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OP - RESEARCH

1972/74

V

RETURN TO
CENTRAL FILES



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Operations - Research 1972 / 1974 Correspondence - Volume 5

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RECORDS MANAGEMENT SECTION

OFFICE MEMORANDUM

TO: Mr. Cargill

DATE: September 28, 1973

FROM: O. J. McDiarmid *OJM*SUBJECT: Back-to-Office Report -- Reconnaissance Survey of Labor Markets in
Some East Asia Countries

1. I have visualized this study as having two principal objectives. The first and most important is to make a preliminary investigation of the utilization of labor resources in the high growth economies of Korea and Taiwan in comparison with their utilization under the somewhat slower growth conditions prevailing in the Philippines and Indonesia. The second objective is to see whether and if possible to what extent the use of shadow or economic wage rates might be necessary for proper project preparation and appraisal in some or all of these four countries. I had also hoped (as it turned out over-ambitiously), to make some tentative estimates of the relation between economic and market wage rates where sizeable differences appeared to exist. The countries I visited were Korea, Taiwan, The Philippines and Indonesia (each for about a week) and also I made brief stops in Japan, Hong Kong, and Singapore.

2. Some more conclusive judgments may be possible after I have had time to analyze the rather voluminous data I collected, but as of now, I feel that the main value of the trip was to gain some acquaintance with labor markets in these countries and to see whether in fact a significant difference does exist between economic and market wage rates. I was also able to test to some extent the assumption rather widely held in the Bank that the marginal productivity of labor is lower in rural than in urban areas. I had expected that labor markets would be more active and meaningful in the faster as compared with the slower growing economies. The fact that this does not appear to be true is in large part the result of government controls over the labor markets in Korea and Taiwan. There is also, of course, the carry-over from the days of Japanese colonial rule, when job security and paternalistic relations between employers and employed substituted for free labor markets. As for the comparison I had hoped to make between the faster and the slower growing economies, while there are important differences in respect of the supply and demand for labor, the differences between labor market conditions are not as sharp as one might suppose. Generally the same is true of the differences between employment conditions in urban and rural areas, despite the fact that in all the countries I visited a strong movement of labor from the country to the cities continues even though in all cases except Taiwan there is a surplus of labor in urban areas. This at least is more evident, and perhaps politically significant than is true of the countryside. Our concept of the country-city problem has been colored very much by the situation on the sub-continent which is markedly different than in the smaller and particularly faster growing countries of the Far East. Even in Indonesia (with the exception of Jakarta) it is doubtful if a large influx of labor

is occurring into the cities because of significant real wage differentials. Other factors such as the usually illusory hope of jobs and the attractions of city life are more important. In Taiwan where a real labor shortage is developing as a result of the very rapid growth of the labor intensive electronics industry. Special transport facilities and other inducements such as housing and recreational facilities are used to attract labor from the rural to the urban areas in Taiwan. However, this is an exceptional situation and in all other countries I visited there is a considerable redundancy of labor in the cities.

3. I thought that a survey of this type would be valuable before we start requiring our country economists to calculate shadow wage rates on the basis of macro-economic national parameters, such as consumption and production functions, social rates of discount and the marginal productivity of labor and capital. I feel that, in view of the high degree of speculation that must go into such calculations, shadow wage rates should be used only where it would produce a demonstrable economic advantage. The lack of homogeneity within our countries is another handicap to using national parameters though (with the exception of Indonesia) this may be less of a problem in the Western Pacific than in India and Pakistan.

4. I asked planning officials about their attitudes towards the use of shadow wages. While some academic work has been done on the subject, the attitude of responsible officials towards the question ranges from the skeptical to the antagonistic. Some of course have no conception of the significance of the problem but in some instances such as the University of Philippines economists have written on the subject but with little enthusiasm for its adoption. The most forthright reaction I had was from Mr. Hwang, the Chief of the Planning Board of Singapore, who seems to believe that Singapore has a perfect labor market and said that anyone mentioning the shadow price of labor should be severely dealt with.

5. I do not want to state any conclusions of my own regarding the improvements in project appraisal that would result from the use of shadow wage rates until I have analyzed my data. However, there is one point that seems evident even in such comparatively affluent countries as Korea. Discussion on income distributed in the Bank has tended to center on rural poverty largely because of our reports on the sub-continent. However I believe that in the Far East the problem of urban poverty is even more striking and politically explosive. Urban poverty may be in large part a function of lack of job opportunities, but it is also a function of exploitation and the relative bargaining power as between the employer (often in a highly protected industry) and the employees.

6. In the remainder of this note I will comment on some of the highlights of my observations in the several countries visited and try to suggest projects for further investigation since obviously in no place was my time adequate for anything like a proper labor market survey. Better employment and unemployment statistics are needed almost everywhere. I also gathered some material on the policies of the countries towards private foreign investment, and will do a short separate report on this subject.

KOREA

7. With an overall economic growth rate of nearly 10 % per annum compared with a population growth of 2.3 % one would expect a fairly full absorption in the labor force of the economically active portion of the population and also a low rate of unemployment. However, the labor force is estimated at only 30 % of the population (compared with the I.L.O. average of 40 %) and this amounts to about 56 % of the population of 14 years and over. Officially announced unemployment (as a percent of the labor force) declined from 4.5 % in 1971 to 1.4 % in 1972. However, most observers are of the opinion that these data are too low since unemployment is measured by those "seeking" jobs and who have not worked at all during a period of one month prior to the sampling date. This method of measurement of unemployment which is used in most countries in the Far East probably gives a downward bias to the official rate of unemployment since people are reluctant to admit that they are seeking and not finding jobs. One well-informed source gave me an estimate of about 10 % as the percent of the potential labor force in urban areas which is unemployed. He said that a good deal of the unemployment is attributable to the fact that boys leaving school delay seeking employment until they have completed their Army Service. The extended family system, while it provides a substitute for social security may also reduce the incentive to seek work outside the family. There is a considerable flow of unskilled labor into the cities from the rural areas and the Government is attempting to reduce this by going slow on its housing program in the cities and by encouraging industrialization on a decentralized basis.

8. Of the economically active population in 1971, 37 % was female and 63 % male. The work force in Korea is divided about equally between the farm and non-farm elements. There is considerable seasonal fluctuation in on-farm employment with the peak in June about 75 % above the low in December. Non-farm employment has very little seasonality.

9. Average earnings per employee increased 17.6 % as between April 1970 and April 1971 as compared with 10.3 % during the following year. Labor in all categories except construction and transportation exhibited a faster increase in 1970-1971 than in 1971-1972. The consumer price index rose by 6.8 % in 1970-1971 and 11 % in 1971-1972. Thus, it would appear that for industry as a whole (excluding agriculture) real wages rose 3.5 % in 1970-1971 but declined slightly in 1971-1972.

10. Ostensibly, the labor market in Korea is relatively free. There is no effective minimum wage though standby legislation has been drafted. The Government has established some guidelines for export industries of 25-30 dollars a month equivalent but their effectiveness is limited by disagreement among the ministries. The principal activity of the Government is to act as a clearing-house as between the unemployed workers and prospective employers and in this connection it has a good deal of involvement over wages and working conditions. Out of an employed labor force of about 4 million only 500,000 belong to labor organizations and these are effectively barred from resort to strikes or other collective bargaining devices. Therefore, though the relatively low level of unemployment might indicate that wages compare fairly well with the marginal productivity of labor, restrictions on the mobility of labor and its lack of effective bargaining power probably keeps the market wage rate somewhat below its economic level.

11. As an offset to the Government pressures to keep wages low, Korea provides a system of Workmen's Compensation and a large number of other fringe benefits. One month of severance pay is usually given by private employers but aside from the pension system of the Army and the Government Service, other social security is the responsibility of the private employers. Labor disputes are settled by compulsory mediation which amounts to compulsory arbitration.

12. The Office of Labor Affairs is conducting a vocational training program with emphasis on training people for off-season employment. The plan contemplates the establishment of 5 vocational training centers, two of which have already been established. One of the large factories I visited had established its own vocational training school. The Government is also running an overseas training program. 50 million dollars has been provided for this purpose and many technicians have been sent to countries such as West Germany. There is a plan to introduce a nation-wide social security system next year.

13. In its project analyses the Government has not used shadow pricing though world market prices as compared with domestic costs are used as one of the criteria in evaluation of the projects. In the case of commercial projects the internal rate of return is calculated while in public sector projects the discounted cash flow method is used. In both cases the related benefits and costs are estimated and included in the cost benefit analyses.

14. There seems little justification for adapting a shadow wage structure for labor in Korea since the market wage mechanism is working reasonably well. Probably the market wage is lower than

the marginal productivity of labor and judging from the high profit rates and the demand for the skilled or semi-skilled workers there may be more basis for using a shadow price of capital in view of the high returns on capital and the rather modest interest rate structure of 7 to 15 %.

TAIWAN

15. In most respects the labor situation in Taiwan resembles that of that in Korea except my impression is that Taiwan is making somewhat better overall use of its labor resources than Korea. This is true both in respect of the training facilities provided and the type of industries which are encouraged to establish themselves in Taiwan. Industries using large numbers of comparatively unskilled female laborers are predominate in Taiwan while Korean industries tend to be rather more capital intensive. However, I noted that in neither country is much attention given to the training of new technicians who might be expected to develop into small-scale industrial entrepreneurs. Training in the use of sophisticated equipment is stressed and the training periods are tailored to employer requirements.

16. The labor participation ratio (the ratio of the labor force to the population over 14 years of age) declined slightly from 58.6 % in 1964 to 56.6 % in 1971. The same level and trend of the participation ratio is evident in Korea. The same period (1964 - 1971) the real productivity of labor increased by 44.2 % in Taiwan but capital investment required to employ an additional worker increased 232 %. Even so the most economically sound industries in Taiwan are fairly labor intensive.

17. The rate of unemployment in Taiwan is probably somewhat lower than in Korea although again the official figure of 1.3 % (for 1972) of the labor force is probably much too low. This compares with 3.3 % estimate for 1965. The labor force increased (31.6 % during this period and employment by 37.5 %). The female component of the labor force (as percent of economically active female population) increased from 27 % to 33 %. Judging by educational levels of the workers there was a small improvement in the quality of the labor as between 1968 and 1972. The non-agricultural component which is about half the total labor force in Korea was only 67 % in Taiwan in 1972.

18. The monthly average wage in manufacturing is N.T. 1792 (\$47.8 dollars) in July 1972. This breaks down N.T. 2317 (61.8 dollars) for males and N.T. 1371 (36.6 dollars) for females. As between 1968 and 1972 real wages increased by about 1/3 in agricultural and about 27 % in manufacturing. At the same time, the productivity of labor increased by 25 % in agriculture and 56 % in manufacturing.

19. Despite the economy's rapid rate of development, the mobility of labor in Taiwan seems to be fairly limited. Over the 5 year period 1967-1972 only a little more than 5 % of those in primary industry moved to secondary industry and 3.7 % to tertiary industry. The movement from tertiary and secondary industry to primary industry was only a little over 1 %. As might be expected the seasonality of demand for labor is largely in agriculture peaking in July and November at around 125 % of the yearly average with the low point of 77 % of the yearly average occurring in September.

20. Labor organizations seems to be about as ineffective in Taiwan as in Korea. However, social security and minimum wage requirements may be somewhat superior in Taiwan. Vocational education seems to be better organized and is financed by a pay-roll tax. Stress is being placed on vocational education since the working age population is expected to be fairly stable during the next decade and improvement in the quality of the labor force is considered as of high priority.

INDONESIA

21. Our information on the labor market situation in Indonesia is particularly limited both in respect of coverage and reliability. A population census was taken in 1971 and this together with spot surveys can be used with reservations. Although the economically active population of Indonesia covers a wider age span than that of Korea and Taiwan, the census data indicate that it constitutes a lower percentage of the population than in those countries. Just under 50 % (compared with 57 % in Taiwan) of the population of Indonesia is "economically active" (defined as those falling in the age group of 10 years and over). 68.7 % of the males and 32.1 % of the females in the economically active population were recorded in the census as being included in the labor force. The percentage of the urbanites in the urban labor force was about 10 % less than for those in the rural areas. 42.8 % of the urban and 52.1 % of the rural population were so classified. It may be speculated that these low percentages indicate unemployment rather than lack of labor force participation. Also payrolls in Indonesian industry tend to be padded because of the red tape involved in reducing personnel.

22. The unemployment rate reflected in the census is lower than even the official figure for Korea. About 2.4 % of economically active men and 1.8 % of economically active women were registered as unemployed in 1971. As in other Far East countries the unemployed are defined as those seeking work but not finding it during the month (or week in the case of the Philippines) prior to the recording date.

Unemployment in the cities among the men in the labor force was about 5 % while about 4.5 % of urban females were recorded as unemployed. Actually however, the Labor Department told me that they view the unemployment situation quite seriously and reckon that 20 % of the labor force is less than fully employed. (The Department is proposing a scheme to provide funds for labor intensive small-scale industry. This is still an idea rather than a program.) Doctor Leiserson of the I.L.O. noting the decline in the participation ratio over the last 3 years conjectured that it was because better education opportunities were drawing youths out of the labor force. The Minister of Labor, Dr. Subroto would not confirm this explanation and referred to the heavy drop-out rate from secondary schools as indicating that educational activities were not absorbing a larger portion of the labor force. I feel, however, that the number of technically educated unemployed which was quite high in Indonesia a few years ago, has now been reduced.

23. The movement of population from urban to rural areas has not been as pronounced in Indonesia as elsewhere except in the case of Jakarta which is receiving an influx of about 140,000 new residents a year. There are a number of factors tending to reduce the flow of population from the country to the city such as multiple-cropping in the rural areas (50 % of the rice area is now under more than one crop a year). Another factor is the transmigration program for the movement of the people out of Java which is discussed below. About 950,000 are said to be employed in rural work relief programs. It is worth noting that there is little possibility for mechanization of agriculture in Indonesia.

24. The wage structure of Indonesia is extremely complex. The general principle seems to be that wages paid by different firms are based on ability to pay with the foreign firms, particularly the oil and mining companies paying several times as much as the smaller indigenous plants. No doubt they also get the best people. The policy is that foreign firms should pay at least 30 dollars a month equivalent but Stanvac and Caltex, for example, pay their labor about 40,000 rupiah a month or something approaching a hundred dollars whereas a new tobacco factory just established pays about one-fifth of that amount. Sweatshop wages of as low as Rp 35 a day are not uncommon. According to the Statistical Bureau of the Jakarta Municipality, the average yearly salary of employees in Jakarta has increased from about rupiah 48,000 in 1969 to rupiah 74,000 in 1970. The minimum wage for Jakarta which applies only to municipal workers is rupiah 140 or roughly 34 cents a day and other regions also have minimum wages. That of the Central Government is 4300 rupiah a month plus 10 kilos of rice for each person in the family. The Government has established a National Wages Board and a study is going on to decide whether a national minimum wage would be desirable. Although there are 112

labor offices in Indonesia they are understaffed and have to perform all functions related to labor such as safety inspection and mediation of labor disputes as well as acting as labor exchanges. As far as unemployment is concerned, they concentrate on the foreign workers who want to leave Java and register for work in the outer islands. The family structure of Indonesia is changing so that a more-organized social security system appears to be necessary. At present, apart from the Government and the Army, social security such as Workmen's Compensation and Old Age Pension is still is on a voluntary basis as far as employers are concerned.

25. Labor disputes are handled by what amounts to compulsory mediation or arbitration. At present there is only one labor federation for the whole of Indonesia and about 20 industrial unions belong to it. Formerly there were 26 federations each with a number of unions sponsored by political factions. The total number of unions is said to be about 400. The object of the Government is to have one union per plant organized on an industrial basis as it has been found that the plants that do not have unions are more strike-prone than those that do.

26. Despite the great variation among the wage rates paid by different plants and industry, a high-government official told me that he felt that labor in Indonesia was paid at about its opportunity cost.

PHILIPPINES

27. Labor data are more abundant for the Philippines than for other developing countries in the Far East with the possible exception of Taiwan. The Philippine Bureau of Census and Statistics issues a quarterly sample survey of labor force data which can be extended back to 1965. Unfortunately there is a time lag of about 2 years between the publication of the data and the period to which it applies. However, the labor force surveys probably give a reasonably accurate basis for estimating the size and composition of the labor force. The labor force was 12.9 million as of August 1971 or about half the economically active population. As in Indonesia the economically active population is defined as the number of people over 10 years of age. Males accounted for 67.3 % and females for 32.7 % of the labor force and the average hours worked was also somewhat higher for men than for women. The Philippine labor force is divided about equally as between those employed in agriculture and in non-agriculture pursuits. However, only about 11.7 % was employed in manufacturing. As might be expected the percent employed in agriculture is declining and that in manufacturing slowly increasing. In 1962 61.5 % of the labor force was employed in agriculture and this had shrunken

to 48.9 % in 1971. Meanwhile, the percent of manufacturing increased from 10.9 percent to 11.6 percent. This indicates of course the growing importance of the service sectors including government employment.

28. Fairly detailed but rather obsolete data are available on unemployment which has some surprising features in the Philippines. The August, 1971 survey placed it at 5.2 % of the labor force. There is some seasonality owing to the slow-down of construction during the rainy season but it is comparatively minor. The Philippine statisticians attempt to make an adjustment for partial unemployment or underemployment. Taking this into account the percentage of the labor force not at work was 7.4 % in August and 9 % in May of 1971. A somewhat larger proportion of women than men suffer from unemployment since men accounted for 60.9 % of the unemployed and women for 39 % as compared with their respective participations in the labor force of 67.3 and 32.7 %. That a large percentage of the unemployed are "floaters" is indicated by the fact that over 2/3 of the unemployed are unmarried.

29. An interesting aspect of the labor situation in the Philippines is that the unemployment rate was 8.1 % in the urban and 3.8 % in the rural areas. In Manila and its suburbs the unemployment rate was over 11 %. Unemployment is defined as those who have not worked at all during the week prior to the survey date. On an industrial basis agriculture had the lowest (1.7 %) rate of unemployment and construction the highest (9.9 %) in August 1971. This high rate for construction was of course largely due to the fact that August is in the rainy season. Although the percent of full-time unemployment in agriculture is very low the incidence of part-time work (underemployment) in agriculture is nearly twice as large as in non-agricultural industries namely 31 % as compared with 16.5 %. In manufacturing, under-employment is estimated to be 25.9 % of the labor force in that sector. Under-employment means those who have jobs but are not working 50 hours a week, quite a rigorous standard. The higher incidence of underemployment in agriculture does not make up for the much higher rate of complete unemployment in the non-agricultural occupations.

30. Turning to the wage situation, there is a minimum wage of 8 pesos a day for non-agricultural labor and 4.75 pesos for agricultural workers. That these wage levels are fairly well enforced is evident from the fact that the over-all average weekly wage for all workers in August, 1971 was 47 pesos a week or less than 8 pesos a day. The components of this average varied from 83 pesos for technical-professional workers to 25 to 30 pesos for domestic servants and 38 pesos for manual workers. In the Philippines as in Indonesia, certain categories of firms and industries appear

to pay higher wages than the labor market situation would seem to indicate as necessary. Firms in which there is a large foreign participation fall in this category as well as industries with strong trade unions. Also the government sector pays wages well above those paid in the private sector.

31. There are about 6 thousand registered unions in the Philippines but only about 50 % of these are engaged in collective bargaining and many operate as labor contractors supplying labor for work projects. About 2 million of the labor force or about 15 % are unionized but of course outside agriculture the percentages are quite high. All of mining is unionized and 75 % of manufacturing. This is in sharp contrast to other countries I visited in the Far East. Prior to martial law there were about 100 strikes a year but strikes are banned under martial law and compulsory arbitration is used. However, the sugar workers who are among the most depressed labor group in the Philippines are now open to unionization whereas this was not true before martial law because of pressures by the sugar bloc and its political supporters. There is a good deal of competition between different unions in many plants. In general, labor unions appear to be a fairly strong economic force in the Philippines but have not organized politically. The Philippines is also more advanced than most other Far East countries in social security arrangements. Employers are required to pay 3.5 % and workers 1.5 % of the wage to provident funds which provide lump sum payments to the workers after a certain age or after a certain number of years of employment. There is no unemployment insurance however.

32. Owing to the under-employment in agriculture mentioned above the average agricultural laborer works fewer hours a week than the non-agricultural worker (about 40 as compared with 50). Another interesting point is that the unemployment rate appears to increase with the amount of schooling received. There is also a large amount of under-employment among the highly-educated.

33. Professor R. P. Alonzo of the University of the Philippines, while not endorsing the use of shadow wage rates, has made a rough estimate that the shadow wage for unskilled labor in urban areas is about 5.75 pesos a day (compared with the minimum wage of 8 pesos) and in agriculture 4.16 pesos as compared with the legal minimum of 4.75 pesos. However, he did not use any particular formula for arriving at these results but rather took actual average wages in situations deemed to reflect market forces. He makes the interesting observation that martial law may have reduced the shadow wage rate by 10-20 % since it has removed some impediments to freedom of the labor market.

CONCLUSIONS

34. A few tentative conclusions may be drawn from the observations outlined above.

(1) The participation ratio for labor seems to be higher in the faster growing countries largely because of the large element of female labor in the work force.

(2) In Taiwan and possibly Korea the economic or shadow price of labor may be above (rather than as usually assumed) below the market wage rate.

(3) There is more collusion among employers than among workers in Taiwan which serves to keep wages down. However Taiwan may soon be experiencing a rather acute labor shortage and will become a higher cost economy.

(4) There is a very large variation in wage rates in Indonesia where wages tend to be based on ability to pay of the employer. Shadow wages probably vary widely in that country.

(5) In these countries with the possible exception of parts of Indonesia (West and Central Java) there does not appear to be a large mass of unemployed labor in rural areas which (if present) would justify the assumption of zero marginal productivity of unskilled agricultural labor.

(6) Official unemployment rates are surprisingly low but this is illusory in Indonesia because of the methods used in collecting the data. It may also be true of Korea though to a lesser extent.

	Labor Force as Percent of ^{1/} Economically Active Population, etc.				Distribution of Unemployment		Collective Bargaining	Min Wage
	Total	% in Ag.	% Male	% Unemployed	Agriculture	Other	Effectiveness	
^{2/} Korea	56.0	49.9	63.0	1.4 ^{5/}	1.5	1.3	Weak	None
Taiwan	56.6	33.0	67.0	1.3 ^{5/}	NA	NA	"	"
Indonesia	50.0	80-90	68.7	4.5 ^{5/}	"	"	Political	Regional
Philippines	49.9	50.0	67.3	5.2	3.8	8.1	Reasonably Effective	^{3/} ^{4/} Effective

^{1/} For Korea and Taiwan economically active population is defined as those 14 and over. For Indonesia and Philippines 11 and over.

^{2/} Data refer to 1972 in most instances otherwise to 1971.

^{3/} Well unionized but right to strike now suspended.

^{4/} Only by comparison with other countries in the area.

^{5/} Unofficial estimates are much higher.

cc: Weiner
Goodman
Baneth
Bruce
P. Hasan
Bussink
Chetham
Reif
T. King
Mrs. H. Hughes

OJMcDiarmid:cd

Mr. A. Ray, Secretary, Research Committee

September 28, 1973

Robert J. Dewar, EAPAG

Research Committee Report: Research Projects (Research components
of Agricultural Production and Rural Development Projects)

I refer to Mr. Stern's memorandum of September 6, 1973 and
enclose herewith a list of projects with agricultural research com-
ponents financed out of Loans and Credits in this Region.

cc: Mr. Kirmani

~~HMalik:rbh~~

EASTERN AFRICA REGIONAL OFFICE

AGRICULTURE DIVISION

RESEARCH COMPONENTS FINANCED OUT OF LOANS AND CREDITS

Country Loan/Credit Project Title	Major Purposes	Starting Date	Projected Completion Date	Total Projected Cost of research component (US\$ '000)	Consultants/ Research Institutes/ Agencies responsible	Appraisal Report Reference
BOTSWANA 325-BT Livestock Development	Studies on: (a) marketing of livestock in the country. (b) rejuvenation of communal village pastures associated with breeding ranches in Western State Lands. (c) effect of fencing and ranching on the migrants; collection of meteorological and botanical data; measurement of liveweight changes in cattle.	(a) and (b) April 1974 (c) April 1973	(a) and (b) Two man years (c) December 1976	255	(a) and (b)-Consultants to be appointed. (c) Scientific staff of Ministry of Agriculture and Ministry of Commerce, Industry and Water Affairs.	No. FA-101a
BURUNDI 147-BU Arabica Coffee Improvement	Fertilizer trials on farmers coffee plots.	July 1969	June 1973	20.6 ^{1/}	Institut des Cultures Industrielles du Burundi (ISABU).	No. TO-673a
ETHIOPIA 169-ET Wolamo Agricultural Development I	Crop and animal husbandry trials.	April 1970	December 1975	230	Training and Trials Division of the Project Organization,	No. PA-9a
ETHIOPIA 188-ET Settit Humera Agricultural Development I	Crop trials - testing of advanced techniques including fertilizers, pesticides; alternative crop rotations; use of sophisticated farm machinery; weed control.	September 1970	June 1974	150	Project Staff under the guidance of Institute of Agriculture Research.	No. PA-30a

^{1/} Estimated revised cost (Supervision Report of March 5, 1973).

Country Loan/Credit Project Title	Major Purposes	Starting Date	Projected Completion Date	Total Projected Cost of research component (US\$ '000)	Consultants/ Research Institutes/ Agencies responsible	Appraisal Report Reference
ETHIOPIA 269-ET Addis Ababa Dairy Development- Livestock I	Field studies of improved pastures and fodders.	May 1972	June 1977	100	Project Staff in consulta- tion with Dairy Develop- ment Agency and Agricultural Research Institute.	No. PA-68a
ETHIOPIA 290-ET Coffee Processing	Investigations on: (a) different grading methods of Ethiopian coffee to maximize returns from exports. (b) current coffee management practices and possible improvements.	December 1972 December 1972	June 1975 June 1977	250	Institute of Agricultural Research.	No. PA-119
ETHIOPIA 304-ET Agricultural Industrial Development Bank	Agricultural Credit Study.	August 1973	January 1974	200	La Societe d'Etat Le Bureau pour le Developpement de la Production Agricole (BDPA).	No. PA-123a
ETHIOPIA 418-ET Amibara Irrigation	Crop Improvement; work on fodder crops.	January 1974	June 1978	50	Agricultural Research Station Melka Warer.	No. 70a-ET
ETHIOPIA 416-ET Agricultural Minimum Package I	Crop improvement.	November 1973	June 1976	241	Institute of Agricultural Research.	No. 84-ET
KENYA 344-KE Smallholders Agriculture Credit II	Agricultural Credit Survey.	October 1973	June 1976	280	Consultants (to be appointed)	No. PA-137a
KENYA 641-KE Forest Plantation I	Studies on sawlog and pulp wood availability and marketing pros- pects.	September 1970	December 1971	77	FAO Investment Centre.	PA-14a

Country Loan/Credit Project Title	Major Purposes	Starting Starting Date	Projected Completion Date	Total Projected Cost of research component (US\$ '000)	Consultants/ Research Institutes/ Agencies Responsible	Appraisal Report Reference
KENYA Livestock II	Ranch management techniques, feed and fertilizer response studies.	March 1974	March 1979	100	Project Staff.	No. 193-KE
LESOTHO 361-LSO Thaba Bosiu Rural Dev.	Development of rainfed crops including incorporation of fallow fodder crops in the crop rotations, cultivation techniques, integrated farming; investigations on systems of permanent cropping to maintain soil structure and fertility.	June 1973	December 1979	330	Project staff in association with Government Research sub- station in the project area.	No. PA-147a
MALAGASY 214-MAG Lake Alaotra Irrigation	Crop diversification.	September 1972	June 1973	306	Project staff.	FA-40a
MALAGASY 322-MAG Morondava Irrigation and Rural Development	Crop (tobacco, cotton, peanut, forage) improvement and suitability of red sandy soils for other crops.	August 1972	December 1978	250	Institut de la Recherche Agronomique Malagache (IRAM).	FA-128a
MALAWI 114-MAI Shire Valley Agric. Dev.	Determination of the best farm management methods.	March 1969	March 1973	100	Project staff.	TO-612a

Country Loan/Credit Project Title	Major Purposes	Starting Date	Projected Completion Date	Total Projected Cost of research component (US\$ '000)	Consultants/ Research Institutes/ Agencies responsible	Appraisal Report Reference
MALAWI 282-MAI Karonga Rural Development	Studies on improved rice varieties, alternative crops, hydrology; fertilizer trials.	August 1972	June 1977	299	Project Staff.	PA-106a
MALAWI 363-MAI Shire Valley Agric. Dev. II	Seed-bulking, irrigated and rainfed crop trials; fertilizer trials; development of farming systems suitable for traditional farmers; fishery experiments.	April 1973	June 1978	970	Ministry of Agriculture and National Resources and Project Staff.	33a-MAI
MAURITIUS 239-MAS Tea Development Authority	Leaf analysis.	November 1971	June 1977	23.6	Mauritius Sugar Industry Research Institute.	PA-70a
SUDAN 311-SU Mechanized Farming II	Studies on techniques of Land levelling, drainage, soil preparation, sowing and weeding; crop diversification; varietal trials of sorghum and sesame and their response to fertilizer; sorghum's varietal resistance to striga hermonthica.	September 1972	June 1978	154	Mechanized Farming corporation and Agricultural Research Corporation.	PA-126a
SUDAN 364-SU Rahad Irrigation I	Investigation of agronomic problems viz. feasibility of long furrow irrigation, alternative planting dates, pre-emergent herbicides, mechanical cotton picking.	June 1973	December 1977	187	Rahad Corporation and Agricultural Research Corporation.	PA-139b

Country Loan/Credit Project Title	Major Purposes	Starting Date	Projected Completion Date	Total Projected Cost of research component (US\$ '000)	Consultants/ Research Institutes/ Agencies responsible	Appraisal * Report Reference
TANZANIA 217-TA Flue-cured Tobacco	Tobacco research-husbandry techniques; rotations; pest-control; varieties; barn-design and curing techniques; fuel-wood species trials and crop diversification.	January 1971	March 1976	495	Project staff.	PA-42a
ZAMBIA 627-ZA Livestock	Pilot pasture proving trials.	September 1969	May 1974	61	Project staff.	PA-10a
ZAMBIA 685-ZA Commercial crops: Maize- Tobacco Farming	Crop diversification.	October 1970	June 1975	654	Mukonchi Unit of the Project.	PA-28a

Mr. Robert S. McNamara

September 28, 1973

Mahbub ul Haq **signed Mahbub ul Haq**

Revisions in the Policy Paper Inventory

1. There are only a few minor changes in the policy paper inventory since September 1, as shown in the attached corrected version of that issue. Most of these involve small changes in the schedule of PRC review because of the intervention of the Annual Meeting and to avoid bunching of PRC meetings in late October.

2. The only major change concerns the addition of a policy paper on beef which will analyze market shares, trends in world supply and demand, trade barriers and review the world outlook for meat with a view to examining future Bank lending policy for beef. The paper will be prepared in DPS-EPD and is tentatively scheduled for PRC review in November 1973 and Board presentation in January 1974.

Attachment (as stated).

cc: Messrs. Chenery
Baum
Stern
van der Tak
Tims
Gulhati
Owen
Ljungh

MH:ms

INVENTORY OF PAPERS WITH SIGNIFICANT POLICY RELEVANCE UNDERWAY OR PLANNED - FY74-75

October
(As of ~~September~~ 1, 1973)

I. Policy Papers for PRC and/or Board Review

Subject	Major Responsibility	Start	Distribution/Discussion		Special Comments
			PRC	ED's	
A. General					
1. Bank policy on financing tea	DPS-EPD (Hulley)	Completed	Completed November	Completed September 1973	Discussed in PRC October 1973
2. Bank participation in export financing	DPS-EPR (Varon)	Started	December 1973	January 22, 1974	Review of trade-related financing by the Bank Group; analysis of economic work on export policy in recipient countries.
3. Bank policy on financing cocoa	DPS-EPD (Singh)	Started	December 1973 (October 1973)	March 19, 1974 (January 29, 1974)	Paper to examine Bank lending policy for cocoa. Discussed in PRC August 1, 1973
4. Bank Group Lending Program, FY74-78	P&B-DPS	August 1973	December 1973	February 26, 1974	Will review both quantitative and qualitative goals of the next five-year lending program.
5. Review of housing sector and housing requirements	DPS-ECD (Keare)	Started	October 1973	March 12, 1974	Experience of other agencies in the field, target population to be served by housing-related projects, and guidelines for future Bank work in the field.
6. Environmental criteria in project evaluation	CPS-VPS (Lee)	April 1973	January 1974 (October 1973)	21, May 1974 (February 1974)	Major issues facing the Bank in application of environmental criteria in projects.
7. Bank Group role in financing health	DPS-ECD (King)	September 1973	September 1974	December 1974	Paper will include discussion of economic cost of poor health.
8. Bank role in financing capital goods exports from LDC's (Israeli Proposal)	DPS-EPR (Swaminathan)	Started	Done April 1973 November	None so far planned	Draft paper sent to the President.
9. Bank Group role in least developed countries	DPS-EPR (Vibert)	Started	September 1973	None so far planned	Will analyse present lending policies and scope for larger effort to help the least developed countries.
10. Criteria for employment of departmental forces (Force Account) in Bank-financed civil works.	CPS-TRP (Jaycox)	September 1973	December 1973	None so far planned	Discusses and establishes policy of Bank toward use of force account approach to civil works projects.
B. Agriculture and Rural Development					
11. Land reform	CPS-ACP (Yudelman)	January 1973	December 1973	March 26, 1974	Will evaluate the role of land reforms in improving the framework for accelerated agricultural production and more equitable distribution. It will incorporate results of 35.
12. Credit to small farmers	CPS-ACP (Courbois & Hendry)	January 1973	December 1973	April 2, 1974	Will examine operational policies and procedures to reach the small farmers.

Monthly

INVENTORY OF PAPERS WITH SIGNIFICANT POLICY RELEVANCE UNDERWAY OR PLANNED - FY74-75

(As of ~~September~~ ^{October} 1, 1973)

Subject	Major Responsibility	Start	Distribution/Discussion		Special Comments
			PRC	ED's	
13. Rural development	CPS-ACP (Yudelman)	Started	August 1974	October 1974	Will look into possible new arrangements for Bank assistance to rural development projects.
C. <u>Education and Human Resources</u>			October		
14. Nutrition operations	CPS-PNP (Berg & Baldwin)	Started	September 1973	November 20, 1973	Discussed at PRC staff level on June 28, 1973.
15. Revision of education sector policy paper	CPS-EDP (Ballantine)	Started	1st half of 1974	July/August 1974	Will incorporate results of papers in Section II.
16. Revision of population sector policy paper (tentative)	CPS-PNP (Baldwin)	End 1973	2nd half of 1974	None so far planned	Revision of 1972 paper with new material in section on Bank operations.
D. <u>Industry, DFC's and Mining</u>					
17. Mining sector working paper	CPS-NDP (Cash)	June 1973	October 1973 (September 1973)	December 11, 1973	
18. Bank role in natural resource development and enclave projects	DPS-EPR (Varon)	July 1973	December 1973	None so far planned	Policy note on long-term outstanding issues.
19. The World Bank and Development Finance Companies	DPS-ECD	Started	Done	None so far planned	PRC staff discussion scheduled for September October.
E. <u>Public Utilities</u>					
20. Financing nuclear power	CPS-PBP (Friedmann)	January 1974	March 1974	May 14, 1974	Review of latest developments; implications for procurement under Bank/IDA financing.
21. Lending for village water supply	CPS-PBP (Shipman)	April 1973	December 1973	None so far planned	Objectives and special problems associated with lending in the sector.
22. Lending for village electrification	CPS-PBP (Berrie)	January 1974	June 1974	None so far planned	Objectives and special problems associated with lending in the sector. Will rely on results of on-going research study.
23. Economic evaluations of Public Utility projects	CPS-PBP (Berrie)	June 1973	October 1973	None so far planned	Deals with the problems of measuring economic benefits of public utility projects.
F. <u>Tourism</u>					
24. Revision of sector policy paper	CPS-TMP	January 1974	May 1974	August 1974	Depends on outcome of studies Nos. 53 and 54 (misprint).
G. <u>Transport and Urbanization</u>					
25. Bank policy for sites and services projects	CPS-UBP (Dunkerley)	May 1973	January 1974	March 12, 1974	
26. Bank policy in urban transport	CPS-UB (Dunkerley)	Started	February 1974	April 23, 1974	Will examine problems posed by rapid growth of major LDC cities and by size of required investments, and will suggest possible policies for Bank Group.

(As of ~~September~~ ^{October} 1, 1973)II. Issues Papers

<u>Subject</u>	<u>Major Responsibility</u>	<u>Start</u>	<u>Final Draft</u> ^{1/}	<u>Special Comments</u>
<u>A. General</u>				
27. Economic analysis of projects	CPS-VPS (van der Tak)	Started	(June 1973)	Both papers to provide a Bank-wide methodology. Possible important policy implications.
28. Measurement of shadow prices	CPS-VPS (van der Tak)	Started	(July 1973) (October 1973)	Drafts under review. Regions undertaking pilot studies of estimation of shadow prices.
29. Economic integration	DPS-DRC (Balassa and Stautjesdijk)	June 1973	December 1973	Will review the experience of major regional groupings and possible role of international financial agencies in helping to develop new approaches. Will be coordinated with No. 31.
30. Bank Group role in developing financial systems of LDC's	IFC (Gill) and DPS-ECD (Yenal)	Started	March 1974	New outline of principal issues to be prepared by ECD by September ^{October} 1973.
31. Pricing of public services	CPS-VPS (van der Tak)	October 1973	April 1974	Will review conflicting policies and recommend more general standards.
32. Development strategies in semi-industrial countries	DPS-DRC (Balassa)	Started	April 1974	Effects of alternative policies on economic growth.
33. The financial system and public finance	DPS-ECD (Yenal)	December 1973	June 1974	Examines relevance of selected fiscal and financial instruments from standpoint of twin objectives of efficiency and equity in different types of economies.
34. Public works as a policy instrument	DPS-ECD (Hofmeister)	February 1973	June 1974	Identification of circumstances in which public works programs can be used for reducing unemployment.
<u>B. Agriculture and Rural Development</u>				
35. Land tenure	DPS-ECD (Eckstein)	Started	December 1973	Factors relevant for land reform under Latin American conditions.
36. African rural development	DPS-ECD (Reutlinger)	January 1974	March 1974	Will draw general policy conclusions from review of various African rural development projects, several with Bank Group involvement.
37. On-farm mechanization	CPS-AGP (Duane)	September 1973	September 1974	Examines, inter alia, costs, benefits and employment effects. Uses results of India and Pakistan research study.
<u>C. Education and Human Resources</u>				
38. Educational implications of employment and income distribution policies	CPS-EDP (Erder)	Started	September 1973	
39. Policy alternatives in educational development	DPS-ECD (Simmons)	Started	October 1973	Implications of recent studies of the education process for Bank activities (to be incorporated in sector paper).
40. Non-formal education	CPS-EDP (Ballantine)	Mid-1973	End-1973	A plan of action for the Bank Group to be incorporated in sector paper and based on the study of the International Council for Education Development on "Non-formal Education for Rural Development."
41. Employment and income distribution	DPS-ECD	January 1974	September 1974	Will examine appropriateness of present international aid instruments in meeting employment/income distribution objectives. The scope, timing and responsibility for this paper is being reconsidered but no new timetable has yet been set.

~~WORKING~~ INVENTORY OF PAPERS WITH SIGNIFICANT POLICY RELEVANCE UNDERWAY OR PLANNED - FY74-75October
(As of ~~September~~ 1, 1973)

Subject	Major Responsibility	Started	Final Draft ^{1/}	Special Comments
42. Issues in family planning	DPS-ICD (King)	January 1974	December 1974	Identification of policy variables which exercise critical impact on effectiveness of family planning programs.
<u>D. Industry, DFC's and Mining</u>				
43. Mineral resources of the oceans	DPS-EPR (Varon)	Completed	Completed	Background paper on the issues concerning the exploitation of ocean resources. Distributed to ED's on August 22, 1973 for information.
44. Criteria for Bank Group acceptance of DFC sub-projects	CPS-DFC	September 1973	November 1973	Will emphasize economic criteria.
45. Small-scale industry	DPS-ICD (Hughes)	August 1973	<u>September 1973</u> (December 1973)	Discussion of policy issues facing Bank Group in promoting small-scale industry.
46. Criteria for Bank support of public DFC's	CPS-DFC	<u>September 1973</u> (July 1973)	<u>December 1973</u> (September 1973)	Will carry forward work of Professor Mason.
47. Industry in small least developed countries	DPS-ICD (Hughes)	September 1973	January 1974	Discussion of major policy factors and the Bank's role.
48. Effectiveness of various types of Bank Group and other assistance to industry	CPS-NDP (Moore)	July 1973	March 1974	Will look into comparative merits of direct financing, DFC's, IFC, other sources.
49. Appropriate share and timing of Bank Group assistance to industry	CPS-NDP (Moore)	July 1973	March 1974	Timing refers to level of development of countries.
50. International division of labor for selected industries	CPS-NDP (Moore)	July 1973	March 1974	Best location for selected industries, based on labor, raw materials, demand, transport and trade factors.
51. Industrial policies and economic integration in Western Africa	DPS-DRC (Balassa)	July 1973	<u>April 1975</u> (December 1974)	Will analyze possible policy options.
<u>E. Public Utilities</u>				
52. Economic evaluation of telecommunications projects	CPS-PBP (Warford)	June 1974	October 1974	Contribution of telecommunications to economic development, and the role of pricing.
<u>F. Tourism</u>				
53. Terms of lending for tourism (Part I)	CPS-TMP (Christie)	January 1973	<u>September 1973</u> (August 1973)	Will examine typical hotel projects to determine appropriate lending terms.
54. Economics of special fiscal and other incentives for tourism investment and operations	CPS-TMP (Odene)	November 1973	June 1974	Review of tourism incentives in Tunisia with results to be applied elsewhere.
<u>G. Transport and Urbanization</u>				
55. Urban land policies	DPS-ICD (Grimes)	Started	February 1974	Will recommend urban land use policies and betterment levies in connection with Bank urban projects.
56. Highway sector lending	CPS-TRP (Jaycox)	September 1973	May 1974	Studies case for sector rather than project by project lending for highway development.

~~Quarterly~~ INVENTORY OF PAPERS WITH SIGNIFICANT POLICY RELEVANCE UNDERWAY OR PLANNED - FY74-75

~~OCTOBER~~
(As of ~~NOVEMBER~~ 1, 1973)

	<u>Subject</u>	<u>Major Responsibility</u>	<u>Started</u>	<u>Final Draft</u> ^{1/}	<u>Special Comments</u>
57.	Civil works design criteria	CPS-TRP (Jaycox)	Research on-going	Mid-1974	Board seminar held on July 17, 24, 1973 on preliminary findings.
58.	Lending for railways	CPS-TRP (Jaycox)	December 1973	August 1974	Will examine major problems in RR lending and proposed ways of handling them.

III. Memorandum - Major Changes Since June Quarterly 1973 InventoryA. Dropped or completed (number shown in June Quarterly Inventory)^{2/}Reasons

- | | | |
|-----|---|--|
| 1. | Bank group use of SDR link resources | Distributed to Deputies of CXX and to ED's for information. |
| 2. | Lending to higher income countries | Discussed by PRC and decisions taken. |
| 4. | Bank/IDA policy on retroactive financing | Discussed by ED's on July 10, 1973. |
| 12. | Promotion of domestic construction industries | Completed. |
| 20. | Revision of industrial sector policy paper | To be considered after completion of issues papers 45, 47 and 48-50. |
| 38. | Tractor mechanization | Discussion to be incorporated in No. 37 On-farm mechanization. |
| 41. | Non-formal education for rural development | Combined with item No. 40 in present inventory. |
| 55. | Public utilities pricing | Superseded by Item No. 23 in present inventory. |
| 58. | Benefits of tourism for LDC economies | Incorporated into Nos. 53 and 54 in present inventory. |
| 62. | The private automobile | Completed. |

B. Added (number shown in present inventory)

- | | | |
|-----|-------------------------------------|--------------------------|
| 4. | Bank group lending program, FY74-78 | Requested by Management. |
| 43. | Mineral resources of the oceans | Topical issue. |

C. Significant slippage in Policy and Issue Papers (number refers to listing in present inventory)

(a)	<u>Policy Papers</u>	<u>Previous Schedule</u>		<u>Revised Schedule</u>		
		<u>PRC</u>	<u>ED</u>	<u>PRC</u>	<u>ED</u>	
3.	Bank policy on financing cocoa	October 1973	January 29, 1974	December 1973	March 19, 1974	Approved by the President.
6.	Environmental criteria in project evaluation	October 1973	February 12, 1974	January 1974	May 1974	Slippage due to staff operational assignments.
(b)	<u>Issues Papers</u>	<u>Previous Schedule</u>		<u>Revised Schedule</u>		
		<u>Start</u>	<u>Final Draft</u>	<u>Start</u>	<u>Final Draft</u>	
32.	Development strategies in semi-industrial countries.	Started	December 1973	Started	April 1974	Planned as a book. Short paper on issues of policy relevance will be prepared for Management.
46.	Criteria for Bank support of public DFC's	July 1973	September 1973	September 1973	December 1973	Slippage due to staff operational assignments.
51.	Industrial policies and economic integration in Western Africa	July 1973	December 1974	July 1973	April 1975	Basic studies will take a longer time than originally envisaged.

1/ Some of these papers will be distributed to the PRC and Executive Directors for information.

2/ These and other papers already completed will be shown in the Inventory of Past Policy Papers now being prepared.

01-1135-0000
September 27, 1973

Mr. R. Turner
Managing Director
Powell Duffryn Technical Services Ltd
Burleigh House
101/145 Great Cambridge Road
Enfield
Middlesex, EN1 1UQ
England

Dear Mr. Turner:

Re: General Coal Sector Study
Issues Paper

I must thank you for the interesting discussion which we had in London two weeks ago and would now like to deal further with the matter of your firm preparing for us an Issues Paper on making a first approach with respect to determining the importance of the coal sector within the total energy sector of a country or a region.

