (ii) Pakistan: Operational Implications of Adopting Basic Needs Targets (by Shahid Burki, Norman Hicks, and Mahbub ul Haq), and (iii) A Note on Meeting Basic Needs: Turkey (by Attila Karaosmanoglu and Mete Durdag).

Mr. Chenery said that, in discussions with the Regions, the papers had generally been accepted as useful exercises, although there had been differing views on the political feasibility and constraints of the proposed strategies. In particular, the Pakistan paper was considered too optimistic in its assumptions as to political feasibility of the proposed program. He recommended that more country desk studies should be conducted by staff with a strong country background. Such studies would necessarily be more speculative than country economic reports which are based on the political situation as it is. Based on initial experience and according to present thinking in DPS, the term basic needs strategy was not a very useful one; however, the application of basic needs criteria seemed to be a helpful approach (e.g., in Turkey). Mr. Stern considered the Turkey paper to be particularly helpful because it put the issue into the political context. The Pakistan paper made difficult assumptions, not only on the political feasibility of the proposed strategy but also on the economic side by projecting, for example, a drastic decline in the ICOR. It presented nothing very new in terms of an implementable strategy, proposing more emphasis on health, education, nutrition and less capital-intensive industry. Both papers were useful in providing a different focus in looking at these countries and measuring their progress. However, the translation of their concepts into specific action programs was much more difficult than the papers suggest. He recommended against further desk studies of the Pakistan type because they abstracted too much from the political and administrative reality. Models should be developed which measure a country's past performance in meeting basic needs and the consistency of basic needs objectives with budget allocations, etc. Further country studies should better be done by the Regions with DPS support and using a DPS paper as prototype. As a next step, each Region should select one country for such a study.

Mr. Karaosmanoglu said that there were two separate questions: (i) for low-income countries, every good economic analysis should deal with all basic needs elements; the question then became whether the basic needs concept was helpful to focus the analysis; but (ii) in the case of middle-income countries, economic analysis could easily ignore these issues; therefore basic needs studies were required to examine, for example, how resources had been misallocated. There had been a favorable reaction of EMENA to the Turkey paper. Mr. Haq said that the three studies had been done to explore the specifics of pursuing basic needs. They show that good economic management was consistent with a basic needs approach; that meeting basic needs over a period of 10-20 years was not very expensive; and that no political revolution was required to implement basic needs policies. In the case of Pakistan, no drastic political change had been assumed. The paper simply tried to identify effective measures and to formulate a clear strategy which did not exist at the present time. For example, the Consortium document on Pakistan allocated $1.1 billion without any clear strategy (Mr. Stern objected to the latter statement arguing that, as an official document, the Consortium report could not lay out the underlying strategy). Further basic needs work in the Bank should identify the policy issues, lead to a policy dialogue with the Regions, and eventually feed into the CPP process. Mr. Damry said that it was hard to believe that governments had not covered the issues outlined in the papers. For example, India had addressed these issues already in previous plans. The basic question was why these suggestions had not been translated into actions by governments. The Bank could provide an incentive to governments to address basic needs by financing directly productive investments and convincing governments to reallocate corresponding amounts to basic needs programs.

Mr. McNamara suggested to discuss the three papers in the PC on January 9, 1978. He asked Mr. Chenery to prepare a covering note stating that these papers addressed the basic needs issue faced by a middle-income country, a low-income country and a potential OECD basic needs program, and that, as the next step, each Region would conduct a somewhat similar desk study on one select country. The chief economists should consider these papers before the PC meeting. He said that the objective of further country studies should be to (i) develop prototypes and (ii) to arrive at action-oriented conclusions. He agreed with Mr. Karaosmanoglu that countries were probably not fully aware of basic needs facts and issues. In the case of Pakistan, the Bank had presented these problems to the Government but never as vividly and never by pointing to the lack of progress over the last 25 years. As a next step, the Regions should focus on creating the foundations for analysis of basic needs issues rather than on detailed actions. As a minimum, basic needs work should develop the required information and adequate measures for basic needs. DPS should focus on how to systematize such measurements. Mr. Chenery said that most of the data exist but were not adequately incorporated into CPPs and President's Reports. It was extremely difficult, as previous attempts by other institutions had shown, to systematize measurements and to arrive at, for example, a quality of life index. Mr. Haq said that the DPS work program contained the analysis of what was available from the \$4 to \$5 million already spent on similar research. Mr. Chenery said that he would assign an experienced staff member to work on this from March 1978. Mr. Damry said that there was ample scope for technical assistance to LDCs to set up such data.

CKW
December 2, 1977

MEMORANDUM FOR THE RECORD

7-92/2/271

Meeting on Human Rights Paper, November 23, 1977

Present: Messrs. McNamara, Knapp, Cargill, Damry, Broches, Nurick, Sommers

Mr. Sommers commented that, by playing down the four countries and the commodities affected by Congressional action but at the same time playing up the human rights provisions, the Bank made it easy for the U.S. to politicize the issue. All three issues should be treated in the same paper, characterizing the U.S. as imposing its views and its narrow interests unilaterally. Further, he would not spell out the alternative actions for Mr. Fried so clearly. The paper should clearly distinguish between what the Board can do and what the President and management can do. Management should not go too far; the Board should decide. Mr. Cargill said that there would be no serious problems with Congress if the U.S. were outvoted on Laos and Vietnam or the commodities (which reflected a narrow, stupid approach); the U.S. would focus on the human rights issue and Congress would want projects to be positively "voted down" and not only be withheld on these grounds.

Mr. Damry said that Mr. Janssen had suggested not to burden the Board with the human rights issue but to let the Part I Governments get together and resolve the problem. Mr. Nurick said that the EDs from the U.S., Canada, UK and Scandinavia were already getting together on this issue. They might advise to concentrate on basic needs oriented lending in the case of countries which were gross violators of human rights. Mr. Knapp suggested the Bank to argue that all its activities were important for meeting basic needs.

Mr. McNamara said that (i) the paper had been prepared for management and for Mr. Fried who had to initiate action now rather than a year from now after having been constantly outvoted, with serious implications for future Congressional appropriation rounds; (ii) the text should make reference not only to the U.S. since other countries had already expressed (e.g., UK) or would probably voice (e.g., Scandinavian countries) the same concerns; Mr. Fried might well try to get support from likeminded governments; (iii) there should be no further meeting of EDs on this before the U.S. had reacted to the paper and stated its position; (iv) Congress wanted a positive statement that the Bank did what they said; (v) the Bank can finesse the four countries and commodities issue but not the human rights problem; (vi) the Bank could not change its lending program from an optimal composition to an overemphasis on basic needs on the advice of one member in order to get around the human rights issue; (vii) the Board had to decide on this issue and not management; but it was management's responsibility to deal with the political problems of the Board; management would continue as it had but there was a serious dilemma for the Board; (vi) the paper should lay out all alternatives to stimulate thinking; so far only the Christopher Committee dealt with specifics; (ix) at minimum this approach will buy the Bank some time; and (x) the following option should be kept open: the Board accepts the human rights concern but does not consider management to be competent in dealing with human rights if interpreted as civil rights; it therefore had to rely on other bodies, namely, to accept UN directives. Mr. Nurick pointed to the poor U.S. opinion of UN political decisions. Mr. Knapp said that voted UN sanctions on a country could be accepted but not UN fact finding on a case-by-case basis.

The meeting then reviewed the draft paper in detail. Mr. McNamara stressed that the report should present alternative courses for the Board, not for management. Mr. Cargill said that the paper should state in the beginning that all alternatives are considered, without any value judgment. With reference to the "progress in human rights" criterion in para 36, Mr. Damry said that LDCs will not like such a criterion at all; but Mr. McNamara replied that this was the position the U.S. was moving towards.

Mr. McNamara concluded that he would still like a clearer statement of the point he had made earlier, i.e., that the Board would have to ensure that human rights criteria are applied (i) universally among countries and (ii) uniformly between institutions. The U.S. showed no uniform treatment of all countries and, for example, Treasury thought in the case of the IMF that they had "sneaked one by" State Department. The U.S. had to be forced into dealing with these complex issues of uniformity and universality. He asked Messrs. Broches and Nurick to finish the paper as soon as possible.

CKW
December 1, 1977

792/2/269

MEMORANDUM FOR THE RECORD

Meeting on IBRD Capital Increase, November 16, 1977

Present: Messrs. McNamara, Knapp, Cargill, Damry, Gabriel, Wood

Mr. Cargill reported that there was some reluctance among EDs to talk about projected inflation rates. Mr. Janssen had stated that an assumed inflation rate of more than 4% would not be acceptable. Mr. McNamara said that he could not limit the discussion to nominal growth rates because of the implications for staff, number of operations, etc. However, one could be less explicit and talk about ranges of inflation rates. Stating the desirability of a Y real growth rate and assuming an X to Z range of inflation rates, one could arrive at capital increase figures covering alternative numbers of years. He did not want to start with an endless discussion of the determinants of a given real growth rate. Mr. Cargill said that the EDs were rather worried about the constraints to future growth rates, e.g., the absorptive capacity of receiving countries, the accommodation of the required borrowing by capital markets, and the staffing and administrative implications for the Bank.

According to Mr. Wood, Mr. Fried had argued that the graduation issue had to be considered in determining future IBRD growth rates. Mr. McNamara said that the net effect of graduation in (for example, possibly Indonesia in 10 years from now) and graduation out (for example, Brazil and Mexico) would probably be an increase of IBRD activities.

Mr. McNamara said that one of the EDs would have to lay out the general problem requiring increased IBRD lending, i.e., the need to finance the projected trade deficit of middle-income countries so that they can achieve a reasonable rate of growth in view of OPEC surpluses. The consensus of the London Summit and CIEC meetings would have to be stated. Since Mr. Janssen seemed to have the best developed notion, it was agreed to call upon him first and then to call upon Messrs. El-Naggar, Fried, Popovic, Ryrie and Franco.

CKW
November 23, 1977

792/2/268

MEMORANDUM FOR THE RECORD

Meeting to Discuss the Use of Bank Transfers to IDA, October 27, 1977

Present: Messrs. McNamara, Cargill, Gabriel, Wood, Bock

The meeting discussed the draft memorandum to the EDs on the Use of Bank Transfers to IDA, dated October 26, 1977.

Mr. McNamara said that, in reviewing the paper, he had noticed that the rule had apparently become established by P&B to use repayments on IDA credits only after calls on donors had been used. He had not been aware of this rule which in the past obviously had no significant impact but which in the future would be highly advantageous for IDA as a major source of funds. This rule had never been discussed with the Board.

Mr. McNamara said that he agreed with the substance of the paper. However, some editing was needed to deliberately tone it down. Since it had become a rather complicated paper, dealing with a complex issue on which no quick informal reaction from some EDs could be expected, he asked Mr. Cargill to distribute the paper on November 1 in order to leave enough time for consideration by the EDs.

CKW
October 31, 1977

MEMORANDUM FOR THE RECORD

792/2/267

Meeting to Discuss IBRD Capital Increase and Human Rights Issues, October 26, 1977

Present: Messrs. McNamara, Knapp, Cargill, Damry, Gabriel, Nurick, Wood

Mr. McNamara asked Mr. Damry to circulate a note indicating that the following topics would be discussed at the informal meeting of EDs on November 17: (i) future growth of IBRD commitments in real terms, and (ii) the outlook for inflation. Further meetings would focus on the notion of nondisruptive adjustments, the frequency of capital increases, and repayment terms. At this point, no paper on these issues should be circulated since all aspects had already been covered in the Role of The Bank paper. He asked Mr. Cargill to talk informally to EDs on these issues before November 17. He said that he had thought about the possibility of having a secret ballot among EDs on the amount of the capital increase in order to determine the range of positions and judgments. He urged the initial discussion to concentrate on the real growth issue and then to adjust for inflation. Mr. Damry enquired whether the Interim Plan should serve as a basis for discussion. Mr. McNamara replied that the Plan would have no legitimacy because it was his Plan.