The concept of the paper is to review and discuss in a systematic manner what are the main issues which should be looked into with respect to the coal sector when making energy related decisions. Up till now, depending on whom is looking at the problem (technologists, economists, financial analysts, environmentalists, etc.), different issues of varying importance are brought up. What is needed is a systematic and balanced presentation of all the main issues recurring in the coal sector to allow a better understanding of all aspects of the sector and to improve the basis for decisions affecting it.

From our discussions it would appear that your firm may be well equipped to deal with most, if not all, of the task. I would welcome your comments on the attached terms of reference which, although they have been

Mr. R. Turner

- 2 -

September 27, 1973

drawn up to deal with the total energy sector, can be almost directly applied to the coal sector and whether you would be prepared to undertake this task. We do not expect a long paper nor a quick one, and have in mind a figure in the thousands of dollars rather than the tens of thousands for its preparation. We believe that it is only when this paper has been written that many major tasks can be started.

Sincerely yours,

Thomas W. Berrie
Power Adviser
Public Utilities Department

Attachment

cc: Messrs. Foster, Rovani, Howell, Friedmann, Warford, Bateman
TWBerrie:cdd

OP-RESEARCH

September 27, 1973

Mr. M. J. Frost
Managing Director
Metra Consulting (SEMA)
23 Lower Belgrade Street
London SW1W 0NS
England

Dear Mr. Frost:

Re: First Approach to Energy Sector
Studies

I was sorry that I could not meet M. Ceron of SEMA in Paris two weeks ago and would hope to rectify this omission at an early date.

I am therefore writing to you to thank you and M. Ceron's colleagues for the very interesting discussions which we had in Paris and London, and to say that I believe that the SEMA group may well be able to help us in a number of projects.

The first, which I would be obliged if you would discuss with M. Ceron, is the possibility of the SEMA group writing for us a general paper on the aspects and issues involved in making a first approach to energy sector studies. The concept of the paper is to review and discuss in a systematic manner what are the main issues which should be looked into when making energy related decisions. Up till now, depending on whom is looking at the problem, different issues of varying importance are brought up. What is needed is a systematic and balanced presentation of all the main issues recurring in the sector to allow a better understanding of all aspects of the sector and improve the basis for decisions affecting it.

Mr. H. J. Frost

- 2 -

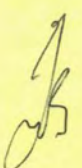
September 27, 1973

From our discussions it would appear that the SEMA group is well equipped to deal with most, if not all, of the work. I would welcome your suggestions on the attached terms of reference and would like to know at an early date whether you would be prepared to undertake the task. We do not expect a long paper and have in mind an upper figure of US\$10,000 for its preparation.

With respect to the other work which we discussed, e.g., standards of electricity supply, village electrification, public utility pricing, I will send you the literature which I promised in a day or two.

Sincerely yours,

Thomas W. Berrie
Power Adviser
Public Utilities Department

 cc: Messrs. Foster, Rovani, Howell, Friedmann, Warford, Bateman

TWBerrie:cdd

O.P. Research

Mr. Warren C. Baum

September 27, 1973

Mats Hultin

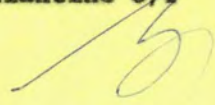
Quarterly Progress Report on Policy and Research Work of the
Education Department - September 30, 1973

Please find attached the progress report of the Education Department on policy and research activities for the quarter ending September 30, 1973. You will notice that a considerable number of the tasks are at the completion stage. Where delays have occurred, they were caused by staff transfers or manpower shortage.

Attachment: Quarterly report

cc: Mr. Ballantine o/r

RGomez:ro



CENTRAL PROJECTS STAFF
Education DEPARTMENTQUARTERLY PROGRESS REPORT ON POLICY AND RESEARCH TASKS/PROJECTS UNDER EXECUTION, ^{1/} STATUS AS OF Sep. 30, 1973

TASK/PROJECT	STAFF	DATES						REMARKS
		Start		First Draft		Completion		
		Original Plan	Current Plan/ Actual	Original Plan	Current Plan/ Actual	Original Plan	Current Plan/ Actual	
15. Project Evaluation Techniques and Procedures	Hultin Unidentified educator (3rd research post)	Jul. 1973	Jul. 1973	Jan. 1974	Jan. 1974	Jun. 1974	Jun. 1974	On schedule. Progress report submitted Sep. 12, 1973.
16. Comparison of the Cost-Effectiveness of Alternative Learning Technologies in Vocational Training	Hultin Erder Jallade (Consultant)	Nov. 1972	Nov. 1972	Jun. 1973	Jun. 1973	Sep..1973	Oct. 1973	Report completed in draft form and is expected to be distributed in Oct. 1973.
17. Functioning of Labor Market	Erder Jallade							Project being executed by Development Economics Department; is expected to be completed by end 1974.
18. Education Finance	Jallade Erder (Consultants)	Jan. 1973	Jan. 1973	May 1973	Jun. 1973	Jul. 1973	Jul. 1973	Task completed.
19. Education Mass Media	Futagami	Jan. 1973	Jan. 1973	Apr. 1973	May 1973	Jun. 1973	Sep. 1973	Report dated Sep. 20 circulated.

^{1/} Include tasks/projects completed within the quarter, under way or expected to start within the next quarter. Tasks expected to start in the next quarter should be reported separately, after those completed or under way.

CENTRAL PROJECTS STAFF
Education DEPARTMENTQUARTERLY PROGRESS REPORT ON POLICY AND RESEARCH TASKS/PROJECTS UNDER EXECUTION, ^{1/} STATUS AS OF Sep. 30, 1973

TASK/PROJECT	STAFF	DATES						REMARKS
		Start		First Draft		Completion		
		Original Plan	Current Plan/ Actual	Original Plan	Current Plan/ Actual	Original Plan	Current Plan/ Actual	
7. Handbook for Project Implementation	To be appointed	Jan. 1973	Jan. 1973	Jun. 1973	Jul. 1973	Nov. 1973	Nov. 1973	Draft handbook being discussed in the Bank.
8. Schedules of Accommodation and Space Standards for Educational Institutions	Arch. advisor Hultin (w/ contribution from Unesco Cooperative Program)	Apr. 1973	Sep. 1973	Sep. 1973	Mar. 1974	Dec. 1973	Jun. 1974	Schedule tentative as Mr. Thint's successor not yet named.
9. Updated Guidelines for Technical Assistance	Dunnill	Nov. 1972	Nov. 1972	Apr. 1973	Mar. 1973	May 1973	Mar. 1973	Report dated March 29, 1973 distributed.
10. Education Indicators	Erder Gomez		C o n t i n u o u s					Updated version of Aug. 18 in file.
11. Study of Cost Estimates on Equipment, Expansion of Basic Equipment Lists	Brandenburg Hultin	Feb. 1973	Feb. 1973			Oct. 1973	Sep. 1973	Report completed Sep. 1973 has been distributed. Follow up by Unesco being discussed.
12. Project Implementation Monitoring System	To be appointed	Oct. 1973	Oct. 1973	Jan. 1974	Jan. 1974	Mar. 1974	Mar. 1974	
13. Unit Costs in Education Projects		Mar. 1974	Apr. 1973	Jul. 1974	Sep. 1973	Oct. 1974	Oct. 1973	Draft report completed. Final report to be distributed in Oct. 1973.
14. Study of Project Costing	Hultin (w/ contribution from Unesco Cooperative Program)	Nov. 1973	Nov. 1973	Mar. 1974	Mar. 1974	Jul. 1974	Jul. 1974	Mr. Thint, formerly assigned to this project, has been transferred to LAC. Schedule therefore tentative.

^{1/} Include tasks/projects completed within the quarter, under way or expected to start within the next quarter. Tasks expected to start in the next quarter should be reported separately, after those completed or under way.

CENTRAL PROJECTS STAFF
Education DEPARTMENT

PAGE 1 OF 3

QUARTERLY PROGRESS REPORT ON POLICY AND RESEARCH TASKS/PROJECTS UNDER EXECUTION, ^{1/} STATUS AS OF Sep. 30, 1973

TASK/PROJECT	STAFF	DATES						REMARKS
		Start		First Draft		Completion		
		Original Plan	Current Plan/ Actual	Original Plan	Current Plan/ Actual	Original Plan	Current Plan/ Actual	
1. Educational Implications of Development Policies Emphasizing Social Equity Objectives	Erder Jallade	Jan. 1973	Jan. 1973	Jul. 1973	Jul. 1973	Sep. 1973	Jul. 1973	Task completed. It has been decided not to circulate a separate review paper on employment and income distribution as these topics will be discussed in the Sector Policy Paper.
2. Nonformal Education for Rural Development	Ballantine Hultin Erder Futagami	Mar. 1973	Apr. 1973		Apr. 1973	Jul. 1973	Aug. 1973	Final Report distributed.
3. Educational Achievement; the Relation between Students' Socio-economic Background and Performance	Hultin Unidentified educator (3rd research post) Ballantine Erder	Apr. 1973	Apr. 1973	Sep. 1973	Nov. 1973	Dec. 1973	Jan. 1974	Slippage due to staff constraint. Third research post not yet filled.
4. The Process and Management of Education Reforms	Erder Ballantine Hultin	Oct. 1972	Oct. 1972	Mar. 1973	Mar. 1973	Jun. 1973	Aug. 1973	Task completed. Report under discussion within Department; a summary being prepared for circulation in Regional Education Divisions.
5. Health Personnel Training Items in Education Projects	Brandenburg Hultin	Jan. 1973	Jan. 1973	Feb. 1973	Feb. 1973	Feb. 1973	Apr. 1973	Final Report distributed.
6. Preparation of Sector Policy Paper II	Ballantine Hultin Erder Jallade Gomez LeBlanc Brandenburg	Oct. 1973	Jul. 1973	Jan. 1974	Jan. 1974	Mar. 1974	Mar. 1974	Work started earlier than scheduled.

^{1/} Include tasks/projects completed within the quarter, under way or expected to start within the next quarter. Tasks expected to start in the next quarter should be reported separately, after those completed or under way.

OP-RESEARCH

September 26, 1973

The Executive Vice-President
PEPCO
19th & Pennsylvania Avenue
Washington, D. C. 20433

Dear Sir:

Re: Research Project
Standards of Urban Electricity
Distribution

The World Bank has started a research project whereby consultants are writing a State-of-the-Art paper concerning what has been done, in theory and in practice, in developed and developing countries, concerning the determination, of desirable standards of urban electricity distribution.

We have hired the Overseas Consultancy Service of London, England, and two of the members of the consultant's team will be visiting Washington in the period October 9 through 12 for briefing, discussions and finalizing their terms of reference. We would consider it most useful if you could arrange for some members of your staff to meet with the consultants and our Mr. Thomas W. Berrie for two hours or so whilst they are in Washington. Both members of the team are engineers, but discussion is expected to range from engineering, economics and finance to management and organization.

The consultants will also be holding similar discussions with a Latin American utility before they return to London, and with various European utilities after their return.

The Executive Vice-President
PEPCO

- 2 -

September 26, 1973

I would be most pleased if you let me know if you could accommodate us in this matter.

Sincerely yours,

Y. Rovani

Yves Rovani
Director
Public Utilities Department

Cleared with and cc: Mr. Rovani
cc: Messrs. Howell, Friedmann

TWBerrie:cdd

OP-RESEARCH

September 26, 1973

M. F. Fiatte
Commercial Manager
BEICIP
366, Avenue Napoleon Bonaparte
92 Rueil, Malmaison (near Paris)
France

Dear M. Fiatte:

Re: First Approach to Energy Sector Studies

I was sorry to have missed seeing you whilst I was in Paris two weeks ago. M. Cayrade will no doubt have told you that he and I had a very interesting and rewarding discussion concerning your carrying out for us assignments in particular countries and also more general studies in the energy sector.

It is with respect to more general studies in the energy sector which I now write. We believe that there is great need for a paper to be written which would help as a first approach to making energy sector studies by defining the main issues involved. The concept of the paper therefore would be to review and discuss in a systematic manner what are the main issues which should be looked into when making energy related decisions. It seems to us that, up till now, depending on whom is looking at the problem: scientists, engineers, economists, environmentalists, industrialists, diplomats, national security analysts, etc., different issues of varying importance are brought forward. What seems to be needed is a systematic and balanced presentation of all the main issues recurring in the sector to allow a better understanding of all aspects of the sector and improve the basis for decisions affecting it.

Following my discussions with M. Cayrade, I would be very pleased to know if you would be prepared to undertake the writing of such a paper in the very near future. We do not consider a long paper is warranted and have in mind an upper limit of US\$10,000 for its preparation.

M. F. Fiette

- 2 -

September 26, 1973

✓ NOT ENCLOSED
In order to help you in your deliberations I enclose a draft terms of reference which we have drawn up for this work.

Sincerely yours,

Thomas W. Berrie
Power Adviser
Public Utilities Department

Attachment

cc: Messrs. Foster, Rovani, Howell
Friedmann, Warford, Bateman

JB TWBerrie:cdd

Mr. R. Venkateswaran

September 26, 1973

E.P. Holland

Bangkok Transportation Study.

Clell Harral passed along to me the paper on the Bangkok study, with Mr. Einthoven's letter of August 31.* I can see Mr. Einthoven's point about the confusion created by the assortment of Bank people giving comments to the consultants. Although I am not aware of any contradictory advice having been given to those doing the Bangkok study, I know it could happen. What I am offering in this memo are merely some observations for your consideration in deciding how you will respond to the request for "official comments".

The paper from the consultants, entitled "Methodology and Work Program for the Last Year of the Project", does not explain the methodology very fully, either with respect to the operation of the traffic simulation model or to the evaluation of alternatives. However, it goes far enough to raise at least two fundamental questions, viz:

- a) Apparently the number of automobile trips that will occur in the traffic model will be affected to some extent by congestion, but not by changes in cost. The modal split is apparently insensitive to relative price as well, if I correctly interpret the explanation. How, therefore is restraint of private vehicle use to be simulated?
- b) Is the evaluation methodology, as the description suggests, really based on a pure "cost difference" approach (including time and accident costs)? No mention is made, in this context, of generated trips, consumers' surplus, or producers' surplus. But if the number of trips differs between alternatives (as it should in this study), evaluation on a "cost difference" basis can yield the wrong ranking.

Concerning evaluation of the pre-1980 projects, the consultants have a valid problem, but not, I think, an intractable one. In the letter to Dr. Meyer of June 8, 1973, you indicated that selection of an overall strategy should take precedence over evaluation of individual projects. According to the newly received paper, the consultants are addressing the question of overall strategy. In addition, however, their terms of reference call for identifying more immediate projects within the long-run strategy and analyzing their costs and benefits. They have already identified a set of pre-1980 projects which would fit into any of the alternative strategies and which they believe will be justified by further analysis. The problem is how to analyze the costs and benefits of the individual projects (as the Bank, for example, would probably require, if we were to consider financing part of the total package).

* to G.J. Roth.

September 26, 1973

The reason this is a problem is that the projects are interdependent, so that the benefits of any one project will depend upon whether there is already a commitment to carry out any of the other projects, and, if so, which ones. In spite of clearly recognizing this interdependence, the consultants seem to be planning to analyze each project in the absence of all the others.

In my opinion, it would be better to list the projects in a sequence and analyze each project relative to the system including all projects that are higher on the list. (Thus, for analyzing project number 2, project number 1 would be included in both the "with 2" and "without 2" cases. Then, the case "with 2" would become the "without" case for analyzing project 3, and so on.) Of course, the rate of return of any project might depend upon the sequence in which they are listed. For this reason, the projects that are judged most important in the overall strategy should be placed high on the list, and any that might be of doubtful value should be at the end. In this way, the benefit of the most questionable project would be measured in the presence of all the others, as it should be for a decision about its omission. If there were doubts about more than one project, additional evaluations could be made, omitting them in rotation, but it should not be necessary to explore very many combinations for the purpose of deciding which projects should be retained in the program.

Let me emphasize that the comments above are only my own ideas. You are well aware that there is no such thing as an official World Bank methodology for evaluating urban transport projects. Perhaps we are beginning to develop the elements of a methodology, but we are still in the learning process, and any procedures we might try to standardize today would probably have to be superseded very shortly as our understanding progressed.

EPH
EPHolland:mcp

Cleared with and cc. Messrs. Churchill, Harral
cc. Mr. Roth
Mr. Yucel
Mr. Helmers

S.P. Kesteven



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PERMANENT MISSION IN WESTERN AFRICA
B.P. 1850, Abidjan, Ivory Coast
Telephone 32.24.01 - Cable Address - INTBAFRAD ABIDJAN

No. 388

Mr. Shamsher Singh
Chief, Commodity and Export
Projections Division
Economic Analysis and
Projections Department
I.B.R.D.
1318 H Street, N.W.
Washington D.C. 20433
U.S.A.

September 26, 1973

Dear Mr. Singh:

Further to our cable No. 430 to Wouter Tims of September 14, your telephone conversation with Mr. Wyss last week, and your cable No. 493, I should like to explain to you in some more detail the circumstances that led to our engaging the three Ivorian students for the Cocoa Study.

You will find attached copy of a letter from Dr. Kofi to Mr. De Troyer dated September 8. We received this letter after Dr. Kofi had already left Abidjan, so that we could not discuss it with him. On the basis of this letter, as well as the letter (No. 251 dated August 28) from Mr. Wouter Tims to Mr. Wyss, we were under the impression that there was no problem in going ahead with the arrangements for the study as requested by Dr. Kofi.

As for the financial arrangements with the three students, we have so far given them CFA francs 40,000 each for travel (by bush taxi) and subsistence. Assuming a 3-4 week field survey, this is certainly a minimum amount. As for their salaries, we enquired about how much an Ivorian student could earn working in private business or with the Government during his holidays; the going rate is about CFA francs 60,000 per month, so that we considered it appropriate to offer them this amount.

I saw Professor Monson this morning. He had not yet received any cable from you asking him to limit expenditure to \$500. (By the way, he confirmed that Dr. Kofi had not mentioned that there was only a limited amount of money available for the study.) In any case, I fear that it will be difficult to try reducing costs now, since the three students left last week for their field trip (as indicated by Dr. Kofi, the study had to be rushed) and there is no way

of contacting them. Should they manage to complete their survey by early October, we might be able to make some savings on subsistence, and salary, but I think it would be difficult to retract from the (oral) arrangements we have made with them so far.

By the way, I may add that we have not included in the above cost the value of our staff time - both secretarial and professional - that has gone into discussing with the three students, translating Dr. Kofi's questionnaire into French (copy attached), typing it, running it off and sending it out to Ghana and Cameroon.

As soon as the three students have returned from the field, I will be in touch with you again by cable.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Hans O. Schulte', written in a cursive style.

Hans O. Schulte
Deputy Chief of Mission

FOOD RESEARCH INSTITUTE
STANFORD UNIVERSITY
STANFORD, CALIFORNIA 94305

Telephone: 321-2300

Sept 8/73

Cable: FOODRES STANFORD

Dr. de Troyer
IBRD
Abidjan
Ivory Coast.

Dear Mr. de Troyer,

① I have been able to organize three students to conduct the survey. I am hoping that you could help us on the issues explained below.

② Could you have the enclosed questionnaire translated into French and about 100 copies made? Thanks. The students don't speak English. We need this done by Wednesday if possible. There is a need to rush the study - a first draft is due by November ending. Thanks.

③ Could you also help in deciding how much the back should pay the students. I am not in a position to determine the wage rates for their remuneration.

We will pay for their subsistence and travel in addition to ~~the~~ salary for part of September till middle of October.

④ You may drop me a note to the above address.

Sincerely
Seth A. Kofi

Mr. Ahluwalia

September 25, 1973

T. S. Swayze

Industrial Sector Research

1. We still have not gotten anything off the ground in the industrial sector. There are two primary pieces of work that we have discussed doing: (1) a descriptive analysis of manufacturing growth and near-term projections based on current trends and (2) a study of small-scale industry.

2. I believe the descriptive analysis should cover the areas that you and I have already indicated in our June and August memorandums. I had hoped that Mrs. Hughes' division would help us with this work, but in view of the fact that nothing has been done, that I know of, since Ullman prepared some tables several months ago, I do not think we can count on much assistance. Lucy Keough may have some time, and we can try to make some headway before she goes on home leave.

3. With regard to small-scale industries research/ ^{and} the two approaches outlined in your August memorandum, I think it would be useful (and much more relevant) to undertake a preliminary study to identify the production characteristics of small-scale industries and what role they can play (and have been playing) in Malaysia. Tat-Wai Tan has made some notes on this, principally addressing the question of methodology. In developing this proposal, I believe we should consider the characteristics of the Malaysian situation, making sure we keep in mind our operational target of helping Malaysia evaluate the current and potential role of their small-scale industry.

TSSwayze:pls

011-RESBARCH
September 24, 1973

Mr. Keith Shaw
Administrative Director
Overseas Consultancy Service
Electricity Council
30 Millbank
London SWIP 4RD
England

Dear Mr. Shaw:

Re: Standards of Urban Electricity
Distribution Research Project

I would refer to our telephone conversation of this morning. I have asked that our agreement with your firm on the above subject be extended to end December 1973, or such subsequent date as the Bank and your firm may agree.

I have also asked that the gross fee up to which the Bank will pay for services rendered be extended from US\$10,000 to US\$20,000 on the understanding that two members of the team will visit Washington for discussions to finalize the Terms of Reference for writing the "State of the Art" paper and that the writing of the latter is satisfactorily carried out.

As I mentioned to you this morning, the only convenient schedule, which had already been agreed upon by the team during my visit to London on September 5 and 6 1973, is for the two team members to travel to Washington on Monday October 8, for discussions and a visit to a local utility in the period October 9 through 12, to travel with myself to Mexico City on Sunday October 14, to hold discussions with the two Mexico City utilities in the two days October 15 and 16 and to return to London in the period October 17 and 18. I am arranging with our travel office that the necessary authorization for tickets and travel advance for the two members of the team be sent to yourself at Millbank.

Mr. Keith Shaw


- 2 -

September 24, 1973

Please make sure that the team members have valid passports and the necessary visas for entry into the United States and Mexico.

Very truly yours,

Thomas W. Berrie
Power Adviser
Public Utilities Department



cc: Messrs. van Gent, Dunkerley, Sheehan, Ray, Rovani, Howell, Friedmann,
Warford, Bateman

Mr. A. Odone

September 21, 1973

I.T. Christie

Terms of Lending

1. Please find enclosed a copy of the revised terms of lending study.
2. Section VII has been rewritten and Annex 6 added. These are the main changes made from the previous draft.

Enclosure

As stated above

ITChristie/da

cc and with enclosure:

Messrs: Tolbert, Glaessner, Simmons, Iizuka, Bauer, Calkins

DRAFT
I.T. Christie/da
September 20, 1973

TERMS OF LENDING

Hotel Projects

A study prepared by staff of the
Tourism Projects Department

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I. OUTLINE OF THE STUDY

Introduction

1.01 Terms of lending for hotels is a controversial subject. In many countries, a hotel is considered as a real estate investment and has access to long term mortgage financing for 20-30 year periods at moderate interest rates. This is because real estate is considered a "safe" investment, one in which current returns are low, but where there are prospects for capital appreciation and loans are properly protected. In other countries, the emphasis has been placed on the business of hotel-keeping (as distinct from the real estate aspect) and loans are made, particularly by the commercial banking sectors, on commercial terms from 5 to 15 years, often with renewal features included. There is some difference of opinion within the Bank Group as to appropriate lending terms, the Tourism Projects and DFC Department of the Bank generally favoring longer terms and lower rates than IFC considers appropriate. As the study shows there is no one set of terms of lending which applies universally to all hotels; rather different types of hotels require different loan arrangements.

1.02 The objective of the present paper, the first stage of a two stage study, is to examine typical hotel projects and analyse the effects of different terms of lending giving recognition to all parties whose interests are involved in financing a hotel, but focusing on developing a sound policy for extending hotel credit in areas where the Bank Group may be involved in tourism. A second stage of the study will be carried out and modifications and extensions as necessary will be made based on the findings of a proposed hotel incentives study which is due for completion in January, 1974.

Methodology

1.03 Although values for parameters may be given, and certain elements fixed, the terms of lending suitable for a particular project will inevitably involve, at least in part, a judgmental decision. For this reason, it is not possible to develop a set of criteria or formulae which will automatically indicate the "best" terms of lending for a particular project. Rather, it will only be possible to state whether a particular combination of terms of lending are appropriate for a particular project under a particular set of assumptions.

1.04 The first part of the study includes a review of the literature of hotel investment, and a survey of current terms of lending in other institutions. Beyond tourism planning studies and hotel feasibility studies, limited written material is available on hotel investment in general and practically nothing related more specifically to terms of lending. The publications reviewed are included in Annex 1. It was not possible to visit and discuss policy with other lending agencies or institutions but a partial list of lending terms, culled from IUOTO ^{1/} and OECD ^{2/} publications, as well as Bank sources, is attached as Annex 2.

1.05 The next part of the study includes a description of the characteristics of hotels as a service industry as a preface to delineating the hotel models developed for the study. The hotel models are defined in terms of investment costs, pro forma statements of revenue and expense and appropriate financial plans. Assumptions on terms of lending (broadly, terms currently used in the Bank Group) were made and cash flows calculated for the different hotel models. To test whether a particular set of terms of lending was appropriate, measurement criteria including ratios and other tools to test the project's financial feasibility were prepared,

^{1/} IUOTO - International Union of Official Travel Organizations

^{2/} OECD - Organization for Economic Cooperation and Development

and compared to results for the models in the study.

1.06 In summary, cash flow projections for each of the models were prepared under varying terms of lending assumptions. From these cash flows (and income statements), rates of return and ratios were calculated. Each set of results was measured against predetermined minimum values for the measurement criteria to decide whether the terms of lending were appropriate in individual cases. In particular, in selected areas, terms of lending were relaxed to permit examination of the effects of softening loan terms on individual projects.

II. HOTELS AS A SERVICE INDUSTRY

Structure

2.01 Hotels provide services which are largely intangible, and are consumed at the same time as they are provided. They involve much personal contact between client and guest and are arranged for at specific times. These factors combine to create a business whose characteristics have led to financing and management peculiar to the industry.

2.02 Fixed assets account for the major portion of assets in a hotel and consequently fixed charges to service debt are also high. The ratio of net book value of fixed assets to sales usually is 100-150% in a hotel, which compares with 50-75% for many manufacturing industries. The supply of rooms in a hotel is constant (fixed) in the short run, although adjustable in the long run, and the initial decision on capital investment is thus relatively more important for a hotel than for many other industries. In addition, a hotel is "purpose built" and has little alternative, if any other use without considerable further capital investment. Therefore, a hotel must be self-liquidating and the investment in it be recovered over its economic life.

2.03 Fixed assets have to be replaced over a hotel's life simply to maintain operating efficiency and to preserve projected earnings capacity.

This is because, in addition to physical depreciation, hotels are subject to obsolescence caused, for example, by customers' changing tastes. These replacements are not capital improvements in the strict sense of the word, but replacements whose purpose is to maintain (rather than improve) the earning power of the hotel. Depreciation and obsolescence allowances have to be sufficient not only to give a realistic assessment of profit but also sufficient to provide adequately for necessary replacements.

2.04 A current ratio of one to one is considered normal for a hotel. Combined accounts receivable and inventories are usually less than current liabilities and a current ratio of 1:1, rather than 2:1 and upwards which is more usual in many other industries, is considered adequate. Net working capital is minor but the cash cycle is short, from three to four weeks. Because of the minor importance of net working capital, credit is difficult to obtain for an individual hotel because its fixed assets are usually pledged against the long-term mortgage debt, and there is no collateral security in accounts receivable since they represent services which have already been consumed. A hotel is thus restricted to the flow of operating income and to trade credit for working funds and in periods of slack sales the current position can deteriorate quickly.

2.05 Current assets in a hotel are a small portion of total assets because a hotel's "merchandise", mainly its rooms for rent, is not held in inventory, a current item, but in fixed assets. As a result, a hotel is largely denied the flexibility of planning its production according to changes in forecasts of business activity as a manufacturing concern would through control of its raw materials, goods in process and finished goods inventories. A hotel's supply of rooms is fixed whether the rooms are rented or not - and, an empty room overnight is a sale lost forever.

Operating Characteristics and Measurement Criteria

2.06 Staying in hotels is within the personal experience of many people and every hotel guest considers himself an authority on hotel-keeping. Hotels are thus subject to a great degree to the whims of their clientele. But even beyond this subjective aspect, hotels have certain characteristics:

- a) A hotel expenditure is largely discretionary. In periods of economic slowdown an individual or company tightens up on discretionary expenditure first and so the hotel industry can be quite sensitive to economic fluctuations.
- b) Many hotels have marked seasonal differences in levels of business which often necessitates turning away business in high seasons and operating with practically no business in low seasons. The "off season" is one of the most difficult problems a hotel may face.
- c) A hotel service has high substitutability. On the one hand, technological advances in transportation have made many more areas accessible to larger groups of people with the result that hotels in one region in effect compete with hotels in other regions for the same patronage. On the other hand, in the case of tourist use of hotels at least, hotels must compete with other forms of accommodation (e.g. campers) and indeed with other discretionary expenditures for recreation and leisure (e.g. color television and recreational boats).

2.07 A hotel typically provides a variety of services including overnight accommodation, food and beverage service, meeting facilities and entertainment. The combination of these services varies in each hotel but the following general observations can be made. The principal business of a hotel is providing

overnight accommodation and in most hotels (with exceptions in Scandinavia and Australia, for example) rooms provide the greatest proportion of total sales (40-60%). Food and beverage together often can be as important as room sales (40-50%). The balance is composed of less important sales supporting the main business except in cases where the hotel operates a casino, recreational facility or other service generating significant revenue.

2.08 Expenses vary widely between departments but after deduction of direct departmental expenses, the rooms department typically makes a much higher contribution to profit than the food and beverage department. This has given rise to many operators questioning the wisdom of providing food service but in tourist and convention hotels the question does not arise since accommodation and food service are joint services which are not readily separable from a marketing point of view.

2.09 Payroll and raw materials (food and beverage) are the heaviest operating expenses a hotel has. Raw materials vary with the level of business, but a high proportion of operating expenses in a hotel are fixed and in the short run there is little opportunity to adjust them to changing levels of business.

2.10 Gross operating profit (revenues minus operating expenses) typically varies from 20-35% of total revenues. Net profit (gross operating profit minus financial charges and taxes) is often very low in hotels. For example, group net profit for Hilton Hotels in the United States was 4% of sales in 1971 and 4.6% of sales in 1972. In one study,^{1/} consultants found that availability of capital for hotel projects was limited, amongst other things, because the "hotel industry is so market sensitive that profitability in both the long and short term is suspect". Further, the same report states that "the margin between the rate of return earned and the market rate of borrowing is generally so small that there is little incentive to invest".

^{1/} Investment in Hotels and Catering, National Economic Development Office, London, 1968

2.11 Cash generated by a hotel, like other real estate ventures, is typically substantial, principally because of depreciation and amortization allowances which, although a cost of doing business, are a non-cash item. Depreciation and amortization is typically a much greater portion of cash generated in a hotel than net profit (typically 2-4 times as great). Net cash flow after servicing long-term debt and provision for dividends can be used for a variety of corporate activities including replacements, expansion in the same field or in different directions, debt reduction, servicing subordinate debt or even partially liquidating the enterprise. The cash flow aspect, even though it has several pitfalls, is considered one of the attractions of the hotel industry.

2.12 The above discussion ignores the issue of who owns and who manages a hotel. In practice, ownership and management of hotels are often in different hands. Owners often consider their hotel investments as real estate - and beyond generation of adequate earnings they have no interest in operating the building as a hotel. Consequently, they lease the building to competent hotel operators or retain managers for a fee. It is beyond the scope of this paper to treat the arrangements between the parties involved^{1/} but the introduction of an additional party requires that the hotel generate earnings which will satisfy the minimum requirements of investors and operators party to the agreement if the project is to be successful.

2.13 The minimum requirements of investors and operators are conditioned by the risks and rewards involved in a project and by their

^{1/} For a discussion of leases and management contracts, see the document "Hotel Financing and Management", IFC/SecM70-13 dated July 22, 1970

several objectives and policies. As pointed out above, net profits can be very low - particularly if there is an intermediary operator or lessee - but cash flow can be attractive. Beyond this, both operating leverage and financial leverage are possible in hotel operations.

2.14 Operating leverage arises because of the structure of low variable and high fixed expenses. If a hotel is operating at a level where profits are only adequate, any increase in operating revenue (through increased revenue or improved occupancy, for example) or any decrease in managed (fixed) expenses, will carry through substantially to net profit and magnify results. But the contrary is also true - a hotel is so sensitive to changes in occupancy and room rates that the downside risk is substantial if the hotel fails to attain projected occupancy or room rates. However, operating leverage is considered an incentive - especially to the groups and chains which rely on marketing networks to generate business between the units of the group.

2.15 Similarly, because of the high proportion of debt with its relatively fixed servicing requirements in the financial structure of a hotel, the opportunity for trading on the equity, of using borrowed funds when their use results in a higher return than the cost of capital, results in improved earnings accruing to equity holders. Again, the downside risks are great if the hotel fails to perform as expected especially if it was financed with thin equity and several layers of senior and junior debt. But the possible gains in earnings through the use of leverage remains an objective and policy of many hotel investors.

Financing

2.16 Hotels in many respects are financed according to norms used in the real estate business. Real estate projects usually have slow capital turnover, involve large investments and small annual returns. Lenders make loans available because real estate is considered a stable investment with considerable long term growth potential, and possible appreciation in land value. Investors, on the other hand, often are interested in the cash flow or tax sheltered earnings possible because of accelerated depreciation allowances. To this extent, hotels are like any other real estate improvements. However, hotels differ from other real estate projects because of the need for considerable replacements over the hotel's economic life and market uncertainty, since, except in very exceptional circumstances, the occupancy rate cannot be determined before the hotel is built or open as it can in the case of, for example, an office building through lease commitments. In addition to uncertainty in the market, asset lives and residual values are very difficult to estimate for hotels.

2.17 Some methods of financing and the instruments used are discussed in Annex 3 of the report. A financial package is limited only by the resources and imagination of the investors. The analysis used in this study, however, will be approached on the assumption that projects will be entirely financed by equity funds and by one long-term loan. These are simplifying assumptions which preserve the essential nature of hotel projects.

III. THE HOTEL MODELS

3.01 Three hotel models were selected for analysis based on existing and projected results for typical hotels in countries where the Bank has, or might have, tourism projects. These countries include, amongst others, Mexico, Morocco, Tunisia, Turkey and Yugoslavia. The hotels are: (1) a high annual occupancy, high investment cost hotel (Type I) such as might exist in capital cities; (2) a medium occupancy, medium investment year-round hotel (Type II) such as might be found in Mexico; (3) a low annual (but very high seasonal) occupancy, low investment cost seasonal hotel (Type III) such as might be found in Yugoslavia. The models are summarized in Table 1, and an explanation of the assumptions is given below.

Investment Costs

3.02 The following investment costs per room have been assumed:

Type I hotel	\$30,000
Type II hotel	\$20,000
Type III hotel	\$10,000

Necessarily, these are somewhat arbitrary but they do represent a range of current investment costs experienced in various countries. For the purposes of the study, we have assumed that the higher the investment cost, the higher must be occupancy and tariffs if the hotel is to be operated profitably.

Occupancy

3.03 In general, the seasonality of demand is reflected in the average annual occupancy rates for various types of hotel. For example, hotels located in large metropolitan areas catering primarily to business travel, enjoy a fairly even flow of guests and thus relatively high average annual occupancy rates. Conversely, holiday villages located in non-urban resort

areas, catering to the highly seasonal demand of vacation travellers normally face rather low average annual occupancy rates. The occupancy rates used here are on an annual per room basis, and are:

<u>YEAR</u>	<u>1</u>	<u>2</u>	<u>3-25</u>
Type I	55%	65%	75%
Type II	50%	55%	60%
Type III	30%	35%	40%

Sales (Revenue)

3.04 Hotel sales for the purposes of the study were based on an average room rate from which total rooms sales were calculated. Food, beverage and other revenue was calculated as a percentage of room sales. The average room rate used as a first approximation was set at \$1 per \$1,000 of investment, following an accepted industry standard.

Operating Expenses

3.05 These were developed using experience ratios from hotels in Bank member countries. Operating expenses include cost of raw materials (food, beverage, supplies), payroll, direct departmental expenses (supplies), undistributed expenses (administrative, advertising, utilities, repairs and maintenance and local taxes and insurance). Ratios to total sales for a typical year of operation in the various types of hotel are:

	<u>Expense Category</u>			
	<u>Cost of Goods Sold</u>	<u>Payroll</u>	<u>Other Direct</u>	<u>Undistributed</u>
Type I	12%	29%	11%	21%
Type II	16%	25%	13%	20%
Type III	25%	25%	8%	15%

"Cost of goods sold" and "other direct" expenses were assumed to vary directly with sales. "Payroll" and "undistributed" expenses were divided into their fixed and variable portions, with the exception of payroll for Type III hotels where it was assumed that payroll was all fixed (See Table 1) because of the seasonal nature of the hotel.

Additional Assumptions

3.06 All projections in the study are based on amounts per \$1,000 of investment. This is a simplification made for computational purposes only. By dealing in \$1000 units the effect of size on hotel operations is avoided. However, size (number of rooms) will be an important aspect in individual projects and will affect the services to be offered and so the total (relative) investment cost, the operating characteristics, and the financial planning for the project.

3.07 It has been assumed that the hotels are owned and operated by the same entity. Thus, there are no management fees, or rent included in the operating projections. In many cases, in fact, a management agreement or lease might be in operation. The effect of such an agreement would be to introduce an additional fixed expense.

3.08 The economic life of each of the nine models is assumed to be 25 years.

3.09 Replacements, to maintain the operating efficiency of the hotels, have been set at \$8 per \$1,000 of investment cost.

3.10 Depreciation has been set at \$40 per \$1,000 of investment cost.

3.11 Income taxes were calculated as 25% of taxable income.

3.12 A five-year tax credit for losses was used in the calculations.

3.13 Inflation and capital gains have not been included in the analysis.

Variations in the models

3.14 Projections using the above investment costs, occupancy, room rate and operating expense structure were made. These projected results have been designated as Models Ib, IIb and IIIb. In order to test the results of our analysis against alternative operating results for each type of hotel, two

additional projections of operating results for each hotel type were made. In each case, the alternative models assume that all other variables remain unchanged except room rates (and total sales). Obviously, if tariffs change, other variables (e.g. occupancy, operating costs) would also be expected to change. As a simplification, the study considered only changes in tariffs, and these changes on a per \$1000 of investment basis, are:

<u>Hotel Type</u>	<u>Model</u>	<u>Tariff (U.S.\$)</u>
I	a	1.15
	b	1.00
	c	0.85
II	a	1.20
	b	1.00
	c	0.80
III	a	1.25
	b	1.00
	c	0.75

The variations are plus or minus 15, 20, 25% for Types I, II, and III respectively. On the basis of the alternative tariffs, the gross operating profit stream for each model was projected as shown in Table 1.

Comments on the Models

3.15 The models do not exhaust the different types of hotel possible, nor are they intended to define the type of hotel in which the Bank Group should be interested. On the contrary, each specific hotel project will have its own characteristics and each project has to be evaluated individually. For example, the Type I hotel is a high investment, high occupancy, high room rate hotel. This type of project certainly exists particularly in capital city locations.

However, occupancy of 75% over a 25 year life and room rates of \$1.15, \$1.00 and \$0.85 per \$1,000 of investment would be quite high for an actual project and compelling evidence would have to be forthcoming to justify such assumptions. At the other extreme, the Type III hotel is typical of the kind of operation often seen in the Mediterranean - highly seasonal, low room rates, working at capacity for about four to six months a year, with guests coming through the agency of tour operators and wholesalers. At the same time, there are year-round variations of the Type III model which in fact charge high tariffs and can achieve impressive annual occupancies. In summary, the models used in the study are representative of the most common types of hotels found in the real world, but at the same time they cover a limited range of possibilities.

3.16 In order to gain an initial insight into the project returns for the various hotel models, a project DCF rate of return on invested capital was calculated, excluding income taxes, for each model with the following results:^{1/}

<u>Hotel Type</u>	<u>Project DCF Rate of Return</u>
Ia	16.6%
Ib	14.6%
Ic	12.4%
IIa	12.8%
IIb	10.5%
IIc	8.0%
IIIa	8.8%
IIIf	6.6%
IIIf	3.9%

The results show declining rates of return from high investment, high occupancy hotels to low investment, low occupancy hotels. As pointed out above, the range is not exhaustive. For example, a low occupancy, high investment hotel is not included in the range of results. However, for those types not included in the

^{1/} This project DCF rate of return is equivalent to a first step economic rate of return unadjusted for differences between market prices and true economic values.

present study, order of magnitude results can be intuitively estimated and the models used remain representative of the types of hotel most likely to be found in Bank projects.

IV TERMS OF LENDING

Mortgage Lending

4.01 A mortgage loan is a loan, usually long-term, secured by the value of a property plus a margin of safety so that in the case of default the value of the property will exceed the loan outstanding. To ensure an adequate safety margin, the amount of the loan must be conservative in relation to the value of the project throughout its economic life. The danger with a mortgage loan is that the rate of depreciation and obsolescence of the facility will exceed the rate of loan amortization. In addition, the flow of operating earnings must be sufficient to allow a margin of safety over debt service requirements, since:

- (a) the hotel may not reach operating projections;
- (b) earnings may decline as the property ages; and
- (c) there are continuing needs for replacements especially in the middle and late years of project life.

4.02 The combination of a conservative loan to value ratio and a margin of safety in operating earnings are the main controls which a mortgage lender has. If these conditions do not exist then a mortgage becomes a combination of venture risk and debt. The most usual circumstances in which there is departure from these norms are when:

- (a) cost is not used as the basis for value in the loan to value ratio and
- (b) projections of earnings are faulty.

The security of a loan is affected if there is inadequate capital replacement, if there are no returns to the equity participants or if there are any defaults in junior financing commitments.

4.03 Over and above the main controls described above, mortgage lenders also rely on the integrity and creditworthiness of loan applicants as important elements in the evaluation of projects and there may be considerable latitude in the terms of lending granted to different borrowers. These terms are negotiable and taken as a whole are considered very important ingredients of a good financial package. In short, terms of lending are variable, negotiable and important for their overall probable impact on a project.

Components of Terms of Lending

4.04 Items which can appropriately be considered as terms of lending are:

- (a) Stopgap versus permanent financing
- (b) Ratio of loan to value of project
- (c) Method of payment
- (d) Grace period
- (e) Interest rate
- (f) Length of loan

These items are discussed separately in the paragraphs below.

4.05 In some situations, it is impossible to secure permanent financing during construction and during the first few years of operation and stopgap financing becomes necessary. It is sometimes possible to arrange a construction loan eventually to be converted into a mortgage at the same institution. More often than not, however, a developer will have to use separate sources of financing. This introduces another element of uncertainty into a project and involves considerable additional expense and time arranging financing. World Bank loans are permanent and cover construction, pre-opening and operating phases. This in itself is an item of considerable value to prospective borrowers.

4.06 The ratio of loan to value is an area which is open to interpretation. What is "value"? Most conservatively, it can be estimated as construction cost of fixed assets; or total project cost; or it can be based on some concept of "fair market value". Changing the definition of "value" has been a device for allowing increased proportions of projects to be financed by debt. The loan to value ratio is directly related to debt/equity ratios which are important key measurement criteria in hotel projects. Whereas a large number of debt/equity ratios could apply depending on evaluation of risk, in this study a fixed debt/equity ratio of 65:35 will be used for testing.

4.07 The method of payment as mentioned above can be handled in a variety of ways which have considerable impact on hotel financing. Bank loans are repaid in level installments of principal and interest (the annuity method), and IFC loans are repaid in level installments of principal. The annuity method will be used in this study.

4.08 The grace period is an important concession for a hotel project. Since during the construction period there is no revenue and possibly little in the initial years of operation, grace periods are often made in hotel loans but usually only refer to principal amortization. In this study, we will select a grace period on principal of three years covering an assumed two year construction period and the first year of operation.

4.09 As the method of payment is the annuity method, the method of interest calculation is defined.

4.10 The length of the loan or maturity influences the debt burden. In addition, the method of payment, the interest rate and the length of the loan are all related to timing which is a vital element over a project's economic

life. The length of loan will be **a variable in this study.**

4.11 In summary, the following terms of lending are given or fixed:

- (a) Permanent financing (i.e. no stopgap necessary)
- (b) The annuity method of payment
- (c) Ratio of loan to value (debt/equity)
- (d) Grace period

The remaining two are variable:

- (e) Interest rate
- (f) Length of loan

In the terms of lending study selected combinations of the variable terms of lending were tested under operating assumptions for different types of hotel.

4.12 The terms of lending used in the study were:

<u>Case</u>	<u>Principal Repayment Period</u>	<u>Interest Rate</u>	<u>Grace Period (in addition to Principal Repayment)</u>
1	24	7 1/4%	3 years (2 construction & 1 operation)
2	20	7 1/4	"
3	15	7 1/4	"
4	10	7 1/4	"
5	24	9	"
6	20	9	"
7	15	9	"
8	10	9	"

The 7 1/4% and 9% rates were chosen as the Bank's and IFC's current lending rates. In addition, soft terms, reflecting interest subsidies available in some countries were tested for type IIc, and for all of type III hotels:-

<u>Case</u>	<u>Principal Repayment Period</u>	<u>Interest Rate</u>	<u>Grace Period (in addition to Principal Repayment)</u>
9	25	2 %	3 years
10	25	4	3 years

V. MEASUREMENT CRITERIA

5.01 Measurement criteria, as defined here, include the methods by which investors and lenders evaluate hotel projects. It is assumed that the evaluation is a financial evaluation, that is, that a project can be determined to be feasible or not, on the basis of financial criteria. This is clearly a limiting assumption for there are many non-financial factors involved in hotel investment decisions, particularly in development projects the Bank Group might investigate. The most obvious of these is the economic rate of return on a project. However, in the present study the measurement criteria are financial and if certain projects fail to meet these criteria the options are: (1) to relax the terms of lending if possible; (2) to introduce government incentives; or (3) to reject the project.

5.02 Two ratios commonly employed by lenders in evaluating projects are: (1) the number of times interest is earned ^{1/}(EBIT/interest ratio); and (2) the debt service coverage ratio.^{2/} These measure the ability of a project's forecast operating results to service its debt. For hotels, accepted values for these ratios are 2.0-2.5 and 1.2-1.5 respectively in a typical year. The lower limits of 2.0 and 1.2 are used in this study.