Mr. McNamara said that he expected nobody to suggest a less than 3% real growth rate. He asked Mr. Wood to prepare a brief statement on a real growth target the Bank should aim to achieve. It would list the points in favor of a, say, 7% real growth rate as compared to a 5% real growth rate. The arguments used would include the capital requirements of LDCs and the need to redress the balance of public versus private capital flows. Mr. Gabriel said that the EDs had already a capital increase figure of between $25 billion and $35 billion which they frequently mentioned. Mr. McNamara said that consensus had to be reached on an increase of about $35 billion and its implications. He asked Mr. Knapp to convene one or two staff meetings during his absence to continue this discussion.

The meeting then discussed the human rights issue.

Mr. McNamara asked Messrs. Cargill, Damry and Nurick to prepare a paper exploring the wide spectrum of possible positions the Board might take on the human rights issue. These approaches would include: (i) no common action, i.e., each chair would decide on its policy action in each individual case; (ii) based on interpretation of the Bank's Articles, the Board would decide in informal session whether human rights considerations should be introduced into Board deliberations; and (iii) if so, standards had to be developed. It could then be argued either that Bank staff and the Board were not competent to develop any judgment on this issue, that standards had to be developed by the UN and that the Board would act in accordance with UN position, or that the Board had to develop its own standards. These were only acceptable to the Bank if they were applied universally among countries and universally among institutions, e.g., also in the case of the IMF. Criteria, such as a standard of oppression, could be absolute or relative over time. It could be agreed that they would be applied only in extreme cases, such as Uganda. Mr. Knapp said that, as suggested by the "unless basic needs orientation" clause in the present U.S. legislation, the Bank should emphasize that its efforts are directed at people and not at oppressive regimes. It was most important to educate the public in that respect. Mr. McNamara agreed that this should be one of the criteria considered by the paper. The minimum objective of the Bank's human rights discussion should be to prevent the use of the human rights argument as a justification for withdrawing financial support from the institution.

Mr. Wood asked whether the human rights issue had been taken up in other institutions. Mr. McNamara replied that the Treasury was extremely reluctant to apply these criteria to the Fund. He would be prepared to take this to the press, arguing that the U.S. was cynical about human rights when bailing out of American banks was at stake. The Bank could not take any action on human rights unless other institutions agree to the same procedure. The Bank had to avoid a situation like the one which had developed on its expropriation provision, namely, that the Bank was the only institution in the world which applied such a provision. Two steps had to precede any human rights action by the Bank: (i) other institutions had to agree, and (ii) governments had to agree. On the part of the U.S. Government, there was so far no White Paper on Government actions. Mr. McNamara concluded that the draft human rights paper should be considered after his return on November 15 and that an informal meeting with EDs should be scheduled for about mid-December. He was still aiming at a decision on the capital increase before any final decision on the Bank's human rights position had to be made.

CKW
October 31, 1977

MEMORANDUM FOR THE RECORD

792/2/266

Meeting to Discuss Alternative Solutions to the IDA Deficit, October 21, 1977

Present: Messrs. McNamara, Cargill, Damry, Wood, Bock

Mr. McNamara said that, under present circumstances, he preferred the following approach:

(i) To "do nothing" in FY78, i.e., to continue transferring (defined as moving cash from IBRD to IDA) $100 million under the "Bank last" rule, which means transferring and drawing (defined as moving cash from IDA to recipients) simultaneously;

(ii) To explain to the Board that this results in an accumulated deficit, which does not constitute a cash flow problem but only an accounted loss, and to ask the Board whether the Bank should act to avoid this deficit; and

(iii) To lay out the alternative solutions, namely:

(a) to "do nothing";
(b) to transfer Bank assets earlier, i.e., to accelerate the transfer; or
(c) to change the IDA service charge, i.e., to increase the income flows into IDA;

and then to conclude that no decision was needed during FY78 (Alternative a).

Mr. Wood said that this solution might pose a political problem since not the entire amount of new donor contributions would be transferred to IDA recipients. Opponents could argue that "taxpayers' money is being used for administrative expenses." Mr. McNamara said that he did not consider this problem to be of any political significance. Mr. Cargill said that this net reduction in commitment authority was very small in relation to total IDA resources and represented simply a shift in commitment authority between longer periods of time.

Mr. McNamara said that, for the necessary projections beyond IDAV, a most conservative assumption should be applied, namely to maintain IDAV levels in real terms. There was no risk that this steady state assumption would be taken as reflecting the Bank's position. If action would have to be taken this year, however, a deeper analysis beyond the steady state assumption would be demanded by the Board. If he would have to act now, his preference would be to change the service charge. Before embarking on IDAVI, a more fundamental rethinking of the IDA concept was required and a wider range of alternatives would have to be considered, e.g., whether to borrow funds and whether to differentiate lending terms between countries. He concluded that any action now involved the risk of losing the "Bank last" rule, which in turn implied losing $35 million per year in Bank profits (and countries losing low IBRD lending rates) without any political gain.

Mr. McNamara asked Messrs. Cargill and Wood to prepare a paper along these lines for Board discussion on November 29. Before circulating the paper on November 8, the draft should be discussed informally with Messrs. Fried, Ryrie and Johnston and at another meeting on October 27.

Mr. McNamara said that not only the U.S. but likely also Great Britain, Scandinavian countries and Germany insisted on raising the human rights issue in the context of the capital increase discussion. According to Mr. Fried, the human rights issue would also affect IDAVI and already the supplemental appropriation for IDAIV.

Mr. McNamara proposed to hold separate informal meetings with the EDs on the capital increase and on human rights. The human rights meeting, which should be organized at Mr. Fried's request, would have to address the following issues: (i) Is it proper for the Bank to take action on human rights, i.e., the legality issue; (ii) If so, what kind of criteria could be developed and how could they be applied universally among institutions and equitably between countries.

CKW
October 28, 1977

MEMORANDUM FOR THE RECORD

792/2/265

Meeting to Discuss the Report of the PP&B Working Group and Mr. Kearns' Report on the RVP Responses to the OPD Program Functions Report, October 14, 1977

Present: Messrs. McNamara, Knapp, Cargill, Stern, Chadenet, Kearns, and Gabriel (only for discussion of PP&B Report)

Mr. McNamara said that the PP&B Report was one of the most thoughtful documents he had received since he came to the Bank. In its present voluminous format, however, the Report was not yet actionable. It also showed a weakness of translating its conceptual strength into concrete procedures. He asked Mr. Gabriel to develop, together with a systems advisor, a work program for systematizing the PP&B control function, taking the approach of slicing up the PP&B system and preparing a paper on each segment. These papers would be presented to the PC. Messrs. Knapp and Stern agreed that the report, in its present form, was not suitable as a decision-making paper.

Mr. Chadenet recommended to distribute the report as an educational background paper to the PC. Mr. Cargill objected; the document took too long to read. Mr. Kearns urged not to be secretive about the report.

Mr. Stern said that a systems person would need substantial guidance. Mr. McNamara said that the PP&B system was disorderly, misunderstood and misused. It required the work of a systems specialist who should be appointed as soon as possible.

In concluding, Mr. McNamara asked Mr. Kearns to prepare a note to the PC stating that (i) the PP&B report had been received, (ii) the document constituted an excellent foundation to be used by a newly appointed systems specialist to systematize the entire PP&B control function, (iii) the approach would be to slice the system into various segments, and (iv) papers on the different segments would be presented to the PC for discussion and decision. The report in its present form should be attached to the note as a background piece.

The meeting then discussed Mr. Kearns' report.

Mr. McNamara said the report was fascinating to read. In view of opposition to the proposals in the Regions, they should not be introduced in all five Regions at this time. With regard to Mr. Husain's programs functions restructuring plans for his Region, there were apparently disagreements between him and his staff. Because of Mr. Husain's open commitment to these plans, senior management had to be careful not to cut him off. He asked Mr. Knapp to talk to Mr. Husain upon his return on October 31.

Mr. Chadenet said that, in terms of personnel, Mr. Husain's plans did not involve a radical reduction of programs staff. Mr. Knapp said that the role of Programs staff in the post-appraisal stage was the key question. Mr. Husain's concept of Programs only presiding over negotiations went too far. Mr. Cargill commented that it was a mistake to assume that Projects staff could handle negotiations and other programs functions. The quality of Programs staff was at present simply not up to presumed standards. Loan Officers should be the best people. Mr. Knapp agreed; the inadequacy of his inherited Loan Officers apparently led Mr. Husain to the conclusion that he had to create an elite corps. Mr. Stern said that an elite corps was the wrong principle because of its losing touch with reality. It would be bad to cut the Loan Officer out of the operational line. With the Bank's growing involvement in countries, non-project issues, requiring different expertise, were gaining importance. Experimentation with new concepts was good if the expectation were that these concepts were something to go with. In his view, this issue was not something to experiment with.

Mr. Knapp agreed that issues should be settled at pre-appraisal. In the real world, however, this would not happen; there would always be new issues at appraisal, requiring the attention of country-conscious staff.

In concluding, Mr. McNamara said that Mr. Kearns was working on a paper on the implementation of the proposals in all Regions.

The meeting then briefly discussed the pipeline and bunching problem. Mr. McNamara referred to Mr. Knox's memorandum and to Mr. Husain's statement that it was not his (Mr. Husain's) budget and that he could not do his job, expressed his concern about these issues and said that he had asked Messrs. Cargill and Gabriel to review the situation. He was not convinced that a one-shot staff increase would resolve the bunching problem. He enquired why there was less appraisal than project approval bunching.

Finally, complaints about a degeneration of personnel standards because of minority employment were discussed. Pointing to the need for a continued affirmative action program, Mr. McNamara asked Mr. Chadenet to talk to Mr. Knapp about these issues and to analyze the experience with the recruitment of minorities over the last three years.

CKW
October 20, 1977

792/2/264

MEMORANDUM FOR THE RECORD

Meeting with Mr. Hossain, Director of the Center for NIEO Studies, October 11, 1977

Present: Messrs. McNamara and Hossain

Mr. Hossain said that, out of the Paris discussions, a general consensus had developed among members of the G-77 that more policy and strategy-related research on NIEO related issues was needed. This led to the establishment of a Center for NIEO Studies last week in New York. The Governing Board would have the following members: Messrs. Perez-Guerrero (Chairman), Ramphal (Vice Chairman), Musa Bello (Nigeria), Jamal (Tanzania), Jazairy (Algeria), Abdul Maguid (Egypt), Yaganey (Iran), Sen (World Bank), Thahane (World Bank), Shihata (OPEC Special Fund), and Hossain. The Center would initially be located in Oxford and would count on the availability of start-up funds of about $500,000, mainly to be provided by the OPEC Special Fund. At a meeting in January 1978, about a dozen experts would be convened to identify and agree on priority areas for research. Two broad areas of research had already been suggested: (i) energy options for LDCs, and (ii) intra-Third World cooperation, particularly between OPEC and non-OPEC countries. Mr. Hossain said that he had talked to Messrs. Stern and Karaosmanoglu and that Mr. Stern had suggested the Center draw on the Bank's reservoir of information. Mr. McNamara said that he was delighted to learn about this recent initiative because he felt that the North/South dialogue lacked an intellectual foundation. He suggested Mr. Haq to be the main contact for the Center in the Bank. Mr. Hossain replied that he had invited Mr. Haq to attend the planned January meeting.