1/ Number of times interest earned

$$= \frac{\text{Earnings before interest and tax}}{\text{Interest}}$$

2/ Debt service coverage

$$= \frac{\text{Net profit} + \text{depreciation} + \text{interest} (1-\text{tax rate})}{\text{Principal} + \text{interest} (1-\text{tax rate})}$$

5.03 Of the criteria commonly employed by investors related to returns on their investment, we have selected the payback period ^{1/} and the ratios of net income ^{2/} and net cash flow to equity ^{3/}. An upper limit of 15 years payback (although this could eliminate many potential investors) and ratios of 8% (net income/equity) and 10% (net cash flow/equity) by a typical year of operation have been selected as limits in this study.

5.04 For commercial projects, analysis of ratios for a "typical year" could be between the third and fifth years of operation. In this study, since projects are development projects, the fifth year of operation has been used.

5.05 Criteria taking into account the time value of money have also been used. Use of such methods is only found in the more sophisticated companies in the hotel industry and it is more difficult to establish minimum acceptable industry standards. As noted earlier in Section III, the project DCF, or the first approximation economic rate of return, was calculated for each model. In addition, the DCF relating equity to net cash flow ^{4/} has been calculated for each of the nine models under various terms of lending assumptions. A minimum acceptable DCF equity rate of return was set at 5% .

^{1/} Payback period: number of years required for cash generation to equal original investment.

^{2/} Net income/initial equity

^{3/}
$$\frac{\text{Net income} + \text{depreciation} - \text{replacements} - \text{principal}}{\text{Initial equity}}$$

^{4/} Net cash flow defined as net profit + depreciation - loan amortization - replacements

VI. PROJECTION OF CASH FLOW STATEMENTS

6.01 Cash flow statements were prepared based on the investment costs, income projections and financial constraints. The configuration of three basic models, each with three variations in gross operating profit and eight terms of lending assumptions, resulted in 72 cash flow projections. In addition softer terms were applied on Types II and III. The complete matrix of combinations is as follows:

<u>Type I</u>		<u>Type II</u>		<u>Type III</u>	
a,	1-8	a,	1-8	a,	1-10
b,	1-8	b,	1-8	b,	1-10
c,	1-8	c,	1-10	c,	1-10

The lower case letters (a, b, c,) refer to the GOP streams; the figures (1-8, 1-10) refer to combinations of the terms of lending. Results for the various measurement criteria are presented in this format wherever possible. As an example, Type IIb4 is reproduced in Table 2 to illustrate the procedure. Tables showing the equity DCF, the payback period, the EBIT/interest ratio, the debt service coverage ratio, the next income/equity ratio and the net cash flow/equity ratio for all combinations are included in Annex 4, and shown graphically in Annex 5, and discussed in Annex 6.

VII. ANALYSIS OF RESULTS

Analysis of Results and Conclusions

7.01 The analysis is based on the measurement criteria established in Section V. These criteria are selective and can only be applied collectively - that is, failure to measure up to the minimum standard set on one test is not sufficient reason for rejecting a project, if it measures up on other criteria. The payback period, for example, has well known limitations and can result in wrong decisions. The discounted cash flow techniques are the only ones which give the "correct" rate of return in all cases. Yet DCF returns, while indicating overall project returns, do not satisfy the informational and analytical needs of lenders whose main interest is protecting their investment. But, above all, an individual project is only as sound as the forecast of operations - in this case the gross operating profit streams (GOP). Tables summarizing the results for the measurement criteria are included in Annex 4 and graphs of these results are included as Annex 5. Each type of hotel is discussed in detail in Annex 6.

7.02 In general, the study shows that good hotel projects can support the terms of lending tested. Type I projects can be managed successfully at the hardest terms tested, that is, 13 year loans with three year grace periods on principal repayments at interest rates of 9%. As occupancy drops down to the 60% level, as in Type II projects, good revenue generating projects are feasible with hard terms. However, weaker Type II projects need softer terms - longer repayment schedules and lower interest rates - in order to make them acceptable. The study also shows that selected projects with low occupancies and weak earning power can be feasible under very soft terms as seen in Type IIIa cases 9 and 10.

7.03 Ignoring the perhaps extreme cases of Types I and II, hotels financed with 13 year loans only marginally meet debt service requirements within the range of alternatives tested in the study. As a policy matter consistent with conservative

financial practice, hotels (unless they can be shown to have markedly superior earning power) should be financed by loans with maturities in excess of 13 years, with a minimum somewhere between 13 and 15 years. This is proposed principally because hotels have weak earning power in the early years of operation and therefore at best only have a modest margin of safety to combat fluctuating levels of business. The interest rates tested were limited to 9% and 7 1/4%, plus the two very concessionary cases - the effect of the different rates is best seen in the case of hotel Type IIb where within each maturity, changing the interest rate from 9 to 7 1/4% converts the project to acceptable from unacceptable. Most projects appear acceptable with interest rates below 9% - and although it cannot be said categorically from the cases tested, the threshold appears to be close to 9%. From the above it can be hypothesized that the hardest acceptable terms of lending for a "typical" hotel are a 13-15 year maturity with an interest rate between 8-9%. However, two caveats remain: (1) each project has to be evaluated on its merits; and (2) the two variables tested should not be considered separately, but together. In effect, there is a degree of substitutibility between the length of the loan and the interest rate which again must be evaluated on an individual basis.

7.04 It is apparent from the results of the study that there is no hard and fast rule on terms of lending which can be applied across the board to every hotel project - other than the obvious comment that the weaker a project's earning power, the softer must be the terms of lending. There are certain characteristics common to most hotels (e.g. slow build-up of revenues, long life), but in the final analysis each hotel has to be evaluated individually.

Recommendation

7.05 The terms of lending study explored the effects of changes in interest rates and in loan maturities on financial results, while holding other terms of lending and indeed other financial and operating parameters, constant. Amongst others, the following were held constant within model types:

Model Assumptions

Size of hotel and specific service configuration

GOP ratio to total sales

Investment cost

Economic life

No lease or management contract

Financial Assumptions

Debt/equity ratio

Grace period

Replacements

Depreciation

It is recommended that consideration be given to continuing the terms of lending research in order that a range of more general conclusions be reached by relaxing some of the constant assumptions listed above and by performing sensitivity analysis on selected criteria. For this, it would be necessary to resort to a computer model. The computer model necessary for this could be a cash flow model with sub-routines for calculating loan amortization schedules. It would also have to be able to calculate sensitivity analysis readily so that the effects of holding constant or changing parameters could be analyzed. This partial model in fact could be a useful input for a more general hotel model.

TERMS OF LENDING
Hotel Mode

TABLE 1

Investment cost per room (US\$)	TYPE I			TYPE II			TYPE III		
	30,000			20,000			10,000		
Operating year	1	2	3-25	1	2	3-25	1	2	3-25
Rooms	100	100	100	100	100	100	100	100	100
Annual room occupancy %	55	65	75	50	55	60	30	35	40
Annual room rate (US\$)	30	30	30	20	20	20	10	10	10
Room sales as % of total sales ^{1/}	50	50	50	50	50	50	50	50	50
Total sales	1204.5	1423.5	1642.5	730.0	803.0	876.0	219.0	255.0	292.0
Cost of sales	144.5	170.8	197.1	117.0	128.5	142.0	63.2	63.9	73.0
Payroll	399.5	412.8	420.7	197.3	200.1	202.9	63.9	63.9	63.9
Other direct expenses	132.5	156.6	180.7	94.9	104.4	113.9	19.5	20.4	23.4
Total direct expenses	676.5	740.2	798.5	409.2	433.0	458.8	146.6	148.2	160.3
Gross margin	528.0	683.3	844.0	320.8	370.0	417.2	72.4	107.3	131.7
Undistributed expenses	287.3	298.9	300.8	158.8	160.6	162.8	37.0	38.3	40.3
Gross operating profit	240.7	384.4	543.2	162.0	209.4	254.4	35.4	69.0	91.4
Gross operating profit ratio to total sales	20%	27%	33%	22%	26%	29%	16%	27%	31%
Gross operating profit per \$1000 of investment	80	128	181	81	105	127	35	69	91

RANGE OF GROSS OPERATING
PROFIT TESTED

Optimistic	92	147	208	97	125	152	44	86	113
Most likely	80	128	181	81	105	127	35	69	91
Pessimistic	68	109	154	64	84	102	26	52	68

^{1/} Room sales 50%
Food and beverage sales 45%
Other sales 5%

TABLE 2

Terms of Lending
Example of Procedure, Hotel Type II b 4
(per \$1,000 of investment cost)

<u>Y E A R</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6-25</u>
Occupancy	50%	55%	60%	60%	60%	60%
Average room rate	1.00	1.00	1.00	1.00	1.00	1.00
<u>Income Statement (See Table 1)</u>						
Total sales	365	402	438	438	438	8760
Total expenses	<u>284</u>	<u>297</u>	<u>311</u>	<u>311</u>	<u>311</u>	<u>6220</u>
Gross operating profit	81	105	127	127	127	2540
Depreciation	40	40	40	40	40	800
Interest	<u>47</u>	<u>47</u>	<u>44</u>	<u>40</u>	<u>36</u>	<u>119</u>
Profit before tax	(6)	18	43	47	51	1621
Income tax	<u>-</u>	<u>3</u>	<u>11</u>	<u>12</u>	<u>13</u>	<u>405</u>
Net income	<u>(6)</u>	<u>9</u>	<u>32</u>	<u>35</u>	<u>38</u>	<u>1216</u>
<u>Cash Flow</u>						
Net income	(6)	9	32	35	38	1216
Depreciation	<u>40</u>	<u>40</u>	<u>40</u>	<u>40</u>	<u>40</u>	<u>800</u>
Cash generation	<u>34</u>	<u>49</u>	<u>72</u>	<u>75</u>	<u>78</u>	<u>2016</u>
Replacements	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>160</u>
	26	41	64	67	70	1856
Principal amortization	<u>0</u>	<u>47</u>	<u>50</u>	<u>54</u>	<u>58</u>	<u>438</u>
Net cash flow	<u>26</u>	<u>(6)</u>	<u>14</u>	<u>13</u>	<u>12</u>	<u>1418</u>
<u>Rates of Return</u>						
Project DCF	10.5%					
Equity DCF	8.7%					
Payback period	12.4 years					
<u>Ratios</u>						
EBIT/interest	0.9	1.4	2.0	2.2	2.4	-
Debt service coverage	2.0	1.3	1.2	1.2	1.2	-
Net income/equity	(2%)	3%	9%	10%	11%	-
Net cash flow/equity	7%	(1%)	4%	4%	3%	-

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TERMS OF LENDING
Selected Institutions Terms
NB Information Tentative and Subject to Change

<u>Country</u>	<u>Institution</u>	<u>Length of Loan</u>	<u>Interest Rate</u>	<u>Security</u>	<u>Comments</u>	<u>Information Dated</u>
Australia	Australian Mutual Providence Society	10-20 yrs.	7.75-8%	Mortgage		1971
Belgium	Credit communal	20-30	Fixed at market every 6 months	Pledge by community	Community interest projects only	1971
Belgium	Societe Nationale de Credit a L'industrie	10-15	7%	Mortgage, chattel mortgage		1968
Finland	Tourist Development Fund	8-15	7.5-8%	Mortgage		1971
France	Caisse des Depots et Consignations	20	5.25%	Pledge by community	Community interest projects only	1971
France	Caisse centrale de credit hotelier	Up to 30	3.5-6%	Mortgage	New buildings 60% of cost; rest 50% of cost	
Greece	Greek Bank for Industrial Development	18-24	2.5-8%	Mortgage	80% of cost in developing areas; 55% in rest	1973
Italy	Cassa per il Mezzogiorno	10-20	N/A	Mortgage	Granted through authorized banks	1973
Japan	Japan Development Bank	10-15	8.2%	Mortgage or personal surety		1971
Korea	Government	5	12%	Mortgage		1973
Morocco	Credit Immobilier et Hotelier	Up to 20	8.75%	Mortgage	60% of investment cost	1973

TERMS OF LENDING
Selected Institutions Terms
NB Information Tentative and Subject to Change

<u>Country</u>	<u>Institution</u>	<u>Length of Loan</u>	<u>Interest Rate</u>	<u>Security</u>	<u>Comments</u>	<u>Information Dated</u>
Mexico	Banco Nacional de Mexico	10-15	11-13%	Mortgage	50% of fixed assets	1973
Spain	Banco Hipotecario de Espana	15	5.25%	Mortgage	50% of costs (60% for holiday villages)	1971
Switzerland	Societe de Credit Hotelier	15	3.88%	Mortgage		1968
Tunisia	Societe Nationale d'Investissement	15	9%	Mortgage, pledge	Also takes equity	1973
Tunisia	COFITOUR	15	9%	Mortgage	Up to 50% of debt	1973
Yugoslavia	Yugoslav Investment Bank	5-25	6-7%	N/A		1971
United States of America	Ex-Im Bank	N/A	5%		"tied" credit	1971
U.S.A.	Insurance Company	Up to 30	7-9%	Mortgage		1973
International	Inter-American Development Bank	10-25	4-8%	Mortgage	2-5 year grace	1971
"	Danish Government	Up to 25	0	N/A	40-50% of project cost up to 7 years grace	

TERMS OF LENDING
Selected Institutions Terms
NB Information Tentative and Subject to Change

<u>Country</u>	<u>Institution</u>	<u>Length of Loan</u>	<u>Interest Rate</u>	<u>Security</u>	<u>Comments</u>	<u>Information Dated</u>
International	German Development Company	15	3.5 - 6.5%		Also takes equity	1973
"	Commonwealth Dev. Corp. (U.K.)	10-15	9%	Mortgage, bank guarantee		1971
"	Caisse centrale de Cooperation Economique (France)	20	3.5-6%	Mortgage	Up to 60% of project cost	1971

TECHNIQUES OF HOTEL FINANCING

Hotel financing is limited only by the resources and imagination of investors. Some devices commonly in use are explained in the following paragraphs:

Ground lease - In some instances, often where it is impossible to buy the land, ground leases are employed. One advantage of a ground lease is that it reduces the capital required but it is advantageous to the hotelier only if the rental is cheaper than the cost of capital. Usually a ground lease is subordinated to the 1st mortgage.

Stopgap financing - Before it is open (and in some countries during the initial years of operation) a hotel is often not considered as security enough for a mortgage loan and "stopgap" or "bridging" finance is necessary for the construction period and until a permanent mortgage can be arranged. A construction loan can be arranged and it is paid off when the first mortgage is obtained. Other types of stopgap financing are "standby mortgages" which are usually for two to five years and are not amortized, and bank overdrafts which are often used for smaller hotels.

1st mortgage - This is the most usual method of financing a hotel and is discussed in more detail in para.4.01. A mortgage loan is secured by a pledge on the fixed assets of the hotel and can be middle to long term. A first mortgage is usually senior to all other loan obligations in a project. These loans can be structured to be fully amortized, partially amortized or simply term mortgages with no amortization. The most common type used in hotels is the fully amortized loan with payment either on the annuity basis or declining balance. It is worth noting that mortgages

are typically long term and hence illiquid. Lending institutions may in fact not be willing to lend on extended terms in some countries, especially if there is no secondary market where mortgages can be sold.

2nd (Junior) mortgage - Because of possible high cash flow in the early years of operation (through accelerated depreciation and few requirements for replacements) junior mortgages are sometimes employed. They are subordinate to 1st mortgages on their claim on assets and are high cost and often have large discounts on face value. They are most often used in purchases of hotels with 1st mortgage liens where the seller is willing to take a 2nd mortgage in lieu of cash. In new projects, junior mortgages should be resorted to with great restraint and only in the few cases where they can be adequately serviced from the project's earnings.

Debentures - A hotel pledges most of its assets to obtain its mortgage financing and therefore has little further security for loans. In addition, it has only minor working capital - which is the usual security for a debenture. Therefore, for financing an individual hotel, there is little security for the debenture holder and in many ways a debenture holder resembles a preference shareholder although the debenture remains a loan. Where investors are prepared to accept bonds, the debenture is often used in hotel financing particularly in combination with an equity participation. In addition, in some countries, mortgage debentures, or bonds backed by mortgages, are sometimes used.

Supplier Credits - Furniture, fixtures and equipment is often financed through installment purchases with credit extended by the seller or through a medium term bank loan. Supplier credits are often used where mortgage loans cannot be applied to equipment or where they are restrictions on the ratio of a mortgage loan to the value of the project.

Leasing - Although heating, ventilation and air conditioning can be considered part of real estate for mortgaging, it and other equipment (especially television sets, but also furniture) can be leased. This can be expensive since the lessor must recover the cost of the equipment plus his overhead but lease payments are tax deductible (although this advantage is largely offset by the accelerated depreciation now often allowed) and the uncertainty of the asset's depreciable life is largely removed when the term of the lease is known.

Sale and leaseback - In a sale and leaseback situation, a developer builds a hotel and sells the land and building (or land only) to a lender and then leases it back. The major advantage of the method is that equity is reduced since the mechanism provides a larger percentage of project cost than can often be obtained using normal mortgage sources. It is, however, a high cost method of financing.

Other sources - There are other sources and types of financing including condominiums, joint ventures, syndicates and investment trusts but these are of lesser importance, particularly in projects where the Bank might be involved.

Equity - Equity can be obtained from domestic and international sources, public, private and quasi-public. The aims and goals of each different type will vary greatly. IFC, for example, like many equity investors may be interested in current income as dividends to enable them to sell their investments after a reasonably short time. Other equity investors may be interested in long term capital gains; others may be interested in cash flow; others in sheltered income. The point is that although this paper will focus on terms of lending, both equity investors and lenders will have objectives which, although they may appear contradictory, must be satisfied if the project is to remain sound. Terms of lending should

therefore be designed to ensure a solid investment backed by the value of the improvements but at the same time acceptable and compatible with equity investors' objectives and the earning power of the project.

The discussion above implicitly assumes that financing of individual hotels is being discussed. However, the criteria are substantially modified for hotel chains and for hotels which will be affiliated with groups. Hotel chains, for example, have access to capital markets, can issue stock or debentures, can sometimes guarantee loans or provide additional security through its other holdings if one hotel's assets are not considered sufficient collateral for a loan. In addition, chains often are considered as "additional security" when financing is being sought - this can be misleading, however. Financing is based on projected earnings - only to the extent that the chain can support or augment operating earnings can it be considered "additional security".

TERMS OF LENDING
Earnings before Interest and Taxes to Interest Ratio

CASE	TYPE I Y E A R				TYPE II Y E A R				TYPE III Y E A R			
	1	3	5	10	1	3	5	10	1	3	5	10
a 1	1.1	3.7	3.7	4.3	1.2	2.4	2.4	2.9	0.8	1.8	1.8	1.7
2	1.1	3.5	3.7	4.7	1.2	2.4	2.5	3.1	0.1	1.6	1.7	2.0
3	1.1	3.7	4.1	6.0	1.2	2.5	2.7	4.0	0.1	1.6	1.8	2.6
4	1.1	3.8	4.7	14.0	1.2	2.5	3.1	9.3	0.1	1.7	2.0	6.1
5	0.9	2.9	3.0	3.4	0.9	1.9	2.0	2.2	0.1	1.3	1.3	1.5
6	0.9	2.9	3.1	3.7	0.9	2.0	2.0	2.4	0.1	1.3	1.3	1.6
7	0.9	2.9	3.2	4.5	0.9	2.0	2.2	3.0	0.1	1.3	1.4	2.2
8	0.9	3.1	3.7	10.5	0.9	2.0	2.4	7.0	0.1	1.3	1.6	4.6
9									0.3	5.6	6.1	8.1
10									0.2	2.9	3.0	3.7
b 1	0.9	3.1	3.1	3.6	0.9	1.9	1.9	2.2	(0.1)	1.1	1.1	1.3
2	0.9	3.1	3.2	3.9	0.9	1.9	2.0	2.4	(0.1)	1.1	1.2	1.4
3	0.9	3.1	3.4	5.0	0.9	1.9	2.1	3.1	(0.1)	1.1	1.2	1.8
4	0.9	3.2	3.9	11.8	0.9	2.0	2.4	7.3	(0.1)	1.2	1.3	4.3
5	0.7	2.4	2.5	2.8	0.7	1.5	1.6	1.7	(0.1)	0.9	0.9	1.0
6	0.7	2.5	2.6	3.1	0.7	1.5	1.6	1.9	(0.1)	0.9	0.9	1.1
7	0.7	2.5	2.7	3.8	0.7	1.1	1.7	2.4	(0.1)	0.9	1.0	1.4
8	0.7	2.6	3.1	8.8	0.7	1.6	1.9	5.4	(0.1)	0.9	1.1	3.2
9									(0.3)	3.9	4.3	5.7
10									(0.2)	2.0	2.1	2.6
c 1	0.6	2.5	2.5	2.9	0.5	1.3	1.4	1.6	(0.2)	0.6	0.6	0.7
2	0.6	2.4	2.6	3.2	0.5	1.3	1.4	1.7	(0.2)	0.6	0.6	0.8
3	0.6	2.5	2.8	4.1	0.5	1.4	1.5	2.2	(0.2)	0.6	0.7	1.0
4	0.6	2.6	3.2	9.5	0.5	1.4	1.7	5.2	(0.2)	0.6	0.8	2.3
5	0.5	2.0.	2.0	2.3	0.4	1.1	1.1	1.2	(0.2)	0.5	0.5	0.6
6	0.5	2.0	2.1	2.5	0.4	1.1	1.1	1.3	(0.2)	0.5	0.5	0.6
7	0.5	2.0	2.2	3.1	0.4	1.1	1.2	1.7	(0.2)	0.5	0.5	0.8
8	0.5	2.1	2.5	7.1	0.4	1.1	1.3	3.9	(0.2)	0.5	0.6	1.8
9					1.8	4.8	5.2	6.9	(0.6)	2.2	2.3	3.1
10					0.9	2.5	2.6	3.1	(0.4)	1.1	1.2	1.4

TERMS OF LENDING
Debt Service Coverage

CASE		TYPE I Y E A R				TYPE II Y E A R				TYPE III Y E A R			
		1	3	5	10	1	3	5	10	1	3	5	10
a	1	2.2	3.3	3.6	3.2	2.4	2.4	2.3	2.4	0.9	2.0	1.8	1.7
	2	2.2	3.2	3.2	3.1	2.4	2.4	2.4	2.3	0.9	2.0	1.8	1.6
	3	2.2	2.7	2.6	2.5	2.4	2.0	2.0	1.9	0.9	1.6	1.6	1.4
	4	2.2	2.0	2.0	1.8	2.4	1.5	1.9	1.4	0.9	1.2	1.1	1.0
	5	1.9	2.9	3.1	2.9	1.9	2.2	2.1	2.0	0.7	1.7	1.7	1.5
	6	1.9	2.9	2.9	2.8	1.9	2.2	2.2	2.1	0.7	1.7	1.7	1.6
	7	1.9	2.5	2.4	2.3	1.9	1.9	1.8	1.7	0.7	1.5	1.5	1.3
	8	1.9	1.9	1.9	1.7	1.9	1.4	1.4	1.3	0.7	1.1	1.1	1.0
	9									4.2	3.0	3.0	3.0
	10									1.9	2.7	2.6	2.5
b	1	1.9	2.8	3.1	3.0	1.9	2.0	2.0	1.9	0.7	1.5	1.5	1.4
	2	1.9	2.8	2.8	2.7	2.0	2.0	2.0	1.9	0.7	1.5	1.5	1.4
	3	1.9	2.4	2.3	2.2	2.0	1.7	1.7	1.6	0.7	1.3	1.3	1.2
	4	1.9	1.8	1.7	1.6	2.0	1.3	1.2	1.2	0.7	1.0	1.0	0.9
	5	1.5	2.9	2.8	2.7	1.5	1.7	1.8	1.7	0.5	1.3	1.3	1.3

TERMS OF LENDING
Debt Service Coverage

CASE	TYPE I YEAR				TYPE II YEAR				TYPE III YEAR			
	1	3	5	10	1	3	5	10	1	3	5	10
6	1.5	2.6	2.5	2.4	1.5	1.7	1.8	1.8	0.5	1.4	1.3	1.3
7	1.5	2.2	2.1	2.0	1.5	1.4	1.5	1.5	0.5	1.1	1.1	1.1
8	1.5	1.7	1.6	1.5	1.5	1.1	1.2	1.1	0.5	0.9	0.9	0.8
9									3.3	2.5	2.4	2.5
10									1.5	2.4	2.1	2.1
c 1	1.6	2.7	2.7	2.6	1.5	1.8	1.6	1.5	0.4	1.1	1.1	1.0
2	1.6	2.4	2.4	2.3	1.5	1.8	1.7	1.6	0.4	1.1	1.1	1.1
3	1.6	2.0	2.0	1.9	1.5	1.5	1.4	1.3	0.4	0.9	0.9	1.0
4	1.6	1.5	1.5	1.4	1.5	1.1	1.0	0.9	0.4	0.7	0.7	0.7
5	1.2	1.9	2.4	2.1	1.1	1.5	1.5	1.4	0.3	0.9	0.9	0.9
6	1.2	1.9	2.2	2.1	1.1	1.5	1.5	1.5	0.3	0.9	0.9	0.9
7	1.2	1.6	1.9	1.8	1.1	1.3	1.3	1.2	0.3	0.8	0.8	0.8
8	1.2	1.3	1.4	1.3	1.1	1.0	1.0	0.9	0.3	0.6	0.6	0.7
9					5.9	2.7	2.7	2.7	2.3	2.0	1.9	1.9
10					2.9	2.4	2.4	2.3	1.0	1.7	1.7	1.6

TERMS OF LENDING
Net Income to Equity Ratio

CASE	TYPE I Y E A R				TYPE II Y E A R				TYPE III Y E A R			
	1	3	5	10	1	3	5	10	1	3	5	10
a 1	1	26	26	28	2%	14%	14%	16%	(12)	8%	7%	7%
2	1%	26%	26%	26%	2	14	14	16	(12)	7	6	8
3	1	26	27	30	2	14	15	18	(12)	8	6	10
4	1	27	28	33	2	15	16	21	(12)	8	8	13
5	(2)	24	24	26	(1)	11	12	13	(15)	4	4	4
6	(2)	24	24	26	(1)	12	12	14	(15)	4	5	5
7	(2)	24	25	28	(1)	12	13	16	(15)	4	6	8
8	(2)	24	26	33	(1)	12	14	20	(15)	5	7	12
9									(3)	13	13	14
10									(6)	10	10	11
b 1	(2)	20	21	22	(2)	9	9	10	(14)	1	1	3
2	(2)	20	21	23	(2)	9	9	10	(14)	1	2	3
3	(2)	21	21	24	(2)	9	10	12	(14)	1	2	4
4	(2)	21	23	28	(2)	9	11	16	(14)	2	4	8
5	(5)	18	18	20	(5)	10	13	12	(18)	(2)	(1)	0
6	(5)	18	18	20	(5)	4	6	8	(18)	(2)	(1)	1
7	(5)	18	19	22	(5)	4	7	10	(18)	(2)	0	4
8	(5)	18	20	27	(5)	4	8	15	(18)	(1)	1	7
9									(5)	8	8	9
10									(9)	7	6	7
c 1	(5)	15	15	16	(6)	5	4	5	(17)	(5)	(5)	(3)
2	(5)	15	15	17	(6)	5	4	6	(17)	(5)	(5)	2
3	(5)	15	16	19	(6)	5	5	7	(17)	(5)	(4)	0
4	(5)	15	17	22	(6)	5	6	10	(17)	(5)	(2)	5
5	(9)	8	12	14	(10)	1	2	3	(21)	(8)	(7)	(6)
6	(9)	8	13	15	(10)	1	2	3	(21)	(8)	(8)	(5)
7	(9)	8	13	17	(10)	1	3	5	(21)	(8)	(6)	(3)
8	(9)	8	15	21	(10)	2	4	10	(21)	(8)	(5)	3
9					2	7	11	11	(8)	4	3	4
10					(1)	8	8	9	(11)	4	1	2

TERMS OF LENDING
Net Cash Flow to Equity

CASE	TYPE I Y E A R				TYPE II Y E A R				TYPE III Y E A R			
	1	3	5	10	1	3	5	10	1	3	5	10
a 1	10	32	32	31	11	20%	20%	19%	(3%)	13%	12%	11%
2	10%	31%	31%	30%	11	18	18	17	(3)	12	10	10
3	10	27	27	26	11	15	15	14	(3)	11	6	6
4	10	21	21	19	11	9	8	7	(3)	3	0	(1)
5	9	29	30	29	8	18	18	17	(6)	10	10	8
6	9	29	29	28	8	19	16	16	(6)	10	10	7
7	9	26	26	24	8	12	14	20	(6)	7	7	4
8	9	20	20	17	8	8	7	5	(6)	(1)	(1)	(2)
9									(7)	16	16	16
10									3	15	14	14
b 1	7	26	26	26	7	15	15	14	(6)	7	7	6
2	7	25	25	24	7	13	12	12	(6)	0	0	4
3	7	22	21	21	7	10	10	8	(6)	3	2	1
4	7	16	15	13	7	4	3	1	(6)	(3)	(3)	6
5	4	23	24	23	4	10	13	12	(9)	4	4	4
6	4	23	23	22	4	9	11	10	(9)	3	3	3
7	4	20	20	19	4	6	8	7	(9)	1	1	1
8	4	15	14	12	4	0	2	0	(9)	(5)	(5)	(8)
9									4	11	11	11
10									3	11	10	9
c 1	9	20	20	20	3	10	9	9	(8)	1	1	1
2	9	19	19	19	3	9	8	7	(8)	(1)	(1)	(1)
3	9	16	16	15	3	6	5	4	(8)	(4)	(4)	(4)
4	9	10	9	8	3	0	(2)	(4)	(8)	(10)	(10)	(10)
5	0	15	19	19	(1)	8	8	7	(12)	(2)	(2)	(2)
6	0	13	17	17	(1)	7	7	5	(12)	(3)	(3)	(3)
7	0	10	14	13	(1)	3	3	2	(12)	(6)	(6)	(6)
8	0	8	8	6	(1)	(2)	(2)	(6)	(12)	(12)	(12)	(12)
9					11	14	14	14	1	7	6	6
10					9	12	12	12	2	5	5	4

TERMS OF LENDING
DCF Net Cash Flow Stream

<u>Case</u>	<u>TYPE I</u>			<u>TYPE II</u>			<u>TYPE III</u>		
	<u>a</u>	<u>b</u>	<u>c</u>	<u>a</u>	<u>b</u>	<u>c</u>	<u>a</u>	<u>b</u>	<u>c</u>
1	NOT TESTED			14.2	10.2	5.1	7.1	1.8	<-20.0
2	20.5	17.0	13.6	14.2	10.0	5.2	6.2	1.1	-3.7
3	19.3	15.9	13.3	13.2	9.3	5.3	6.6	3.3	-1.2
4	17.7	14.6	12.1	12.0	8.7	5.4	6.6	3.6	0.4
5	NOT TESTED			13.4	8.7	2.8	4.9	-2.6	<-20.0
6	19.4	15.6	12.5	13.1	8.5	3.8	5.6	0.71	<-20.0
7	18.3	14.6	11.6	12.0	8.1	4.2	5.0	2.0	-2.3
8	16.9	13.6	10.6	11.3	8.0	4.6	5.6	3.0	-0.5
9						10.7	12.0	8.0	2.7
10						8.8	10.3	6.1	-0.6

TERMS OF LENDING
Payback Period (years)

<u>Case</u>	<u>TYPE I</u>			<u>TYPE II</u>			<u>TYPE III</u>		
	<u>a</u>	<u>b</u>	<u>c</u>	<u>a</u>	<u>b</u>	<u>c</u>	<u>a</u>	<u>b</u>	<u>c</u>
1	7.3	8.5	10.3	12.0	14.1	17.9	16.7	20.8	N/E
2	8.5	9.9	11.8	11.4	14.3	17.5	16.2	19.8	24.0
3	8.4	9.6	11.4	11.7	13.3	16.3	15.2	18.2	23.5
4	8.2	9.3	10.9	11.2	12.4	15.0	14.1	17.0	21.5
5	7.8	9.2	11.4	12.7	15.9	21.0	18.4	23.5	N/E
6	9.1	10.7	12.8	12.4	15.2	19.1	17.8	21.8	N/E
7	9.0	10.4	12.2	12.6	14.4	17.4	16.4	19.7	N/E
8	8.5	9.9	11.5	11.8	13.1	15.9	14.6	17.9	22.8
9						13.7	13.5	15.0	19.2
10						14.8	13.7	17.0	22.0

N.B. Does not include 2-year construction period

Graphical Results

Attached are graphs showing results of tests performed in the Terms of Lending Study. Additional tests were made for cases previously omitted in order to show a more complete sequence of results.

Methodology

For all tests, along the x-axis the various terms of lending are plotted ranked by decreasing order of concessionary terms (cases 1 thru 8) except for terms 9 and 10 which are considerably more concessionary than the others and were ranked last to show the results of a marked relaxing of terms.

In determining the concessionary element for each set of lending terms, the "grant element" criterion^{1/} was chosen and the tables produced by the EAP Department were used.

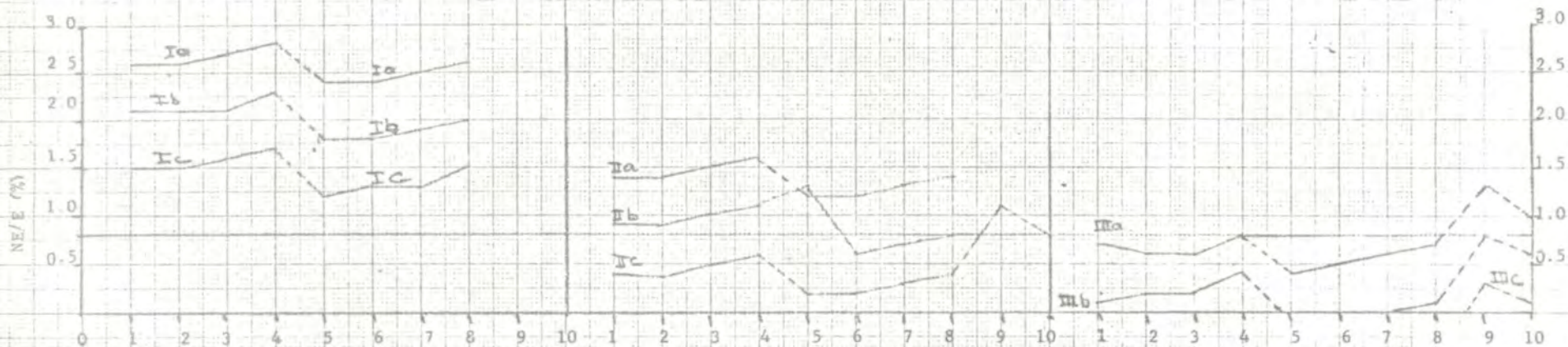
For each test along the y-axis, figure the units of measure of tests performed. All the results of the DCF net cash flow stream and the payback period tests were graphed, while for all other tests with results given by year, only those pertaining to the fifth year were plotted. The reason being that it is by that year that a satisfactory rate should be achieved in order to render the project acceptable at least in light of that particular test.

Results

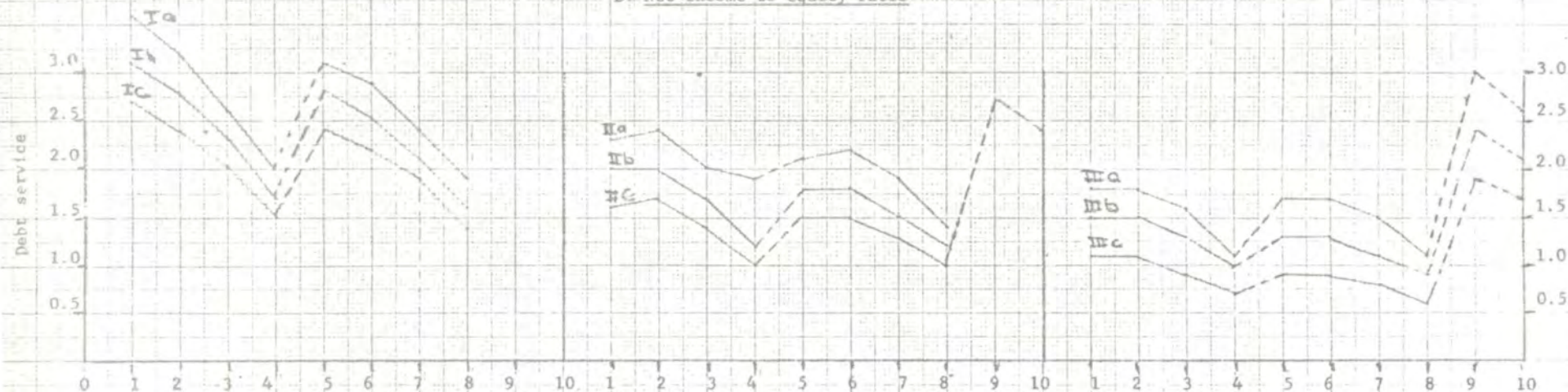
Once plotted, the points were connected by lines for cases 1 thru 4 and 5 thru 8, showing in each instance the effects of changes in maturity while holding the interest rate constant (7 $\frac{1}{2}$ % for cases 1 thru 4 and 9% for cases 5 thru 8). The dotted lines connecting 4 and 5 and 8 thru 10 reflect changes of both maturity and interest.

^{1/} For a discussion of the "grant element", see, for example, "Possible Improvements in Techniques of Lending" IBRD, April 1970.

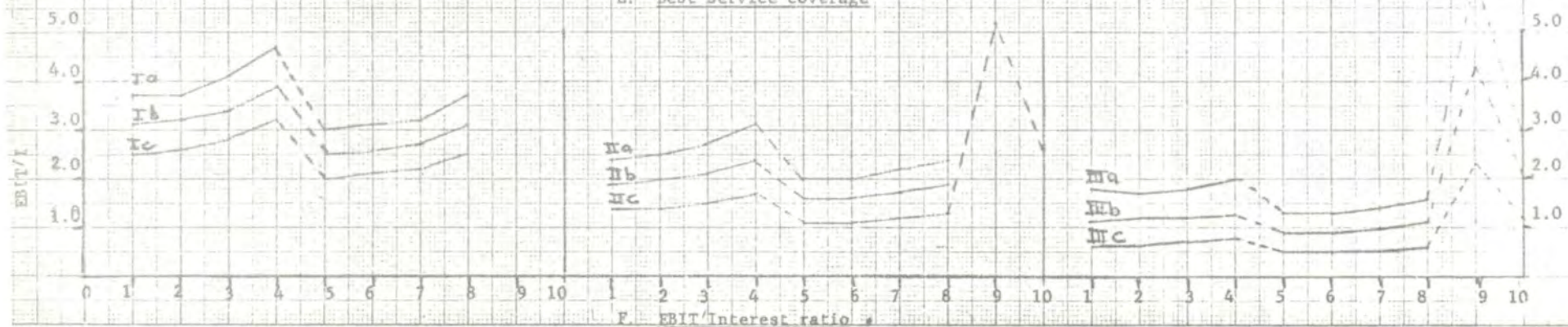
The graphs thus presented do not imply continuity, nor do they reflect results for terms not explicitly covered in the study. For these additional tests would have to be made for each unit change in maturity at a constant rate of interest.



D. Net income to equity ratio



E. Debt service coverage



F. EBIT/Interest ratio

COMMENTARY ON RESULTS BY HOTEL TYPE

The comments below cover in more detail material reviewed in Section VII.

Type I

The Type I hotel, not unexpectedly, is feasible at each of the three GOP levels. The minimum criteria, in fact, are exceeded since they are met in the third year of operation for the EBIT/interest ratio and the debt service coverage ratio. These projects have strong earning power and residuals available for dividend returns to equity are quite satisfactory. The net income and net cash flow to equity ratios are high, the payback periods are acceptable and the DCF rate of return to equity in no case falls below 10%.

The implications for terms of lending policy are that (within the range tested and with the assumptions made): -

- (1) any combination of the terms of lending can be serviced adequately with a good margin of safety, and
- (2) such projects should be attractive to hotel investors.

Type II

From the lender's viewpoint, Types IIa and b meet the minimum requirements of both the EBIT/interest ratio and the debt service ratio. Type IIc does not meet these requirements. However, if the 10th year, rather than the fifth year is taken as the base of comparison, even the Type IIc model reaches acceptable standards on the EBIT/interest and debt service coverage ratios. Cases 9 and 10, which represent concessionary terms of lending, enable all Type II hotels to meet the debt service ratios very comfortably. Types IIa, b, then, fully satisfy debt service requirements; with some softening of the terms of lending, Type IIc becomes quite acceptable.

From the point of view of investors, Types IIa and b in general meet the minimum requirements; Type IIc does not. The net income and net cash flow ratios to equity clearly show that the cut-off point for project acceptance is case 8 of Type IIb. As further confirmation of the cut-off point, the payback period exceeds 15 years in all Type IIc projects except Type IIc4 where it is exactly 15 years, and Type IIc9 and 10 which represent concessionary terms. By this criterion, Type IIc must be rejected. The equity DCF is acceptable for Type IIc cases 1-4 - apparently this is due to the uniform economic life assumption of 25 years where there is substantial cash flow in the years after loans have been repaid (this is particularly noted in projects with shorter loans). Under the concessionary terms of Type IIc9, 10, projects meet the minimum requirements.

The implications for terms of lending policy are that strong income-generating hotels (room rates equal at least to \$1 per \$1000 of investment in the Type II category) can service a debt burden imposed by any of the terms of lending tested. This type of hotel is possibly the most common type found in Bank Group operations, and it needs particularly careful analysis and evaluation. Specific points are:

- (1) Type IIa hotels are capable of servicing any of the debt service obligations tested;
- (2) Type IIb hotels can service the debt at 7 1/4% interest - by changing the interest from 9% to 7 1/4% (or lower) all Type IIb hotels are feasible;
- (3) Type IIc hotels are not feasible at current Bank lending terms. Concessionary terms (2% and 4% interest for 27 year loans were tested) render them feasible.
- (4) Types IIa, b are acceptable to investors but Type IIc is marginal or unacceptable. Returns on equity are

improved by offering concessionary lending terms for Type IIc hotels, but nonetheless, this type of hotel remains marginal for the investor.

Type III

In general, Type III projects are not acceptable risks for lending at any of the terms tested (except under the concessionary cases 9, 10 discussed below). The hotels in this model simply do not generate sufficient gross operating profit to service adequately loans up to 25 years at $7\frac{1}{4}\%$ and 9% rates of interest.

In cases 9 and 10, concessionary cases where the interest rate is reduced to 4% and 2% , Types IIIa, b become acceptable; at 2% interest Type IIIc is acceptable. Conceivably, if economic lives in excess of 25 years could be established, longer loans would render projects acceptable.

From an investor's point of view, (apart from the concessionary cases 9 and 10) only Type IIIa projects are acceptable - and only at $7\frac{1}{4}\%$ interest with 23 and 27 year maturities. Again, under cases 9 and 10 with softer loans, projects in the Type IIIa, b categories become acceptable.

The implications for terms of lending policy are:

- (1) Only where room rates exceed \$1 per \$1,000 of investment are the terms of lending at $7\frac{1}{4}\%$ or 9% interest with 25 year maturities, acceptable.
- (2) By reducing the interest rate to 4% or lower, hotels with room rates at least equal to \$1 per \$1,000 of investment become feasible.

Note:

The weaker projects can be made feasible by softening the terms of lending, at least to the extent of satisfying the immediate debt service requirements of lending agencies. However, these projects, at best, are

marginal for the private sector. The individual investor or corporation, faced with capital rationing will rank projects by some acceptable (to him) measurement criterion and eliminate those less appealing projects. If the criterion is current income or quick recovery of capital, Type III projects will not find investors. However, it is necessary to recognize that an investor's objective may not be current income, in which case, the Type III projects may still be attractive. Other objectives could be land speculation, increased market penetration, a support role for a primary business (e.g. a hotel to lodge an airline's passengers), or a variety of non-economic goals including patriotism or monument building. But even if a minimum current income criterion must exist to attract suitable investors, incentives can be introduced which might render potential earnings of Type III projects attractive to investors. Analysis of incentives is beyond the scope of this paper but intuitively, it would appear that fiscal incentives would radically improve returns to equity in the Type III model. Then it becomes a question of economic rates of return. It is for this reason that first approximation economic rates of return for the projects were calculated and included in this study - all but one of the models has such a rate of return of at least 9%.

O.P. Remick
September 21, 1973

Professor George E. Schuh
EAPA
Ministerio de Agricultura
Brasilia
Brazil

Dear Ed,

There are some bits of information I want to pass on to you immediately, even before digesting the impressions and facts gathered in Brazil.

First, you will receive a letter from Abe Weishlat explaining the seminar on research priorities related to nutrition planning I mentioned to you and inviting you to attend. Could you also recommend a Brazilian candidate? I thought it might be very useful in the context of the research program for Brazil on the same subject we have discussed at some length last week.

Secondly, I want to report to you the outcome of my meetings at Sao Paulo and Rio after our meeting in Brasilia. At USP I spent about three hours discussing possibilities of nutrition related research with Alfonso Pastore, Antonio Campino, Luis Martone and Guilherme Dias. Jose Pastore was unavailable that day. The upshot is that they are very interested in expanding and starting new research on nutrition related aspects. Pastore summarized that their particular interest would be in (a) mapping of malnutrition zones by regions, income groups, etc. (b) evaluations of strategies and (c) basic food demand matrix alias Frish-Ragnar (along the lines of our discussion with Pinstrup-Anderson from Columbia). He also suggested that Jose Pastore would be ideally suited for evaluating the socio-economic characteristics of families suffering from malnutrition in rural and urban environments. We left it that Pastore will submit some proposals to EAPA for inclusion in the program you are preparing.

At Vargas, I had another discussion with Langoni, Ely Kogut and Jose Luis Carvalho. As you probably know, they are just at the stage of formulating their research agenda. We noted particularly the possibility of expanding Langoni's research on MOBRAL to obtain some data on nutrition status and knowledge and possibly to evaluate the interaction of MOBRAL and nutrition programs which might be introduced.

Pastore and Langoni promised to keep in touch with EAPA and you. However, knowing how busy everybody is on many programs, it may take a gentle reminder. Possibly you all could get together and come up with a joint program. It would be good to involve north-eastern institutions as much as possible. In the process of preparing this

Professor George E. Schuh

- 2 -

September 21, 1973

program, you may get a good idea who might benefit most from attending the ADC seminar in November.

Let me just tell you how much I appreciated your being there last month and helping me to get introduced to the Brazil scene. I am planning to keep you informed of how things will look from here as we proceed with formulating and appraising a "nutrition" program in Brazil.

Best regards,

Yours sincerely,

Shlomo Reutlinger
Chief
Rural Development Division
Development Economics Department

SReutlinger:coh

September 21, 1973

Dr. Helio Tollinã
EAPA
Ministerio de Agricultura
Brasilia
Brazil

Dear Helio,

There are some bits of information I want to pass on to you immediately, even before digesting the impressions and facts gathered in Brazil.

At the University of Sao Paulo I spent about three hours discussing possibilities of nutrition related research with Alfonso Pastore, Antonio Campino, Luis Martone and Guilherme Dias. Jose Pastore was unavailable that day. The upshot is that they are very interested in expanding and starting new research on nutrition related aspects. Pastore summarized that their particular interest would be in (a) mapping of malnutrition zones by regions, income groups, etc. (b) evaluations of strategies and (c) basic food demand matrix alias Frish-Ragnar (along the lines of our discussion with Pinstrup-Anderson from Colombia). He also suggested that Jose Pastore would be ideally suited for evaluating the socio-economic characteristics of families suffering from malnutrition in rural and urban environments. We left it that Pastore will submit some proposals to EAPA for inclusion in the program you are preparing.

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Pastore and Langoni promised to keep in touch with EAPA and you. However, knowing how busy everybody is on many programs, it may take a gentle reminder. Possibly you all could get together and come up with a joint program. It would be good to involve north-eastern institutions as much as possible.

I want to thank you again for meeting with me on several occasions and taking time off from your busy schedule. By the way, I am still missing my camera. If I have not left it in your car, you could perhaps enquire from Varig at the airport, if they have found a Minolta camera. I may have left it there when booking in for the flight to Sao Paulo.

Dr. Helio Tollini

- 2 -

September 21, 1973

I am looking forward to hearing from you soon and will keep you informed of how progress looks from here on the proposed nutrition program in Brasil.

Best regards,

Yours sincerely,

Shlomo Reutlinger
Rural Development Division
Development Economics Department

SReutlinger:coh

O.P. Research

September 20, 1973


Mr. Maurice Curtis
Transport & Tourism Technicians Limited
5 Vigo Street
London W1X 1AH
England

Dear Mr. Curtis:

Thank you for your letter of September 7, 1973 enclosing a statement of expenses incurred on your visit to Washington and Montreal, and also of expenses incurred by Mr. Grayston. It would be acceptable to us if you were to use the unused balance of the allowance for travel expenses to cover part of the excess cost of reproducing the draft and final reports.

With kind regards,

Yours sincerely,



J. A. Simmons
Chief, Division I
Tourism Projects Department

JASimmons:mcd

(File: IBRD Air Transport and Tourism Study)

Mr. H. Shipman

September 20, 1973

A. Bruestle

Water Meter Development as a Research Project

Economic theory and practical experience in the water supply field have demonstrated the importance of metering service connections for achieving efficient use of resources by avoidance of waste. This is particularly important in view of the increasing marginal costs of water in most places.

Applying metering in developing countries has major handicaps, however. The first is cost: the cost of a meter and reading and billing operations are often higher than low income consumers can afford to pay, or even should pay, if the costs of metering are compared with its benefits (i.e. cost savings due to reduction in consumption). The second is reliability: since many water systems cannot provide uninterrupted supply, air enters and leaves the system through service connections. The air upsets the meter reading in an unpredictable manner and, with some meter designs that rely on water as a lubricant, rapidly damages them. Poor water quality also adversely affects meters of conventional design.

Research is required to develop a low cost meter which does not measure air, nor is damaged by air flow or low quality water. However, private research and development efforts are not concerned with the problem because the industrialized nations, where such efforts normally originate, do not experience the financial constraints and physical problems commonly found in water systems of the developing world. It falls upon the developing world, or international aid agencies, to perform research in this field, and I suggest that the Bank consider doing so. The following paragraphs suggest an approach to the research problem.

The need is for a meter of simple construction (possibly pressed steel or plastic), preferably without moving parts, preferably capable of production in developing countries, tamper proof, whose life and accuracy are not affected by air or poor quality water, and is easy to read. The meter need not be highly accurate--its most important function is its psychological effect in curtailing consumption--but it should be consistently reliable to instill consumer confidence in its reading and the subsequent bill.

Some possible design concepts include (i) employing the dielectric or inductive properties of water by the measurement of an accumulated electrical charge; or (ii) employing a solid mass which would dissolve in proportion to the quantity of flow, with the bill calculated in

relationship to the change in weight of the mass; or (iii) employing a fluid which is drawn out of a calibrated glass tube in proportion to the quantity of water flowing past the tube. Other methods using the physical, chemical, and electrical properties of water should be explored.

It is not clear what kind of institution should conduct the research, and this would have to be carefully considered. The water meter industry is generally conservative and may not have the imagination required to explore the full range of possibilities. The aero-space industry is known for innovative designs and probably has developed some unique flow measuring devices; it may be well to consult with them on their capability in this regard. Perhaps as a start someone should be employed to review the state of the art.

I suggest that the Bank consider financing a water meter research project through the Research Committee. I believe this would be within the scope of the committee because (i) the availability of an appropriate metering system is a prerequisite for applying economic pricing and investment rules, and (ii) the choice of a metering system should itself be the subject of benefit-cost analysis.

ABruestle:csk

cc: Messrs. Rovani
Warford
Rajagopalan
C. Morse

LI-CECM/DAE
CC, ON-RESEARCH

September 20, 1973

Mr. Crane Haussamen
OECD Development Centre
94, rue Chardon-Lagache
Paris, XVIe
France

Dear Mr. Haussamen:

I provide below the answers to the questions you left with me. Also attached for your information is a table showing the approximate distribution of our research contracts. The projection of this is necessarily highly tentative.

Regarding the genesis of research proposals, you will have noted from our pamphlet on research policies and procedures that it is our practice to finance principally research projects which are developed by our own staff, although these are very often carried out in collaboration with outside consultants. Because we have a large number of operationally oriented research requirements, we have had to carefully define those categories in which we are prepared to any extent to accept outside proposals. Of the presently active projects, I doubt that more than 5 to 10 percent are outside proposals. Of these, less than half would have been unsolicited. Amongst the unsolicited proposals, I know of only one proposed by a U.S. university and one proposed by a multi-national private organization.

Regarding the question as to how our funding for social science research breaks down between fundamental and problem oriented research, this obviously depends on one's definition of these two categories. If I include in the former principally that research which deals with methodology innovations in planning and development theory, roughly 20 to 25 percent of our budget is devoted to such research. The balance is for problem oriented research. As you know, we don't have a very good historical perspective so that I can't comment on how this was a decade ago. Compared to a few years ago the percentage on fundamental research has declined; I expect it to remain at about the present level for the next several years.

I do wish to stress that the distinction is highly sensitive to the definition. For instance, our research on rural development in Africa is highly problem oriented, but it is

September 20, 1973

at the same time trying to answer very fundamental questions of socio-political development.

Regarding the general changes in emphasis which we expect in our research portfolio, I think there is little question that we will continue to expand our funding for population, income distribution, rural development and employment related issues. To some extent this will come at the expense of research on transportation, public utilities and general planning theory. The reason for this is because we believe that in these areas there is an urgent need for innovative thinking and for the development of a methodology which will provide policy makers with better information and more systematically based conclusions.

It is of course hard to specify what the contributions to knowledge of a particular research program have been. However, I think it is fair to say that our research activities have made a contribution to the development of usable multi-sector models, such as the one for Mexico and the Ivory Coast; to work on capital-labor substitution, such as that in the project on highway design and capital labor substitution in civil works; to thinking on income distribution, as reflected in the manuscript on growth and income distribution to be published later this year; and work on comparative analysis, when Mr. Chenery directs. There are a number of other areas in which our work also has been particularly relevant, including the work, guided by Mr. Balassa, on protective tariffs and regional integration. To give you some example of our output, I enclose a recently completed inventory of documents which lists the output of current projects. We are at work on preparing a similar document on projects completed prior to 1971.

I believe the foregoing largely answers your next question regarding the trends in our research budget. Basically, it is that our perceptions of the development process have broadened and now include such social aspects as income distribution, employment, rural development and education. The lack of firm information in most of these sectors has led us to increase the resources in order to begin to develop both information and an appropriate methodology. These changes in perception of course have also been reflected in general policy pronouncements of the World Bank and are gradually being reflected in our operating programs. The changes in priority, I believe, derive entirely from factors outside the research program itself and in no way relate to problems of finances or administration.

I don't believe there is any discernible trend of the kind you seek to explore with question number 6 since our emphases derive basically from the Bank's operational concerns which

Mr. Haussamen

- 3 -

September 20, 1973

can affect any aspect of development. The mix between the sectors is determined by our relative ignorance, the importance of the subject to policy formulation or operations, the activities of other researchers in the field, and similar factors. As to the question of collaboration, I don't believe this can be answered in organizational terms until we have a much better idea than I do now as to what the interests of other funding organizations are and what might be involved in terms of exchange of information.

Sincerely,

Ernest Stern
Senior Adviser
Development Policy

ES
Enclosure

Research contracts by contracting institutions

	Percentage <u>1973</u>
U.S. Government agencies or institutions	0.1%
U.S. universities or colleges	15.7%
European universities or colleges	0
Multilateral agencies	0.5%
Host country universities	13.0%
Host country or regional research institutes	21.2%
Individuals in the U.S. or Europe	42.5%
Individuals in developing countries	7.0%
Other categories (please specify)	0
	<hr/>
	100.0%

O.P. Research

Mr. Rudolf Hablutzel

September 19, 1973

I. Zincir, EAP

INDONESIA - Projects Containing Research Components

Attached is a list of the credits which include funds to finance research oriented activities. Concerned projects divisions will, of course, provide the detailed information requested by Mr. E. Stern in his memorandum of September 6, 1973.

Attachment

I Zincir:tt

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INDONESIA: Projects Containing Research Components

a) Ongoing Projects:

1. First Technical Assistance, Credit No. 135:
 - National fertilizer study,
 - Rice intensification study,
 - Real property taxation study,
 - Estate management study.
2. First Highway Project, Credit No. 154:
 - Pilot programs in three provinces,
 - Inventory and costing techniques.
3. North Sumatra Agricultural Estates Project, Credit No. 155:
 - Rubber and oil palm plant breeding program,
 - Survey of government owned estates.
4. Second North Sumatra Estates Project, Credit No. 194:
 - Foliar analysis,
 - Long-term research and development program.
5. Second Technical Assistance Credit No. 216:
 - Planning for Nusa Dua Area Development,
 - Tanjung Priok master plan,
 - National cotton study
6. Seeds Project, Credit No. 246:
 - Establishment of a seed Research Center at Sukamandi.
7. Tea Project, Credit No. 259:
 - Establishment of a Tea Research Center near Bandung.
8. Second Highway Project, Credit No. 260:
 - Regional development study in Sumatra.
9. Third Technical Assistance Credit No. 275:
 - Urban Development Study,
 - Capital Markets Development Study.
10. Fourth Irrigation Rehabilitation Project, Credit No. 289:
 - Groundwater Investigation Study.
11. Population Project, Credit No. 300:
 - Research studies on family planning.
12. Inter-Island Fleet Rehabilitation Project, Credit No. 318:
 - Regular Liner Service Study,
 - Fleet Rationalization Program.
13. Fourth Agricultural Estates Project, Credit No. 319:
 - Foliar and soil analysis,
 - Plant breeding,

- Marketing study,
 - Crop diversification study.
14. Beef Cattle Development Project, Credit No. 355:
 - Pasture and crops trials.
 15. Third Education Project, Credit No. 387:
 - Curriculum development and manuscript preparation.
 16. West Java Thermal Power Project, Credit No. 399:
 - Java System Development Study.
 17. Smallholder and Private Estate Tea Project, Credit No. 400:
 - Crops Diversification Study,
 - Market Study.
 18. Sugar Industry Rehabilitation Project, Credit No. 405:
 - Soil survey,
 - Cane breeding,
 - Variety selection,
 - Disease control,
 - Cultivation trials.

b) Forthcoming Projects:

1. Agricultural Extension and Research Project.

OM-RESEARCH

61065

September 19, 1973

Mr. Maurice Curtis
Transport & Tourism Technicians Limited
5 Vigo Street
London, W1X 1AH, ENGLAND

Dear Mr. Curtis,

Thank you for your letter of August 31 and the copies
of the completed report, "Air Transport Trends and their Significance
for Tourism Development". We have noted your comments and are now
reviewing the report with great interest.

Yours sincerely,

Stokes M. Tolbert *SM*
Director
Tourism Projects Department

c.c. Mr. Finne

Q.P. Research

September 19, 1973

Dr. Fernando Naranjo
Director
Instituto de Investigaciones
Escuela de Ciencias Economicas y Sociales
Universidad de Costa Rica
San Jose
Costa Rica

Dear Dr. Naranjo:

Thank you very much for submitting the revised research proposal. I am now making arrangements for the contract to be prepared: Although the contract will not be ready in time for my visit to Costa Rica next week, this letter is your guarantee that we will honour the agreement already reached, namely, that subject to the submission of satisfactory progress reports, the Bank will finance the study in the amount of \$21,900, payable over a period of approximately 15 months.

I look forward to meeting you again next week.

Sincerely yours,

J. J. Warford

cc: Mr. Carias

SP. Research

Messrs. J. Warford and R. Schkolnick

September 18, 1973

Yves Rovani Y. Rovani

COSTA RICA - Research Telecommunications Mission
Terms of Reference

1. On Monday September 24 you will arrive in San Jose, Costa Rica.
2. You will discuss with Mr. Canas of I.C.E. and Dr. Naranjo of the University of Costa Rica the research proposal submitted by Dr. Naranjo and agree on the detailed approach to be followed in Phase I of the study.
3. Mr. Schkolnick will participate in the discussions and meetings to the extent possible but will also gather information in relation to the Cost Study.
4. Mr. Warford will return to Washington on September 28. Mr. Schkolnick will return on October 1.
5. You will submit a brief back-to-office report including your recommendations with regards the Research Proposal.

cc: Messrs. Vasudevan, Dolenc, Chaparro
Blue Book, Files

JWarford/RSchkolnick: mds

OP Lammert

OFFICE MEMORANDUM

TO: Messrs. A. Odone and J.F. Bauer DATE: September 17, 1973

FROM: S. M. Tolbert *SMT*

SUBJECT: TUNISIA - Hotel Investment Incentive, Tourism Infrastructure
and Hotel Training Projects
Terms of Reference

1. You will arrive in Tunis (Mr. Bauer coming from Morocco) on or about September 24, 1973 for a stay of about five days. I will also be present in Tunisia at the same time of your mission and participate in some of the meetings with the Tunisian authorities.
2. The main tasks of your mission will be to:
 - (i) advise the Tunisian authorities on the organizational setup of the hotel investment incentive study;
 - (ii) supervise the implementation of the tourism infrastructure project; and
 - (iii) review the progress made by the ILO team in the preparation of the hotel training study.
3. Upon your return to Washington, you will prepare a Back-to-Office report.

A0done:pl

Cleared with and cc: Mr. A.E. Elmendorf

cc: Messrs. Lee, Burney, Raizen, Engelmann, van der Tak, Wapenhans,
Pollan, Gustafson, Siebeck, Stewart, Glaessner, Simmons
Vera

Central Files
Department Files (2)

O.P. Research

Mr. D. Hartwich and Mr. M. Bart

September 17, 1973

S. M. Tolbert

TUNISIA - Tourism Incentives Study

1. You will recall that under the terms of the Loan and Credit for the Tunisian tourism infrastructure project, funds were provided for the Government to undertake a study of Tunisia's financial incentives to hotel investors. The Tunisian authorities have accepted our suggestion that the scope of the study be enlarged to include a review of tourism investment incentive systems in other selected Mediterranean countries - i.e., France, Italy, Spain, Morocco and Turkey. We have agreed on the terms of reference with the Government, and have also agreed in principle that the work would be carried out by Sotuetec/Setec, a Tunisian/French consulting consortium, who would hire Mr. Frank Mitchell (a highly-regarded Canadian economist specializing in tourism) as team leader. Final agreement will be reached only after we have had an opportunity to review the proposal to be put forward by the consultants and the curricula vitae of the other proposed team members. Total cost of the study is estimated at roughly \$120,000, of which \$100,000 would come from project funds and \$20,000 from this department's consultant budget, the latter contribution reflecting the fact that the study was widened at our suggestion.

2. I will be visiting Tunisia along with Mr. Odone, Mr. Mitchell and the consultants, in the week of September 24, during which time we hope to reach agreement on the specifics of the study. The terms of reference call for a visit of approximately two weeks by the study team to each of the countries mentioned above. We will have to determine in Tunis the size and composition of the team, the optimum dates for visits to each of the countries involved and the specific data they will seek to obtain. The purpose of this memo is to ask you to help pave the way with the respective Governments during your contacts at the Nairobi meeting - since we would have only about a month after the Tunis meeting to complete the arrangements with Governments if the study is to start around November as hoped.

3. In the case of Morocco, as you know, the authorities are quite sensitive about further Bank investigation of their incentive system in various sectors including tourism. They have made clear they would not welcome a separate study of the hotel incentive system by or with the Bank. We therefore may be restricted in that country to the study which members of this department have carried out within the context of assistance last June to a CIH supervision mission and currently to Mr. Merat's economic mission. Whether we would be able to turn over to the Tunisian study team the material that we will have on Morocco, or whether the study team would be welcome to visit Morocco, is problematical. On the other hand, we have no such problem with the Governments of Spain, France, Italy

September 17, 1973

and presumably Turkey, and would be most grateful if you could alert the Finance Minister or Planning Minister or other appropriate official of our plans while you are in Nairobi.

4. You may wish to alert the Executive Directors concerned also while in Nairobi or make a formal request to them for Government clearance after they have returned to Washington. I leave that to your judgment.

SMTolbert/AOdone:pl

cc: Messrs. D. Gustafson, H. Pollan and J. Coudol

Mr. John Turner
9 Bartholomew Villas,
London NW5
England 2LP

September 14, 1973

Dear John:

Thanks for the further insights into the continuing saga of the Nairobi site and service project. While it may have put you in an uncomfortable position at the time, your comments must surely have done more good than harm. I suspect you only confirmed things they were already convinced of anyway.

George and the others seem to think the Tanzania mission came off pretty well. I'll be looking forward to seeing your material.

Best regards,

DS

D.A. Strombom



Industry Division
Berggren/CL

*File SIDA
Small Scale Industry II*

Ref.

Ärende/Re

O.P. Received
14673 * 13 SEP. 1973

Datum/Date
1973 09 10

Dnr/Reg No.

Bilagor/Encl.

SEP 10, 1973
Mr. Luis A Plesch
Bangladesh Mission
International Bank for Reconstruction
and Development
1818 H. Street, N.W.
WASHINGTON D.C. USA

SIDA ref.

Dear Mr. Plesch,

Thanks for your letter of August 17 to Mr. Lars Ekengren, who for the time being is on a mission to Africa. We have with greatest interest studied the note prepared by Mr. Myl-Vaganam and the minutes from your meeting with the Dutch consulting firm.

As you might know Mr. Petter Narfström, the head of our Industry Division and myself will visit the IBRD on October 8 to October 15 in order to participate in the briefing for a small scale industry study arranged by the Development Economics Department. We have asked Miss Kathleen di Tullio to arrange some meetings for us with officers in other departments. I do hope it will be possible for us to see you and discuss Bangladesh small scale industry.

Yours sincerely,

Lars Berggren
Lars Berggren



Industry Division
Berggren/CN

Fig 2.13 A
Small scale industry II

1973 09 10

Dnr/Reg No.

Bilaga/Encl.

Mr. Inis A Plesch
Bangladesh Mission
International Bank for Reconstruction
and Development
1818 H. Street, N.W.
WASHINGTON D.C.
USA

SIDA ref.

Ref.

ÄrendesRef

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Yours sincerely,

Lars Berggren
Lars Berggren

1973 SEP 18 AM 8:25

RECEIVED

Ms. Monique Cohen, ECDRB

September 10, 1973

Douglas H. Keare, ECDRB *DHK*

Terms of Reference: Mission to Montreal, Canada

You will visit Montreal, Canada on September 17, 1973 to consult with Professor H. C. Brookfield at McGill University. You will discuss with him matters relating to the proposal for Research on Urban and Regional Subsystems in West Malaysia.

DHK:ap


cc.: Mr. J. C. English, Mr. C. M. Isbister

cc. and Cleared with: Mr. Gulhati

AJ

Mr. Attila Karaosmanoglu

September 10, 1973

Ugo Finzi 

Submission of Research Proposals
to the Research Committee

1. With reference to Mr. Ray's memo of August 8, 1973 I assume that your office will be coordinating the comments from the EMENA Region regarding new Research Proposals.

2. The EMENA Projects Department has no new research proposals to submit. However, we would like to re-emphasize our interest in research work on investment incentives as described in Mr. Pollan's memo of June 19, 1973 (copy enclosed).

Attachment

cc: Messrs. Wapenhans (o/r), Wyatt
EMENA Projects Division Chiefs
Messrs. Ray, Smith

UFinzi:sgp

Mr. A. Karasmanoglu, Chief Economist

June 19, 1973

Hans Pollan, Chief, EMENA/DFC Division

Subjects of Regional Interest

1. In their attempt to promote private industrial investment and exports, EEC associated countries have instituted a system of rather generous incentives, which in certain instances (e.g. Israel) cannot even be identified let alone quantified. Aside from fiscal considerations, heavy and indiscriminate incentives and subsidies may foster the establishment of inefficient undertakings, likely to be dependent on subsidies on a continuing basis. In general, the multitude of incentives now in existence does not facilitate the assessment of the economic justification of projects financed and thus raises questions as to the level of social returns to industry and the efficient allocation of resources.

2. In light of the above, the present system of incentives in such countries is a subject that ought to be researched. In particular, the assessment in a definitive way of the impact of the incentives scheme on the investment activities and exports of the country in the recent past, their possible long-run implications both at the macro and micro (orientation of the management decision-making process) levels, and their justifiability and effectiveness in their present range and magnitude, should be reviewed. Also, the possible cumulative effects on the level of export subsidies among countries and the derivative social costs are probably equally worth-ascertaining. Furthermore, the study might suggest more rational means to implement whatever incentives may be deemed desirable to further the government's goals.

3. May I point out in this context, that the Bank has commissioned a study under the supervision of Prof. B. Balassa, on the systems of incentives in Israel a first draft of which, I understand, is expected to be ready by the end of the month.

cc: Messrs. Votaw - Country Programs I, EMENA
Hartwich - Country Programs II, EMENA
Asfour - Country Programs II, EMENA
Maiss - Country Programs I, EMENA
Wood - DFC

CC
GCM:niatis:dt

September 9th. 1973

URBAN PROJECTS DEPARTMENT CORRESPONDENCE

SEP 13 1973

Division 1

Mr. Donald Stromban,
Urban Projects Department,
TBRD, 1818 H. St., NW.
Washington DC. 20433.

Answered by: _____

Date: _____

Dear Don:

As I mentioned in my letter (of the 7th.) to Bob Sadove, I happened to get some news of the site and services proposal's progress while I was in Nairobi last week.

I paid a courtesy call on John Mbogua, the Town Clerk, partly to test his views and potential support for the housing priorities study that Doug Keare is interested in. Mbogua was evidently very concerned with the progress of the site and services proposal and evidently disappointed with a report recently presented (but not, I take it, completed) by a consultant from the UK. Unwittingly, I got myself into an embarrassing position by responding to Mbogua's request for my comments on what he showed me (the layout plans) before I realized who and what was involved. Fortunately I did not go further than noting the most obvious faults in the layout -- the vast amount of "open space" in proportion to plot area, the many exceedingly small blocks with arbitrarily complicated shapes aggravating the uselessness of the superfluous open space, and the very long network (access and utility lines) unit length in relation to the areas served. An incompetent piece of work, in other words. Only then did I discover that the consultant in question was requested by the Bank and provided by the British government -- I had assumed that this was the work of his own department and that he was seeking my support for his own suspicions that it was a poor piece of work that would not be well received by the Bank.

I am sure I am right on that account -- the Tanzanian layouts David and I analysed were bad enough but they would have looked good in comparison to the designs Mbogua showed me. I was careful not to ask why the City Council hadn't used the work by Caminos and his (mainly Kenyan) students which had already been done when this new work was started, for the same site and, of course, competently designed. Mbogua expressed the feeling that they had lost a year and I had to agree if the part of the project he showed me was indicative of the general standard of the rest of the work.

You will, I am sure, understand my embarrassment at being caught in this bind. Mbogua was obviously satisfied with my confirmation of his suspicions and asked me to see his Deputy Chief Engineer, Isaac Wan Joi, later in the day. I was then confronted with Alex Rosenthal & another assistant but, rather fortunately, Wan Joi had to leave early for a Council meeting and I was able to waffle my way out of what could have been a difficult session -- and I was also able to find that my own views are at least shared in part by Rosenthal and company. Although I know that Alex Rosenthal has criticised my views I feel we left on better terms than before -- I was able to support him in a discussion with Wan Joi about the virtues of a voucher system for making loans as against the distribution of materials.

Anyway, I hope I haven't put my foot into anything too sticky and that this information will help you sort things out. Both Sidney Lock and Andrew Ligale, by the way, were optimistic about the proposal's prospects.

With best wishes and hoping to see you again soon,  John Turner.



Transport & Tourism Technicians Limited

research planning development marketing

F1/3

Registered office:
5 Vigo Street
LONDON W1X 1AH
Telephone: 01-734 7416/7789
Cables: TOURTEC London W1

7 September 1973

Stokes M Tolbert Esq
Director
Tourism Projects Department
International Bank for REconstruction
and Development
1818 H Street NW
WASHINGTON DC 20433
USA



Dear Mr Tolbert,

Air Transport Research

Enclosed is a statement of expenses incurred by myself on my visit to Washington and Montreal, and also some supporting vouchers for the expenses for Mr J Crayston (totalling \$932.95) the account for which was sent with my letter TT/D46 of 14 May 1973. These two accounts total \$2040.98, as compared with the advance you made of \$2295.00.

I would like to enquire whether there is any possibility of your agreeing that we need not refund the difference involved mainly because the cost of typing, reproducing and despatching the Draft and Final Report has considerably exceeded our original estimate for which we allowed £225. Actual costs will total approximately £550 as follows:

	£
Typing	200
Reproduction	240
Charts	30
Airmail and airfreight	80
	<hr/>
	£ 550
	<hr/>

These increased costs arose mainly because of the final size of the Report and do not, of course, allow for any over-runs of consultants' time.

I appreciate, of course, that it may not be possible to consider this and will understand if your answer is 'no'.

Hoping to meet you in the near future.

With kindest regards

Maurice Curtis

Maurice Curtis
J.Crayston I.M.H.Curtis M.H.Curtis S.L.Mautner N.L.Webb

Registration No.737960 London

REC-150

1973 SEP 10 10:45

COM



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research planning development marketing

7 September 1973

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EXPENSE CLAIM BY M H CURTIS

Visits to New York and Montreal on
IBRD Air Transport and Tourism Study
25 - 30 July 1973

	\$
Hotel bills: Washington	93.42
Montreal	152.99
<u>Sundry Expenses</u>	
Purchase of documents from ICAO	82.25
Meals outside hotels	23.70
Sundry transport including to/from airports	69.95
Sundry tips	21.00
<u>Air Fares</u>	
London-Washington-Montreal-London	649.60
Supplement: Washington-Montreal	15.12
	<u>£1108.03</u>

(One thousand, one hundred and eight US dollars, three cents)

D.P. Research

Mr. Yves Rovani, Director, PBP

September 7, 1973

V. Rajagopalan, Chief, Water Supply Section, ASPPB

Research Program - The Impact of Potable Water Supply on Village
Community Development

I received the above project proposal from Mr. J. Warford this afternoon requesting my signature in support of the proposed research project. I have signed the form indicating that I have no objection to the Phase I study proposed to be carried out between November 1973 and March 1974 involving a total cost of about \$20,000. The research objective indicate that it is in support of Bank operations. I wonder if this is entirely so. It seems to me that our lack of involvement in village water supply projects is not due so much to our lack of interest in such projects or our inability to identify and quantify the benefits, public health or otherwise, but due to practical problems such as the low to zero foreign exchange content of such projects, the scattered nature of the projects and the necessity to carry out the works without recourse to international competitive bidding. If the institution takes a decision on the procurement and financing aspects of such projects there could be enough projects to pick and choose in the Asia Region and perhaps in other regions, to use up all the allocations that would conceivably be made for this sector. In the ultimate analysis, when human needs (water for drinking purposes) are so great, should the solution of the problem await quantification of health benefits?



VRajagopalan/lph

Cleared with: Mr. Arnold
cc: Mr. Weiner

September 6, 1973

Dr. S.R. Freiberg
Vice President
IRI Research Institute, Inc.
One Rockefeller Plaza
New York, N.Y. 10020

Dear Dr. Freiberg;

With reference to our telephone conversation yesterday, I can advise you that your contact in Malaysia should be Mr. Sulaiman, or in his absence, his alternate, Mr. Ahmed Sidek, or Dr. Wafa, all of the Economic Planning Unit, Prime Ministers Department, Jalan Dato Onn, Kuala Lumpur. (Cable address is Economics, Kuala Lumpur) The Director of MARDI is Dr. Annuar, but your initial contacts should be with the Economic Planning Unit, which is the agency responsible for negotiating consultant services on behalf of Government.

We have recently recommended the following terms of reference for an agricultural research project preparation to the Malaysian Government:

"A project should be prepared to support indepth interdisciplinary crop oriented team research by MARDI on specific crops and livestock products including beef and dairy, feedgrains (maize, millets), cacao, pineapple and other potential peat crops. Although not precluding other possibilities, priority would be given to the above crops, after confirmation of their appropriateness in terms of their susceptibility to improvement through research and their potential for production growth under prevailing and forecast conditions.

Particular attention would be given to the formulation of research programs for the several priority topics, and to the identification of sites and facilities needed to support these programs.

An assessment of manpower availability in relation to requirements, including the need for internationally recruited specialists, would be made.

September 6, 1973

Attention would also be given to the organizational structure within which the programs would operate, to ensure the effective administration of the project and the coordination with other research programs including those supported by foreign assistance.

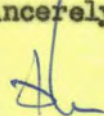
Fellowship needs for training abroad and requirements for inservices training would be assessed.

Cost estimates including capital development, technical services and annual operating budgets would be prepared."

A TOR on the above lines, with specific indications of the responsibilities of the specialist members of your team, should meet with our approval.

Please keep me informed of any progress you make in finalizing arrangements with Government of Malaysia.

Yours sincerely,


Dennis J. Parsons
Section Chief
Agricultural & Rural
Development Division
Asia Project

Cleared and cc: Mr. Helmers
cc: Mr. Fransen


WFFanton/aa

Mr. Timothy King, Division Chief, ECDPH

September 6, 1973

John Simmons, ECDPH JS

SEATEC Proposal.

You asked for my views on the proposal to study the impact of potable water supply on village community development. The major qualification to my remarks is my total ignorance about the economics of potable water supplies.

I would urge that several addition be made to the proposal before it went for a final decision of the research committee.

First, the existing literature should be treated less flippantly, and they should actually say what the state of the art is. They want to be paid to do that as part of the job, but it should be a necessary prerequisite. I would even give them 3,000 dollars to hire a public health economist or researcher to do the job. It is essential for getting the sample design and the instruments correct. For example, they offer sample questionnaires in the annexes, but if they haven't looked carefully at the literature how do they know they will do the trick? (Sample questionnaires is an old ruse of survey research proposals.)

Second, they should go for a true experimental design, not simply an ex-post experimental/control situation. In brief, it seems that they could collect data on villages that were about to get water, and then trace the changes over time. They also need controls for this design. The argument against my suggestion is the time required and the additional cost, for the beneficial effects to show up. The argument against their design is that given the small size of the sample (6 experimentals and 4 controls) they can't use the villages as observations, and thus will not get the important institutional differences that may exist between the experimentals and the controls. (For example, why did the 6 get water and the 4 did not in the first place?) Finally, my design removes the doubts surrounding causality, while with theirs you have to do a later study to reduce the doubts, but still do not have as good results. (They incorrectly imply that you will with a follow up study, but this is not possible unless you start with ex ante data.)

Third, I have great respect for engineers, but I would be very hesitant to finance an evaluation of a public health project without at least two public health researchers on the team in both design and execution. For example, if they are serious about morbidity measures, then physical and chemical diagnosis are required, but I don't see these mentioned in my quick reading. Without these measures they may be open to ridicule by serious health researchers. In my dim dark past I have supervised and assisted in the design of public health studies, and watched at first hand several others. The design and

implementation pitfalls are wide and deep. Another \$20,000 for their services should be sufficient.

In short, I find the project is appealing if we assume that the state of the art is impoverished. Even the design limitation can be reasoned away by arguing that if there are few similar studies, then it makes good sense to use a less sophisticated method, even if the conclusions will not be as sharp. Frankel looks good from his resume; probably aren't more than a handful of people like him living in an LDC and motivated to do the study. (Shouldn't it be assumed that the final report will be of book manuscript quality?)

Given my ignorance on the subject I would recommend that if acceptable revisions were made in the proposal, even if it meant raising the cost significantly, it should be done. I would assume that the costs could be attached to future loan to Thailand, given the project relevance of the study, rather than coming out of the research budget. If the design I proposed would be used, i.e., true experimental, the cost would go to probably \$300,000 and take 3-5 years. But this is the cost of good policy research.

JSimmons:nw

461100W

OFFICE MEMORANDUM

TO: Mr. John H. Duloy

DATE: September 5, 1973

FROM: Y. J. Hwang

SUBJECT: "Redistribution with Growth: An Approach to Policy"

1. Most developing countries that have experienced rapid economic growth chiefly benefiting a small percentage of the population have left large portions of lower income groups out of the main channels of economic progress. This study aims to provide an improved set of policy measures for ameliorating income distribution in developing countries. The rather simplistic model involved in this approach seeks to achieve a more "desirable" balance in the allocation of income and/or wealth (the draft report is not always clear which of these the model is concerned with) by a combination of means including the direct transfer of earning assets. The objective is to avoid an "excessive" imbalance of the distribution of these assets while at the same time insuring an "acceptable" rate of growth of national income in the long run.

2. Apart from more general considerations, we would offer the following comments which derive principally from our interest in the spatial (urban and/or regional) distribution of economic activity:

a. In addition to recognition of the hierarchy of income levels, it is also desirable to recognize the locational hierarchy of income distribution. In other words, most developing societies have suffered from growth which is unbalanced from a locational basis as well (i.e., concentrated in major urban centers). In order to apply the suggested income distribution theory effectively to developing countries it is desirable, though perhaps not possible, for the model to recognize the locational distribution of productive assets, and the level of labor quality as well as labor quantity.

b. In the report, income inequality is compared among the various economic sectors on the basis of absolute amount of income earned (factor rewards and factor shares). However, it is important to recognize the existence of two different economic structures in developing societies. The urban sector's resource transactions are generally performed under the monetary system, whereas those of traditional agriculture are primarily performed under the barter system. Therefore, an analyst should not try to compare directly income distribution in these two sectors without explicitly accounting for non-monetary components of income. These non-monetary components seem not to be considered carefully enough in the report. (Table 1, p. 2(4), is on a monetary not full income basis).

YJHwang:jmt

cc: Messrs. Stern, Stevenson, Gulhati, Keare, Cauas

Mr. D. S. Ballantine

September 5, 1973

N. Erder

West Africa Basic Education Project

1. In a meeting with Mr. F. J. Lethem, we reviewed recent developments in relation to West Africa Basic Education Project and the present status of our research proposal.

2. The country studies are being processed according to the established time-table. A team composed of Messrs. Wilson (Bank) and Magnen (UNESCO) is presently in the field to assist the government in the preparation of the country study for Mali. The Government of Mauritania has been advised to consider preparatory action for its country study with the possibility of retroactive financing. It is expected that basic education studies in these two countries will be launched by January 1974. This poses a problem of timing for the proposed research activity.

3. According to our understanding, the proposed research project was expected to perform two functions:

(i) To provide a research input by developing a common framework and methodology to be used in the design of the country studies (a framework adaptable to the specific conditions of the individual countries while keeping track of their common features);

(ii) To produce a research output, in the form of generalizations reflecting these common characteristics, as a contribution to the formulation of education development and lending policies for the least developed countries.

We had planned that the common methodology could be made available before the beginning of the first two country studies. This is stated in our communication to the Research Committee:

"The critical period of the first stage of the project is the preparation, before the end of 1973, of a framework to be used in the first country study. This will require urgent action for the recruitment of the team and intensive work during this initial period."

(Memo to the Secretary of the Committee June 26, 1973).

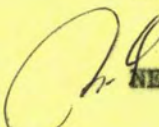
4. In our discussions on the consequences of the delay caused by our failure to obtain research funds and the timing of the future operations (invitations for application, selection and briefing of consultants, etc.) we came to the conclusion that:

- (i) It would be unrealistic to expect that a team of consultants could prepare in time the common framework which is the most essential task involved in the first stage of the project;
- (ii) We need to find an alternative for the performance of this task which is essential for the later stages of this high priority project.

5. Our recommendations for an alternative course of action are:

- (i) the preparation of the common framework by a joint GPS-WAPED team (Erder - Wilson) with the participation of a staff member of UNESCO. In budgetary terms this would mean the redeployment (and probably some increase) of the manpower presently allocated to the management and monitoring of the country studies;
- (ii) the modification and postponement of our application to the Research Committee for the funding of the later stages of the present project.

Cleared with and cc: Mr. Lethem
cc: Mr. Hultin

 NE/mms

Division II CSubmission of Research Proposals to the Research Committee

1. The series of consecutive droughts in the Sahelian countries of West Africa, (that culminated in 1972 in the most severe drought experienced during the last 50-60 years) and the apparent increasing desertification of this area raises the question whether these phenomena are purely accidental or whether they indicate a long term trend. Preliminary studies seem to indicate that rainfall conditions show no negative trend, but that desertification is indeed increasing. If this were true, factors other than changes in rainfall must explain the advance of the desert. For instance increased population pressure might have resulted in a decline in fallow and in over-utilization of forests; this could have been sufficient to cause increasing desertification even without a worsening of rainfall conditions.
2. A comprehensive study of these problems is urgent for the entire sahelian area. It should (a) establish the facts about rainfall and desertification; (b) analyze the basic reasons causing these phenomena, and (c) prepare a comprehensive defense strategy, including soil conservation, reforestation, etc.
3. The monitoring of the Drought Relief project might be another worthwhile subject for detailed research. With practically no preparation, this project appears to have proceeded from identification to Board approval within a few months. It might therefore be worth looking at whether the results are less favorable than in other agriculture projects, which have taken several years to prepare.

HBachmann: odf
September 4, 1973.

Mr. T.H. Yoon, Projects, EMENA

September 4, 1973

Jacques Nusbaumer

Research Proposal on Off-Season Vegetables

1. I refer to your memo dated August 24, 1973 on the above subject. Mr. Takeuchi asked me to look after the matter as I have dealt with the question of collaboration with the International Trade Center in Geneva. It appears that there is considerable overlap between our research proposal on off-season demand for fresh vegetables and the kind of consultancy work which we are considering giving to ITC (see par. 9 of our research proposal).
2. On August 7, I wrote a memo to Messrs. Karaosmanoglu and Baneth on the question of cooperation with ITC to which I have so far not received a reply. If it turned out that your region was more interested in supporting our proposal to ask ITC to carry out consultancy work along the lines mentioned in my August 7 memo, we would not proceed with the research proposal to the Research Committee at this time, in order to avoid committing funds from two different sources for basically the same purpose. On the other hand, if your region felt it is preferable that we conduct our own project (note that this also involves cooperation with ITC) then we will press our research proposal to the Research Committee.
3. I would very much appreciate if you could give a prompt reply to my memo of August 7 and to the questions raised in the preceding paragraph. Should you favor pressing our research proposal to the Research Committee, I would send round a revised draft of the proposal for signature.

Cleared with and cc: Mr. Takeuchi, ^{KQ} Acting Div. Chief, EPDCE

cc: Messrs. Tims, Director, EAPD
Singh, Div. Chief, EPDCE
Karaosmanoglu, Chief Economist, Office-V.P., EMENA
Baneth, Chief Economist, Office-V.P., EMENA
Avramovic, Chief Economist, Office-V.P., LAC
Finzi, Asst. to the Director, Projects, EMENA
Ray, Economist, Office-V.P., Dev. Policy
Frank, Section Chief, Credit & Agro Industries, EMENA
Brook, Economist, EPDCE

JN:ar

RC
OP-RESEARCH

WORLD BANK RESEARCH PROGRAM

* * * * *

POLICIES AND PROCEDURES

Issued by:

Secretary to the Research Committee
Office of the Vice President, Development Policy

August 1973

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ANNEXES

- I. List of Studies Financed During
FY1973 and FY1974
- II. Research Proposal Form
- III. Status Report Form
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RESEARCH PROGRAM POLICIES AND PROCEDURES

I. Introduction

1. To assist Bank staff, this paper describes the policy and administrative procedures governing the External Research Program. The content of the current research program is described in the pamphlet on World Bank Research Program, Abstracts of Current Projects (September 1973). The World Bank Catalog contains an inventory of available research papers. Staff members wishing more information or further clarification of policies and procedures should contact the Secretary to the Research Committee.

II. Program Objectives

2. A separate budget for the World Bank Group's research program was introduced in 1971. Although research has long been an established function in the Bank Group, the initiation of an organized research program reflects the increasing importance of research in light of the current expansion and diversification of the Group's operations. Although much research on development problems is conducted elsewhere, the Bank Group has special requirements for research as well as a comparative advantage in some types of studies. The Bank Group's advantage in research, although varying by subject area, stems from its rather unique perspective, its ability to objectively assess the critical development issues covering many countries, its access to data, and the resources it is willing to devote and is able to mobilize through joint financing to well-focused pragmatic research as an aid to decision-making in an operational context.

3. The research program is the mechanism for establishing Bank-wide priorities for research and for coordinating research studies sponsored by different parts of the Bank Group in the context of a uniform Bank research policy. The research program also serves to strengthen the links between the research of the Bank Group and that of others.

4. The research program assists in the formulation of policies and the design of operations in individual sectors, by providing additional factual knowledge and improved analytical and computational techniques. Support of the new types of activities that

the Bank Group is engaged in receives priority, although the program also accommodates the principal research needs in traditional sectors, such as those dealing with technological choice or the effect of distributional concerns for methods of project evaluation.

5. Similarly, the program aims to improve the data base and the available analytical techniques for general country economic work. The program deals with such areas as domestic resource mobilization policies, industrial and foreign trade policies, economic integration, international capital flows, planning methodology and experience, and the impact of objectives other than GNP growth on the mix of policies appropriate to developing countries.

6. At a more fundamental level, the program is directed at improving the available knowledge of the basic development process in areas of particular importance to the Bank. The relationship of the growth process to the distribution of its benefits to the poorest sections of the population is one such area of great concern to the Bank.

7. To the extent consistent with these objectives, the program also seeks to support the development of research capacity in developing countries. Collaboration with research institutes in developing countries is strongly encouraged. Collaboration implies a joint effort, with full participation of the institutions in the design and execution of the projects. Where such collaboration is not feasible, every effort is made to have the principal contractor involve local institutions or individuals in part or all of the work. This stress on collaboration is a natural one, given the character of the Bank's research interests, and is intended to lead to a mutual reinforcement of analytical expertise and understanding of development issues. Collaborative research has increased significantly, and many countries have been and are expected to be involved, such as Brazil, Chile, El Salvador, Costa Rica, Malaysia, Mexico, Ethiopia, Indonesia, Kenya, Iran, India, Pakistan, Korea and Thailand, as well as such organizations as ECIEL and ECLA.^{1/}

8. The output of the Bank's research program is not intended solely for the Bank Group's staff. Apart from contributing to the general stock of knowledge on development, the Bank Group's program also seeks to address some of the critical needs of planners and program implementation agencies in the developing countries. Assistance to less developed countries is provided in this way as well as through institutional support implicit in collaborative arrangements.

^{1/} ECIEL is Estudios Conjuntos sobre Integracion Economica Latinamericana.

ECLA is the UN Economic Commission for Latin America.

III. Management of Research Program and the Research Committee

9. A Research Committee was established in 1971 to advise the Vice President, Development Policy (then Economic Adviser) on the scope and content of the research program, including its priority requirements and relationship to objectives, and on the implementation of the objectives of the program. Specifically, the Research Committee has the following tasks:

- (a) To recommend the overall level of the External Research Budget and its allocation among different subject areas and individual research projects;
- (b) To monitor the progress of the research program and recommend appropriate means of ensuring the success of research projects, including the allocation of staff resources;
- (c) To evaluate the research program and individual research projects;
- (d) To assist in the coordination of research with other agencies;
- (e) To encourage coordination between researchers and between researchers and users in the Bank;
- (f) To foster the dissemination of research output.

10. The Vice President, Development Policy appoints the ten members of the Research Committee, drawn from all parts of the Bank Group, who normally serve for a period of two years. The composition of the Research Committee is to ensure a balance between the users and producers of research and those problems relating to all aspects of Bank operations are considered. The Vice President chairs the Committee meetings; the Senior Adviser, Development Policy is the Deputy Chairman.

11. The research activities reviewed by the Committee and financed from the External Research Budget all involve outside contracts. In addition, there are internal studies done entirely by staff members and studies financed by loans and credits. The Committee is informed of these, but it is not required to review or approve such studies.

IV. Selection of Projects

12. The request for funds from the External Research Budget usually far exceeds the amount of research funds available. Selectivity is, therefore, essential. The Committee seeks to achieve optimal results by a careful selection process designed to assure the uniform evaluation of all projects submitted.