cc: Mr. Chenery
Mr. Clark
Mr. Stern
Mr. Karaosmanoglu
Mr. Haq

CKW
October 12, 1977

MEMORANDUM FOR THE RECORD

792/2/263

Meeting with Members of the Research Advisory Panel on Income Distribution and Employment (RAPIDE), October 10, 1977

Present: Messrs. McNamara, Fishlow, Kuznets, Lewis, Sicat, Solis, Rweyemamu, Chenery, BKing, Beenstock

Mr. McNamara said that the Bank was not only an investment agency but also a development institution. At times he felt uneasy about the policy advice he received, particularly on income distribution. He asked the Panel to address two fundamental issues--first, to analyze the degree of skewness of income distribution in countries over time and between countries, and, second, to propose different interventions open to the Bank and lay out their relative advantages and disadvantages. Mr. Fishlow pointed out that the Panel would have to make answers more operational. He enquired in which form answers would be most useful for Bank operations. Mr. McNamara replied that the Panel should recommend specific changes to the Bank's research program. For example, the recommendations of the panel on population had been extremely helpful for the Bank's population activities, including research. He emphasized that all research conducted by the Bank had to be justified to the Board. The Bank had been successful in directing the attention of governments to problems of income distribution. The willingness of governments to take actions had improved, as evidenced by the statements of a majority of governments at the Bank's recent Annual Meeting. (In the case of Brazil, for example, there had been a long argument in the past on whether available data on income distribution were reliable and then on whether the skewness of income distribution represented a necessary situation at this stage of development. Now there was at least modest action on the part of the Brazilian Government.) In suggesting concrete policy measures, however, the Bank was not certain on: (i) what emphasis should be given to income distribution policies at different stages of development, and (ii) which specific policy measures should be adopted. Further, quantitative analysis was required on how improvements in income distribution affect growth. He was not concerned about this issue if programs gave sufficient emphasis to raising the productivity of the low-income segments of society.

Mr. Fishlow pointed to the problem of developing a sufficient number of projects which effectively reached the poor. Mr. McNamara replied that, as far as rural areas were concerned, the Bank meanwhile knew how to do it. Through increased employment creation, projects now also more frequently drew in the landless. For urban areas, however, this indeed remained an unresolved issue. Sir Arthur Lewis enquired whether this implied that research should focus on urban areas. Mr. McNamara replied that one problem was to identify target groups in urban areas, and that the other problem was to develop the equivalent of an agricultural extension service for urban areas. Sir Arthur doubted whether, in view of the unprecedented population growth in LDCs, urban poverty could be eliminated unless population growth was stopped. Mr. McNamara said that there was also the inverse functional relationship, namely, urban poverty had to be fought in order to stop population growth. The Bank was increasingly aware of these complexities.

Mr. Fishlow asked whether Mr. McNamara was satisfied with the Bank's present research program. Mr. McNamara said that more emphasis had to be given to the development of a better data base, particularly to obtaining more time series data. The presently available data constituted a shallow base for an $8 billion lending program. The World Bank and the United Nations should do more to remedy that situation. Sir Arthur pointed out that census data were the best source and that 1980 was the census year, affording a tremendous opportunity if the right questions were to be asked. The World Bank should contribute to this. Mr. Kuznets said that the collection of data should be preceded by the development of a typology of LDCs, followed by sample design. A large amount of data were actually available, e.g., on India. Mr. McNamara agreed that, as a first step, the usefulness of available data should be analyzed. He assured the Panel that the Bank could afford to spend almost any amount the Panel might recommend to spend on data development. Sir Arthur felt that one did not need a large amount of data to do projects benefiting the poor.

The Panel enquired whether the Bank research results were expected to feed primarily into Bank operations or into policy discussions with member governments. Mr. McNamara replied that research had, first, to meet our own needs, both in terms of the Bank's investment work and its advice to governments; however, most results were also published for general public use. Mr. Fishlow enquired whether the Bank was satisfied with its researchers. Mr. McNamara said that there was a lack of new ideas generated in the Bank, particularly on income distribution and employment. Frequently research had been narrowly focused on very peripheral issues. Mr. Rweyemamu pointed out that there was little institutional research conducted by the Bank. Mr. McNamara agreed that increased attention should be given to how political and social institutions contribute to persistent very low levels of income. Mr. Kuznets said that research was also required on the economic differentiation attached to ethnic groups and minorities.

The Panel enquired whether the Bank considered strengthening local research capabilities. Mr. McNamara replied that local research should be encouraged through Bank research projects. He pointed out that the Bank had a sizeable outside research budget which, to the extent possible, sponsored research carried out through institutions in developing countries. Mr. Rweyemamu pointed to the vicious circle between poor quality of research institutions in LDCs and the allocation of research funds to these institutions. Criteria for allocating research funds should differentiate between continents.

CKW
October 19, 1977

MEMORANDUM FOR THE RECORD

792/2/262

Meeting to Discuss Cofinancing, September 23, 1977

Present: Messrs. McNamara, Knapp, Cargill, Gabriel, Rotberg, Wood

The meeting discussed Mr. Wood's draft paper on cofinancing dated September 22 and made a page-by-page review. It was decided that Mr. Wood would prepare a new draft for discussion by September 30 to be sent to Bank of America in advance of Messrs. McNamara's and Knapp's meeting with Bank of America on October 19.

Mr. McNamara also asked Mr. Wood to prepare a technical note on the economics of cofinancing for the meeting on September 30.

SB
September 27, 1977

MEMORANDUM FOR THE RECORD

792/2/261

Meeting on the Dissemination of the Annual Meeting Speech, September 16, 1977

Present: Messrs. McNamara, Clark, Merriam

Mr. McNamara said that he would like to have a list of the contacts that Messrs. Clark and Merriam had already made with respect to the Governors' speech.