13. One question which arises frequently is what constitutes an eligible research project in the context of the External Research Program. First, only projects which require external resources -- consultants and computer time -- are considered for financing. Beyond that, it is difficult to define eligibility in the abstract since the Bank's interests range from the applied to the theoretical. At one end of the spectrum, there is an overlap with work for which universities and similar institutions are best suited; and at the other, with the normal operational responsibilities of the Departments. As a general rule, activities which are within the normal operational activities of the Department, such as evaluations, preparation of manuals and guidelines, preparation of sector reports, etc., are not eligible for funding under the research budget. Similarly, general theoretical work is usually best left to the universities. In ambiguous cases, the Committee specifically explores this issue in its project review. To avoid unnecessary preparatory work, sponsors of research projects are advised to consult with the Research Adviser before preparing the project if there is doubt about the project eligibility.

14. To establish a framework for assessing priorities and to assure interaction between the elements of the research program, the Committee has reviewed research programs in functional areas. These programs are then generally reviewed in a discussion with the researchers and other interested members of the Bank staff. The reviews enable the Committee to focus on the interrelationship of present and future research projects and on the relationship between Bank research and that carried on elsewhere, and assist both the Committee and the researchers to gradually shape sector research strategies.

15. In order for a research proposal to be financed out of the research budget, it must be of acceptable quality, the organizational arrangements must be satisfactory, and the study must be of sufficient priority as judged by both current and long-term Bank needs. To assess the first two, the Committee reviews the statement of the research problem and the methodology proposed as well as various implementation factors. In addition, the Committee is concerned with the extent of interest by the government of a country whose agencies may be involved in the study.

16. In determining the priority of a project, the Committee considers both the relation of the project to the functional area and the priority of the project in terms of the overall research portfolio. The former involves an evaluation of the project in terms of the sector research strategy and must take account of the urgency of the Bank's needs, past Bank research and research being conducted elsewhere. The second factor involves a comparison of projects across functional categories to assure that high priority is given to those fields which have been determined to be of exceptional importance. The latter include, but are not limited to, work in population, income distribution, rural development and appropriate technology.

17. Research problems which are of high priority but which are not presented in acceptable proposals are generally returned to the Department for resubmission with specific requests for improvement. In exceptional cases, the Committee may authorize financing for consultants to assist the sponsor in preparing a research project for submission although normally any consultant costs for this purpose are to be financed from the regular budget of the Department. A rejection of a proposal is not necessarily a reflection on either the importance of the project or the quality of the proposed research. With a severely limited budget, it is inevitable that some sound, well-conceived and important proposals simply cannot be financed. Such decisions do not, of course, imply a lack of interest in the general subject or in the specific proposal.

Review of Individual Projects

18. The review of a proposed project includes an examination of all the relevant factors which are likely to determine its utility to the Bank and its successful implementation. These generally include the following:

- (i) the definition of the research problem, its relevance to Bank operations and policy;
- (ii) the research methodology proposed, including the techniques and the approaches to estimation and measurement problems;
- (iii) the sources and reliability of data and intended programs of data generation and collection;
- (iv) the planned staff involvement in the project;
- (v) the institutions in less developed countries that are to be involved, the type of arrangements proposed. Or, if no such collaboration is proposed, the desirability and scope of incorporating such collaboration;
- (vi) the type of consultants, consulting firms or institutional support necessary;
- (vii) the coordination between researchers and intended users in the Bank, and
- (viii) the relationship of the research project to the general objectives of the research program, to other studies in the program and to outside research.

18. Research proposals which provide adequate information on these points are forwarded by the Secretary to a panel for detailed review. The panel is chaired by a member of the Research

Committee and usually consists of three other staff members with expertise in the relevant subject area. As part of this review, the panel chairman invites the principal researchers and research supervisors involved for a joint discussion on the proposed project. The panel's report provides the basis for discussion on the project in the full Committee, each member of which has full access to all the documents presented by the project sponsors.

19. Panel reviews are not arranged for projects costing less than \$10,000. Such projects are considered by the Chairman or the Deputy Chairman, with notification of action to the Committee.

20. The decision of the Committee to accept a project is specific to the scope, content, work program and the budget in the approved proposal. Major changes in the scope or work program require prior approval.

Project Submission

21. The Committee meets at least once every quarter to review research proposals, with its principal meeting in May. The quarterly deadlines for submission of proposals and the dates of Committee meetings are announced well in advance.

22. To facilitate the allocation of the budget and the implementation of the review process, Departments are encouraged to notify the Secretary of planned submissions. Generally, the most convenient time to submit a list of expected submissions during a fiscal year is April 1 of the preceding fiscal year. This list may be updated as required. The list of expected submissions should be accompanied by as much detail on each project as possible so that the Committee can form a view of the reasonable amount of financial resources likely to be needed in the different quarters of the fiscal year.

23. Research proposals must use the Research Proposal Form. A sample, with instructions, is attached as Annex II. The narrative submitted with the Form provides the basis for the review of the project. New phases or extensions of continuing projects are treated as new projects and are subjected to the same review process.

Outside Proposals

24. As a general rule, research projects are identified, designed and sponsored by Bank staff members. Occasionally, the Committee receives applications directly from outside institutions and researchers for financing research projects. These are entertained only in a limited number of subjects and only if the proposals coincide with specific priority needs of the Bank Group (at present these include population, income distribution, rural development). These proposals are subjected to the same review process, as projects prepared internally.

V. Authorization Procedure

25. For approved research projects, the External Research Budget finances:

- (i) contractual payments with outside parties - individual consultants, consulting firms and institutions;
- (ii) staff or consultant travel costs incurred for supervision and execution of research projects;
- (iii) data processing costs, including the cost of assistance of programmers, incurred by the Department of Computing Activities and charged to the research project.

Each approved research project is assigned a code number (beginning with the letters RPO) which is used on all financial budget documents, and for correspondence.

26. Budgetary authorizations are made on a fiscal year basis, and the authorized amount is the maximum which can be disbursed or committed for the project. Authorizations for continuing projects for a new fiscal year are announced in July of that year, after all the data of the previous fiscal year become available. Tentative authorizations for planning purposes are issued in May. The unspent portion, if any, of the previous year's authorization is not a material consideration, as such funds cannot be transferred, or carried over, to the new year's Research Budget.

27. If, at any stage, resources are required in excess of the authorized level, the project sponsor must submit a formal request to the Research Committee in advance. If a budget supplement is requested for financing minor adjustments to the approved work program or unavoidable cost increases, the Chairman or the Deputy Chairman of the Committee will act on the application. If a supplementary request represents substantial changes in, or extensions to, the previously approved work program, a new project submission will be invited, subject to the same review procedures as new projects (Section IV). Similarly, project sponsors are responsible for advising the Committee as soon as possible if less than the authorized amount is required.

28. In cases where a consultant has performed certain specified tasks during a fiscal year but the payment of his final bill has been delayed into the next fiscal year, the funds for his late payment must be accrued to the earlier budget. It is in the interest of the sponsor to make sure that all accruable expenses have in fact been committed, as the Research Budget will not fund such expenses from the subsequent fiscal year budget. Research consultant funds can only be accrued after they have been committed

through the completion of a Bank Form No. 74. Accruals are not normally possible with respect to data processing and travel costs.

VI. Monitoring and Evaluation of Projects

Status Reports

29. After a project is approved by the Research Committee, the supervisor of the project is required to submit a Status Report Form for every quarter. A sample Form is attached as Annex III. It is due by the end of the third week following each quarter, unless otherwise announced. The information provided in these Forms assist budgetary planning, decisions on authorizations, reviews of general progress of each project and compilations of publications and other output resulting from research projects. Financial data are produced and circulated monthly by P & B, and should be used to verify the project data.

Evaluation of Projects

30. When a research project is completed and a report is available, the sponsor is required to complete and submit a Completion Report Form (Annex IV). This submission includes a summary of the principal results from the project and comments of the sponsor on the following aspects of the study:

- (i) quality of output in terms of its expected pay-off to intended users, both inside and outside the Bank, and the appropriate form of its distribution and dissemination;
- (ii) the identification of further research problems that the project brings out;
- (iii) consistency of the output with the terms of reference to the consultants, and with the approved work program of the study as a whole;
- (iv) implementation factors:
 - staff input, supervision and execution,
 - nature and extent of collaboration with outside research institutes, and problems encountered, if any,
 - quality of consultants.

31. In order to assure professional review of the work and to disseminate research results as widely as possible, each sponsor is urged to convene a seminar on the draft research report. Such

seminars, or equivalent discussions, are generally a prerequisite to having the research paper published as a Bank Staff Working Paper or in some other format.

Data On the Research Program

32. Information on completed and ongoing research projects is stored on the computer. Projects have been listed by subject, broad objectives, country of operation and method of implementation. A file of all publications emanating from research projects is also maintained. This material is available for reference purposes. The list of publications, as well as selected papers, are sent regularly to nearly forty research institutions which have so far joined with the Bank in a document exchange program. When documents are received from these institutes, they are cataloged by the Research Files and Library Services Section of the Records and Communications Division. This Section issues notice of new documents received in its bulletin "Documents Available On Loan".

WORLD BANK RESEARCH PROGRAM

Projects Financed in FY73 and FY74^{1/}
August 20, 1973

<u>RPO</u>	<u>Title</u>	<u>Executing Dept.</u>
I.	<u>Development Policy & Planning</u>	
201	*Development Strategies in Semi-Industrial Countries	DRC:DPS
202	*Country Programming Study: Chile	DRC:DPS
203	Patterns of Demand and Savings	DRC:DPS
204	Multi-Level Planning: Case Studies in Ivory Coast	DRC:DPS
205	*Cross-Section Analysis of Development Process	EPD:DPS
206	Short-Run and Long-Run Influences on Income Dist.	DRC:DPS
207	*International Models	DRC:DPS
208	Studies in Shadow Pricing	DRC:DPS
209	*Size Distribution of Income	DRC:DPS
210	Survey of Planning Models	DRC:DPS
254	*Employment and Capital-Labor Substitution	DRC:DPS
268	International Comparison Project	EPD:DPS
269	Growth and Income Distribution in Brazil	DRC:DPS
274	Analysis of Income and Consumption	DRC:DPS
283	Evaluation of Latin American Data on Income Dist.	DRC:DPS
284	Growth, Employment and the Size Distribution of Income	DRC:DPS
285	Urban Income Distribution in Latin America	DRC:DPS
286	Prototype Models For Country Analysis	DRC:DPS
294	Employment and Income Distribution in Malaysia	DRC:DPS
II.	<u>International Trade and Finance</u>	
211	*Prospects for Jute and Competition from Synthetics	EPD:DPS
279	Interrelated Economic Development of the East and Southeast Asia in the 1970's	Asia Region
281	Comparative Anal. of Resource Allocation in Cocoa Prod.	EPD:DPS
282	Inflation and Commodity Prices (Seminar)	EPD:DPS

<u>RPO</u>	<u>Title</u>	<u>Executing Dept.</u>
III.	<u>Agriculture and Rural Development</u>	
212	*Reappraisal of Credits for Financing Farm Mechanization in Pakistan	ECD:DPS
213	Methods for Specifying Agriculture Sector Strategies Portugal and Brazil Case Studies	AGP:CPS
214	Agricultural Mechanization in India	AGP:CPS
215	*Agriculture Research and Productivity Changes	ECD:DPS
216	The Agricultural Sector in Mexico	DRC:DPS
218	Rural Development in Africa	ECD:DPS
250	*Mechanization in India: Its Extent & Effect on Hired Labor	Asia Regi
272	*Study of Irrigation Water Charges: Phase I	AGP:CPS
273	Rural Development & Small-Scale Agriculture in Northeast Brazil	DRC:DPS
280	Comparative Experience with Land Reform in Latin America	ECD:DPS
288	Agriculture Sector in Indonesia	DRC:DPS
289	Development Strategies for Small-Holder Agriculture: A Case Study in Yugoslavia	ECD:DPS
293	Evaluation of Lilongwe Land Development	ECD:DPS
IV.	<u>Industry</u>	
219	*Expansion of Manufacturing for Exports in Developing Countries	ECD:DPS
220	*Industrialization and Trade Policies for 1970's (Seminar)	ECD:DPS
221	*Export Promotion and Preferences in India	ECD:DPS
223	Scope for Capital-Labor Substitution in the Mechanical Engineering Industry	DRC:DPS
224	Programming in the Manufacturing Sector	DRC:DPS
225	Industrial Capacity Utilization in Selected Latin America Countries	NDP:CPS
277	Financing of Small-Scale Industry	ECD:DPS
287	Industrial Policies & Eco. Integration in W. Africa	DRC:DPS
295	Industrial Capacity Utilization in Malaysia	ECD:DPS

<u>RPO</u>	<u>Title</u>	<u>Executing Dept.</u>
V.	<u>Transportation</u>	
226	Substitution of Labor & Equip. in Road and Civil Works Construction	TRP:CPS
227	Highway Design Study	TRP:CPS
228	Measurement of Road Width/Vehicle Speed Relationship	TRP:CPS
229	Yemen Arab Republic Feeder Road Study	TRP:CPS
230	*Impact on Port Congestion of Ship Rescheduling	TRP:CPS
231	*Promotion of Road Construction Ind. in Dev. Countries	TRP:CPS
232	Compilation of Highway Design Standards	TRP:CPS
233	*Railway Tariff/Costing Study:	TRP:CPS
234	*Urban Transport & The Automobile	UBP:CPS
271	Feeder Road in Ethiopia	TRP:CPS
VI.	<u>Public Utilities</u>	
236	*Property Values & Water Supply Benefits	PBP:CPS
237	*Village Water Supply	PBP:CPS
238	Analysis of Problems & Issues in Village Electrification	PBP:CPS
239	Pricing & Investment in Electricity Supply	PBP:CPS
267	Standards of Reliability of Urban Electricity Supply	PBP:CPS
276	Pricing and Investment in Telecommunications	PBP:CPS
VII.	<u>Urbanization and Regional Development</u>	
240	*Economic Models of Internal Migration	ECD:DPS
241	The Urban Data Needs of the IBRD	ECD:DPS
270	Urban Public Finance and Administrative in Developing Countries	ECD:DPS
VIII.	<u>Population and Human Resources</u>	
242	Professional Structure in S.E.Asia	ECD:DPS
243	Labor Market and Education in Malaysia	ECD:DPS
244	Student Loan Schemes and Other Forms of Cost Reallocation	ECD:DPS
245	Labor Force Participation: Income & Unemployment	ECD:DPS

<u>RPO</u>	<u>Title</u>	<u>Executing Dept.</u>
246	Cost Effectiveness of Alternative Learning Technologies in Industrial Training	EDP:CPS
247	*Costa Rica Unemployment	ECD:DPS
248	*Economic Issues of Health	ECD:DPS
275	Rural and Urban Public Works	ECD:DPS
278	Project Evaluation Methodology Education Attainments	EDP:CPS
290	The Labor Market in Rapidly Growing Urban Area	ECD:DPS
291	The Benefits of Schooling for Workers	ECD:DPS

IX. Others

249	*International Hotel Comparison Survey	TMP:CPS
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1/ Excludes four discontinued projects with negligible expenditures.

* Projects which are substantially completed, as of July 1, 1973.

August 20, 1973

Issue Date: August, 1973

Instructions For
Submitting Research Proposals

GENERAL

Projects proposed for inclusion in the Research Program should be submitted to the Secretary to the Research Committee, Office of the Vice President for Development Policy. He will forward those that are suitable for review to the Chairman, the Deputy Chairman and the members of the Research Committee, and to selected review panels. The Research Committee will discuss the projects on the basis of the proposals submitted and the recommendations of the review panels.

To facilitate this procedure, research proposals must be submitted at least a month in advance of the Research Committee's quarterly meetings. Specific deadlines are circulated every quarter to the Department Directors.

A research proposal must be submitted in the attached Research Proposal Form. This Form consists of two sections:

Section A. It requires summary project data, indication of approval of the project, and the presentation being made, by the Department Director and the responsible Division Chief (if applicable), and evidence of consultation with the principal coordinators in other parts of the Bank.

Section B. The last part of the Form requires a narrative describing the proposed project, to be submitted jointly with the preceding parts of the Form.

The Secretary will not forward research proposals unless the Form, in both sections, is completed in accordance with the instructions provided below.

RESEARCH PROPOSAL FORM

Section A. The following instructions refer to the line items on the Form.

Part I. Project Identification

1. Title: Title of research project to be used for reporting purposes.
2. Department Responsible: The Department in which the principal work will be done and which will be responsible for monitoring the research contracts.
3. Staff Member Responsible: The name of the principal author, or the contract monitor if the research is being done entirely by consultants.
4. Total Cost: This figure should cover all estimated dollar costs for all years (see Part IV, 1).

5. Total Staff Time: This figure should cover estimated manmonths of staff time required for the life of the project (see Part IV, 2)

Part II. Coordination and Approval

1. Interdepartmental Coordination: Bank departments which have an interest in the subject matter of the project should be given an opportunity to review the proposal and comment on it. Functional studies should be coordinated in counterpart units (e.g. an education study in the Education Department should be coordinated with the Population and Human Resources Division of the Development Economics Department and vice versa). Studies concerning specific countries or regions should be coordinated in appropriate Regional Departments. Studies of functional and area interest should be coordinated in both places. List the Department and the coordinator. The coordinator must sign the Form and indicate whether he supports the project, as proposed. If he does not support the project, he should submit his reasons in writing, which must be attached to the project proposal.
2. Responsible Department Approval: The Division Chief and the Department Director must sign the Form indicating approval of the project and the presentation made.

Part III: Implementation

1. Date Work to Start: The month/year on which actual research work is to start. Date should be after preliminary discussions have been completed and research design is agreed upon.
2. Date First Draft Expected: Estimated date of completion of first draft of research report.
3. Final Report Due: Date when final report expected.
4. Implementation Method: Check the appropriate box or boxes and give corresponding names when available.
5. Reports Expected in the First Year: List inception reports, interim and progress reports, etc. that are expected to be completed during the first year of operation. Indicate dates reports expected.

Part IV: Financial and Staff Data

1. Dollar Costs (Estimated Disbursements by Fiscal Year): Estimate the funds which will be expended in the fiscal years indicated (start with the current fiscal year). List them by the following categories:
 - (a) Contractual - include all costs incurred by contract with individual consultants, consulting firms and/or institutes (typical items included are: fees, pay for research and secretarial assistance and purchase of equipment).

- (b) Travel - include staff and consultant travel authorized by Bank Travel Requests. Do not include travel paid through contractual arrangements (a).
- (c) Data Processing - include all costs incurred through the Department of Computing Activities. This includes the use of Bank programmers and computer as well as work contracted out by the Department of Computing Activities. Do not include work arranged through contracts listed under (a).

NOTE: Estimating costs accurately is difficult, but important. Secure the help of Department Administrative Officers, and the Personnel Department (Consultants Office), Travel Office and Department of Computing Activities in determining your estimates.

2. Staff Requirements: Show estimated manmonths of Professional and Special Services Staff time required by fiscal year.

Section B. The purpose of the narrative is to allow an expeditious review by the members of the Research Committee and other reviewers. It is the principal basis for decision, and an inadequate or unclear presentation seriously affects the chances of approval. It should explain the project fully, including the type of output likely to be forthcoming and the project's feasibility from the technical and the organizational points of view.

There is no prescribed length for the narrative, but it should be as brief as possible without sacrificing clarity. It must be accompanied by a summary not exceeding two pages.

The third page of the Research Proposal Form provides a checklist of items that must be included in the narrative, with explanations.

WORLD BANK RESEARCH PROGRAM

Project Proposal

Date of Submission: _____

SECTION A

PART I. PROJECT IDENTIFICATION

1. Title: _____

2. Department Responsible: _____

3. Staff Member Responsible: _____

4. Total Cost (U.S. \$): _____

5. Total Staff Time (manmonths) _____

Professional: _____

Special Services: _____

PART II. COORDINATION AND APPROVAL

1. Interdepartmental Coordination:

<u>Department</u>	<u>Name & Signature</u>	<u>Support Project</u>	<u>Do not Support Project-Comments Submitted</u>
a.			
b.			
c.			
d.			

2. Approval:

Division Chief

Department Director

NOTE: Please consult instructions issued August 1973 for completion of this Form and preparation of project narrative.

Do not fill

Date received: _____

Review Panel: _____

PART III. IMPLEMENTATION

1. Date Work to Start:

2. Date First Draft Expected:

3. Final Report Due:

4. Implementation Method:

Names:

a. Bank Staff ☐b. Individual Consultants ☐c. LDC Contractor/Institute ☐d. Developed Country Contractor/Institute ☐e. Seminar. ☐

5. Reports Expected in the First Year:

PART IV. FINANCIAL AND STAFF DATA

1. Dollar Costs (Estimated Disbursements by Fiscal Year):

	FY	FY	FY	After FY	Total
a. Contractual					
b. Travel					
c. Data Processing					
Total					

2. Staff Requirements (manmonths):

	FY	FY	FY	FY	Total
a. Professional					
b. Special Services					
Total					

SECTION B: PROJECT DESCRIPTIONGENERAL INFORMATION

The narrative must be accompanied by a summary not exceeding two pages. The following items must be included, although their significance and scope may vary as between projects.

I. GENERAL OBJECTIVES AND STRATEGY

- . The type of support expected to be rendered to Bank operations, country economic analysis and policy formulation.
- . Expected contributions to knowledge on development processes.
- . The relationship of the project to other current and planned research studies in the same subject area. Its priority in the context of such research.

II. TECHNICAL ASPECTS

- . The analytical problems to be addressed.
- . The theoretical and empirical approaches to be applied.
- . The availability, reliability and characteristics (e.g. level of aggregation) of the data to be used. The design and coverage of surveys to be implemented, if any.

III. ORGANIZATIONAL ASPECTS

- . The work program and time schedule; possibilities of sequencing different parts of the project.
- . Staff members, individual consultants, consulting firms and/or institutes to be involved.
- . Choice of countries to be involved.
- . Nature and extent of collaboration envisaged with institutions in the countries to be involved in the study.

IV. THE DETAILED BUDGET

- . An itemized budget, by fiscal year, consistent with data in Part IV of Section A. The estimation assumptions should be explained for each item, e.g. the rate per manmonth of consultants' time, the fare and per diem assumption of travel costs, the unit rates for the type of data processing facilities to be used, etc.

WORLD BANK RESEARCH PROGRAM

QUARTERLY STATUS REPORT

Date of Submission: _____

I. PROJECT IDENTIFICATION AND APPROVAL OF REPORT

Title:		Project No. RPO _____
Department:	Division:	Staff Member Responsible:
Date Approved <u>1/</u>	Total Amount Authorized <u>2/</u> (to date)	Total Amount Disbursed <u>3/</u> (to date)

Approval:

Division Chief (signature)_____
Department Director (signature)

II. IMPLEMENTATION

Date of First Contract <u>4/</u>	Date of First Draft Expected:	Date Final Report Expected:
----------------------------------	-------------------------------	-----------------------------

Reports CompletedReports Expected (Current Fiscal Year)

- NOTES: 1/ Month/Year first approved by Research Committee.
2/ Amount authorized, at the time of approval, plus all supplemental authorizations (if any).
3/ Total disbursement to date, including previous fiscal years. (Sum of disbursement column in Part III and total of disbursements in previous years).
4/ Date first contract was signed.

III. FINANCIAL AND STAFF DATA

Research Number: RPO _____

Total Amount Authorized (by Research Committee) For the Current Fiscal Year _____

Total Disbursements in Previous Fiscal Year (s)* _____

Date: _____

	Disbursements in Current Fiscal Year				
	Actual Disbursements To Date In Current Fiscal Year	Forecast Disbursements through June 30, . Based on:			
		Balance of Signed Contracts Not Yet Disbursed (1)	Firm Arrangements (2)	Tentative Arrangements (3)	Total (1)+(2)+(3)
A. <u>Contracts</u> (by firm or consultant)					
Sub-Total A					
B. <u>Travel</u> **					
C. <u>Data Processing</u> *** <u>Internal</u> (IBRD)					
<u>External</u> (Timesharing, Remote Batch)					
Sub-Total (B+C)					
TOTAL (A+B+C)	****				****

[illegible]

NOTE:

- (1) Do not overlap with previous column.
- (2) Firm arrangements lacking only formal contract.
- (3) Agreements not yet complete.

*/ Including disbursements for Consultants, travel and Data Processing.

**/ This item includes staff travel and travel by consultants when a Bank travel form (#6) is used. The total forecast disbursements for the fiscal year can be listed in the total column if information is lacking to provide the breakdown requested in columns (1), (2) and (3).

***/ The total forecast disbursements for the fiscal year can be listed in the total column if information is lacking to provide the breakdown requested in columns (1), (2) and (3).

****/ The total of these two figures should not exceed the total amount authorized for the current fiscal year.

Staff Time (staffmonths)		
	Current FY	Next FY
Professional		
Special Services		
Total		

IV. STATUS OF PROJECT

Please explain, using an additional page if necessary:

- (1) Progress of study, including any changes in time schedule.
- (2) The nature of the firm and tentative budgetary arrangements made and reported in columns (2) and (3) of Part III of the Form. If contracts are being negotiated, indicate parties involved.
- (3) List all publications (journal articles, symposium papers, etc.) based on the research project. Update as and when necessary.
- (4) If any financing has been received from Bank and non-Bank sources other than the External Research Budget, mention amounts, dates (quarters/FY) and sources. Do not include these amounts in Part III.

WORLD BANK RESEARCH PROGRAM

COMPLETION REPORT

Date of Submission: _____

I. PROJECT IDENTIFICATION AND APPROVAL OF REPORT

Title: _____ Project RPO No.: _____

Department: _____ Division: _____ Staff Members
Responsible: _____Date Approved^{1/} _____ Amount(\$)
Authorized^{2/} _____ Total (\$)
Disburse _____ Staff(staffmonths)
Prof: _____ S.S. _____

Approval: _____

Division Chief (Signature)_____
Department Director (Signature)

II. PUBLICATION DETAILS, DURATION OF STUDY

Date of Contract^{3/} _____ Date of Completion^{4/} _____ Publication
Date^{5/} _____Title of Final Report/Publication, Authors^{6/} _____Other Publications ^{7/} _____

Names of Consultants/Consulting Firms/Research Institutes _____

- NOTES: 1/ Month/year first approved by Research Committee
 2/ First authorization plus supplementary authorization
 3/ Date first contract signed
 4/ Date final disbursement made
 5/ Actual or expected publication date
 6/ Indicate publication details if relevant
 7/ Names of other publications linked to the project, e.g.
 symposium articles, journal articles, working papers, etc.

III. EVALUATION BY SUPERVISOR

The following aspects of the project must be covered in an evaluation by its principal supervisor, to be submitted as a part of this Form:

1. Quality of output in terms of its expected pay-off to intended users, both inside and outside the Bank, and the appropriate form of its distribution and dissemination.
2. The identification of further research problems that the project brings out.
3. Consistency of the output with the terms of reference to the consultants and with the approved work program of the study as a whole.
4. Implementation factors:
 - staff input, supervision and execution;
 - nature and extent of collaboration with outside research institutes, and problems encountered, if any;
 - quality of consultants.

Mr. Clell G. Harral, Chief, Transportation/
Research
P. O. Malone, LCPTR

August 31, 1973

Two-Lane Highway Simulation

As promised, herewith a statement of our current thinking on the simulation of flows on two-lane highways.

Objective

1. My objective is to develop a model which would simulate traffic flows on specific two-lane roads--proposed and existing--to enable us to answer questions which frequently arise in our operational work, questions such as:

- How will congestion build up over the years as traffic builds up?
- What would be the benefit of introducing climbing lanes?
- What would be the benefit of specific improvements to geometry?

I could have used a model such as this a few years ago during an appraisal in Kenya when we were asked to help finance construction of a two-lane road paralleling an existing two-lane road, which had poor geometric characteristics and which was beginning to become congested. I would also have appreciated such a model recently when considering climbing lanes (a) in the Honduras Highway Appraisal and (b) in the feasibility study for the proposed Costa Rican Highway Project. These were no trivial matters; the Kenyan construction (which we did not, in the event, finance) was to my recollection estimated to cost about US\$6 million; the climbing lanes in Honduras (we eliminated them from the project) were estimated to cost around US\$1 million. Since there are substantial sums involved, I believe we should tackle such problems with methods more refined and more specific than we have at present; hence my interest in the simulation.

Basic Approach

2. I propose a Monte Carlo type simulation, with the road divided into a series of sections or "blocks", and the traffic moved through the road length under study (let us call it the "test-length") in a series of discrete time jumps, according to a set of decision rules based in part at least on field observations of driver behavior. The information relevant to each "vehicle" (for example average time, average speed, delays) as it passed through the test length would be recorded and where appropriate would be aggregated.

The Road Block

3. As regards block length, I have no basis on which to judge what would be appropriate (the block may well vary from case to case, and even within a specific test length) but my feeling is that about 25 meters would be a starting point. This would mean 40 blocks per km of road, not an unsurmountable storage problem. Each block would be stored in the program as a seven-part "signature" or "label" as follows (for convenience of explanation I am assuming the road to go generally from east to west):

- (a) Position of the mid-point of the block, say in km from the start of the test length;
- (b) The gradient;
- (c) Visual distance along the road, east-bound;
- (d) Visual distance along the road, west-bound;
- (e) The "roller-coaster aspect" (see para. 5 below);
- (f) Provision of climbing lanes; and
- (g) Occupancy of the block.

4. Parts (a) through (f) of the signature would be invariable for each block in any run of the program, depending only on the geometry of the road; part (g) would, of course, vary as vehicles moved through the block.

5. I think (e) above requires some explanation. "Roller-coaster aspect" is not a particularly elegant expression, but I cannot think of anything better. What I have in mind is something to indicate the reaction of a truck driver to what he can see of the road ahead. If his vehicle is on a down-grade, if he can see the up-grade ahead, and if the intervening distance is clear, then he will tend to accelerate down the hill to gain the momentum to help him up the other side. I visualize that for the roller-coaster part of the signature, we would have "yes" or "no" (or "favorable" or "unfavorable") and that if the way ahead was clear (the program would check this) the truck would accelerate beyond normal operation on both the down and up grades, according to some decision rule which would be part of the program.

The Vehicle

6. Let me turn to the vehicle. I envisage initially, and until we feel our way, just two types of vehicles, light and heavy; (Mr. Sud has suggested that it might be appropriate ultimately to consider a range of vehicles, not just the simplistic two types). For each vehicle fed into the test length, I envisage a six-part signature as follows:

- (a) Serial number past the threshold (east-bound and west-bound);

- (b) Time passing threshold;
- (c) Vehicle type;
- (d) Position;
- (e) Speed;
- (f) Mode.

Parts (a) through (c) of the signature would be fixed for each vehicle in any given run of the program; parts (d) through (f) would vary as the vehicle's position and behavior changes. In amplification of 6 (d), (e) and (f):

Position

7. I envisage that for purposes of determining driver behavior and reaction we would consider a vehicle to be positioned at the mid-point of the block in which it is located at any time; if the block length is reasonably small, (I suggested above 25 m) hopefully the constants at any point within the block should not differ sensibly from those at the mid-point.

Speed

8. The speed would be associated with the vehicle type; at any time in the program, however, it would be defined, not only by vehicle type but also in terms of the mode in which the vehicle was travelling (see next para.).

Mode

9. I define the mode as the status in which the vehicle is travelling at any time of the program. For light vehicles, I envisage three modes:

- "Normal" (travelling at its normal speed, unhindered)
- "Overtaking" (at a speed greater than the normal, while engaging in an overtaking maneuver)
- "Hindered" (travelling slower than the normal speed, in a condition in which it would normally overtake except that there is on-coming traffic in the overtaking lane)

10. For heavy vehicles, I envisage two modes:

- "Normal"
- "Roller-Coaster" (see para. 5 above)

The Logic of the Model

11. My idea of the essence of the simulation is given in the attached flow chart; (I fully realize that there must be input and terminal routines added to this, and also that some of the steps in the flow chart will need considerable elaboration in the form of sub-routines). This flow chart represents the movement of just one vehicle, by one incremental time jump (dt). I envisage that, firstly, the vehicles will be fed into the two thresholds of the test length, presumably in some random arrival pattern and with the mix of the traffic (the proportion of light and heavy vehicles) super-imposed on the arrival pattern. All vehicles arriving at the threshold would be assumed travelling in their normal mode. The program would then examine each vehicle in the test section, seriatim, advancing it according to its mode and to certain behavioral rules (see below) a distance corresponding to the discrete time element (dt). Each vehicle, having been thus advanced, would have the variable portion of its signature altered and it then would be "stored" for the next round of the program. The program would do this for each vehicle in the test length and then go back and start over again advancing all vehicles a distance corresponding to a further dt , but checking meanwhile whether further vehicles had entered the test length at the thresholds.

12. I have only one minor worry, which may turn out to be groundless. The discreteness of the program does not really worry me but there might be a slight problem in the seriatim nature of the movement of the vehicles. For example, the program might allow a vehicle "A" to begin an overtaking maneuver convinced that the nearest vehicle "B" in the oncoming lane is at least the requisite distance ahead to permit the overtaking maneuver; but, by the time the program had advanced all vehicles' distances corresponding to dt , it may have moved vehicle "B" an incremental distance which would reduce the distance between "A" and "B" to less than the requisite distance. However, the incremental distance advanced by vehicle "B" would probably be only a small fraction of the requisite distance for vehicle "A" to start the overtaking maneuver, so on reflection I feel that this may not be too serious a drawback.

13. As the ultimate of the program we might envisage the test length depicted on a transparent display, and as the vehicles moved through the test length their positions would be indicated as blobs of light on the display. (In this connection I remember a talk we had some years ago by TAMS on the work they were doing on the Dallas/Fort Worth Airport complex; the talk was illustrated by a movie film in which the movement of planes was shown as spots of light on the runways, taxi-ways and aprons).

Behavioral Information

14. We will need to get a certain amount of behavioral information, either from the literature or from field measurements or from both, for example:

- (a) Just how does a truck driver react to a "favorable" roller-coaster aspect--how does the truck speed vary when roller-coasting?

- (b) When a light vehicle is catching up with a heavy vehicle, at what distance behind the heavy vehicle does the driver of the light vehicle start considering an overtaking maneuver?

There are probably another six or seven behavioral patterns we would require.

How Would We Use the Model in Practice?

15. (a) For simulation of an existing road the road information would, I suggest, be obtained by a small team operating on foot. One man would mark out the center points of the road blocks (say at 25 m. intervals); the team leader, following behind with other team members fore and aft, and equipped with a pocket clinometer and range finder, would view and record:

- (i) Gradient
- (ii) Visual distance, ahead and behind
- (iii) The roller-coaster aspect
- (iv) The presence/absence of climbing lanes.

I think such a team could work at the rate of 2 to 3 km per hour.

- (b) For simulating a proposed road we would have to work from the drawings; this should not be too difficult (in fact BCEOM has a program that works from the drawings, derives the perspective view as seen from the driver and then runs these perspectives together as a movie).

Where do we go from here?

16. I think the first thing is to examine the foregoing to see if all interested parties agree that --with or without substantial modification-- it makes sense. If there is a consensus that we should proceed and programing time is allocated, I would be quite happy to deal directly with the programmer, to get the basic simulation programed, drawing on your Division as much as possible for advice. If we need some field studies to fill in gaps in our knowledge of driver behavior in the countries with which we deal, I could arrange for my Section staff, as convenient on their missions, to obtain the necessary information.

17. I believe we should try and get a relatively simple simulation going in the first instance--for example we might start by considering a 5 km straight stretch of two-lane highway with various volumes and mixes of traffic, and see if we can simulate real life conditions; it would also help to get the bugs out of the program. We could thereafter move to more complexity--with more sophistication in the program (for example, as mentioned above, having a range of vehicles

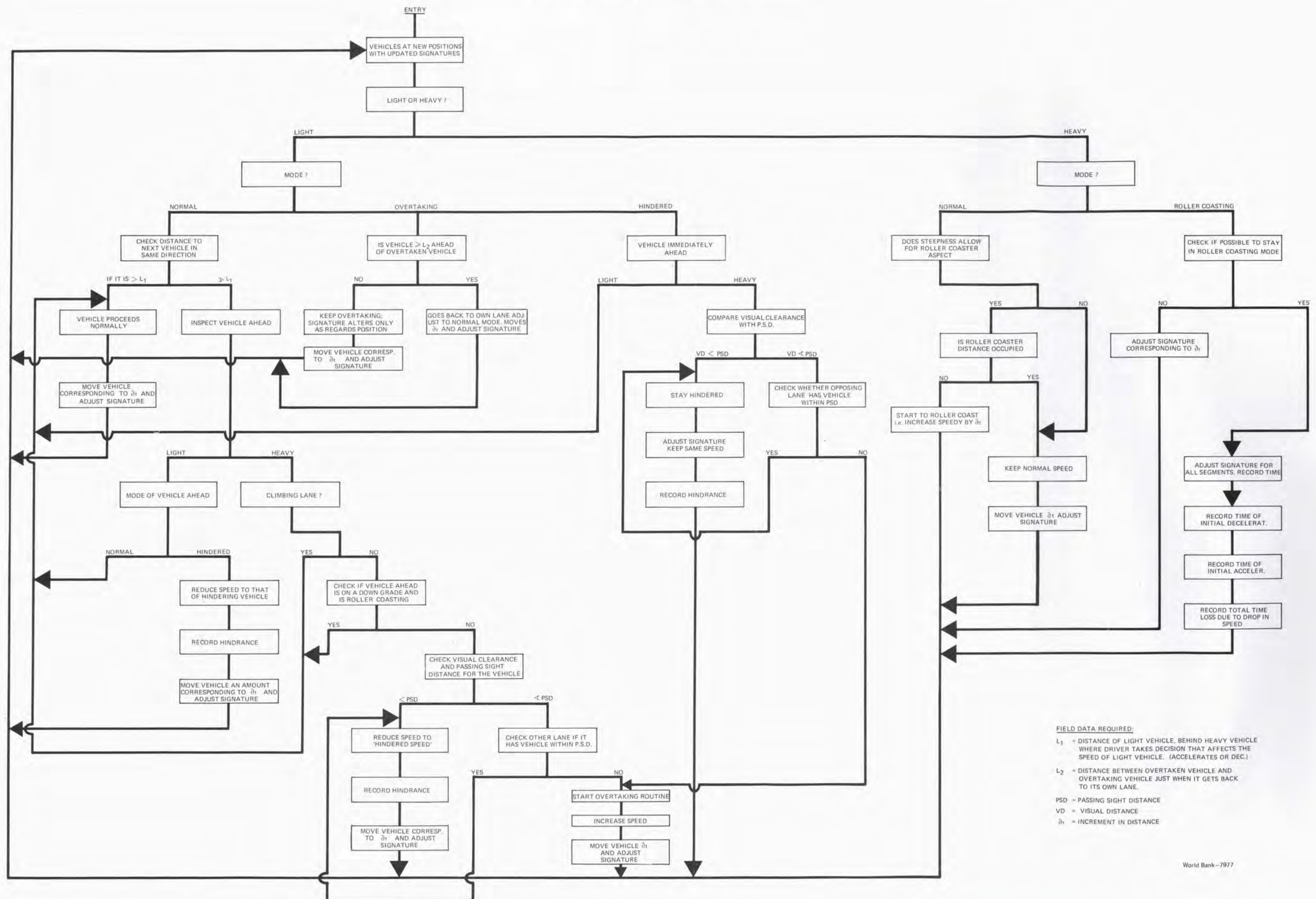
instead of just two types) and using more relevant behavioral information from field observations.

18. I should be back in the Bank about September 17. Hopefully we can discuss the foregoing then.

cc. Messrs Knox, Geli, Sud.

cc. Messrs. North/Reid (EAPTR), de Man/Howard (EMPTR), Seges (WAPTR),
Young (ASPTR). (Any suggestions would be welcome).

LOGICAL FLOW CHART – TRAFFIC FLOW





Transport & Tourism Technicians Limited

research planning development marketing

Registered office: F1/3
5 Vigo Street
LONDON W1X 1AH
Telephone: 01-734 7416/7789
Cables: TOURTEC London W1

31 August 1973

Stokes M Tolbert Esq
Director
Tourism Projects Department
International Bank for Reconstruction
and Development
1818H Street NW
WASHINGTON DC 20433
USA

Tourism Projects Department

Date Received: SEP 4 1973

Replied by: _____

Date Action Taken: _____

Dear Mr Tolbert,

I have pleasure in enclosing a photographic copy of our complete Study of "Air Transport Trends and Their Significance for Tourism Development". 30 printed copies are being sent separately by air freight on 8 September 1973.

2. This Study is in a form which will, we hope, facilitate its development into a Manual for executives engaged in tourism project studies and we have endeavoured to confine the contents to material with real topical implications for this objective.
3. To keep the Study to a reasonable length, in the context of the manpower allocated to it, we have necessarily had to deal very briefly with some subjects which merited more study. For the same reason we have had to limit supporting statistical data to brief summaries of topical material, but the sources of the data are indicated by the references in the margin.
4. Similarly in regard to important statements by individuals in positions to influence the future of air transport policy: where their statements are particularly significant we have included relevant extracts in the text as well as including cross-references in the margins.
5. In the Summary of Conclusions (in the Introduction) we have selected 33 main points which in our view sum up the overall position - but of course the whole Study is in itself a 'digest' of a vast amount of material.
6. We are conscious of the fact that some of the material and conclusions in the Study are rather stating the obvious - but nevertheless have included it on the assumption that a Manual would be used by individuals new to, or unfamiliar with the subject, as well as those who have lived with it for a long time.

/contd...

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COMMUNICATION
SECTION

Stoke M Tolbert Esq - Director.

30 August 1973

- 2 -

7. Similarly some important subjects have perforce been rather briefly treated - but most of these are fully covered in the reference material, or are currently being studied in greater detail by other organisations (e.g. in some of the working papers for the IUOTO General Assembly in Venezuela in October).

8. We hope this Study meets your requirements and that it will provide a suitable basis for a Manual on this vitally important subject of air transport's influence on tourism.

Yours sincerely,

Maurice Curtis

Maurice Curtis

P.S.

The Charts in Appendix 4 are not included in this photocopy as they were not printed in time for despatch this evening. The printed versions are being printed on both sides of each sheet.

Mr. David Haynes

August 31, 1973

John Vaughn

Comments on Integrated Cotton Research and Development Mission
UNDP - Vol II of III - April 1973

In 1970 UNDP was requested by IIC (International Institute of Cotton) for assistance in Product Development Research to meet synthetics competition and establish a central laboratory for conducting and coordinating research, development and technical assistance.

In 1971 an Inter-Agency Committee including FAO, UNIDO, UNCTAD/IIC and IIC decided there should be a consultant mission selected jointly by the above agencies. The mission was authorized in January 1972 and began work on March 4, 1972 and completion was scheduled for October 1972.

The general terms of reference were:

- a) Define problems facing cotton as a commodity, identify problems common to producing countries where a common research approach seems promising.
- b) Assess adequacy of material, regional or international research institutes and organization engaged in (1) cotton genetics and production, (2) industrial end uses, (3) trade, marketing and promotion and (4) identify measures to be taken including creation of new organizations or upgrading and modifying of those already existing.
- c) Ascertain constraints to effective regional and inter-regional collaboration and recommend action to overcome such constraints.
- d) Review current and pending technical assistance projects related to the activities in (b) above.

In addition, there are 10 to 12 specific points of reference for the three areas (genetics and production, industrial end use and trade and export promotion.)

The country by country survey of eleven cotton producers is reported. Also included are short description of the organizations which were referred to and have special interests in the cotton industry. The visits to each country are described and the situation in the three areas is summarized. The information varies in depth and coverage from country to country.

A. Problems facing cotton as a commodity, common to (majority of) producing countries, especially those where a common research approach seems promising. This objective is not covered directly but perhaps Vol III of the report will accomplish this. By deduction, it is apparent that all countries would benefit by an increased yield per acre. Two of the factors contributing low to yields is control of insects and diseases. Little is being done in any of these countries on utilization research.

Emphasis on a common approach on these problems is logical.

B. Assessment of organization engaged in research on genetics and production, industrial and uses trade marketing and promotion and identify measures to be taken to improve add to or modify these.

Assessment was done in most of the countries but few specific suggestions were put forward. Perhaps this will be covered in Volume III. Although not referred to directly, there is quite a lot of international (inter-regional) cooperation in genetics and varietal improvement. Various technical aid projects and programs by committees and organizations such as the LTA set up by GATT, the International Cotton Advisory Committee, the Cotton Research Corporation, the "Institut de Recherches du Coton et des Textiles Exotic", the International Federation of Cotton and Allied Textile Industries and the IIC have all encouraged and contributed to an international approach.

C. Ascertain constraints to effective regional and inter-regional collaboration and recommendations to overcome such constraints. This point is not covered in this volume of the report.

D. Review current and pending technical assistance projects related to activities in A and B above. This is not done specifically although the organization and agencies mentioned above and others have given support to the cotton industry in most of the countries covered in the report.

The most frequent problems in the cotton research programs in the various countries covered by the mission are:

- 1) Lack of Research Coordination and strong leadership "at the top".
- 2) Inadequate budgets resulting in inadequate equipment, programs and staff.
- 3) Inadequate number of trained professionals.
- 4) Low salaries of professionals.

These are problems encountered in almost all developing countries.

Volume III of the report should include the summary of the general and specific terms of reference because this Vol II does not do this. Of particular importance will be specific recommendation for strengthening and improving the research, inter-regional cooperation and some proposals to alleviate the problem of synthetic fiber competition with cotton. (Perhaps the energy crisis will assist in this since synthetic production use petroleum chemicals while cotton production does not.)

The following table compiled from data given in the mission report compares the eleven producing countries in total production, yield per acre and export of cotton. The variation in yield per acre should indicate the variation in effectiveness of the programs of production, research and extension. This observation cannot be absolute. Syria is an example of a relatively low yield per acre nationally because quite an

acreage of cotton is grown under rainfed conditions and with inadequate irrigation. The yield in the area of the country where water supply is good is much higher and the country average yield and production can be expected to rise materially when the new lands are put under cultivation below the new dam on the Euphrates. Also in Syria the research on cotton is not as inadequate as indicated in the report. The staff of the cotton bureau includes two ph.Ds and two others who have had advanced training abroad. Also the Ministry of Agriculture Research Department has a Pest Control research laboratory, with one ph D and two graduates, which spends a major part of its effort on cotton. (This is information I collected personally in March 1973 while on a private visit).

1971-1972

	<u>Pounds/Acre/Rank</u>	<u>Total Production Rank</u> (1,000 Bales)	<u>Export Rank</u> (1,000 Bales)
TURKEY	674 (4)	2,400 (4)	1,500 (1)
EGYPT	710 (2)	2,351 (5)	1,400 (2)
SYRIA	555 (5)	720 (8)	600 (7)
UGANDA	59 (11)	310 (11)	272 (9)
SUDAN	422 (7)	1,100 (7)	1,000 (5)
PAKISTAN	334 (8)	3,350 (2)	1,100 (4)
INDIA	145 (10)	5,600 (1)	180 (11)
PERU	439 (6)	350 (10)	250 (10)
BRAZIL	224 (9)	3,050 (3)	1,300 (3)
MEXICO	692 (3)	1,700 (6)	920 (6)
NICARAGUA	845 (1)	480 (9)	435 (8)

Mr. J. Hansen

August 31, 1973

R. Picciotto

Rice Research Proposal

1. We are in the process of developing a specific research proposal for rice production and marketing. Rice is the major food crop in the Asia Region and its prospects are intimately linked with the overall economic future of most of our borrowers.

2. The research project would focus on five rice deficient countries in Asia (Philippines, Indonesia, India, Bangladesh and Sri Lanka). These countries provide a sufficiently broad spectrum of the potential and the problems faced by rice growers and traders in Asia. The study would analyze constraints for increased production. This will involve:

- a. projecting the demand for rice during the next decade;
- b. determining the scope for acreage expansion of rice production;
- c. determining the scope for increased cropping intensity and yield;
- d. scope for reduction of losses in the ~~losses~~ in the milling-storage-marketing chain.

The Study would lead to policy recommendations for the countries involved as well as for Bank agriculture lending.

3. It is anticipated that the research project would be undertaken over a two-year period and that final work prior to publication would be completed in the third year. The research effort would be undertaken by consultants closely supervised by Bank staff.

4. I will let the Chief Economist and the Program Division Chiefs have a look at a more detailed draft proposal within a week. This is merely an indication to the Research Committee that a high priority proposal for the Region - which might involve a first phase of some \$500,000 - is in the work.

JFlesp:al

cc: Messrs. Weiner

Bruce

Baneth

Program Division Chiefs

Section Chiefs

Lowenstein

OP-Research

Mr. Roger Nelson, Country Programs I, Lat.
Am. & Car.
Kenji Takeuchi, Econ. Analysis & Projections

August 31, 1973

Cocoa Study

1. This is to solicit your assistance in collecting data for a cocoa study which is presently being done in this Department. The background of the study is as follows.
2. In January 1973 the Bank staff prepared a study on "Development Policy for Countries Highly Dependent on Exports of Primary Products" which concluded, inter alia, that the Bank should adopt a more selective approach to financing commodities which face inelastic demand.^{1/} During Board discussion on the recommendation concerning "limiting financing of new production of primary commodities facing inelastic demand, in general, to countries with few export alternatives," Mr. McNamara promised a study assessing the comparative advantage in cocoa production. The terms of reference of the study include comparing investment in cocoa with investments in other agricultural commodities, not only within a country, but also between countries. Ecuador is one of the countries to be covered by the study.
3. This study has been initiated and is now in the data collection stage. Mr. Patrick Yeung of my Division and myself have already discussed with Mr. Jose Guerra, who will be departing on a mission to Ecuador around mid-September, about his assistance in establishing contacts for the data collection process. Specifically, it would be much appreciated if he could contact INIAP and/or a university professor for the purpose of (i) directly obtaining benefit and cost information, and (ii) recruiting one or two students to fill two questionnaires^{2/} from a sample of 20 to 30 plantations and/or smallholder farms. The questionnaires seek information on both cocoa and alternative crops. In the case of cocoa, information should cover, not only experimental clones, but also traditional varieties.
4. Each student can be contracted to be paid around US\$100 for the job through his institution. We hope the task can be done within a short period of time, as the deadline on the study is not too far off.
5. We hope to hear favorably from you that you would approve our asking Dr. Guerra to carry out these tasks for us during the course of his forthcoming mission to Ecuador.

^{1/} R73-3, January 4, 1973, p. 9.

^{2/} Copies of the questionnaires are enclosed.

Attachments

cc: Messrs. J. Guerra, W. Tims, P. Yeung
PYeung:mb

Mr. Douglas H. Keare, Chief, ECDRB

August 31, 1973

Orv. Grimes, ECDRB

Urban Land Research Project: Conversations with Bill Doebele

1. Bill Doebele and I discussed the land research project for most of the morning of Friday, August 24. He had reviewed the proposal, which I had sent him two weeks earlier, and suggested no changes, even in the outline of his own monograph. He said that the proposal and outlines of research output were virtually as he would have written them, so there was no need to change the content. More importantly, we arrived at a mutually agreeable schedule for the field work and report writing phases of the research, taking each of our other commitments into account. This schedule, if adhered to, would result in a draft final report, as well as the two monographs, by the end of May 1974.
2. Bill's commitments to the U.N. this fall for technical assistance in Iran and Cyprus on urban land policies have both been confirmed. He will be in Tehran until October 25 and in Nicosia until the third week in December. He will then spend two or three weeks with his children in London, the only chance he will have all year to see them.
3. For this reason we agreed that the initial field work to Korea, Taiwan and Europe should begin on Monday, January 21, 1974, and last for four weeks. (I would have preferred that it begin in early January but this appears impossible because of his desire to be with his family.) Bill's "floating" two months that he is committed to spend in Bogota would then be March and April. Thus Bill would return to London after the Korea/Taiwan mission, spend the last two weeks of February there beginning work on his monograph, then leave for Bogota around March 1 to resume his Colombia research and also complete the writeup of the monograph there. Nancy and I would then have four weeks here to write up our monograph, or at least get a fair way into it, before leaving in the middle of March for Bogota to join Bill for the Colombia portion of the field work. (Other countries might well be included, for example Peru and Brazil; this will be discussed later). During April, Nancy and I would be completing our monograph and beginning the draft final report while Bill sandwiches in the completion of his monograph with his other activities in Bogota. He will then return to London and will have no further commitments, other than to our project, until he returns to Harvard on September 10. We would then need to meet during May to coordinate the draft final report. This could be done by bringing him here or perhaps by my stopping in London on the way to or from Cairo (assuming there is an Egypt Urban Sector Survey Mission that May). The draft final report would be ready for discussion by the end of May 1974.

4. You will note, I know, that this is an ambitious timetable and that there is really no reason to rush the research unnecessarily. However, it does successfully present a schedule amenable to all concerned which also accords with that mentioned in the research proposal, so that an a priori case can be made for it at the Research Committee meeting on October 15. Moreover, even though the schedule appears to be fairly open ended next spring, after the field work is completed, I would not be able to devote more than quarter time to finishing the draft final report after the Egypt mission returns. But neither Bill nor I nor, I think, you or others within the Bank would mind if we are not able to finish the draft final report before the end of June or even into the summer.

5. I have budgeted eight weeks of Bill's time in the proposal. This takes care of the four week Korea/Taiwan mission, two weeks' full time writeup in London in February, and two weeks of full time mission participation in Bogota from the middle to end of March. It thus does not include any of his time during April, May or thereafter. If there are other overruns we would probably need to go back to the Committee with a request for additional funds, but if not (and I think this is more probable) I hope we could find an additional \$3,000 or so from Division discretionary funds.


OGrimes:bn

August 30, 1973

Professor Jose Birchal Wanderley, Director
CEDEPLAR - Centro de Desenvolvimento e Planejamento Regional
Universidade Federal de Minas Gerais
Rua Curitiba 832, Belo Horizonte 30000
Minas Gerais
Brazil

Dear Professor Wanderley:

During the recent visit of Professor Thomas Merrick to the Bank, he told us of your appointment as CEDEPLAR director, and we take the opportunity to express our best wishes to you in this new position. At that time, Professor Merrick held a series of meetings with Bank staff and consultants regarding the labor absorption research project CEDEPLAR and the Bank are jointly undertaking. We shall attempt here to summarize to you these discussions, as we believe that decisions with respect to immediate steps need your approval.

We understood from Professor Merrick, that CEDEPLAR would welcome technical collaboration from Bank staff and/or consultants in the analysis of the survey data, and preparation of the research report. We were pleased to see this concept of ample collaboration, both technical and financial, supported in practice, for it is a fundamental part of our research agreement. Such working collaboration not only contributes to the success of our present efforts, but suggests other possibilities for future research association.

While we are aware that the survey data can be explored in a variety of interesting analytical lights, our discussions with Professor Merrick about the immediate technical inputs from Bank staff, has been confined to the analytical approach he suggested for the preparation of the first research report. As described by Professor Merrick, this first report will include: (i) a chapter reviewing the literature; (ii) a general descriptive chapter; (iii) four chapters representing case studies of labor absorption in specific occupational sectors; (iv) a methodological chapter.

Professor Merrick was receptive to the suggestion that it is important to add a chapter to the above outline on the household dimension of the labor market phenomena. Since the sample size would be too small if we dealt with this aspect of the problem by sub-sectors

we should probably analyze this group of problems for the sample as a whole. The analysis here would cover topics such as participation rates within the family, relative mix of protected and non-protected jobs held by family members, by income groups, and the role of the secondary worker. The Bank is presently undertaking research on these topics in Costa Rica, Malaysia, and Korea, a fact that opens interesting possibilities for comparative analysis. We have suggested that this chapter be written by Bank staff -- myself and Mr. Dipak Mazumdar --, in consultation with CEDEPLAR.

The precise outline, methodology, and data requirements for the chapter, can be prepared and sent to CEDEPLAR before our next joint meeting in Belo Horizonte, late next October or early November. Initially, however, we find advisable to clarify a few points. First, we like to learn from Professor Fausto Brito, his views on the subject, particularly, whether he intends to write about the household labor economy. If he does, we should be glad to modify our plans to accommodate his analytical scheme. Second, we would like to receive from you, advice on the best ways to deal with the tabulation of data needed by Bank staff. Unfortunately, as you know, the staff will have to remain based in Washington, but we are, of course, willing and able to spend time at CEDEPLAR, as and when necessary. Most likely, there will be a need to mail tables and exchange ideas by correspondence. In your opinion, would it be easy for CEDEPLAR to request the necessary tables to the University Computer Center and, if need be, to utilize the time of a programmer from the Center? Would the costs of these services be charged to the Bank? If so, could you give us estimates of unit prices? Should we expect delays in gaining access to computer time due to other commitments of the University? It is our hope that from now to the end of October, we will be able to send the specifications for the tables, leaving you enough time to have them processed before our arrival in Belo Horizonte. Please let us know whether there are other points we need to clarify and discuss before then.

We like to stress the high expectations we have regarding this research project, and the excellent opinion we have formed of CEDEPLAR, throughout this relationship. Please extend our greetings to Professors Thompson, Merrick, Brito, Haddad, and Silvers. Hoping to hear from you at your earliest convenience, we remain,

Sincerely yours,

Anna Maria Sant'Anna
Urban and Regional Economics Division
Development Economics Department

cc: Messrs. D.H. Keare, D. Mazumdar, T. Merrick, F. Brito, Mles

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

OFFICE MEMORANDUM

TO: Mr. A. Hayman

FROM: S.M. Tolbert *SMJ*

SUBJECT: U.K.: Kenya: Egypt: Germany. Mission
Terms of Reference

August 30, 1973

You will arrive in the U.K. on September 5, where you will take five working days Annual Leave, and return to Washington on or about September 28. You will spend September 13, 14 in London, September 15 - 20 in Nairobi, September 21 - 26 in Cairo, and September 27 in Munich, in accordance with the Terms of Reference below:

I. U.K. and Germany

European Market Study:

1. The objectives of your mission will be:-
 - (i) to determine the present status of the main tourist research efforts currently being made in Europe
 - (ii) to review the draft outline terms of reference for the study with tourist authorities in Europe, as well as a small number of consulting firms
 - (iii) be able to prepare on return revised terms of reference, taking into account views expressed in the field, and recommendations on the firm or firms to be invited to submit proposals.
2. To this end you will:
 - (i) visit senior officials of the British Travel Authority, the European Travel Commission and the English Tourist Board. From them you will acquire lists of current research projects and academic researchers active in this field, on whom, to the extent possible, you will endeavor to call.
 - (ii) you will visit the following consulting firms:
 - a) Cooper Brothers and Lybrand
 - b) The Economist Intelligence Unit

- c) Industrial Market Research Limited
- d) James Morrell Associates
- e) Deutsches Wirtschaftswissenschaftliches Institut
für Fremdenverkehr an der Universität München

- (iii) on return you will prepare a back to office report, including revised terms of reference and recommendations on procedures for awarding a consultant's contract.

II. KENYA: Project Preparation mission

1. Throughout your mission you will keep in touch with those members of PMEA who are expected to assist in tourism project preparation (Mr. Russell, Mr. Yenny, Mr. Hayden, or Mr. Quicke).

2. Kongo-Diani: You will call on Mr. Masakhalia, Chairman of the Inter-Ministerial Working Party, and be available for such assistance as he may require in the evaluation of proposals for the Kongo-Diani Study, and in reviewing the proposed Terms of Reference. You will bring Mr. Vera's comments on the Terms of Reference to the Working Party's attention. You will stress:

- (i) that your participation is as observer, and the choice of consultants is the responsibility of the Working Party, and
- (ii) that the Bank strongly urges that the revised Terms of Reference be sent to Washington for comment prior to signature of the contract.

You will establish a timetable for the preparation of the project, and determine the nature and timing of further assistance the Working Party may request, both from PMEA and Head Office.

3. Parks and Tourism Project: You will obtain such reports as have been prepared, and review with the Working Party the extent of further work needed. You will determine the Government's intentions concerning sources of finance for the project. If, as is understood, the Government intends to ask for Bank Group participation in this project, you will establish a timetable for its preparation, and the extent to which Head Office and PMEA assistance may be requested.

4. Other Projects: You will try to get a copy of the interim report on the Working Party on the Lamu region, and explore in a preliminary way any implications it may have for the development of future tourism projects.

5. Upon your return, you will write a back-to-office report.

III. EGYPT: Tourism Project Preparation

1. You will visit Cairo for a few days beginning on or about September 21.
2. The aim of your mission will be:
 - (a) to update the Tourism Reconnaissance Mission Report and fill in some information gaps, with the objective of completing the report expeditiously for consideration within the Bank Group and thereafter for transmission to the Government;
 - (b) to determine the Government's current priorities and policies for tourism, acquire its new Tourism Development Plan (if any), and ascertain the Government's views (including those of the Ministries of Tourism and Finance and Economy) on future Bank Group involvement in the sector;
 - (c) to establish what is the Government's first priority for a possible Bank Group Tourism project, and following your return, to recommend on its suitability for Bank Group consideration and on the appropriate steps for its processing.
3. To this end you will:
 - (a) obtain from the appropriate authorities such additional and more recent information on the tourist sector as may be available;
 - (b) review the draft tourism reconnaissance report with the Ministry of Tourism, and take note of their comments. You will stress that the report is a preliminary draft of the mission and remains to be reviewed and considered internally within the Bank Group;
 - (c) discuss the new Tourism Development Plan (if any) with the officials responsible for its preparation, and establish (i) the extent to which it is consistent with overall national development planning; (ii) the means whereby demand forecasts and investment targets have been established; (iii) the extent to which institutional, political, or other constraints have been taken into account; (iv) the basis on which the sources of financing the proposed investments have been assumed;
 - (d) determine the current status of some tourism proposals tentatively discussed by the Government with the January mission, including: (i) beach resort developments, N.W. coast; (ii) Gizeh Pyramids recreational area; and (iii) Cairo museum.

- (e) ascertain whether the Government is interested in developing a suitable tourism project for the Bank Group's consideration in a future fiscal year (beyond FY76), and if so, which viable proposal would have their priority. You should make it clear that after you have had an opportunity to review the proposal on your return, you would be in a position to respond to them on the matter.

4. On your return you will prepare a Back-to-Office Report, followed by an updated version of the Tourism Reconnaissance Report.

cc and cleared with (where applicable) Mr. Kaji
Mr. Davar

cc: Messrs. Lee, Burney, Raisen, Engelmann, van der Tak
Messrs. Tolbert, Kirmani, Wapenhans, Walshe
Messrs. Glaessner, Simmons, Hornstein
Messrs. Vera, Renkewitz
Mr. Brakel (PMEA)

AHayman/hk

OP - Research

Mr. Jacob Meerman, ECDPF

August 30, 1973

JF
Johannes F. Linn

Draft Design of Research, Proposed Project to Study Benefit Incidence
of Public Expenditures in Several Developing Countries

1. Douglas Keare asked me to review your draft proposal on the study of benefit incidence, and to communicate to you my questions and comments. This note is actually written after I have had the benefit of a brief talk with you on your proposal, and after I attended a discussion session on your draft. The memo may thus reflect some of the points that I already raised in verbal contacts with you; moreover, it addresses what I understand to be the most recent state of your proposed research, as distinct from your written draft proposal.

2. The main upshot of the discussion session on August 29 appeared to be that your study was in all likelihood going to restrict itself to

- a. studying the benefit of public expenditures only in the sense of asking "on whose behalf" the expenditures are made (referred to as the "spendee concept" during the discussion);
- b. allocable final goods and services, and transfers, with no attempt to aggregate for any country the distributional impact of total public sector expenditures;
- c. individual country case studies, with little claim for comparability, except possibly qualitative comparisons (e.g. education expenditure benefits certain income categories in most or all countries under study, even though a quantitative comparison of the degree of benefits between countries is impossible);
- d. a few, possible three to five, income categories, with particular emphasis on the bottom 40%.

3. Especially in the light of some of my concerns about data availability (cf. below) your intended restriction of the scope of the inquiry appear very important indeed, if the study is to be manageable. However, I wonder whether a rigid adherence to the "spendee concept", to the exclusion of all consumer surplus considerations, will be desirable. Since you will concentrate on particular functions, and not on overall public sector expenditure, it would seem desirable and possible to differentiate between specific cases and get at some of the consumer surplus implications of public expenditure where the data problems are less prohibitive and where the need for such consideration is especially important.

I am particularly concerned here with the provision of such public services, as e.g. water supply, where access to these services is traditionally highly biased in favor of upper income classes; merely to look at net transfers between the self-financing and the generally-financed branches of the public sector will not be sufficient to capture in any meaningful sense the income-distribution effect of public expenditure in these fields. The analogy which you draw between self-financed services and private enterprises does not constitute a satisfactory answer to this question, since the provision of these services usually is in the public domain precisely in order to take them out of the private commercial context and since the considerations which lead to the provision of public services to particular segments of the population are usually politically oriented (both these points appear to be particularly relevant in less developed countries).

4. Your appendix highlights the problem of defining the distributive impact of public expenditures, a point which otherwise, unfortunately, is neglected in the draft. A clear statement on this issue, particularly on the usefulness of considering the absolute expenditure impact as against the relative (to income) expenditure impact, should be a component of your proposal and subject to debate. In the light of the fact that expenditure benefit studies have been few in comparison with tax burden studies, and that the problem of defining the distributive impact of benefits may be more complex conceptually than in the case of burdens, such a statement would be especially desirable.

5. Finally, the question of data problems must be raised, even though I can only make somewhat negative contributions in this context. Our experience with urban public finance research in a few cities has brought out some points which may be of interest to you:

- a. The distinction between capital and current expenditures in public accounts is notoriously difficult to draw, especially on the municipal level, even if detailed investigation of budgets and accounts of municipal governments and public enterprises is performed. This would be a problem for you only if you attempt to aggregate the distributive effects of public expenditures by country, or if you want to engage in inter-country comparisons.
- b. Aggregation of the expenditures of all levels of government by function will prove to be particularly difficult at the local level. I am not so much concerned with larger (e.g. state) regional (e.g. state) government units, which are generally few in number, but especially with municipal governments, which usually have significant expenditure responsibilities. To aggregate in a particular country all local government expenditures, even for a few expenditure categories only, meets with a number of obstacles. First, published aggregative accounts of local government expenditure are usually not specific enough to allow a meaningful functional breakdown.

This is particularly true in the categories of "Transportation" (since road construction is usually classified under "Public Works" or "Economic Development", which frequently incorporate a host of other, non-negligible expenditures), "Health" (frequently lumped together with other welfare and social expenditures under such headings as "Social Services" and "Water Supply" and "Sewerage" (often classed with "Infrastructure" or "Economic Development"). Second, even a thorough collection of local government budget documents is not likely to produce the desired breakdown by functions, since these documents are usually prepared along administrative, not functional lines. And naturally, administrative classifications differ not only between but also within countries. Finally, a similar problem will be encountered with respect to the net transfers between local governments and local public agencies, which only very rarely are broken down by source or destination, but usually form just one category of "Transfers". In all these respects, "Education" is clearly one of the simplest categories which may account for the relative success of Jean-Pierre Jallade in the case of Colombian education. I should add that most of my experiences referred to above were made in Colombia, which is supposed to be the show case for good data availability. Similar, if not worse, problems will be and are encountered in other countries, e.g. Indonesia, India, Jamaica, Korea, etc.

6. These comments on data-availability are not meant to discourage you from including local government expenditures into your very worthwhile study, although I feel it is here where you will spend a lot of your time and resources searching for data, and where some of your most heroic assumptions on data reliability will have to be made. The purpose of these comments is mainly to urge you to consider the data availability problem when defining the range and composition of expenditure functions which you will include in your study. In any case, if we can be of any help in this, we will be ready to assist, and of course all data on municipal finances which we have collected and which may be of use to you will be at your disposal.

JLinn:bn

cc: Mr. R. Gulhati
Mr. O. Yenai
Mr. D. Keare
Ms. F. Bougeon-Maassen

Mr. Charles Weiss, Jr.

August 29, 1973

R. Picciotto

Comments on UNDP Cotton Report Entitled "Integrated Cotton Research and Development Mission - Report to the Administrator"

1. In response to your memorandum of August 27, we have reviewed the above mentioned report.
2. My preliminary remarks to you of August 14 concerning the economics of the situation are still pertinent and are repeated below:

"There is no mention in the recommendations of the economics of the textile industry. Cotton has not only been out-researched by the man-made fiber industry, but cotton is much more expensive than man-made fibers. Polyester staple fiber is now selling at about 38 cents per lb delivered U.S. mills. Cotton, on the other hand, is selling for about 66 cents per lb (Middling, 1-1/16 inches, Memphis growth, delivered mills) and it takes about 1-1/3 lbs of cotton to accomplish the same job as one pound of polyester staple fiber. Rayon staple fiber is cheaper than polyester but its quality leaves much to be desired. The most successful research program would result in little substitution of cotton for man-made fibers under existing price relationships. Price movements over the past year indicate that demand for cotton is growing faster than supply and raises new questions about future demand and supply relationships."
3. I also have serious questions concerning the research and promotion ("modern marketing") recommendations.
4. The research recommendations concerning agricultural production and manufacturing processes associated with, or substituting for, spinning, weaving and knitting may have merit. However, the heavy emphasis on research for easy care finishes is questionable. Such efforts have been underway for more than twenty years, first in the USA and secondly in Western Europe. They have not been successful for textiles with a 100% cotton content and there is considerable doubt that the inherent properties of the cotton fiber will permit competition with synthetic fibers in this field regardless of research developments for cotton. The standard easy care fabrics are blends of synthetic fibers and cotton. The use of larger proportions of cotton in these blends may be possible but relative prices for the fibers are important in determining this.
5. Promotion programs to increase the consumption of cotton have been underway in the USA and Europe since 1939 - longer in the U.S. than in Europe. These efforts have not been successful. The per capita consumption of cotton has declined more sharply in the regions where promotion efforts have been strongest and cotton has lost markets to man-made fibers in the same regions. World consumption of cotton declined between 1960 and 1970 from 3.4 kg per capita to 3.1 kg. At the same time the consumption of man made fibers (cellulosic and synthetic fibers) increased from 1.1 kg to 2.2 kg per capita. If regional analysis were made of consumption data, they would show that the largest declines in cotton consumption and the

largest increases in man-made fiber consumption occurred in regions where promotion efforts for cotton were most active.

6. Because of these considerations, I suggest that IBRD should not participate in financing this program.

cc: Messrs R. Harma, J. Kraske, G. Brown,
J. Fransen, F. Lowenstein, G. Darnell

Mr. Jacob P. Meerman, ECD/ECDPF

August 29, 1973

Julian Bharier

Design of Public Expenditure Research Project

1. Studies of the incidence of taxes and benefits always worry me. In the first place they usually only refer to the initial incidence, not to how taxes and benefits are passed on or what the secondary effects are. Secondly, they fail to distinguish the impact of a particular measure from similar impacts from other developments in the economy such as imbalances between sectoral growth. Thirdly, they do not usually produce policy conclusions of an innovative nature. In addition, they often rely on some quite ridiculous assumptions.
2. To expand a little, it is said on p.1 that a good deal is known about tax incidence. What is known refers to the initial impact of taxes. As far as I know we still cannot say whether, as far as overall income distribution is concerned in any country, income taxes are preferable to sales taxes; taxes on distributed profits are preferable to taxes on undistributed profits; death duties are preferable to wealth taxes; or even, I suspect, whether subsidies are preferable to taxes. If a company's profits are taxed, who pays? The shareholders, the workers? the managers? the 'investible surplus'? the customers? We still do not know how the tax works its way through the system in any one case. Is there any reason to believe that a study of benefit incidence will produce any better results? Suppose a government spends more on secondary education but there are no jobs for secondary school graduates. How is this handled?
3. In any country there are a wide range of factors affecting income distribution. Is it really possible to separate the effect of a particular government expenditure from the effect of all other, possibly much more crucial, factors, such as land tenure, monetization, or a rapid growth of capital-intensive industry vis-a-vis labor-intensive agriculture? If not, can any meaningful policy recommendations be made?
4. Although the shortcomings of the assumptions on pp.6-7 are recognized, they still deserve strong criticism: Assumption 1 may be fine if the public sector is the only distributor of a good. But what if both public and private sectors provide education? or security (e.g. private security firms)? or transport? Assumption 2 implies that the greater the internal economies of scale in the provision of a public good the less is its benefit to the initial beneficiary! Assumption 3 means that the whole concept of externalities -- for which reason the public expenditure is usually made in the first place -- is set aside. If such assumptions have to be used, does this not imply that the results of the research will be extremely limited? On page 5 it is stated that substantial

August 29, 1973

modifications and innovations to Gillespie's approach will be made. These are not in fact specified but the assumptions constitute one area in which such changes could be made.

5. The choice of countries for study depends mainly on the availability of data (p.16). Yet on p.3 it is stated that most measures of income distribution ignore redistributive budget effects (actually it is said that most 'studies' ignore them, but this is not true. It must mean measures). This implies that the project will only study the benefit to income distribution of government expenditures if studies have already been carried out. Moreover, the statement that the choice of countries also depends on work being done does not explain whether the various researchers are to act as consultants or not.

cc: Mr. Karaosmanoglu (o/r)
Mr. V. Dubey
Mr. O. Yenal

JB
JBharier/gs

OFFICE MEMORANDUM

TO: Files

DATE: August 29, 1973

FROM: Jean-Francois Bauer

SUBJECT: TUNISIA - Status of Incentives Study

1. This memorandum aims at precisising the present status of the incentives study.

2. From June 18 to June 20, Mr. Odone and myself visited Tunisia and discussed with representatives of ONTT ways to set up the professionally best qualified study team. The outcome of the discussions was that:

(i) The study would be carried out by an international team led by Frank Mitchell on leave from his work in Kenya and comprising a lawyer on leave from IUOTO with experience in the legislation of incentives and a computer expert and financial analyst provided by Horwath and Horwath (H and H). Mitchell and the lawyer would be hired by H and H for the purpose of the study. H and H would provide the support of its office in Brussels, and

(ii) a counterpart team would be provided by the Centre National d'Etudes Industrielles (CNEI).

3. H and H had verbally agreed to a set-up of the type described above. It appeared, however, when they submitted their proposal that after all they did not completely share our concept as far as Mitchell's role in the team was concerned. Mitchell was to be only the team's economist, and overall supervision and leadership would be the responsibility of high level H and H partners. We thus decided to reject H and H's offer, informed the Tunisians of the outcome of our negotiations with H and H, and suggested that they might want proposals from several firms.

4. Mr. Azzabi's cabled answer suggested to request proposals from Battelle Institute of Geneva, Institut fur Fremdenverkehr of Munich and Centre d'Etudes Touristiques of Aix en Provence and hinted at difficulties in convincing the Prime Minister of the necessity of hiring foreign firms. We suggested that Coopers and Lybrand as well as H and H be included in the list and that the request for proposal should make clear that Frank Mitchell be the team leader.

5. Mr. Azzabi replied by another suggestion reflecting the Prime Minister's decision to entrust the study to a Tunisian firm:

- (i) SOTUETEC and its French partner SETEC would carry out the study;
- (ii) Frank Mitchell would be team leader;
- (iii) SOTUETEC/SETEC could, if necessary, hire foreign consultants or consulting firms.

This proposal has merits because:

- (i) it assures Tunisian collaboration;
- (ii) it could be implemented rapidly, as a standing technical assistance agreement exists between SOTUETEC and SETEC;
- (iii) SETEC is Tunisia's consultant for the implementation of the tourism infrastructure project.

6. We agreed to this latest Tunisian proposal provided that SETEC/SOTUETEC suggest adequate personnel to fill the positions of computer expert and of financial analyst. To ascertain whether this is the case, it is proposed to hold a meeting in Tunis at the end of September between SETEC/SOTUETEC, the Government, Frank Mitchell and Tourism Projects representatives.

JFBauer:af

cc: Messrs. Tolbert, Odone, Pollan, Siebeck, Coudol, Storch, Elmendorf

OP - Research

August 29, 1973

Mr. M.H. Curtis
Director
Transport & Tourism Technicians Limited
5 Vigo Street
London W1X 1AH

Dear Mr. Curtis:

Air Transport Research

Thank you for your letter of August 22. I am pleased to note that you are pressing ahead with the completion of the study and much look forward to reading it in its final form.

We have, in principle, no objection to your working up one or two subjects in Supplementary Appendices to follow later, but we hope that the subjects concerned are not central to the arguments in the main body of your report.

Sincerely yours,

Stokes M. Tolbert *smj*
Director
Tourism Projects Department

AHayman/hk *CH*

✓ OP - Research

Mr. A. Ray

August 29, 1973

Thomas W. Berrie

FY 74 Allocation for RPO 267

Thank you for your memo of August 14, 1973 increasing the allocation for the State-of-the Art paper for the Standards of Urban Electricity Distribution project to \$26,000 from \$20,000.

We still intend to proceed with our original plan of carrying out at least one carefully selected case study on a research basis following the digestion of the State-of-the-Art paper and the locating of suitable consultants. The estimated amount of this case study is still \$16,000, as shown under Stage I(b) of my memo to you dated April 2, 1973. It is now expected to commence early in the calendar 1974 and to be formally submitted to the Research Committee in the session following that of October 1973.

cc: Messrs. Dunkerley
Willoughby
Rovani
Howell
Warford
Anderson
Friedmann
Bateman

26 TWBerrie:cdd

J. P. Research

August 28, 1973

Letter No. 46

Mr. Peter Reitter
Resident Representative
World Bank
P. O. Box M27
Accra, GHANA

Dear Mr. Reitter:

This is to introduce to you Dr. Tetteh Kofi who is visiting several West African countries as a consultant to the cocoa study which is presently being done in this Department. The background of the study is as follows:

In January 1973 the Bank staff prepared a study on "Development Policy for Countries Highly Dependent on Exports of Primary Products" which concluded, inter alia, that the Bank should adopt a more selective approach to financing commodities which face inelastic demand.^{1/} During Board discussion on the recommendation concerning "limiting financing of new production of primary commodities facing inelastic demand, in general, to countries with few export alternatives," Mr. McNamara promised a study assessing the comparative advantage in cocoa production. The terms of reference of the study include comparing investment in cocoa with investments in other agricultural commodities, not only within a country, but also between countries.

This study has been initiated and is now in the data collection stage. The principal countries in West Africa included in the study are Ghana, Nigeria, Ivory Coast, Cameroon and Togo. Dr. Tetteh Kofi will be engaged in field work in the countries mentioned during the first three weeks of September; enclosed are his terms of reference for this mission and his itinerary. We should greatly appreciate your giving Dr. Kofi the assistance and advice he may need to facilitate his work and travel.

It is also likely that, after studying Dr. Kofi's report on his mission, we may decide to send Mr. Patrick Yeung of our staff on a follow-up mission. I hope that this will provide you with the necessary information in connection with the study, and that you would not mind the possibility of our having to rely on your cooperation again.

Thanking you,

Yours sincerely,

Wouter Tims
Director
Economic Analysis and Projections Department

^{1/} R73-3, January 4, 1973, p. 9.

Attachments

cc: Messrs. S/ Singh, K. Takeuchi, T. Kofi, P. Yeung
PYeung:mb

Q. R. Research

August 28, 1973

Letter No. 83

Mr. Humayun Mirza
Chief, World Bank Resident Mission
P. O. Box 127
Lagos, NIGERIA

Dear Mr. Mirza:

This is to introduce to you Dr. Tetteh Kofi who is visiting several West African countries as a consultant to the cocoa study which is presently being done in this Department. The background of the study is as follows:

In January 1973 the Bank staff prepared a study on "Development Policy for Countries Highly Dependent on Exports of Primary Products" which concluded, inter alia, that the Bank should adopt a more selective approach to financing commodities which face inelastic demand.^{1/} During Board discussion on the recommendation concerning "limiting financing of new production of primary commodities facing inelastic demand, in general, to countries with few export alternatives," Mr. McNamara promised a study assessing the comparative advantage in cocoa production. The terms of reference of the study include comparing investment in cocoa with investments in other agricultural commodities, not only within a country, but also between countries.

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Thanking you,

Yours sincerely,

Wouter Tims
Director
Economic Analysis and Projections Department

Attachments

1/ R73-3, January 4, 1973, p. 9.
cc: Messrs. S. Singh, K. Takeuchi, T. Kofi, P. Yeung

PYeung:mb *PY*

O.P. Research

Mr. Ravi Gulhati

August 28, 1973

Douglas H. Keare

Back-to-Office Report: Mission to Brazil (July 3-15)

In accordance with my terms of reference, dated June 27, I visited the following cities: Belo Horizonte (July 5-8), Rio de Janeiro (July 9 and 13-15), Sao Paulo (July 10-11), Curitiba (July 12.).

While in Belo Horizonte my principal contacts were with CEDEPLAR; however, meetings were also held with representatives of the Department of Political Science at the Federal University of Minas Gerais and PLAMBEL. In Rio de Janeiro I met representatives of the Ford Foundation, IBAM, IPEA, IBGE and Candido Mendes University. In Sao Paulo I met the State Secretary of Finance, as well as officials of the Prefeitura, IPE (at the University of Sao Paulo) and GEGRAN. In Curitiba I met the State Secretary of Finance, the Mayor and other officials. (A full list of persons met and their institutional affiliations is appended.)

My visit to CEDEPLAR was essentially exploratory. By the time I arrived, Anna Sant'Anna and Dipak Mazumdar had already completed negotiations. (See Back-to-Office Report of July 29.) Thus, I spent my time getting to know Paulo Haddad, Fausto Brito, Thompson Andrade, Tom Merrick and Arthur Silvers and discussing their present and contemplated work. Anna and I visited the Department of Political Science together. They seemed interested in our proposed work on public finance and in collaborating more generally. Dr. Cintra, whom we met at PLAMBEL, was particularly impressive. PLAMBEL was most interested in obtaining Bank involvement in an urban project in Belo Horizonte. We were non-committal, stressing the desirability of prior analysis and our willingness to cooperate on that front. In response to our request for direct access to the survey data being used in our collaborative study (RPO290: Urban Labor Markets) with CEDEPLAR, they were forthcoming, but stressed that "reciprocity" is a principle not without merit.

In Rio, Dick Sharpe and Bob McLaughlin at the Ford Foundation were particularly helpful (Stan Nicholson being in the U.S. on home leave at the time). IBAM has established what appears to be a good nucleus of a multi-disciplinary staff. All are young and recently returned from their study programs; however, all seem well-trained, motivated and well-directed within a sensible research program. The institution is currently engaged in six studies planned to be completed by December. These have to do with: (1) urban services (institutional requirements); (2) organization of government activities in the municipios (counties); (3) relationships between state and county; (4) the elaboration of a model for the counties which attempts to relate the tax code to land use decisions; (5) the exploration of the concept of "commerce poles" as a potential substitute for that of growth poles; and (6) a compilation of the ideas of the new mayors of all counties, to be follow

followed up at the close of their terms. Of the ideas for future research discussed in our meeting, the most interesting was their intent to launch a study on the "financing of municipal government". Unfortunately, IBAM's dependence on government funds severely inhibits its ability to conduct research in instances where the findings are likely to be a year or more away. For this reason, plus the temporary factor of the inexperience of the staff, it appears that we should expect any early collaboration to take the form of obtaining their assistance on limited (research and operational) exercises. At some time in the future, however, we may wish to consider a more substantial joint research undertaking which has as one objective assisting them in establishing a research capacity.

At IPEA, my principal contact was with Hamilton Tolosa, and we talked mainly of future job prospects for him within this Division or the Bank more generally. In addition, I brought back a number of their publications. He stressed that IPEA was just starting on urban analysis and was interested in collaboration with the Bank (though not seeking funding). He suggested joint work and/or information exchange concerning data, methodology and analysis and that we contact Milton de Mate or Aloisio Barboza de Arango.

During each of my stops in Rio I had rather wide-ranging talks with Candido Mendes. He said that he had distributed copies of our research program to Rubens Costa, Chairman of the National Housing Bank, and a number of other officials, and that they were all very enthusiastic about it and wished to see it be applied as much as possible in Brazil. (For a mild qualifier, see below.) For his own part, he is trying to urge the following three research priorities on Costa:

- 1) Identifying the position of housing within a system of household budget priorities.
- 2) Study of gross migrational flows, especially as between Sao Paulo, Rio de Janeiro and "elsewhere".
- 3) A study of the impact of the use, in Curitiba, of zoning as a conscious policy instrument to influence land use and -- thereby -- the overall patterns of urbanization.

I expressed enthusiasm for all these ideas, though pointed out that the Bank was more likely to support or become in some way involved in either the first or the last subject, since they would appear to be of more immediate operational significance. In fact, we are already supporting work by John Turner (M.I.T.) and his students on "housing needs and priorities" in Mexico, Brazil and Kenya and plan to extend this work -- in the short run, to India; and, in the longer run, to a fairly comprehensive investigation in perhaps a dozen countries, including these four. On Mendes' third point, I discussed Curitiba's use of

zoning with Mayor Lerner rather extensively while I was there. As a result, I believe it would make a very interesting research subject; however, it may yet be a bit early to examine the "results" of this policy which is of very recent origin and it won't be easy to reach decisions concerning the methodology to be applied.

On my return visit to Rio, Candido Mendes arranged a joint meeting with Isaac Kerstenetzky of IBGE. We ranged amiably over a wide range of subjects, starting from what I believe to be the most important point he had to make. Commenting on our research program, he said that he found it very interesting and was most enthusiastic about it. He went on to say, however, that he recognized a very great danger that research programs of this sort -- if uncoordinated with the many other international and national efforts and in complete or partial ignorance of the existing and contemplated information and data bases of the countries in question -- could lead to much useless duplication of effort. This was of course in some measure a declaration of a sphere of interest. More important, however, it is an absolutely correct statement. Thus, I went on to explain to him how -- through "state of the art" exercises, general and problem-specific contacts with other institutions and detailed examination of countries' statistical resources before proceeding to the final stages of the research design -- we sought to avoid wasting resources in this way and causing unnecessary complications for others. I conceded that this is not always easy to do in the area of use of the survey instrument to gather new data and information in new ways, but went on to argue that the need for such information -- to help us treat important socio-economic phenomena (income distribution, employment, housing, health, nutrition, etc.) in which the Bank and others have only recently been taking a serious interest -- is so great that the quest for new data and analytical approaches should not be stifled by a too rigid effort to coordinate and/or standardize. To this Kerstenetzky readily agreed.

In Sao Paulo I met with the State Secretary of Finance, Carlos Antonio Rocca, and Sr. Masato Yokota; Nelson Gomes Teixeira, Secretary of Finance for the city of Sao Paulo; Dr. Hose Pastore and several of his colleagues at IPE; and Srs. Pimenta (Director) and Melo of GEGRAN. As stated in my letters to them shortly after my return, I was most gratified by their informed interest in the public finance study we are proposing. In addition, there seems to be the capacity and the willingness within IPE and GEGRAN to provide us with whatever Brazilian assistance we may require.

There are two fundamental problems in carrying out such a study in Sao Paulo. The first is the sheer immensity of the problem, which is a function of both the size and the complexity of the metropolitan area. Sao Paulo's ten million people live in 37 municipios, at least six of which -- in addition to the city of Sao Paulo -- have

August 28, 1973

budgets larger than most states and thus must be treated in detail. Thus, we are dealing here with a problem of a completely different order of magnitude than in, say, Seoul, Korea -- which approaches Sao Paulo in size but not in complexity. (Seoul is governed as a single unit by a Seoul Special City Government, which has a rank equal to that of a province.)

The second problem is that there is a jurisdictional tug of war going on, which is no doubt one factor bedeviling the process of trying to develop an urban project for Sao Paulo. The state officials, members of GEGRAN and academicians were all quite quick to point out that the City of Sao Paulo is too small a unit on which to base many important investment decisions affecting the Metropolitan area as a whole, but that it retained control over these matters and was almost certain to continue on a course which would compound past mistakes. Srs. Rocca and Pimenta pointed out particularly forcefully that some substantial measure of metropolitan budgetary and administrative authority would have to be established before the findings of a study like the one we are proposing could be successfully applied. They are, quite understandably, working toward this end. Sr. Teixeira, on the other hand, did not volunteer anything on this issue and I did not press him on this visit.

These two problems are not reasons against conducting the study. To the contrary, the administrative complexity which underlies both problems underscores the necessity for someone to study the problem in considerable detail if intelligent decisions are to be made. The point here is that one must be prepared to deal with these issues, and the implications are that a large input will be required and that administrative problems will have to be treated explicitly and professionally, preferably by someone who knows the Brazilian system well.

In Curitiba I met the State (Parana) Secretary of Finance, Sr. Mauricio Schulman and Mayor Jaime Lerner, as well as officials of the city's research and planning institution which Mayor Lerner headed in the past. Both gentlemen are most impressive and both demonstrated enthusiasm for and a high degree of understanding of the study. Mayor Lerner, in particular, was most astute in his questioning. He was, with every good reason, most concerned with finding out how the proposed study (and its comparison with other studies of other cities) would help those responsible for governing Curitiba. He wanted to know, e.g., how it would help them to assess "bearable" debt service burden, to take greater advantage of their "improvement contribution" to capture betterment, to determine what resources must be obtained through new revenue sources, etc. He pursued this line of questioning relentlessly until satisfied which, I am happy to say, he was in the end.

DHKeare:jmt

cc: Messrs. Stevenson, Strombom, Rotner, Skillings,
Greene, Senner, linn, Ms. Sant'Anna

J.P. Research

August 28, 1973

Letter No. 251

Mr. Hans Wyss
Chief, World Bank Permanent
Mission in Western Africa
B.P. 1850
Abidjan, IVORY COAST

Dear Mr. Wyss:

This is to introduce to you Dr. Tetteh Kofi who is visiting several West African countries as a consultant to the cocoa study which is presently being done in this Department. The background of the study is as follows:

In January 1973 the Bank staff prepared a study on "Development Policy for Countries Highly Dependent on Exports of Primary Products" which concluded, inter alia, that the Bank should adopt a more selective approach to financing commodities which face inelastic demand.^{1/} During Board discussion on the recommendation concerning "limiting financing of new production of primary commodities facing inelastic demand, in general, to countries with few export alternatives," Mr. McNamara promised a study assessing the comparative advantage in cocoa production. The terms of reference of the study include comparing investment in cocoa with investments in other agricultural commodities, not only within a country, but also between countries.

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It is also likely that, after studying Dr. Kofi's report on his mission, we may decide to send Mr. Patrick Yeung of our staff on a follow-up mission. I hope that this will provide you with the necessary information in connection with the study, and that you would not mind the possibility of our having to rely on your cooperation again.

Thanking you,

Yours sincerely,

Wouter Tims
Director
Economic Analysis and Projections Department

^{1/} R73-3, January 4, 1973, p. 9.

Attachments

cc: Messrs. S. Singh, K. Takeuchi, T. Kofi, P. Yeung
PYeung:mb *py*

O.P. Research

le 27 août 1973

Monsieur Philippe Haeringer
ORSTOM
Abidjan, Cote d'Ivoire

Cher Philippe,

Harold Lubell m'a remis votre avant-projet de recherche intitulé "L'Afrique noire au seuil du gigantisme urbain", lors du séjour qu'il a fait récemment à Washington pour terminer ses travaux pour le rapport de la mission chargée d'étudier l'emploi en Cote d'Ivoire (mars/avril 1973). Je l'ai lu et je l'ai fait lire par Monique Cohen (née Block) et Michael Cohen (que vous avez rencontrés en 1969 à Abidjan où ils effectuaient des recherches et qui sont maintenant tous deux membres du personnel de notre division). En ayant discuté plusieurs fois tous les trois ensemble, nous croyons que votre proposition est intéressante et qu'elle entrerait bien dans le cadre de nos travaux de recherche de l'année prochaine ou des deux prochaines années. Cependant, avant de l'examiner de façon plus approfondie ou d'envisager la possibilité de financement, nous croyons que la structure de l'avant-projet devrait être en partie modifiée pour mieux répondre aux priorités établies par la Banque en matière de conception, de préparation et d'application des projets.