Mr. McNamara said that the speech could be distributed with the appropriate embargo at noon on Friday, September 23.

Mr. McNamara agreed to meet with up to 19 journalists in his conference room on Wednesday, September 21, at 4:00 p.m. He hoped that the group would include representation from Time Magazine, Newsweek and U.S. News and World Report.

He would be willing to send advance copies of the speech to leading U.S. columnists and key television people with a personal note attached.

Mr. McNamara also agreed to an interview with the MacNeil/Lehrer Report on Friday, September 23, at 3:00 p.m. He would like to have a list of questions and points to be raised by noon on Wednesday, September 21.

Mr. McNamara did not feel that a general news conference after the speech would be appropriate but he agreed to be available to meet informally with journalists in the press room or, if Mr. Merriam would judge it constructive to meet with one or two small groups of journalists.

SB
September 19, 1977

792/2/260

MEMORANDUM FOR THE RECORD

Meeting to Discuss IBRD Capital Increase and Cofinancing, September 16, 1977

Present: Messrs. McNamara, Knapp, Cargill, Damry, Rotberg, Gabriel, Wood, Bock

IBRD Capital Increase--Mr. McNamara asked Mr. Wood to draft a note to be sent to the Board after discussion by the group some time during the week of September 19. The note would state that the time had come to start the discussion of the capital increase. There was wide support in principle for such a capital increase and we were now left with determining the amount and characteristics of the increase. We would hope that an agreement could be reached by early CY78 to permit an orderly preparation of the Budget for FY79. We would also hope that the items for discussion be directly related to the character of the capital increase, including such issues as the rate of inflation, the rate of growth of the lending program, the portion of a capital increase to be paid in, the corresponding borrowing program, representation and voting power.

Cofinancing--Mr. McNamara said that he and Mr. Knapp would visit the Bank of America on October 19 to discuss cofinancing. He asked Messrs. Wood and Rotberg to prepare a talking paper by the end of business September 21. The paper would show the IBRD lending level for the next five years, would outline the advantage for commercial banks to participate in financing LDC growth, and suggest an appropriate amount may be on the order of $500 million per year for Bank of America to cofinance with the World Bank Group, and would finally give assurance that we would inform the Bank of America of the countries and projects where we were contemplating lending. The paper could show several options for how such cofinancing might be arranged. Some discussion of grace periods, maturities and interest rates should also be included.

SB
September 19, 1977

792/2/259

MEMORANDUM FOR THE RECORD

Meeting to Discuss IBRD Liquidity and Disbursements, September 15, 1977

Present: Messrs. McNamara, Knapp, Cargill, Gabriel, Rotberg, Goodman, Wood, Bock

After a page-by-page discussion of the paper, it was decided to distribute the paper to the Board on September 20 for discussion on October 11, 1977. A revised copy would be given to Mr. McNamara on September 19 for his approval. Mr. Cargill would talk to Messrs. Fried, Ryrie and Looijen to obtain their views before the Board meeting on October 11.

SB
September 16, 1977

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

792/2 /258

OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: September 13, 1977

FROM: K. Kanagaratnam, Director, Population Projects

SUBJECT: Meeting on Population, September 8, 1977, 4 p.m., in Mr. McNamara's Office

Present:

USAID	- Mr. S. Levin	- Asst. Administrator for Population and Humanitarian Affairs
	- Mr. A. Furman	- Deputy Asst. Administrator
State Dept.	- Mr. Marshall Green	- Coordinator for Population Affairs
UNFPA	- Mr. R. Salas	- Executive Director
	- Mr. H. Gille	- Deputy Executive Director
	- Dr. N. Sadik	- Assistant Executive Director
Ford Foundation	- Mr. D. Bell	- Vice President
Bank	- Mr. R.S. McNamara	
	- Mr. J. Burke Knapp	
	- Mr. Warren C. Baum	
	- Mr. E. Stern	
	- Dr. K. Kanagaratnam	
	- Mr. S. Burmester	

The meeting, which lasted one hour and ten minutes, covered the following areas:

Coordination

1. Mr. Levin referred to his experience since taking office and found in his Agency inadequate knowledge of plans of other agencies and this brought home to him the need for better coordination. The cases of Mexico and Egypt were specifically referred to in the subsequent discussion, as in these two countries major programs of assistance were now being planned by USAID, UNFPA and the Bank; they were "key" countries with serious population problems. Mr. McNamara referred to the progress made between the Bank and UNFPA since they began formally structured semi-annual reviews. He invited USAID to undertake similar reviews with the Bank. In addition to such reviews, continuing consultations among the principal donors on an ad hoc basis, especially for key countries and major programs, were considered essential. In this connection Mr. McNamara referred to one outcome of the External Advisory Panel's Report -- the meeting in London between principal donors, planned for December 1977. This will focus on donor issues related to population assistance and the coordination of project financing among donors.

Exchange of Information

2. Mr. Salas referred to the substantial information which the Bank had, and hoped that the present exchange of information could be improved. The

Bank saw no problems in making available its population information to UNFPA and USAID and would be glad to do so. Ambassador Green added a caution that certain information and documentation which the U.S. had might involve judgment on individual officials and deal with classified material which would have to be excluded from such exchanges.

Priority Countries

3. Some discussion took place on the over-all objectives and priorities in the choice of countries in population assistance. Mr. McNamara emphasized the Bank's concern over population growth as a central objective and its emphasis to the 17 key countries in its work program. UNFPA representatives outlined their criteria for the choice of 40 priority countries which included factors such as population distribution, infant mortality, GNP, and population growth. Mr. Gille emphasized that the latter was not central to priority setting under their mandate. Ambassador Green referred to the 13 countries in the U.S. priority list that closely paralleled the Bank's 17 key countries, and noted that population growth issues were central to their concerns. Mr. McNamara emphasized that the Bank would focus its population activities in key countries and would be especially interested in ensuring satisfactory coordination in those countries.