De façon plus précise, votre proposition nous semble traiter essentiellement des questions d'utilisation de l'espace urbain. Bien que nous puissions ne pas interpréter correctement l'idée générale qui s'en dégage, nous considérons que votre recherche vise dans une large mesure, peut-être même principalement, à identifier les facteurs de l'expansion de l'espace urbain, à la fois en coupe transversale et dans le temps, dans les villes que vous étudieriez. Vous examineriez plus particulièrement la politique urbaine depuis l'indépendance, mais également les politiques coloniales dans la mesure où elles ont une incidence sur l'évolution du tissu urbain après l'indépendance. Il nous a plu particulièrement de constater que vous tacheriez d'étudier séparément les divers éléments de cette expansion; à savoir, les influences économiques, sociales, tribales et autres facteurs. Notre division procède actuellement à des travaux de recherche importants se rapportant à deux sujets voisins de ceux que vous introduisez dans votre proposition. Le premier a trait à la politique à suivre en matière de logements sociaux dans les zones urbaines des pays en voie de développement, et le second traite des politiques de contrôle de l'utilisation de l'espace urbain. Vos travaux viendraient compléter efficacement ces efforts.

Nous aimerions par conséquent examiner plus en détail avec vous, dans cette perspective, les diverses possibilités que soulève votre proposition. De toute évidence, nous ne prétendons pas être en mesure de préciser quelle forme et quelle substance vous voudriez donner à votre recherche. Cependant, de notre point de vue, les questions principales seraient les suivantes:

- a) Comment les villes se sont-elles étendues dans l'espace?
- b) Quelles sont les causes socio-économiques immédiates de cette expansion: migrations, groupements de tribus, moyens de transport ou de communication, etc.?
- c) Les résultats de cette analyse peuvent-ils nous permettre de repérer les secteurs relativement démunis, c'est-à-dire d'établir les priorités en matière d'investissements publics?
- d) Quelles modifications seraient nécessaires ou suffisantes en matière de planification et d'exécution pour permettre de réaliser une croissance urbaine rationnelle à l'avenir?

Compte tenu de toutes ces questions, vous conviendrez, nous en sommes persuadés, qu'il est souhaitable de limiter quelque peu le nombre des villes retenues de façon à approfondir l'étude de chacune. Toutes ces villes seraient d'expression française, car cela permettrait de profiter au maximum de votre expérience et de votre connaissance des pays francophones. Elles pourraient en outre présenter divers aspects des activités et fonctions urbaines: capitale/ville secondaire; ville portuaire/agglomération intérieure; existence/absence de peuplements spontanés d'une certaine importance en dehors de la juridiction de la ville. À ce propos, nous aimerions connaître votre avis au sujet du choix suivant:

Dakar	Yaoundé	Niamey
Bamako	Nouakchott	Ouagadougou
Abidjan	Libreville	Bobo-Dioulasso
Bouake	Lomé	

Bref, nous souhaiterions que vous soumettiez à la Banque un avant-projet revise selon ces indications. Nous vous saurions gré d'indiquer, dans le texte revise, le coût estimatif total de ces travaux, en faisant ressortir les diverses catégories de dépenses (voyages, subsistance, etc.), un calendrier de réalisation et d'achèvement des travaux, et les méthodes qui seraient utilisées, notamment la nature et la mesure des contacts avec les institutions locales. Nous avons conscience de vous demander beaucoup alors que nous ne pouvons même pas vous assurer que nous pourrions financer, ne serait-ce qu'une partie de ces travaux, mais nous ne pouvons malheureusement pas faire autrement, étant donné les besoins et priorités établis par la Banque en matière de recherche.

Je tiens cependant a vous redire que votre proposition est interessante et qu'elle pourrait se reveler tres utile pour nous. Nous esperons que vous voudrez bien envisager de nous la soumettre de nouveau sous une nouvelle forme.

Monique et Mike vous adressent, ainsi qu'a Danielle, leur meilleur souvenir. J'y joins le mien, en esperant recevoir bientot de vos nouvelles, et vous prie d'agreer l'assurance de ma consideration distinguee.

Orville F. Grimes, Jr. *OGJ*

Division Urbanisme et Amenagement du Territoire
Departement Sciences Economiques de Developpement

Mr. E. Stern, Office - V.P., Dev. Policy

August 27, 1973

Wouter Tims, Director, Econ. Analysis &
Projections
Cocoa Study Part II

1. The research project for Part II of the cocoa study was designed to cover five countries in West Africa. However, at the seminar on methodology in which all the Regions participated, it was unanimously agreed that we should expand the scope of the study to include other producing countries. Consequently we have added Papua New Guinea, Indonesia, Brazil and Ecuador in this study. It has also been suggested that Malaysia should be included because this is potentially an important cocoa growing region; Malaysia has the capacity to repeat in cocoa what it has done in the case of palm oil, that is, replace West Africa as a large supplier of the commodity.
2. After serious consideration we have not included Malaysia, as this would raise over more complex issues of measuring potential comparative advantage for which the data base is probably scanty and not accessible. The expansion of the project as agreed to with the Regional Departments has implications for the project budget, as indicated on the attached sheet. The additional cost of adding four countries to the study would be in the order of \$8,000. I would appreciate early consideration and approval by the Research Committee of this request for additional funds.

Attachments

cc: Messrs. S. Singh, K. Takeuchi, P. Yeung

PYeung:nb

Py

OP - Research

Mr. Hollis B. Chenery, Vice President,
Development Policy
Wouter Tims, Director, Econ. Analysis &
Projections
Cocoa Study Part II

August 27, 1973

1. You will recall that during Board discussion earlier this year on the staff recommendation concerning "limiting financing of new production of primary commodities facing inelastic demand, in general, to countries with few export alternatives,"^{1/} Mr. McNamara promised a study assessing the comparative advantage in cocoa production.^{2/} A research project for such a study, including contracting two consultants, was initially designed to cover only five countries in West Africa. However, at a seminar on methodology in which all the Regions participated, it was unanimously suggested and agreed that the scope of the study should be expanded to include producing countries outside West Africa as well. Consequently we have added Papua New Guinea, Indonesia, Brazil and Ecuador to the country coverage of the study.

2. The expansion of the project has implications for the staff resources to be required and thus for the deadline. The study was originally scheduled to go to the Board around the end of this calendar year, but this deadline is now unrealistic. Although a draft will be ready by then, the final report can only be expected to be ready for Mr. McNamara by the end of February. I would appreciate your approval of this extension of the deadline.

^{1/} "Development Policy for Countries Highly Dependent on Exports of Primary Products" R73-3, January 4, 1973.

^{2/} R73-3/1, February 8, 1973, para. 2.

cc: Mr. E. Stern
Messrs. S. Singh, K. Takeuchi, P. Yeung

PYeungimb

PK

Dr. Tetteh A. Kofi, Consultant, EAP

August 24, 1973

Wouter Tims, Director, EAP *W. Tims*

Terms of Reference: Cocoa Mission to West Africa

1. You will proceed around September 1, 1973 to the West African countries of Ivory Coast, Ghana, Togo, Nigeria and Cameroon for the purpose of collecting relevant available data for the Bank's study on "Comparative Analysis of Cocoa Production in Selected Major Producing Countries." You will initiate and coordinate the work of the research collaborators in the various countries in conducting the survey for collecting current data for the study. Your mission shall be for not more than three weeks. You will make sure that data are sent expeditiously and directly to the Economic Analysis and Projections Department of IBRD in Washington.
2. You should contact the Bank's Permanent Missions in Ivory Coast, Ghana and Nigeria and obtain the assistance and advice you may need from them. You will be given letters of introduction and also these contacts will be informed before your arrival in the various countries.
3. If your schedule permits, you may fit in a short visit to Bournville - Birmingham, U.K., to consult with and gather relevant data from Cadbury's chocolate manufacturers: an appointment has been arranged to see Mr. G. A. R. Wood who has done some work on cocoa production costs, utilizing data from Cadbury's plantations in the Cameroon. On your stop over in Paris en-route to Abidjan, Ivory Coast, you will visit Société D'Etudes pour le Développement Economique et Social (SEDES) to collect published and unpublished materials relating to cocoa and competing crops in Ivory Coast, Cameroon and Togo. Documents or copies of those collected in the course of these visits will be made directly available to IBRD.
4. After your return from the mission you will spend two or three days in the Bank to discuss with Bank staff questions and problems of data processing. In collaboration with the Bank staff you will develop guidelines for processing the collected data. You will also submit a report on the mission, covering problems relating to data on/or before October 1, 1973.

KTakeuchi:mb

Mr. J.J. Warford

August 24, 1973

C.D. Spangler

Proposed Research Project: Village Water Supply

I would reject the project for the following reasons: -

1. The time interval of one year is too short to expect any change in industrial or commercial activity or in peoples health, or habits. In three villages they will have a longer period of comparison because they have done studies in these villages before. In the other seven villages proposed they might be able to go back and find out what changes have occurred since the water supply was installed.
2. Personally, I don't believe that the presence of a municipal water system will have any bearing on the development of village industries. Most such industries will be small and would develop their own water supply if none were available. This is done frequently when dependable supplies are available.
3. The village supplies I saw in North-East Thailand were not dependable. There were too many surface supplies requiring operator skill and increasing cost of operation. Some of these supplies were not operating during the rainy season. The villagers are not stupid. Why should they pay when water is free off the roof when it rains?
4. The cost is important to the villager. A cash payment every month may be difficult for many families. The cost could be drastically reduced if villages had protected wells with hand pumps. This eliminates operator salaries and power costs as well as the first cost of the distribution system. Dependable hand pumps can be produced following the recommendations of the USAID - Battelle Report. The study would be much more valuable if they compared villages with no improved water supplies, those with protected wells and hand pumps, and those with pressure systems.

Mr. Wouter Tims

August 24, 1973

Jacques Nusbaumer

Research Proposal on Off-Season Fruits and Vegetables

1. Attached is a research proposal, the text of which was revised by Mr. Shamsheer Singh. Mr. Singh asked me to look into the matter and decide whether we should go forward with the proposal.

2. In par. 9 of the proposal, reference is made to coordination of our work with the UNCTAD/GATT International Trade Center. As you know, we are presently considering our cooperation with ITC, which we may eventually ask to carry out a research project on certain fruits and vegetables exports. If this comes through, I feel that there may be considerable overlap with the attached research proposal. I suggest, therefore, that we wait and see what we do about ITC consultancy before we press the research proposal. This means in practice that it will not be presented to the next meeting of the Research Committee. If you agree with this procedure, I will let the matter slide until we see our way more clearly.

cc: Messrs. Singh (o/r)
Takeuchi
Brook


JN:ar

Project number: _____
Project title: _____
WORLD BANK RESEARCH PROGRAM
Project Proposal

Date of Submission

PART I. PROJECT IDENTIFICATION

Title: Off-Season Demand for Fresh Vegetables with Emphasis on the European,
North American & Japanese Markets.

Department Responsible: EAP

3. Staff Member Responsible: E.M. Brook

Number of Contracts: 1

5. Total Estimated Cost: \$20,000.00

Total Estimated Staff Time: _____
Professional: 6 mos.

Special Services: 3 mos.

Part II. COORDINATION AND APPROVAL

Interdepartmental Coordination:

Department	Name & Signature	Support Project	Do not Support Project-Comments Submitted
EMENA	Mr. Karsesmanoglu		
Asia	Mr. Baneth		
L. A.	Mr. Avramovic		

Approval:

Division Chief

Department Director

PART V

Research Proposal: Off-Season Demand for Fresh Vegetables with Emphasis on the European, North American & Japanese Markets

A. Problem

1. The research proposal submitted here is the first stage in a series of studies pertinent to maximizing the export earnings of the developing countries from vegetables and horticultural products. Since the scope of these studies involving numerous products is too large, it is suggested to begin with off season demand for fresh vegetables. Following this study, research on exotic fruits markets will have to be undertaken and the third stage may include research on demand for off season fresh fruit. Fresh vegetables is one of the few growth products which offer favorable opportunities for developing countries to expand and diversify their exports. The import demand for fresh vegetables in the developed (OECD) countries has been rising at an annual rate of 12.5 percent (Table 1); imports from the developing countries alone exceeded \$500 million in 1972 matching, say, the value of banana or beef imports. The cost of production in the developed countries is rising rapidly and production of some of the winter vegetables is actually shrinking. At the same time, the usage of vegetable in family cuisine is increasing. Therefore, the strong growth in demand in the developed countries is expected to continue.

2. In recent years, the Bank Group has financed several projects involving production of vegetables (and fruits) for export. However, as the number of such projects increased, it became evident that more information was necessary regarding the demand by months in the off-season. This information is essential if the developing countries are to successfully adopt their production and exports to the period when they do not face prohibitive import restrictions in the developed countries. Adaptability of exports to demand implies a whole set of decisions including varieties and quantities demanded in particular times of the year. There is therefore a definite need for a detailed study of the present market conditions and future possibilities for export from the developing countries. The study will certainly help guide Bank lending for such projects.

3. Information on transport and marketing problems is very scanty. The study will cover this aspect as well.

B. Method

4. In view of the very large number of products involved, the coverage will be limited to the following products:

- | | | |
|---------------|-----------------|-----------------|
| 1) Artichokes | 6) Cauliflowers | 11) Eggplants |
| 2) Asparagus | 7) Cabbage | 12) Cauliflower |
| 3) Avocados | 8) Egg Plants | 13) Celery |
| 4) Capsicum | 9) Green beans | 14) Spinaches |
| 5) Carrots | 10) Onions | |

The study will consist of research in three separate regions: Western Europe, Northern America and Japan. It will analyze the demand and pricing pattern (in the period 1960 to 1972), the export prospects for each product, marketing and channels of distribution. The study will entail the following work:

- (1) data collection for the quantities shipped and market prices for each month of the selected years;
- (2) estimation of demand interrelationships among the major items in the family food budget;
- (3) analysis of price spreads and margins;
- (4) study of trade barriers and effective rates of protection;
- (5) analysis of competitive advantages and disadvantages of the developing countries; and
- (6) projection of total consumption and import demand of the developed countries for 1980 and 1985.
- (7) analysis of the distribution channels from the exporting countries through the retail markets.
- (8) the particular market requirements, such as packaging, processing and classification of products.
- (9) the role of transportation cost in pricing of products and competition among the exporters.

5. The studies of the European market for fruits and vegetables were undertaken at the expense of the Turkish Government in 1970 in connection with the preparation of the "Turkey-Fruits and Vegetables Export Project" approved by the Board in April 1971. The first one was prepared by the German consulting firm BASICO (at a cost of 385,000). It covered mainly an analysis of the pattern of imports for one year by major European countries for selected fruits and vegetables of interest to Turkey; information on import legislation; and a country-by-country survey of the distribution channels. However, it covered very little analysis of the future import demand in Western Europe. The second study was undertaken by the Turkish-Danish consulting firm TUMAS (at a cost of \$175,000) covering the same fruits and vegetables market in Western Europe as well as a transportation cost study. The market study did project future import demand on a month-by-month basis for each importing country from 1971 to 1975 and estimated the likely future Turkish share.

6. Since the two studies had a narrower objective, a broader assessment of the market prospects for products imported principally during the sub-official period is desirable. The study should focus on the overall import demand in the aggregate import demand. For many vegetables, origin of imports is quite different in different times of the year, and supplies from some countries lose their competitive edge when domestic supplies become

available. The TUMAS study which forecast month-by-month imports by Western European countries of early potatoes, among other fruits and vegetables, for example failed to take into consideration the fact that in the months of May and June when the bulk of the Turkish early potatoes were to be exported, supplies from Italy at lower prices and protected by a tariff were also available on the German market; the fact that May and June are the months when Germany imports the largest monthly quantities is not, by itself, a guarantee that the market will be available to every exporter.

7. The OECD has made in the past a number of studies on selected fruits and vegetables in the OECD countries, and the UNCTAD-GATT International Trade Center has also done some work on the same subject. These studies are very useful because they bring together a large amount of information on the Western European market, but they do not forecast prospects for individual fruits and vegetables and, therefore, can only be considered an input to a study that would serve the Bank purposes.

C. Coordination

8. (1) The study will make full use of work done in organizations such as UNCTAD, GATT, OECD and FAO, which have done piecewise work on the off-season in the past.
- (2) Relevant data from recent Bank projects will be fully utilized;
- (3) The Commodities and Export Projections Division will establish contacts with experts whose work and research may bear directly or indirectly on the study.

D. Implications for Bank Policy and Operations

9. The overall objective of the proposed study is to expand our understanding of the demand characteristics for fresh vegetables in the developed markets. It will assist in the formation of general market prospective which is essential for guiding the Bank lending for such projects. It will also improve information on price assumptions for project evaluation work.

E. Project Organization

10. The project will be undertaken in the second half of FY74 and completed by September 1974. In 1974, a proposal for a study on off-season demand for fresh fruits and vegetables in Europe was submitted to the Research Committee.

However, the Committee decided to wait until a similar study which was going to be undertaken by the Government of Morocco is completed. (This study was in conjunction with a proposed irrigation project). However, the Government of Morocco did not pursue the study. Since information on off-season demand for fresh vegetables remains vital to other developing countries, we are submitting this request again. Further work on the organization of the study needs to be done. To this end, we plan to coordinate our work with FAO and the UNCTAD/GATT International Trade Center.

Table I: Export Value of Vegetables ^{1/} (SITC 054) from Developing Countries to OECD

(Value: Million U.S. Dollars)

<u>Year</u>	<u>Canada</u>	<u>U.S.A.</u>	<u>Japan</u>	<u>OECD Europe</u>	<u>Total</u>
1965	7.2	46.5	18.2	199.1	271.0
1966	7.5	72.0	12.9	209.3	301.7
1967	8.3	68.4	30.2	227.5	334.4
1968	10.1	75.3	31.7	213.6	330.7
1969	12.1	109.8	37.0	262.8	421.7
1970	15.5	148.1	30.5	291.5	485.6
Growth Rate	16.5%	26%	11%	8%	12.5%

^{1/} Fresh potatoes (not including sweet potatoes, beans, peas, lentils and seguminous vegetables), fresh tomatoes and other fresh vegetables.

Source: OECD, Commodity Trade: Imports, Series C, various issues.

OP - Research

August 24, 1973

Dr. Man Mohan Singh
Chief Economic Advisor
Department of Economic Affairs
Ministry of Finance
North Block
New Delhi, India

Dear Man Mohan,

I am writing to you to seek your help in obtaining a response from the Government of India to a proposal for collaborative research jointly worked out by Dipak Mazumdar of the Development Economics Department of the Bank and Professor Lakdawalla of the University of Bombay. I understand that the University of Bombay wrote to the Finance Ministry in May 1973, seeking permission to undertake the study financed by the Bank. As there has been no response and as we are anxious to get started next month, I would appreciate very much your assistance in processing this proposal from the Government of India side.

I am told that Manu Shroff is quite familiar with the proposal and a copy of the official letter from the Bombay University was also sent to him.

From the enclosed text entitled, "A Proposal for a Research Project on the Bombay Labor Market" you will see that the aim is to obtain systematically certain categories of information about conditions prevailing in the unorganized or "informal sector" of Bombay city. The results should be of interest from the standpoint of designing programs catering to the urban poor.

Many thanks and good wishes,

Yours sincerely,

Ravi Gulhati
Deputy Director
Development Economics Department

RG/mo

Enclosure

cc: Messrs. Shroff, Min. of Finance
Gilmartin, ASFND

A PROPOSAL FOR A RESEARCH PROJECT ON
THE BOMBAY LABOUR MARKET

A PROPOSAL FOR A RESEARCH PROJECT ON
THE BOMBAY LABOUR MARKET

The importance of systematic knowledge about the patterns of urban labour markets, particularly of industrial metropolises, is obvious from the viewpoints both of the analyst and the policy maker. The extent of such knowledge, however, is precariously limited in most of the cases. Some pieces of information are available on one aspect or the other, but they are collected with diverse objectives and through different methods; and also leave too wide gaps to make a meaningful portrait of the labour market. The problem is much more acute in the case of unorganised sector, where the information base is virtually non-existent. It is against this background that we propose to make a study of the Bombay Labour Market with particular focus on the unorganised sector. The major objectives of the study would be:

- i) to portray a profile of the present labour force in terms of such socio-economic characteristics as age-structure, educational levels, domicile status, migration, family size and earnings.
- ii) to measure the extent of labour mobility - inter-firm, inter-industry, occupational and inter-generation.
- iii) to analyse labour mobility in terms of the socio-economic characteristics of workers with particular reference to relative earnings.
- iv) to identify the 'natural' course of mobility in the labour market - 'from unorganised to organised sector' - and to examine the relationship of such 'job-hierarchy' with corresponding skill and educational levels.

- v) to assess the relative importance of various information channels and recruitment procedures in the organised and unorganised sectors; and,
- vi) to examine the extent of integration of labour market between organised and unorganised sectors in terms of wage patterns, wage differentials, information channels, recruitment procedures and inter-changeability of workers.

Scope

It is generally the 'journey to work' criterion which sets the geographical limits of a local labour market area. While the argument can be overstretched to include distant areas from and to which there may be daily movement to work and back but to a very small extent, the total area to be covered may become unmanageable without yielding any significant advantage. Therefore, the Municipal limits of Greater Bombay may be considered as the geographical limits of the study. Besides being manageable the coverage would also fairly meet the conceptual criterion of a local labour market.

For the universe of workers to be covered, it may be useful and convenient to proceed on the basis of 'activities' rather than population. We would like to cover the two broad sectors of the urban economic activities, namely, manufacturing and service, construction and trade. While most of the workers in these activities are attached with some identifiable establishments - factory, shop, office, etc. - there is a substantial portion of workers who work on daily wages on a casual basis, independent of any establishment.

Since a special emphasis will be laid on the study of labour market in the unorganised labour, on account of the greater lack of knowledge in this field; and it is not obvious what the unorganised labour market consists of, it may be worthwhile to dwell briefly on this aspect here.

The term unorganised labour is likely to be misunderstood. In the West it refers to nonunionised labour. In India it is common to restrict it to sectors which are called unorganised sectors. The basis for distinction between organized and unorganized sectors is the application or non-application of a certain law. The sector of manufacturing which is covered by the Factories Act i.e. that employing ten or more workers and using power or twenty or more not using power forms the organized sector in manufacturing. The rest is the unorganized sector. This sector may very well confirm to the definition adopted in the West. Probably an estimate of the minimum number of people employed in the unorganized sector of manufacturing can be obtained from the difference between the Census count in manufacturing and the registration under the Factories Act.

Besides the unorganized sector in manufacturing there are other major unorganized employment. 1) Trade and Commerce, 2) Personal Services, 3) Transport and allied services, 4) Construction. All these (excepting 2) have an organised and unorganised component. Identification of the latter will depend upon the criterion and a unique criterion may not be of much use. Presence or absence of formalized procedures for hiring, firing and terms and conditions of work may be a good criterion if efforts are first made to find out their existence. Since it would be reasonable to assume that formalization of rules is related to size of employment one may choose to cover workers employed in all establishments employing less than say ten or twenty workers.

Alternatively we may accept to call as unorganized sectors those in which the Maharashtra Government has prescribed minimum wages. Some (unknown) number of establishments may have quite formalized procedures and hence it may not be proper to go the whole way with this approach but all the same it may give a point to start. Whatever the definition, care will have to be taken not to leave out the sizeable casual labour markets that exist in the City.

Sample : Procedure and Size

For the sample of workers employed with establishments, the practicable procedure is that of proceeding through their establishments. We get lists of establishments registered under the various legislative acts (Factories Act, Shops and Commercial Establishments Act Etc.). But due to their coverage being limited to certain size groups the lists may not provide adequate frame for our sampling particularly in the unorganised sector. The alternative sample frame could be the households (including establishments) list of the Census (1971) where we could get all types of establishments irrespective of size and nature of work listed, along with some information on such characteristics as are relevant to our study, viz, size, activity, location etc. Out of this list we can sort out the establishment by sectors - manufacturing, service, trade etc; and select a few manageable number of activities, industries or trades from each sector. In order to make the study more intensive without leading to unnecessarily large cost, it may be desirable to introduce an element of localisation at this stage. We may further select, for each sector, certain wards of the City which show a clustering of establishments in most of the selected activities. From the list of such establishments in these selected wards, a sample, stratified on the basis of activities may be taken, if necessary. But in the event of getting manageable number of establishments and/or with not too large of a population of workers in them, no sampling of establishments may be necessary. From the list of workers in so selected establishments, then, a sample of workers may be taken on a proportionate basis, with the constraint of a minimum number from each establishment, if found desirable. This would cover such workers both in organised and unorganised sectors who work with some establishment.

For the selection of casual workers, with no formal ties with any establishment, a much more ascientific method will have to be adopted. On the basis of discussions and observations, some such centres will be

collected which are likely to show a relatively large concentration of workers in one or more of such trades/activities which tend to rely heavily on casual wage labourers. And a sizeable number of workers may be covered in such centres without necessarily following any set procedure of their selection.

From the viewpoints of feasibility as well as adequacy, it is proposed to contact 6000 workers and collect information from them on the basis of a structured questionnaire. The sample may be distributed among the sectors as follows:

Proposed Sample

	<u>Organised</u>	<u>Unorganised</u>	<u>Total</u>
Manufacturing	1000	1500	2500
Services, Trade & Construction	1000	1500	2500
Independent Wage Earners	-	1000	1000
TOTAL	2000	4000	6000

The distribution is not purported to bear any constant proportion to the distribution of workers in the entire labour force in the City. A larger number of workers from unorganised sector is the reflection of the greater emphasis on this sector in the study.

Data Requirements and Collection

For the pursuance of objectives set forth in the beginning the types of required data would pertain to :

- 1) Personal characteristics of the workforce : age and sex composition, educational levels, rural/urban origin, family and parental occupation, family size etc.
- ii) Migration : time and process of migration, motivations, knowledge of job opportunities, link with the native place, likelihood of backward migration etc.

iii) Job Characteristics of Workers: Job status, earnings and benefits, promotions and aspirations.

iv) Job history: Jobs held with duration, nature of employment, wage rates, reasons for change, channels of information, methods of recruitment.

v) Relative Wages and Mobility: Wage rates, quits and entries by occupations, factories and industries, establishments and activities, sources of labour supply and methods of recruitment.

Information on (i) to (iv) will be collected through a questionnaire to be canvassed with the sample workers. ⁴Factories and establishments from which the workers' sample is taken will be contacted for the information on (v).

Besides, collection of some information from the records of Employment Exchanges, Decasualisation Exchanges, and also from various trades associations, may also be necessary and useful for an understanding of the processes in the labour market.

INSTITUTIONAL LINKAGES IN FIELD PHASE STOP CABLING
EPSTEIN FOR FURTHER DETAILS BUT EVEN ASSUMING POSITIVE
DECISION HERE ANTICIPATE DIFFICULTY OBTAINING GOVERNMENTAL
APPROVALS PRIOR OCTOBER TERM STOP SUGGEST EGEN AT RISK DELAY
OF ONE TERM THAT THERE IS MERIT IN CLARIFYING OBJECTIVES AND
ROLES AT OUTSET STOP ADVISE STAGE WORLD BANK CONSIDERATION

AND ESTIMATED TIME OF FINAL DECISION STOP REGARDS
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August 24, 1973

LT

TIMOTHY KING INTBAFRAD

WASHINGTON DC

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PLEASED BANK CONSIDERING SUPPORT EPSTEIN PROPOSAL STOP
OBVIOUSLY ADVANTAGEOUS ALL ROUND IF YOU CAN FINANCE ENTIRE
PACKAGE SINCE EXPERIENCE SUGGESTS ADDITIONAL PARTIES EXPONENTIALLY
INCREASE ADMINISTRATIVE COMPLEXITY STOP FORDFOUND HAS
HAD PROPOSAL UNDER CONSIDERATION FOR SEVERAL MONTHS AND
WHILE FAVORABLE STILL UNCLEAR REGARDING OPERATING ARRANGEMENTS AND

COL LT

Le 23 août 1973

Monsieur Moncef Bel Hadj Amor
Secrétaire Général du Gouvernement
Palais du Gouvernement
Tunis, Tunisie

Monsieur le Secrétaire Général et Cher Ami,

A l'occasion de sa dernière mission à Tunis, au mois de juin, M. Elmendorf vous a informé que la Banque allait entreprendre une série d'études sur le problème des finances municipales dans plusieurs villes du monde. Les villes suivantes ont d'ores et déjà été retenues: Séoul (Corée); Bombay et Ahmedabad (Inde); Djakarta (Indonésie); Bogota et Carthagène (Colombie) et Kingston (Jamaïque). Lors de son entretien M. Elmendorf a exploré avec vous la possibilité d'inclure Tunis à cette série d'études et je crois que vous avez accueilli cette idée favorablement.

Les études en question concernent un domaine où la Banque n'a jusqu'à présent que peu de connaissances mais elles s'avèrent de plus en plus nécessaires afin de résoudre les problèmes qui se posent dans nos projets d'urbanisme. Nous souhaiterions vivement pouvoir y inclure Tunis qui présenterait une tradition administrative différente des autres villes. En outre, nous sommes persuadés que l'incorporation de la ville de Tunis au champ de ces études permettrait aux services tunisiens de tirer des conclusions de l'expérience (soit négative, soit positive) des autres agglomérations urbaines qui ont des problèmes analogues à ceux qu'ils rencontrent.

Je joins à cette lettre une note sur les objectifs de cette étude. Sa préparation nécessiterait l'envoi d'une mission, pour une durée d'environ quatre semaines. Cette mission pourrait avoir lieu au cours du dernier trimestre 1973, à une date qui conviendrait aux services tunisiens. Un projet du rapport (en français) couvrant les problèmes propres à Tunis serait soumis au Gouvernement tunisien pour commentaires quelques mois plus tard et vous recevrez, bien entendu, des exemplaires du rapport final pour information.

M. Moncef Bel Hadj Amor

Le 23 août 1973

Je pense que cette étude serait d'un intérêt direct et immédiat pour le Ministère des Finances qui, très probablement, devrait être, avec les administrations du district et de la municipalité de Tunis, l'interlocuteur principal de la mission de la Banque. Nous n'avons pas encore eu l'occasion d'en discuter avec les services du Ministère des Finances et avec les autres administrations intéressées; toutefois avant de m'adresser à ces dernières ainsi qu'aux Ministères du Plan et des Finances afin de présenter officiellement notre projet, je serais très heureux si vous pouviez leur en parler. Je vous serais également reconnaissant si vous pouviez m'indiquer la période convenant le mieux aux services tunisiens pour recevoir la mission de la Banque.

Je vous prie de croire, Monsieur le Secrétaire Général et Cher Ami, à l'assurance de ma considération très distinguée.

W 9/23

Wolfgang E. Siebeck
Chef de Division
Bureau régional Europe, Moyen Orient
et Afrique du Nord

WESiebeck:rz

cc: Messrs. Keare, Development Economics Department
Ms. Bougeon-Maassen, Consultant
Mr. Venkateswaran, Urban Projects
Mr. Finzi, Projects EMENA

ETUDES DES FINANCES PUBLIQUES DE QUELQUES VILLES DES PAYS EN VOIE DE DEVELOPPEMENT

L'étude porterait sur les finances publiques de métropoles urbaines dans un certain nombre de pays en voie de développement. Le concept de métropole urbaine a été retenu pour cette étude et l'expression "Administration Urbaine", à laquelle on fera référence à plusieurs reprises, désigne toute institution publique ou semi-publique ayant une juridiction limitée à l'agglomération urbaine. Cette définition permet en effet de prendre en considération le concept économique d'agglomération urbaine, souvent différent du concept administratif de municipalité.

L'objet de l'étude

L'objet de cette étude serait double. Pour chaque ville étudiée, la mission présentera une analyse globale et historique (couvrant la dernière décennie) des finances publiques de l'administration urbaine. On étudiera également le niveau des services publics rendu possible par le système des finances publiques en vigueur. L'étude devrait permettre de déterminer les faiblesses et les forces du système (et éléments du système) ainsi que leurs causes.

Le second objet de l'étude sera de comparer la métropole de Tunis avec d'autres agglomérations urbaines. L'analyse comparative s'efforcera d'arriver à des conclusions d'ordre général sans prétendre être définitif, couvrant les domaines suivants: problèmes budgétaires les plus fréquemment rencontrés, types de solution adoptés, degré de succès ou d'échec de ces solutions et causes des résultats obtenus; mécanismes institutionnels favorables à la prise de décision et à l'exécution dans le secteur des services publics; d'une façon plus spécifique, goulets d'étranglement existants, au niveau de la structure et de la perception des impôts, et au niveau des aides financières allouées par l'administration nationale.

L'organisation de l'étude

L'étude sera développée selon les lignes suivantes:

1. Identification des institutions publiques, semi-publiques et privées et des responsabilités de caractère public au niveau de l'agglomération urbaine. Il s'agira d'établir une liste d'institutions comprenant le District, les municipalités, les administrations nationales de tutelle, les entreprises publiques et semi-publiques et tout autre organisme autonome doté de juridiction nationale ou locale. Cette liste permettra d'établir les échelons responsables pour l'offre des services publics dans l'agglomération urbaine.

2. Organisation structurelle de l'administration urbaine (District, municipalités, entreprises publiques et organismes publics locaux); analyse des mécanismes relatifs à l'élaboration du budget, à la prise de décision et exécution pour les services publics (cf. en annexe la liste des services publics retenus dans l'étude).

3. Niveau et composition des dépenses effectuées par ces institutions; étude quantitative (i.e., niveau de développement) et qualitative des services publics. L'analyse sera menée à un niveau de généralité permettant une compréhension raisonnable du système ainsi qu'une comparaison entre villes.

4. Moyens de financement des dépenses: impôts et autres revenus propres, subventions, emprunts. Le système fiscal et plus spécifiquement les taxes foncières feront l'objet d'un examen plus poussé. D'une façon générale, on mettra l'accent sur le rendement, l'élasticité, le caractère équitable et le coût du système fiscal, ainsi que sur la rationalité des mécanismes des flux financiers entre l'administration locale et l'administration centrale.

5. Examen de quelques aspects importants affectant l'utilisation du terrain urbain. L'étendue de cet examen restera nécessairement limitée. On examinera essentiellement l'impact des taxes foncières sur la distribution spatiale des activités économiques, entre les zones résidentielles de densité élevée, moyenne et faible, des zones commerciales, et des zones industrielles.

Type de Services

1. Approvisionnement en eau
2. Système d'égouts
3. Routes, ponts
4. Santé
5. Education
6. Système de sécurité sociale
7. Police
8. Lutte contre le feu
9. Ramassage des ordures et autres déchets
10. Administration générale
11. Habitation
12. Moyens de transport
13. Jardins publics et autres types de récréation
14. Marchés et abattoirs
15. Aménagement urbain



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22 August 1973

Stokes M Tolbert Esq
Director
Tourism Projects Department
International Bank for Reconstruction
and Development
1818 H Street, N W
WASHINGTON DC 20433
U S A

Tourism Projects Department
Date Received: AUG 28 1973
Replied by: _____
Date Action Taken: _____

Dear Mr Tolbert

Air Transport Research

Thank you for your letter of 15 August. I too was sorry to have missed you in Washington and hope to have the pleasure of meeting you in the near future.

In view of what you say, we are pressing on with the completion of this Study and hope to send it to you within the next two weeks.

The problem in doing it has been to decide what to exclude rather than what to include!

There may be one or two subjects which we would have liked to deal with more fully, but they require more data and study and I hope you will agree that we can do these as Supplementary Appendices to follow later?

A disappointing feature has been the poor response from LDC's but to some extent this is understandable?

Yours sincerely

Maurice Curtis

1973 AUG 27 17:00
COMMUNICATIONS
SECTION

OUTGOING WIRE

934 381

TO: MR RIDHA AZZABI
CONTOURISME
TUNIS

DATE: AUGUST 21, 1973

CLASS OF
SERVICE: LTelex

COUNTRY: (TUNISIA)

TEXT:
Cable No.:

RE ETUDE AIDE DE LETAT ET VOTRE TELEX DU 16 AOUT VOUS TRANSMETTONS ACCORD
DE PRINCIPE SUR PROPOSITION DE CONFIER ETUDE GROUPEMENT SOTUETEC SETEC QUI
SADJOINDRA MITCHELL COMME CHEF DE MISSION POURVU QUE ARRANGEMENTS AVEC
SOTUETEC SETEC SATISFASSSENT GOUVERNEMENT TUNISIEN ET BANQUE STOP A CET
EGARD SUGGERONS QUE SOTUETEC/SETEC PRECISENT LES MODALITES DE LETUDE Y
COMPRIS CURRICULUM VITAE DES EXPERTS TUNISIENS ET ETRANGERS PROPOSES STOP
VOUS SERIONS RECONNAISSANTS D'ADRESSER A LA BANQUE CETTE DOCUMENTATION
DES QUE SOTUETEC/SETEC VOUS L'AURONT TRANSMISE NOUS SOUHAITERIONS ENVOI
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LA PROPOSITION SOTUETEC/SETEC AVEC AUTORITES TUNISIENNES STOP ESPERONS
QUE DATE PROPOSEE CONVIENT

SALUTATIONS DISTINGUEES

ODONE
INTBAFRAD

NOT TO BE TRANSMITTED

(Translation on attached sheet)

AUTHORIZED BY:

NAME S. M. TOLBERT

DEPT. Tourism Projects Dept.

SIGNATURE
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: A0done:va

CLEARANCES AND COPY DISTRIBUTION:

Cleared in substance & cc: Mr. Finne,
Mr. Siebeck

For Use By Communications Section

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch:

185 419

DATE AUGUST 21, 1973

COMMUNICATIONS
SECTION

MR RIDHA AZZABI
CONTOURISME
TUNIS

AUGUST 21, 1973

(TUNISIA)

INFORMAL TRANSLATION NOT FOR TRANSMITTAL

RE INCENTIVES STUDY AND YOUR TELEX OF AUGUST 16 WE AGREE IN PRINCIPLE WITH
YOUR PROPOSAL TO ENTRUST STUDY TO CONSORTIUM SOTUETEC/SETEC WITH MITCHELL
AS MISSION CHIEF PROVIDED THAT ARRANGEMENTS PROPOSED BY SOTUETEC/SETEC
AGREEABLE TO THE TUNISIAN GOVERNMENT AND THE BANK STOP IN THIS CONNECTION
WE SUGGEST THAT SOTUETEC/SETEC SPECIFY ARRANGEMENTS FOR STUDY INCLUDING
CURRICULUM VITAE OF PROPOSED TUNISIAN AND FOREIGN EXPERTS STOP GRATEFUL
IF YOU COULD FORWARD A COPY OF THIS ^{documentation as soon as obtained from Sotuetec/setec} STOP WE WOULD LIKE TO SEND A MISSION
INCLUDING ^{myself} ~~MR. ODONE~~ TO TUNIS BY MID SEPTEMBER TO DISCUSS SOTUETEC/SETEC
PROPOSAL WITH TUNISIAN AUTHORITIES STOP HOPE PROPOSED TIMING AGREEABLE

Cleared with and c.c. Mr. Gulhati

Mr. Charles Weisse, Jr. - Dev. Policy

August 17, 1973

Aroon K. Basak - Industrial Projects

Cotton Research

In the absence of the complete report we are able only to make the following comments on details, which are available to us in one or two sections which had previously been photo-copied. We would indeed be interested in seeing the complete report as soon as copies are available, and react to the recommendation for mounting a major co-operative international effort at conducting scientific development of cotton, particularly to counter the competitive threat from man-made fibers.

1. Consumption figures or proportions for all fibers are sometimes given in "weight-as-is" (Chapter I, pp. 6 and 7) and sometimes after adjusting weight of man-made fibers (MMF) to cotton equivalent (Table 8.1 of Annex 8, Appraisal Report of Egypt's Cotton Ginning Rehabilitation Project) as in Table 65 of the UNDP report.
2. In page 7 the report states that major imbalances were avoided by the maintenance of large stock piles particularly in the USA. Large stock piles have in fact been a disturbing influence in that their release has often not been related to volumes of production or market forces but to governmental decisions.
3. In the report and accompanying tables a mixture of measurement units is used which makes it difficult to compare related figures. For instance, Table II in Chapter I shows total fiber consumption in million tons (what type of tons?) while Table III in the next page shows cotton consumption in thousand bales. Also some of the figures given include China (Mainland) and others exclude that country.
4. It is not clear whether the figures for the geographical distribution of cotton consumption are for lint or for finished goods. Part of the decline in demand for lint cotton in Western Europe (page 7) may be due to increased imports of textile manufactures.
5. A comparison of the number of spindles and looms over a period of several years is not a good indication of capacity variations as the speed of modern equipment may compensate for the drop in numbers (Chapter I, page 8).
6. Prices for polyester shown in Chapter I, page 11 and Table 66 differ from those shown in Table 69.

AKBasak:mm

cc: Messrs. Fuchs (o/r), Kalmanoff, Tarnawiecki

27 Annuaire
August 17/73

BANQUE INTERNATIONALE POUR LA RECONSTRUCTION
ET LE DEVELOPPEMENT

Termes de Référence d'une Etude sur
la Mouche Tsétsé au Cameroun

I. Objet et Durée de l'Etude

L'étude devra fournir les informations de base permettant de déterminer la factibilité technique et financière du projet d'extermination de la mouche Tsétsé dans la région du Haut Faro (voir carte ci-jointe). Elle devra également déterminer si l'installation des ranches d'élevage bovin dans les régions de Ndokayo et Bagodo serait possible sans recourir à l'extermination de la mouche Tsétsé. La durée de l'étude sera de deux ans environ. Elle devra débiter vers la fin de l'année en cours ou au plus tard en Janvier 1974.

II. Description Sommaire de l'Etude

Un personnel bien entraîné, travaillant sous la direction d'un écologiste spécialiste de la mouche Tsétsé, de la Division de la Tripanosomiase du Service Vétérinaire, conduira le programme suivant tendant à déterminer la répartition et l'écologie des différents espèces de mouche Tsétsé:

- a) Déterminer les éléments conditionnant la multiplication de la mouche Tsétsé dans un rayon de 10 kilomètres autour des zones proposées pour l'installation des ranches en commençant par Ndokayo 1/ et Faro pour s'étendre ensuite à Bagodo et Dumbo.
- b) Délimiter avec précision les zones d'infestation par la Glossina Morsitans de la partie nord du Plateau d'Adamaoua dans les bassins des rivières du Haut Faro 1/, de Nolti 1/, de Sénoué 1/, de la Vina Est, de Mbéré et de Ngou.
- c) Déterminer également d'une manière précise dans quelle mesure la Glossina Morsitans se développe dans la partie sud du Plateau d'Adamaoua et porter une attention toute particulière sur le foyer de la rivière Marel 1/ ainsi que toute possibilité d'interdépendance entre celle-

1/ A voir en priorité

et l'infestation de la partie sud de la Haute Vina^{1/} et de la Vallée de Djerem. Sous ce rapport, l'importance des captures de la Glossina Morsitans effectuées autrefois à Yoko, et la possibilité d'autres foyers le long de l'arête sud du Plateau devront être gardées, présentes à l'esprit et examinées.

- d) Dans la zone de distribution de la Glossina Longipalpis et du groupe des mouches Fusca, un soin particulier devra être déployé pour s'assurer que des infestations cachées n'ont pas échappées à l'observation.
- e) Les relations écologiques des populations de Glossina Morsitans dans le Haut Faro ^{1/} devront être établies par l'étude sur place de leur habitat de prédilection. Elle devra également déterminer les variations saisonnières de ces relations. Ces recherches seront menées de façon à fournir des informations sur les relations de la Glossina Morsitans avec la savanne boisée, les forêts, les boqueteaux et les différents types de terrains boisés. Les observations déjà recueillies en cette matière sont nombreuses dans le cadre de l'environnement de l'Afrique de l'Ouest. Aussi bien les études devront elles être menées de façon à confirmer si dans le cadre de l'écologie propre au Plateau, ces observations sont toujours valables.
- f)^{1/} Dans le cadre d'une estimation de la factibilité d'un projet d'extermination de la mouche Tsétsé dans la région du Haut Faro, des études seront à faire pour déterminer l'endroit et les dimensions les plus appropriés pour l'établissement d'une barrière. Une attention toute particulière devra être portée au Mayo Méré, aux pentes Est et Ouest du Tchabel Gangdaba, à la brèche entre ce dernier et le Tchabel Mbubo et à tous autres points caractéristiques du terrain susceptibles de constituer un obstacle à la progression de la Glossina Morsitans dans le Haut Faro, au dessus et en dessous de Mandourou.
- g) En un stade initial les captures et les specimens se rapportant à la distribution de la Glossina Morsitans, et qui sont conservé à Ngaoundéré par le Service Vétérinaire, devront être examinés avec soin. Les résultats, ainsi que tous les autres faits confirmés, devront être pointés sur les cartes de répartition de la mouche Tsétsé déjà disponibles à Ngaoundéré et faisant partie d'un système d'inventaire permanent de tout relevé d'informations et de tout rapport.

^{1/} A voir en priorité

- h) A un stade ultérieur, des études identiques devront être faites sur les relations existant dans leur zone d'habitat entre Glossina Tachinoïdes et Glossina Morsitans, depuis le Plateau d'Adamoua jusqu'à leur limite Nord d'implantation. Elles devront déterminer en outre les limites précises de la continuité de l'infestation vers le Tchad et la République Centrafricaine.

III. Qualification de l'Ecologiste Spécialiste de la Mouche Tsétsé

La personne recrutée devra détenir un diplôme universitaire approprié et avoir au moins quatre ans d'expérience acquise en Afrique au cours d'études sur la Glossina. Une préférence sera donnée au candidat ayant effectué ces travaux en Afrique de l'Ouest. Il n'est pas nécessaire que le candidat soit en mesure de donner des avis sur les aspects vétérinaires de la Tripanosomiose non plus qu'il ait de l'expérience en matière d'exécution de programmes d'extermination de la mouche Tsétsé. Toutefois, s'il se trouvait qu'il ait une expérience substantielle dans ce domaine, il pourrait coopérer à l'élaboration d'un programme d'éradication de la mouche Tsétsé dans la région du Faro.

IV. Equipelement nécessaire a l'Accomplissement de l'Etude

L'écologiste spécialiste de la mouche Tsétsé sera basé à Ngaoundéré. Il devra avoir à sa disposition dans les bâtiments du Service de l'Elevage de Ngaoundéré les bureaux et laboratoires ainsi qu'un microscope stéréoscopique de dissection de haute qualité, un équipement entomologique approprié, une boussole directrice et une chaîne d'arpenteur. Pour ses enquêtes prolongées sur le terrain, il devra disposer d'une landrover et d'une caravane avec un équipement de cuisine comprenant un petit réfrigérateur. Par la suite, cet équipement servira aux missions de la Division de la Tripanosomiose, à créer.