Joint Missions

4. The efforts of UNFPA and the Bank to mount a joint mission to Bangladesh next month was referred to. It was agreed that where such an arrangement was acceptable to the government, as in Bangladesh, joint missions for developing information about programs and about the sector for subsequent operations by agencies will reduce the strain to the local government. Mr. Gille and Dr. Sadik also outlined UNFPA's "Basic Needs program" planned to cover 11 countries this year and 15 countries next year and hoped these could be coordinated with the Bank's work program. Mr. McNamara emphasized that the Bank would be interested in such missions for the key countries. Mr. Levin stated that there were many situations where the U.S. would wish to be associated with such missions but for reasons of political sensitivity in certain countries the U.S. would not wish to be formally associated with the multilateral programs.

5. Ambassador Green said that central to any needs study was the need to recognize the role of the national government in wanting to have sensible plans and be willing to implement them -- not just in population, but in other areas that impact on fertility. This will be consistent with paras. 31 and 32 of the World Population Plan of Action.

6. Dr. Kanagaratnam would submit as soon as feasible to Mr. McNamara a paper describing the UNFPA "needs assessments," which countries will be covered and the extent to which these overlap with the Bank's operational work, especially in key countries. He will work with UNFPA to prepare a plan by January 1978 for coordinating such missions.

Avoidance of Conflicting Advice

7. There was some discussion on the danger of conflicting advice that is at times given to governments by experts from different agencies. As total

national programming of population activities is not always practical, and as different agencies would not necessarily be expected to have the same perspectives and strategy objectives, it is essential that the principal donors ensure as a minimum that no advice that is likely to have a negative effect or be damaging to program goals be rendered. To ensure this, continuing consultation and exchange of views among the principal donors is essential. For instance, the provision of an effective contraceptive supply program was wholly consistent with a health and family planning approach. Dr. Kanagaratnam mentioned that it was hoped that there would be some useful discussion at the London meeting on the strategy approaches favored by the donors present, as well as on criteria used by different donors in the choice of priority countries and in the manner in which their assistance packages are selected.

Raising Additional Funds for Population Assistance

8. Mr. Levin said that the U.S. was expected to increase funds available for population assistance. He felt, however, that the U.S. did not wish to see the proportion of U.S. assistance to UNFPA go higher than at present (29%). He hoped the other industrialized countries should increase their contributions and asked if the Bank's good offices could be used to achieve this purpose. Mr. McNamara said it would be inappropriate for Bank staff to get involved in such efforts, but suggested that Mr. Levin use the presence of Bank Executive Directors of these countries in Washington to bring through to them the importance of and the need for such increased support. He was sure an informal meeting could be arranged through the office of the U.S. Executive Director.

Financing of Reproductive Biology

9. Mr. McNamara referred to his disappointment at Bellagio IV that not enough was being done in research in reproductive biology; he felt some $150-300 million could be productively used. The present assistance was small. Mr. Levin agreed to give this closer consideration to see how USAID could contribute. Mr. Salas said that the question of UNFPA assistance to the program was discussed at the last UNDP Governing Council but, as no agreement was reached because of differences between national representatives, they could not assist.

POSTSCRIPT

(i) A follow-up meeting with Mr. Levin and Mr. Furman has been arranged in the Bank for September 20, 1977 with Population staff;

(ii) A UNFPA team will visit the Bank on September 15 to finalize arrangements for a joint mission to Bangladesh and our participation in the UNFPA needs assessment in the Philippines.

cc: Mr. Knapp
Mr. Baum
Mr. Stern

KK/jim

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cc: Mr. Knapp
Mr. Baum
Mr. Stern

KK/jim

792/2/257

MEMORANDUM FOR THE RECORD

Second Meeting with African Executive Directors, September 7, 1977

Present: Messrs. McNamara, Damry and El-Naggar, Khelif, Razafindrabe, Thahane

Mr. Khelif said that the African EDs would like to discuss the following issues with Mr. McNamara as a preparation for briefing their Governors before the Annual Meeting:

(a) Timing and size of a general capital increase for IBRD;

(b) African representation and LDC voting power in the Board;

(c) Recruitment of Africans for positions in the Bank Group; and

(d) Major themes of Mr. McNamara's forthcoming speech to the Governors and the need for African support for these themes.

With respect to (a), Mr. McNamara said that the EDs should make two points to their Governors: (i) that a forthcoming general capital increase should be large enough to support increase in Bank lending in real terms as requested by both the Economic Summit in London and CIEC. Mr. McNamara was unwilling to suggest a specific amount but directed the EDs' attention to the footnote to the interim financial and operating plan which he had submitted to the Board on June 1, 1977, which indicates a capital increase between $30 billion and $40 billion; and (ii) the urgency of coming to a decision on the capital increase in early CY78. He hoped that the Board could begin discussions in October 1977. However, it would be vital that the discussion be limited to subjects directly related to the capital increase, such as, voting power, representation and size of lending program. Issues like program lending, sectoral concentration of lending and relations with the regional banks should be put aside for the moment.

As concerns (b), Mr. McNamara stressed that he would not be a party to a reduction in the number of African or Latin American seats in the Board. There were several ways this could be ensured and he had no preference with respect to any of these methods. Mr. El-Naggar said that the usual parallelism between the IMF and the IBRD would not apply to representation since it was unlikely that Saudi Arabia would want a seat in the Board of IBRD. Hence, the problem of representation would only arise if constituencies in IBRD were split. Mr. McNamara agreed. On voting power, Mr. McNamara said that he found that subject less important than representation. Here parallelism with IMF might be appropriate but no reduction in the percentage vote of LDCs should be tolerated.

On (c), Mr. McNamara said that we had made some progress with respect to recruitment of Africans. Mr. Habte had recently joined the staff as Director of the Education Department; one Program Directorship was now available for an African and there were two candidates for this post; and Mr. Bedie might join the IFC and would be coming to the Bank in October 1977 to discuss the matter. He urged the African EDs to help us to find suitable candidates for the Young Professional Program.

On (d), Mr. McNamara said that he would discuss the lending program and the capital increase, the need for continued expansion of commercial and multilateral lending to LDCs, the importance of trade measures to promote economic growth in LDCs, and the problem of absolute poverty and the need to meet basic human needs in his speech to the Governors. He hoped that the African Governors would support his position on these points. Mr. El-Naggar asked whether a copy of the speech was available at this point. Mr. McNamara said that he was still revising the speech but that he would be willing to loan a copy of the next draft to the EDs.

Mr. Thahane asked for indicative figures for the volume of IDA lending to African countries over the Fifth Replenishment period and hoped that no reduction would take place in the share of the African countries. Mr. McNamara asked Mr. Damry to raise this matter with him when the Fifth Replenishment became effective.

Mr. Thahane finally asked about the Committee on Staff Compensation and the U.S. proposal to appoint professional consultants to look into the compensation policies of international financial institutions. Mr. McNamara said that it was a step in the right direction that the U.S. now was willing to introduce professionalism in its attitude towards this matter.

cc: Mr. Knapp

SB
September 8, 1977

MEMORANDUM FOR THE RECORD

792/2/256

Meeting to Discuss the Future of the CGFPI, September 6, 1977

Present: Messrs. McNamara, Knapp, Baum, Yudelman

It was decided that, if any country at the forthcoming meeting of the CGFPI requested a review by the cosponsors of the future of the CGFPI, the Bank should agree to participate in such a review. The review would include a recommendation as to whether the CGFPI should be continued.

SB
September 7, 1977

MEMORANDUM FOR THE RECORD

792/2/255

Meeting to Discuss Possible Employment of Mr. Bedie by IFC, August 9, 1977

Present: Messrs. McNamara, Qureshi, de la Renaudiere

It was decided to suggest to Mr. Bedie that, under certain conditions, he could be offered a one-year employment as Special Advisor for African Affairs to the Executive Vice President of IFC. The main condition would be that Mr. Bedie should agree to follow the Bank's standard Code of Conduct with respect to private business interests. He should be asked to do so directly by either Mr. McNamara or Mr. Qureshi. Messrs. Qureshi and de la Renaudiere would prepare a reply on the matter to the Ivorian Ambassador for Mr. McNamara's signature. Both Mr. McNamara and Mr. Qureshi felt that Mr. Bedie could be an asset to IFC to increase the Corporation's involvement, particularly in Francophone African countries, but that he would need to have someone closely associated with him during his work in the field.

SB
August 9, 1977

792/2/254

MEMORANDUM FOR THE RECORD

Meeting to Discuss the Study of World Development Issues, August 3, 1977

Present: Messrs. McNamara, Stern, D.C. Rao

Mr. McNamara strongly stressed that Mr. Rao should be completely and solely responsible for the preparation of the Study on World Development Issues and should, under no circumstances, accept sharing this responsibility with any person or group. Mr. Rao would report directly to Mr. Stern who would dedicate whatever time necessary to the effort over the period until July 1978.

SB
August 3, 1977

MEMORANDUM FOR THE RECORD

792/2/253

Meeting to Discuss the Development Committee Agenda for the September Meeting, August 1, 1977

Present: Messrs. McNamara, Haq, King, Ahmad

Mr. King said that the Fund Board had been particularly interested in the future work of the Committee in light of the conclusion of CIEC and the economic prospects and capital requirements of the LDCs (Items 6 and 7 on the Draft Agenda). Questions had been raised whether the Committee paper on capital requirements would be different from the Bank's Prospects Paper or the proposed study of development issues. Mr. King had explained that there would be no difference, the Secretariat's paper would be based on prospects this year and on the study of development issues in future years. The Secretariat was preparing a work program for follow-up on CIEC, including such items as a possible worldwide STABEX program, volume of official development assistance, debt, private investment, and energy resource development. Mr. King said that he was still disappointed that ministers of finance apparently still did not know what they wanted the Development Committee to do. Participants in the working group meetings went on repeating their old positions without any progress being made. He hoped that the Brandt Commission and the study on development issues might help change this situation. Mr. McNamara said that the study on development issues should help focus the discussion in the Development Committee and hopefully lead to appropriate action on such items as debt, trade and absolute poverty.

Mr. King said that the Secretariat would very much like to be informed of progress on the study of development issues. Mr. McNamara said that we would be happy to do so and that Mr. King should keep in touch with Mr. Stern.

cc: Mr. Stern

SB
August 2, 1977

MEMORANDUM FOR THE RECORD

792/2/252

Meeting on Development Prospects and Progress, July 29, 1977

Present: Messrs. McNamara, Chenery, D.C. Rao

Candidates for the five professional positions in Mr. Rao's unit were discussed, based on the attachment to Mr. Chenery's memorandum of July 28. It was agreed that Mr. Gilmartin was a prime candidate and that others who might be approached included Messrs. Kavalsky, Bergsman, Bell, Acharya and Wolf. Mr. Chenery would talk to Mr. Gilmartin before his departure and Mr. Rao should talk to Mr. Stern on the latter's return from leave on August 3 about approaching other potential candidates. Six potential candidates for Regional Coordinator were mentioned: namely, Mr. O'Brien in East Africa, Mr. Payson in West Africa, Mr. Hinkel in East Asia and Pacific, Mr. Hicks in South Asia, Mr. Chopra in EMENA, and Mr. Greene in Latin America. Mr. Chenery would talk to Mr. Knapp about the regional contribution to the study. Mr. McNamara said that regional input was of course very important but that decisions on this input should be made on a timely basis without controversy. Mr. McNamara said that a good statistician should be associated with the work on the study and he asked Mr. Chenery to talk to Mr. Cheetham about this.

It was agreed that the requests for staff should be sent through P&B to Mr. McNamara and should be covered under the contingency.

SB
August 1, 1977