V. Exploitation des Résultats de l'Etude

Un spécialiste ayant une longue expérience des programmes d'extermination de la mouche Tsétsé dans les conditions dominantes en Afrique de l'Ouest interprétera les résultats de l'étude et estimera la factibilité technique et financière de l'opération proposée d'éradication de la mouche Tsétsé dans la région du Haut Faro. Il donnera également les instructions tendant à créer la Division de la Tripanosomiose. Il sera recruté pour environ 2 mois.

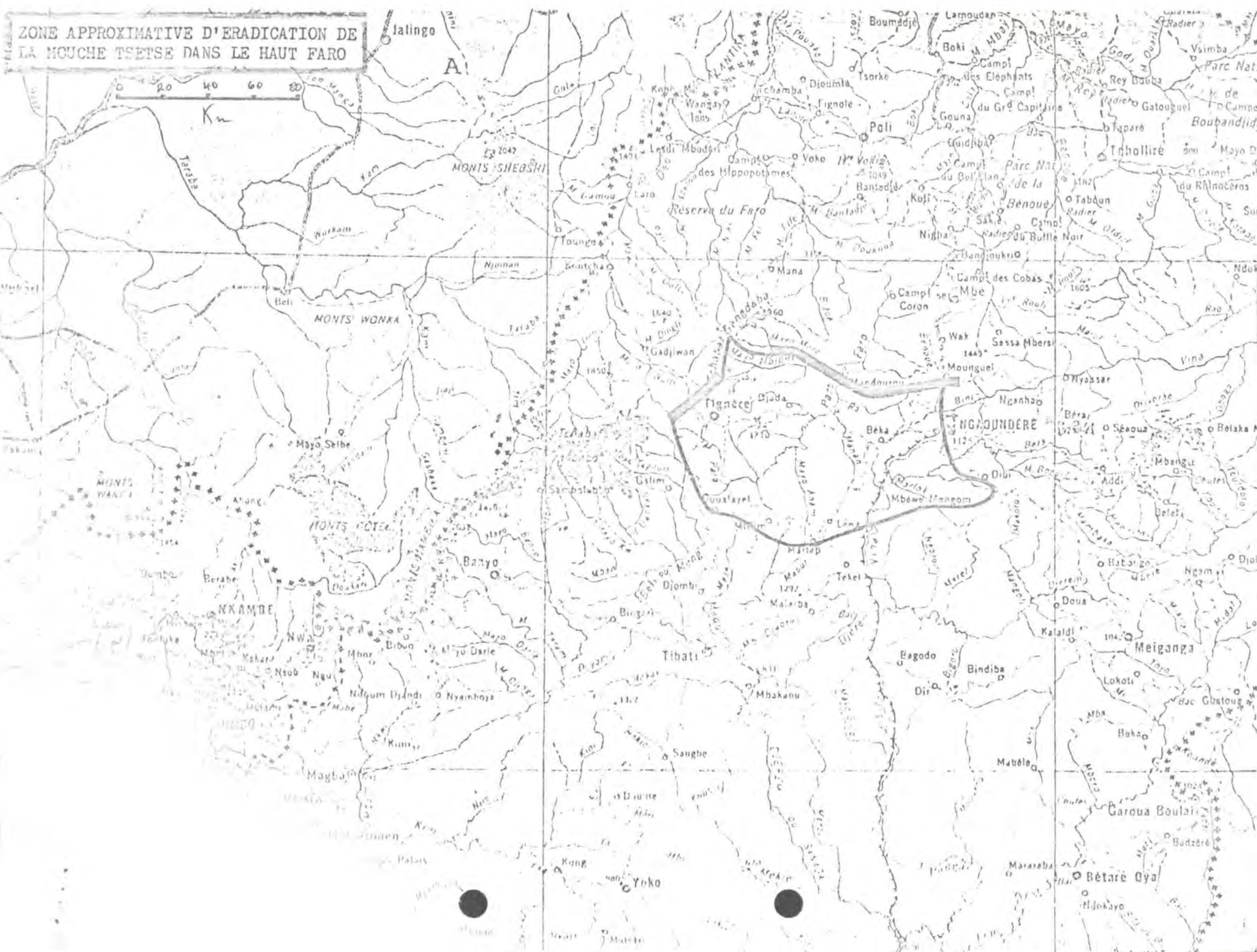
Liste de Personnes Susceptibles de Procéder
à l'Etude sur la Mouche Tsétsé

1. Mr. W. A. Page,
31 Charterhall Road,
EDINBURGH EN9 3HS,
Scotland, Grande Bretagne.
2. Mr. M. G. Cook,
179 Baddow Road,
CHELMSFORD,
Essex, Grande Bretagne.
3. Mr. P. Blasdale,
128 Deeside Gardens,
ABERDEEN,
Scotland, Grande Bretagne.
4. Mr. D. Tarry,
c/o Central Veterinary Laboratory,
New Haw,
WEYBRIDGE,
Surrey, Grande Bretagne.
5. Mr. R. Woof,
c/o Department of Biology,
Salford University,
SALFORD,
Lancashire, Grande Bretagne.

Parmi ces personnes, Mr. Page serait, selon Mr. MacLernan, particulièrement apte à mener à bien l'étude. Il vient de quitter l'Institut de Recherche sur la Trypanosomiase au Nigeria.

La liste citée ci-dessus n'est pas limitative. Il est probable que Mr. A. L. C. Thorne, Animal Health Adviser, Overseas Development Administration, Eland House, Stag Place, London, SW1E 5 DH, puisse vous mettre en contact avec d'autres écologistes spécialistes de la mouche Tsétsé.

ZONE APPROXIMATIVE D'ERADICATION DE
LA MOUCHE TSETSE DANS LE HAUT FARO





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17 August 1973

J A Simmons Esq
Chief Division I
Tourism Projects Department
International Bank for Reconstruction
and Development
1818H Street N W
WASHINGTON DC 20433
U S A

Tourism Projects Department	
Date Received:	AUG 23 1973
Replied by:	
Date Action Taken:	

Dear Mr Simmons

Air Transport Research

Further to my letter of 10 August, I am now enclosing the draft of Section E4 and also of Exhibit 1 of Section H.

We are going ahead with the final production of the Sections you have now seen, including amendments as discussed, but with one proposed change which I hope you will agree to.

This is to deal with cross-referencing the text with source material-of which there will be a lot - and some of the cross references will be repeated several times. Therefore we propose:

- a) To transfer the present Exhibit 1 (in the Introduction) to become Appendix 1 in the text. There are quite a number of additional sources now to be added to this.
- b) To indicate cross references in the left-hand margins of the text - and refer these to the new Reference Sheet which will be Appendix 2.
- c) On this Reference Sheet to quote the source documents from Appendix 1 instead of repeating the table of the reference documents.

Continued/...

J A Simmons Esq

-2-

17 August 1973

This we think will button up the cross referencing neatly without a lot of repeating of titles and by taking up minimum space in the body of the text?

Yours sincerely

John R. Carter

pt M H Curtis
Director

4. FORECASTING AIR TRANSPORT DEMAND

- 4.1. Forecasting demand for a commercial product is never simple, and the degree of accuracy is not only dependent on the period of the forecast - short, or medium or long-term - but on a range of factors the complexity of which varies with the product, the diversity of the markets, the degree of competition, and on the whole range of other factors.
- 4.2. It is beyond the scope of this Study to analyse the different techniques which are, or can be employed, in air transport demand forecasting - and this Section is confined to considering briefly some of the latest views on the subject and some of the factors which are likely to be particularly important in future forecasting.
- 4.3. Forecasting demand is obviously the main key to all planning in the air transport field. It was relatively simple when the majority of travellers were on 'business or official 'missions but has progressively become more complicated as air travel costs have decreased and "leisure" travellers have exceeded 'business and official' travellers and continue to become an increasing proportion of total passenger movements. As the amount of investment in air transport - for both aircraft and ground facilities - has increased heavily with the attendant risk of vast wastage of scarce resources in inappropriate or wasted equipment and facilities, the need to attempt more accurate forecasting has become important.

4.4. At the same time the number of variables which need to be taken into account in attempts at forecasts have increased as the 'leisure' component of travel has increased and air travel costs have decreased - giving many more people the option of a much wider choice of destinations within the amounts they are prepared to spend on leisure travel. For the same reasons, forecasting air travel potential has become just as important to the tourism-orientated industries and trades in destination countries - and to their Governments - as to the air operators themselves or to the Government Departments responsible for provision of airports and allied facilities.

4.5. Forecasting in our transport and tourism is still an inexact science and the reasons are clear from the sort of questions to which answers are sought. For example, in trying to forecast how many people will travel by air to what destinations from a particular market it is necessary to consider, inter alia:

- The number of persons who will in future be able to and prepared to spend different amounts on foreign leisure travel.
- The numbers of foreign countries they would visit within those amounts
- The factors which will influence their choice of destinations.
- The extent to which the cost accessible destinations will provide these factors
- How and why the tourist will choose between the available destinations.

4.6. Within each of such considerations there are obviously a number of variables which need to be 'quantified', many of which are only quantifiable within broad limits, or also air transport is but one of the costs which make up the total cost of a leisure trip - so that the propensity to travel from particular market may be relatively easy to forecast (within limits) but the actual possible radius of travel will be influenced not only by air travel (or other modes of travel) costs but by the cost of the other amenities which complete the total leisure trip package. For example, air travel costs may decrease by 50% from a market to a particular destination thus making it ostensibly open to many more travellers from that market. But this may involve the provision of many new ground amenities which can only be sold at much higher costs than previous amenities or the owners of existing amenities will increase the charges so that the total leisure trip cost may remain virtually unchanged

4.7 With the present state of the science (or art) of forecasting it is therefore with some exceptions, impossible to forecast with any precision the number of tourists, and their length of stay, from any country of origin to any country of destination even if the country of destination provides all the amenities necessary to cope with their potential trade. The position is further complicated by such factors as the relaxation of currency restrictions on travel as is evidenced by the 'explosion' of ^{the} Japanese travel market since restrictions were relaxed.

4.8

The forecasting problem is further complicated by the relative 'suddenness' with which dramatic changes of air travel costs have occurred within the last few years with the increase in non-scheduled operations - such as the availability of non-scheduled air fares from Europe to the Far East at a level of approximately US \$ 360 compared with the previous excursion fare of approximately US \$ 1200. The spread of non-scheduled operations throughout many areas of the world is producing an entirely new situation compared with the previous situation whereby new fare levels and new types of fares could be progressively tried out so that the scheduled airlines were in effect able to "test" the effect of new tariffs.

4.9

This rapidly growing - but still in some respects unstable - development has produced a further element of uncertainty. Whilst the non-scheduled operations played a relatively insignificant part in total world air passenger movements, and air passenger tariffs were mainly agreed through the IATA machinery, it was possible to apply price-discrimination by charging different tariffs to different groups of consumers. It was possible to do so because the essential conditions were generally met, that is:

- i) The consumers would, in effect, be segmented into different markets, and would not easily transfer from one market segment to another.
- ii) Elasticity of demand was not the same in each.
- iii) The cost of keeping the market segments separate was not excessive.

From this emerged the IATA policy of a several-tier fare structure aimed at achieving the optimum result of higher revenues per passenger-kilometre operated by carrying more passengers at a fare mix which would result in highest possible average yields per passenger kilometre operated. This is, of course, the object of price-discrimination.

4.10 With the growing capacity of non-scheduled operations this 'monopoly' type of fare structure has been increasingly undermined by non-scheduled operators providing air transport at lower tariffs than could apparently be charged by scheduled operators without depressing their average yields below an economic level.

4.11 But nevertheless the rapid growth of non-scheduled operations - whether or not their tariffs are at sound economic levels which they can maintain - has provided useful data on the price-elasticity of demand which will contribute to future forecasting.

4.12 That there is, as yet, a very considerable degree of uncertainty in forecasting future tourist movements by air is indicated by the ICAO "Manual of Air Traffic Forecasting" Document 8991 - AT/722 issued in 1972. This document reviews most of the types of forecasts currently known to be used, under the categories:

- 1 Forecasting by trend projection
- 2 Econometric forecasting
- 3 Other techniques of air traffic forecasting (by market studies, by opinions or by planning)

and examines some of the techniques used, and problems in their applications. It explains the limitations of this first issue of the Manual as follows:

"The present document has been prepared as an initial and partial fulfilment of the requirement set out in the second resolving clause, namely, 'to collect and develop material on current forecasting methods ... for dissemination to Contracting States from time to time as guidance in their own forecasting'.

"The objective of the document, which addresses itself to personnel of civil aviation administrations, planners of airports and route facilities and other persons who are actively engaged in practical forecasting work, is to supply a survey of techniques currently used for medium and long-term air traffic forecasting and give practical guidance on the application of these techniques. In accordance with Resolution A16-22, it is intended to develop and issue new editions in the future, taking into account new material and the experience gained with this initial issue."

This ICAO document, of course, only deals with known forecasting techniques and known econometric models and it is possible that particular airlines have developed techniques or models which they prefer to keep confidential - although there is no evidence that any such particularly reliable forecasting methods exist.

4.14 In the ICAO document examples are given of the income and price elasticity assumed in seven econometric models examined. In most cases, the method of arriving at the elasticity coefficient is not indicated, or it is stated to be of an "assumed" elasticity. And most of the examples are qualified by reservations over some features of the models, or in regard to their application only to limited route or geographical circumstances.

4.15. Further reservations emphasise that:

"A fact that is very important to keep in mind when accepting the results of an econometric forecast, and when using these results for planning purposes, is that the traffic forecast can never be more accurate than the forecasts of the independent variables included in the forecasting model. An econometric forecast, however reliable the model used may be, is therefore not necessarily more reliable than forecasts based on trend projections or other methods.

"However, an outstanding feature, of econometric forecasts, and often a strong reason for using this technique, is the possibility it offers for studying the sensitivity of air traffic development to changes in the pattern of development of the underlying factors. Given ranges within which the various independent variables are likely to develop, it becomes possible to broadly evaluate the probability that the future traffic will exceed or fall short of certain levels. In many instances, the forecaster's main concern is not the most probable development of traffic, but estimates of what is the highest or the lowest traffic intensity that can reasonably be expected at a certain future time. For instance, when making provisions for future expansion of airport facilities, the primary concern is the highest level of traffic which can reasonably be expected. On the other hand, if using an airport traffic forecast to estimate traffic revenues for the purpose of economic planning, the main interest may be in the lowest traffic level that can be expected".

4.16. Most of the seven econometric models examined were produced over the period 1967 - 69 and were presumably based on work carried out about a year previously. That is they do not take account of the reasons for the changing traffic-composition (scheduled and non-scheduled) which has occurred since then and do not indicate whether they have since been tested against such changes.

4.17. It appears to us that most econometric models which use price-elasticity as a significant variable will be of doubtful use unless the price elasticity is tested for each destination or destination area. It might be, for example, that on some sectors a low air-fare price-elasticity appears to exist because reductions in air fares have been accompanied by offsetting increases in the prices of other amenities.

That ICAO considers such reservations important is indicated by the following extract from the ICAO document:

"Both time series analyses and cross-sectional analyses are useful and both are being widely applied. It is however important that neither approach is perfect and that the results of both time series analyses and cross-sectional analyses will as a rule be affected by secondary factors which are not accounted for in the model. The influence of omitted factors may suitably be illustrated by the simple case of a model relating passenger traffic to income level and fare level only.

"Regarding a time series of income data covering a number of years, it could be that during these years the income level increased relatively slowly because at the same time the population tended to take more and longer vacations in lieu of higher salaries. More and longer vacations would probably stimulate personal air travel but since this effect is not accounted for by a separate variable in the model, the time series analysis would show this stimulation as being due to the rise in incomes. The income elasticity would thus be over-estimated.

"Similarly, a slightly decreasing fare level over the years may be accompanied by improved speed and travel comfort. In the absence of a variable to reflect this separate stimulus to air travel, it would, in the time series analysis, be accredited to the reduction of fares. Accordingly also the price elasticity may be over-estimated.

"The secondary effects do not, however, necessarily lead to over-estimates of income and price elasticities. It could be, for example, that over the time span analysed the competition from surface transport became stiffer with an eroding effect on the air travel market. A time series analysis in such circumstances could lead to under-estimated elasticities of the air travel demand with respect to income and price.

"Turning to cross-sectional analysis, the income elasticity for air travel might be derived from studies of the frequency of air travel by people at different income levels. If no other sociological factor is reflected in the model, such cross-sectional analysis would fail to reveal the influence of social differences between high income groups and low income groups. The result of a cross-sectional analysis of incomes would include effects of professional and cultural characteristics of high income groups which would not apply to other population groups when, in a number of years' time, their incomes reach the same level."

4.18 In regard to income elasticities, IUOTO in its Technical Bulletin BT/TE/2/73 of July 1973 summarises the conclusions of a recently completed IUOTO study. This summary includes the following comments:

"However, the report goes on to take a critical look at work carried out in the techniques employed to compute income-elasticity values, with particular stress on adjustment of the original data series.

"The conclusion of the report is thus that income elasticities have a useful role to play in the analysis of international tourism and in forecasting. However, if results are to be used with confidence for planning purposes, techniques must be improved so as to take account of the factors mentioned above as well as the particular situation of the individual receiving country".

4.19 In a paper presented on "Tourism Demand: Econometric Research" by ITA at its 4th international Symposium in November 1970, ITA viewed various forecasting methods and their limitations, and examined the application of a model on the limited fields of British Holidays by air in Europe. It examined similar methods to those discussed in the ICAO document "Manual of Air Traffic Forecasting" and concluded:

"From the study of past models and the model presented by ITA emerges the very clear impression that the approaches used for studying air tourism are not diversified and insufficient, owing to the lack of essential statistics.

"The first point to emphasise is thus that detailed studies can be considered only if surveys are specially conducted to define tourism. Much more sophisticated methods could then be applied.

"These methods require the processing of data and extremely numerous calculations; consequently, and this is the second remark, the use of computers is proving, and will prove, more and more vital.

"Finally, no method - however elaborate - appears self-sufficient; this is not only because the generation of tourist flows and the breakdown by mode and destination represent, it seems, two very different parts of the tourist process, but above all because a sophisticated technique required preliminary studies which can be made only by using procedures which often differ considerably from the main method."

4.20. It also concluded that it was preferable to separate the problem into two parts - generation and distribution; and, in relation to the distribution part, that 'simulation' was the best approach and that "even though serious problems are involved in calculating operating characteristics for the present and detecting changes to them in the future, without mentioning the difficulty of assembling data, the method is still the most fruitful and promising of all those now used, for many improvements could be conceived."

4.21. Our conclusions from this broad review of the problem of forecasting future tourism movements by air are:

- (a) There is no one method which can satisfactorily be used at present, mainly due to inadequency of basic data over a period of time.

- (b) The best method(s) to employ depend on the particular problem, the period for which forecasts are needed, and the number of sector movements being considered. The best step at present is normally to use more than one method (trend projections, econometric forecasting, market studies, opinion surveys) and then apply subjective judgements.
- (c) Econometric forecasting will become more effective once more data is available over a longer period of time on the many countries that have to be taken into account.
- (d) But forecasts of "the number of persons who will travel from specified markets to a larger number of alternative destinations and stay for so many days and spend so much money" are dependent on so many unquantifiable variables that it will be a long time before accurate (say $\pm 10\%$) forecasts can be made.
- (e) But forecasts of alternative tourist traffic under defined 'values' of the variables will become easier to make - especially if the different interests concerned coincide with such forecasts collaborate in securing the basic data regularly and in co-ordinated form.

- (f) Although the objectives of airlines and NTO's may be somewhat at variance (airlines wanting tourists to generate maximum mileage and NTOS wanting them to generate maximum length of stay and expenditure) there is room for much closer collaboration between airlines, tourism authorities and airline authorities in forecasting different possible passenger flows under different conditions.
- (g) But it is as well to face the fact that airlines and NTO's can have different objectives - but collaboration can forestall wasted expenditure and effort arising from such different objectives.
- (h) As far as LDC'S are concerned the problem can in many cases be less severe especially where an LDC is not seeking the maximum share of the tourist trade which can afford, and will decide, to visit one of a number of countries in the same (or higher) cost-accessibility bracket. The question "what order of magnitude share of the tourist trade from market X would I be reasonably certain of securing if I provided the right amenities at the right prices" is a very different question from "what is the share of the tourist trade I can secure.

- (i) Forecasting likely demand is currently more complicated than hitherto because of the changes taking place in the cost-accessibility of different areas - in some cases very substantial and the uncertainty as to whether present low cost - accessibility trends to some areas can be maintained.
- (j) For most of the LDC's, the best forecasts that can be hoped for are on the lines that "if you do the following things you ought to be reasonably sure of securing A tourists in Y years building up to B tourists in Z years - but it is possible that these might be increased by C%.
- (k) The forecasting problem is much easier if an LDC, for example, is considering developing a limited tourist attraction (such as a new resort) aimed at specific segments of selected markets.

- 7 In the attachment the sample facilities have been grouped under four headings:

- A Convenience of location and ease and cost of access
- B Operational factors - regularity and safety of operations
- C Passenger handling
- D Supplementary facilities

Each facility listed has been arbitrarily categorised as follows:

- 1 Regarded as essential by passengers and prepared to pay for if necessary
- 2 Regarded as essential or desirable but would be prepared to travel at off-peak times to avoid increased charges
- 3 Regarded as desirable but not prepared to pay more for.

- 8 In this attachment, the specimen facilities mentioned are based purely on personal experience of a fairly large number of airports over the last few years. The sample facilities are purely those which, from personal experience, are constantly and increasingly being commented on by passengers. Some airports have bad reputations in respect of most of the points mentioned, others but a few. The most striking feature is the lack of reasonably standard or similar 'procedures' at airports and the assumption, on the part of the airport authorities and airline staff, that "passengers should know the procedures".

EXAMPLES OF AIRPORT OR AIRPORT-CONNECTED FACILITIES
WHICH HAVE AN INCREASING EFFECT ON LEISURE-PASSENGERS'
ATTITUDES TO PARTICULAR AIRPORTS, OR ON THEIR ATTITUDES
TO AIR TRAVEL IN GENERAL

FACILITYCLASSIFICATION

A ACCESSIBILITY OF AIRPORT FROM CITY OR CATCHMENT
AREA

This is of particular concern to leisure travellers wishing to economise in travel costs and also to those who are not 'experienced' air travellers. It is not so important where the airport and city are connected with frequent, reliable and cheap public transport

Availability of alternative transport modes - bus, rail, taxi	1
Number of pick up points in city	3
Frequency of service	1
Adequate capacity at all times	1
Cost of transport	1
General reliability of transport	1
Friends able to accompany passengers	3
Guaranteed connections with aircraft	1
Delivery at airport close to check-in point	1
Ease of baggage handling - and availability of porterage or hand-trolleys at airport	2

B OPERATIONAL FACTORS

Airport's reputation for frequency of delays	1
Incidence of delays at peak periods	1
General ability of airport to handle delays	3
Good information to passengers re delays - and arrangements to cope with them	3
Facilities for passengers in the event of prolonged delays	2

FACILITYCLASSIFICATIONC PASSENGER HANDLING: DEPARTURES

Clear direction signs and clear departure announcements (oral and visual)	1
Minimum of waiting or queuing - pre-controls	2
- post-controls	2
Speed of transit through controls - and good 'flow' in general	1
Rapid processing at check in counter	2
Courtesy of check in staff	3
Baggage handling facilities:	
- availability of porters and/or trolleys	1
- trolleys for cabin baggage	3
Waiting space: pre-controls	3
post-controls	3
Duty free shops: prices	3
adequacy of staff	3
'Walking' distance: pre-controls	1
post-controls	1
Reporting time at airport prior to departure	3
Efficient telephone service advising passengers of foreseeable departure delays	1

D PASSENGER HANDLING: ARRIVALS

Clear notices re routing and procedures through controls	1
Courtesy of control staff	3
Assistance by airline staff through controls	3
Availability of porters and/or hand trolleys	1
Clear information on public transport from airports - and information services in general	3
Arrangements for meeting friends and relatives	3
Efficient telephone service advising passengers of foreseeable ETA delays	1

FACILITYCLASSIFICATIONE PASSENGER HANDLING: INTERLINE PASSENGERS

Clear notices re routing and procedures through controls	1
Interline baggage arrangements	1

F SUPPLEMENTARY FACILITIES

Adequacy of toilets and wash and brush up facilities	3
Catering facilities: pre-controls	3
post-controls	3
Insurance facilities	1
Left Luggage facilities	3
'Waving Bay' facilities	3
Facilities for sending unaccompanied baggage	1
Shopping facilities (not duty free) especially bookstalls, toiletries and small presents	3
Medical facilities	3
Post Office, including cable/telex facilities	2
Banking facilities	2
Hotel representation & booking facilities	2
Telephones	1
Car rental booking facilities	2
Availability of supplementary facilities during delays	1

NOTE

Some of these facilities are the responsibility of the airlines, not the airport. However the passenger may not necessarily realise this.

OUTGOING WIRE

963-22296

TO: FRANK MITCHELL
YORK UNIVERSITY
PROJECT PLANNING AND EVALUATION UNIT
NAIROBI

DATE: AUGUST 17, 1973

CLASS OF
SERVICE: TELEX 22296

WY

COUNTRY: (KENYA)

TEXT:
Cable No.:

RE TUNISIA INCENTIVES STUDY PRIMO HORWATH AND HORWATH PROPOSAL NOT
ACCEPTABLE AS IT DID NOT REFLECT AGREEMENT WE HAD WITH YOU AND THEM
STOP WE THEN REVIEWED WITH TUNISIAN AUTHORITIES SHORT LIST OF OTHER
FIRMS STOP TUNISIANS LATEST PROPOSAL IS TO ENTRUST STUDY TO TUNISIAN
FIRM SOTUETEC WHICH HAS STRONG CONNECTIONS WITH FRENCH FIRM SETEC
STOP WE ARE EXAMINING THIS PROPOSAL WHICH HAS THE MERITS OF KEEPING
YOU AS TEAM LEADER AND OF NOT DELAYING START OF STUDY BEYOND NOVEMBER
FIRST STOP YOUR PRESENCE MIGHT BE REQUIRED IN TUNIS BEGINNING OF
SEPTEMBER STOP WE WILL CABLE FURTHER DEVELOPMENTS EARLY NEXT WEEK
SECUNDO SUGGEST YOU MAKE ANY FUTURE PHONE CALLS TO US COLLECT
REGARDS

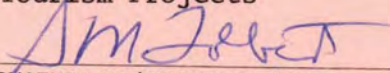
TOLBERT
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME S. M. Tolbert

DEPT. Tourism Projects

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: JFBauer/SMTolbert/va

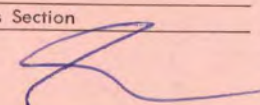
ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

cc: Mr. Odone
Mr. Hornstein

For Use By Communications Section

Checked for Dispatch: 

ORIGINAL (MIB COPY)

Checked for release

[Handwritten signature]

REFERENCE:

TELETYPE/ENITOTRETT/48

FOR USE BY COMMUNICATIONS SECTION

SIGNATURE:

SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE

DEPT:

TOULOUSE PROJECTS

NAME:

S. M. TOULOUSE

MR. HOLMES
CC: MR. OBORE

AUTHORIZED BY:

STEVENS AND COPY DISTRIBUTION

COMMUNICATIONS
SECTION

NOT TO BE RECLASSIFIED

INTERVIEWED

LOGBOOK

RECEIVED

SECURITY SUGGESTION FOR MAKE AND MAKE PHONE CALLS TO US COLLECT
SUGGESTION FOR ME WITH CABLE FURTHER DELEGATIONS EVERY NEXT WEEK
ALSO FOR YOUR PRESENCE WHICH BE REQUIRED IN THIS BEGINNING OF
FOR US LEAD FINDER AND OF NOT DELAYING START OF STUDY BEYOND NOVEMBER
FOR ME ARE EXAMINING THIS PROPOSAL WHICH HAS THE MERITS OF KEEPING
FROM SOLARIS WHICH HAS STRONG CONNECTIONS WITH FRENCH FIRM SELEC
FIRM FOR AMISIAVS FURTHER PROPOSAL IS TO EMPLOY STUDY TO AMISIAVS
FOR ME THEN BEHAVIOR WITH AMISIAVS VOLUNTARILY SHOW FIRST OF OTHER
ACCEPABLE AS IT DID NOT PERFECT VOLUNTARILY ME HAD WITH YOU AND THEN
BE AMISIAVS INCENTIVES STUDY BEING NORMALLY AND NORMALLY PROPOSAL NOT

Copy No:

TEXT:

COUNTRY:

(KEMAL)

INFORMATION

PROJECT PLANNING AND EVALUATION UNIT

WORK AMISIAVS

TO:

BRANK MITCHELL

SERVICE: TELETYPE 55588

CLASS OF:

DATE: AUGUST 11, 1953

[Handwritten initials]

OUTGOING MIB

623-55588

ASSOCIATION

INTERNATIONAL DEVELOPMENT

RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL BANK FOR

CORPORATION

INTERNATIONAL FINANCE

[Handwritten notes]

August 17, 1973

Mr. Frank Mitchell
York University
Project Planning and
Evaluation Unit
Nairobi
K E N Y A

Dear Frank:

Of the various messages relayed to me while I was on leave, one of the pieces of good news was that you would be available for the Tunisia Incentives Study.

As you are aware, Horwath & Horwath submitted a proposal which did not properly meet the agreement which we thought we had with them. In particular they had put in a great deal of time from two of their people in headquarters, for which they were making a rather substantial charge, and your own role in the study was unclear and very limited. After reporting this to the Tunisian Government, we discussed with them a variety of alternative solutions; and I enclose a copy of the latest cable from Mr. Azzabi, head of the ONTT. This proposal, whereby the study would be entrusted to the Tunisian firm SOTUETEC with you as chief of mission has merit, as we cabled you today, and we are studying it. It is possible that your presence in Tunis might be required around the beginning of September to participate in discussions with the Tunisians and the consultants; we would have some of our own staff members there also. We will let you know immediately of further developments and we hope that the start of the study will not be delayed beyond November 1st.

I enclose a collection of memos and letters shedding some light on the Bank's motives for the incentives study and the background of some of our discussions in this regard. I hope these will be helpful. We have not found anything of more general interest on incentives and our Library has not yet been able to track down the Columbia University doctoral dissertation which you mentioned to me on the phone, though they are still trying. If you have obtained any further information on the dissertation, such as author, title and, if published,

Mr. Frank Mitchell

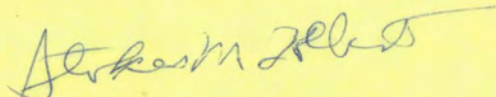
- 2 -

August 17, 1973

publisher and date, let us know.

We look forward to working with you on the study and, we most disappointed that we have encountered another slowdown. I guess nothing good comes easy. Best regards.

Sincerely yours,



Stokes M. Tolbert
Director
Tourism Projects Department

Encls:

cc: Mr. Odone
Mr. Hornstein

SMTolbert/JFBauer:nm

INCOMING CABLE

OP. - Research

Log. 140

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COMMUNICATIONS
SECTION

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TUNIS 106 16 0905

- August 16, 1973

Distribution

Tourism Projects
Mr. Siebeck

MONSIEUR A ODOHE

TOURISM PROJECTS DEPARTEMENT

INTSAFRAD

WASHINGTONDC

SUITE VOS DEUX TELEX RELATIFS ETUDE SUR AIDE ETAT VOUS
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FAIRE APPEL A DES EXPERTS DU BUREAU ETUDES ETRANGERS
CONSIDERONS SOTUETEC COMME SEUL BUREAU

COL OK

PAGE 2/056

ETUDES TUNISIEN CAPABLE ASSUMER CETTE MISSION COMPTE TENU SES
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CONFIER ETUDE GROUPEMENT STUETEC SETEC SECUNDO
CE GROUPEMENT POURRA S ADJOINDRE MONSIEUR MITCHELL COMME
CHEF MISSION ET EVENTUELLEMENT UN JURISTE IUOTO
SOUHAITERIONS OBTENIR VOTRE ACCORD SUR CETTE SOLUTION
PREALABLEMENT MISSION MONSIEUR MITCHELL A TUNIS

O.P. Research
August 15, 1973

Ato Betru Admassie
Imperial Board of Telecommunications
of Ethiopia
Head Office
P. O. Box 1047
Addis Ababa
Ethiopia

re: Research Project on Rural Telecommunications

Dear Ato Betru:

We enjoyed meeting with you yesterday to discuss the proposed research project on rural telecommunications.

You will recall that our interest in this subject has been stimulated by the increasing emphasis being placed, in the Bank and elsewhere, upon rural development, and the importance of catering to the needs of lower income groups in the selection of investment projects. In our view somewhat unfairly, telecommunications investments tend sometimes to be labeled as being of benefit only to the more wealthy segments of society, who live and work in large metropolitan areas.

We feel however that telecommunications may have an important role to play in stimulating rural development, possibly helping to stem rural-urban drift and the social and economic problems resulting therefrom. Unfortunately this view is basically an intuitive one, and for investment decisions to be soundly based, somewhat more information is required.

We therefore feel that telecommunications authorities, faced with the decision to expand or not to expand the telephone network into rural areas, would benefit from in depth analysis, designed to answer the following types of question:

- . Who makes use of telephones in rural areas?
- . For what purpose?
- . How valuable is the use of that telephone, both to the actual user and to others?

Such information, partly of a descriptive nature (e.g. the proportion of calls used for personal, business or emergency calls)

August 15, 1973

and partly quantified in monetary terms, would clearly be of value, not only in helping to establish the merits of investment in the sector in general, but also to determine priorities within the sector. We therefore do not envisage research for the sake of research, but a study that is of direct operational significance for the telephone authority itself.

We believe that IBTE would not only be in an excellent position to devote some of its resources to research in this area, but in view of the importance of the rural development question in Ethiopia, would derive particular benefit from it. Although the primary objective would be to assist your own decision making, it is hoped that your effort would become one of several research programs carried out by our borrowers, thereby helping to improve the state of knowledge of telecommunications economics on a global basis. We see our own role as advisory to begin with, becoming one mainly of co-ordination as research builds up momentum.

As far as this particular issue is concerned, it would probably be most convenient if faculty from the economics department of Haile Selassie University could be associated with the study. The University's role would be to plan and administer surveys, and analyze the results, and possibly develop a methodology to analyze the benefits of telecommunications on a more comprehensive basis, embracing urban as well as rural telephone usage. I would guess that if you provided transport and high-level expert advice, the sum required by the University, for a study lasting a year or so would be quite small, particularly in relation to the potential benefit to your organization. We would therefore suggest that you consider favorably the possibility of appropriating an amount necessary to achieve the purpose described. On our part, we would welcome the opportunity to assist you in the formulation of the study, and would continue to advise on subsequent steps.

Subject to your approval in principle of our suggestion, the next step would be for Mr. Warford to visit Addis Ababa to explain in more detail what we have in mind, and to meet people at the University who might be able to assist. We would be very happy if an early start to the work could be made, and look forward to your reply.

Yours sincerely,

C. P. Vasudevan
Chief, Telecommunications Division
Public Utilities Department

Cleared with & cc: Mr. Vasudevan
Mr. Dwight Johnson

cc: Mr. Morse
Mr. Hansen
Mr. Please

JJWarford:pjk

Q R Research
August 15, 1973

Mr. Antonio F. Cafias
Sub Gerente General, Telecomunicaciones
Instituto Costarricense de Electricidad
Apartado 10032
San Jose
Costa Rica

Dear Mr. Cafias:

I enclose a copy of a letter sent to Dr. Naranjo which confirms our willingness to go ahead with the research project we discussed during our recent visit to Costa Rica.

As indicated in that letter, we believe that co-operation between ICE and the University research team is essential to the success of the project. I have therefore asked Dr. Naranjo to seek your assistance in completing the research proposal that he is to submit to us. I would then be grateful if you would inform us in writing that the proposal meets with your approval and has your support. At the same time I would also ask that you provide an undertaking that extreme care will be taken to ensure that there should not be, or appear to be any monitoring of telephone calls without the knowledge of callers.

The mission agreed that the meeting we had in your office last week was most useful in clarifying a number of practical issues that will have to be dealt with during the course of the study. I would re-emphasize that the study is not supposed to be research for the sake of research, but is intended to provide information of direct operational value for you, primarily I would hope in the determination of investment priorities. We would therefore be particularly grateful if you personally would be able to comment on the various progress reports that are produced during the course of the study.

I look forward to discussing the project further with you when I visit Costa Rica in late September or early October.

Sincerely yours,

J. J. Warford

cc: Dr. Naranjo

JJWarford:pjk

Cleared with & cc: Mr. Rovani

cc: Messrs. Vasudevan, Schkolnick, Sheehan, Flood (LAC),
Littlechild (Consultant)

D.P. *Leveson*

August 15, 1973

Dr. Fernando Naranjo
Director
Instituto de Investigaciones
Escuela de Ciencias Economicas y Sociales
Universidad de Costa Rica
San Jose
Costa Rica

Dear Dr. Naranjo:

You will be pleased to know that we have decided to go ahead with the rural telecommunications research project, and accept your cost estimates. I would now be grateful if you would submit to us a formal proposal, along the lines already indicated in your draft proposal, but modified to reflect our discussions and the enclosed reports written by the mission upon return to the Bank. We can then proceed with the necessary formalities, which we would aim to have completed well ahead of the planned starting date of October 1st.

You will observe that we have emphasized the importance of ensuring that there should not be, or even appear to be, any monitoring of telephone calls without the knowledge of callers. I would appreciate it if this undertaking could be made by you in the proposal.

The success of the project will undoubtedly depend to a great extent upon the help afforded by ICE. Please ensure that Mr. Cañas has had a chance to comment upon and approve the final draft before submitting it to us. A copy of a letter to Mr. Cañas is attached.

I enjoyed our discussions in Costa Rica very much and look forward to continuing them when I return in late September or early October. Please keep informed about your travel arrangements as soon as you know them so that I may plan my visit well in advance.

Sincerely yours,

J. J. Warford

cc: Mr. Cañas with attachments

JJWarford:pjk

Cleared with & cc: Mr. Rovani

cc: Messrs. Vasudevan, Sheehan, Schkolnick, Littlechild (Consultant),
Flood (LAC)

The Electricity Council

Overseas Consultancy Service

30 Millbank London SW1P 4RD

Telephone: 01-834 2333 Telex: 23385 and 261130
Cables: Eleccoun London SW1

14 August 1973

Dear Mr Berrie

Standards of Urban Electricity Distribution
Research Project

Thank you for your letters of 6 and 10 August, both of which arrived this morning. I appreciate the need to keep expenditure down to a minimum and I hope that we can modify the schedule with this in view. I would not, however, wish to spoil the ship for a ha'porth of tar and I would like to discuss your proposals further with the team members.

I have sent the contract dated 20 July to Miss Lenthe as you suggest on the understanding that it includes only the writing of the Review Paper and the discussions in London in September. A copy is enclosed for information.

As I shall be away from 24 August until 16 September, I am asking Mr Boley if he would make all the necessary preparations for the discussions in London on Wednesday, 5 September and possibly the morning of Thursday, 6 September. His telephone extension in the Council is 430.

Yours sincerely



T W Berrie Esq
Power Economics Advisor
Public Utilities Department
International Bank for
Reconstruction and Development

From Keith Shaw Administrative Director

*File
Standards of Urban Electricity
Distribution
D.P. Research*

RECEIVED

1973 AUG 18 PM 12:59

COMMUNICATIONS

SECTION

The Electricity Council

Overseas Consultancy Service

30 Millbank London SW1P 4RD

Telephone: 01-834 2333 Telex: 23385 and 261130
Cables: Elecoun London SW1

14 August 1973

Dear Miss Lenthe

Many thanks for your letter of 20 July 1973 which I return slightly amended to improve clarity in the penultimate paragraph. I further understand that the agreement relates only to the writing of the Review Paper and subsequent discussions between the Overseas Consultancy Service team and Mr T W Berrie in London on 5 September and possibly 6 September 1973.

I hope that the amended agreement is acceptable to the Bank.

Yours very sincerely



Miss N Lenthe
Personnel Assistant
Consultants Section
International Bank for
Reconstruction and Development

From Keith Shaw Administrative Director

July 20, 1973

Mr. Keith Shaw
Administrative Director
Overseas Consultancy Service
30 Millbank
London SW1 P4RD
England

Dear Mr. Shaw:

This letter reflects the agreement between the Overseas Consultancy Service (your firm) and the International Bank for Reconstruction and Development (the Bank) pursuant to which your firm agrees to make available the services of members of its staff (to be selected with the prior approval of the Bank) to work on the Research Project: Standards of Urban Electricity Distribution for the Bank's Public Utilities Department. The members of your staff will prepare a short "Review Paper" based on a preliminary scan of the available literature and all the knowledge on the above subject already possessed by your team. This "Review Paper", if satisfactory to the Bank, is expected to form the basis for discussions in Washington to finalize the Terms of Reference for writing a "State of Art" paper. In carrying out this assignment your firm will report to the Bank through Mr. T. W. Berrie, Power Economics Advisor. Your firm will consult on progress as deemed necessary by it or requested by the Bank.

Under this agreement, we expect to need your services during the period early July - end September or on such subsequent date as the Bank and your firm may agree.

For services rendered, the Bank will pay your firm a gross fee of up to US\$10,000, payable in U.S. dollars calculated at the rate of US\$200 per day worked for each member of your staff of which not more than 3 will be working at any one time. It is agreed that the above fee includes all of your firm's overhead. It is further agreed that your firm will pay all taxes, levies and duties of whatever nature imposed on it, its officers and staff in connection with the assignment or the services performed thereunder.

The Bank will also bear the cost of all official travel undertaken by members of your firm in connection with the assignment and authorized by the Bank. While away from their respective home stations, officers and staff of your firm will be reimbursed for their actual reasonable subsistence expenses, including the cost of lodging, in accordance with the attached "Notes for Consultants".

July 20, 1973

Payment of fees and expenses, will be made by the Bank to your firm upon submission by your firm in duplicate to the Public Utilities Department of invoices for services rendered and statements of expenses in sufficient detail to enable the Bank to identify the periods worked and the amounts claimed. Invoices and statements of expenses will be submitted on a monthly basis to the Bank. The balance of any advances for travel and subsistence expenses which the Bank will have provided to your firm will be settled with the subsequent fee payments to your firm.

The Overseas Consultancy Service undertakes to carry out the assignment in accordance with the highest standards of professional competence and integrity having due regard to the nature and purposes of the Bank as an international organization whose members are governments and to ensure that the staff assigned to perform any services under this agreement will conduct themselves in a manner consistent therewith. For your guidance, I enclose a statement of "Duties and Obligations of Staff Members" of the Bank, indicating in a general manner the standards of conduct of the Bank Staff in similar positions as the staff of your firm to be made available for this assignment.

Your firm agrees that for a period of three years after termination of this assignment, neither your firm nor the staff assigned by it to the assignment will seek or accept work connected with projects or operations that were of direct concern during this assignment unless prior consent of the Bank has been obtained.

Please confirm the agreement of the Overseas Consultancy Service with the foregoing by signing and returning the enclosed copy of this letter.

Sincerely yours,

N. Lenthe
N. Lenthe (Miss)
Personnel Assistant
Consultants Section

Enclosures

CONFIRMED *Lee H. Shaw*

DATED

14 August 1973

outside the United Kingdom
directly related to

Mr. Charles Weiss, Jr.

August 14, 1973

R. Picciotto *RP*

Comments on UNDP Cotton Development and Research Mission

1. In response to your memorandum of August 2, we are making some preliminary comments on research recommendations based on the papers forwarded to us. We will, of course, be happy to review the full report if a copy is made available to us.
2. The research recommendations of the UNDP mission are ambitious and if administered in a practical manner, would be helpful. However, it is a very large job and will require many resources - human and financial. We cannot tell from the two pages which we have seen if adequate provision has been made for obtaining the resources which will be required, nor can we evaluate the proposed organization and administration of the research program.
3. There is no mention in the recommendations of the economics of the textile industry. Cotton has not only been out-researched by the man-made fiber industry, but cotton is much more expensive than man-made fibers. Polyester staple fiber is now selling at about 38 cents per lb delivered U.S. mills. Cotton, on the other hand, is selling for about 66 cents per lb (Middling, 1-1/16 inches, Memphis growth, delivered mills) and it takes about 1-1/3 lbs of cotton to accomplish the same job as one pound of polyester staple fiber. Rayon staple fiber is cheaper than polyester but its quality leaves much to be desired. The most successful research program would result in little substitution of cotton for man-made fibers under existing price relationships. Price movements over the past year indicate that demand for cotton is growing faster than supply and raises new questions about future demand and supply relationships.
4. Before the recommendations of the UNDP report are activated, research and forecasts for the fiber industry are needed. Such a project should forecast future world supplies, demand and prices for cotton and other fibers.
5. Mr. Kraske has commented on the section of the report pertaining to India and we are in agreement with his comments. We also understand that Mr. Brown, in Pakistan Programs, is commenting on the Pakistan section of the report. We have, therefore, confined ourselves to the research recommendations.

cc: Messrs. R. Harma, J. Kraske, G. Brown,
J. Fransen, F. Lowenstein, G. Darnell

FL

FLowenstein:sam

August 14, 1973

Mr. Nader Afshar Naderi
Director
University of Tehran
Faculty of the Social Sciences
and Cooperative Studies
Institute for Social Studies and Research
P.O. Box 13-1155
Tehran, Iran

Dear Mr. Naderi:

I thank you very much for your letter of June 17 and apologize for what may well seem as an unreasonable delay in responding to it. However, what with summer leave and missions, I have been in Washington very little since the beginning of July.

We have reviewed the Final Report of the Asian Workshop on Research Methodology and find the proposed areas of study to be definitely of interest. Two questions, however, come to mind. Outside of the papers presented, what research is presently going on? What are the relationships between these study areas and the priorities given to the different topics in the respective country's urban and regional development policies?

As you may already know, this Division -- in collaboration with the Economics of Industry Division, also in the Development Economics Department -- is planning to do some work in Iran. To this end a mission consisting of Helen Hughes, Monique Cohen and Jayati Mitra recently visited Iran. They held discussions with Dr. Tofigh at the ISS among others.

Hopefully, in the course of our follow-up work, Monique, John English or myself -- or all of us -- will meet you. In any case, we look forward to the opportunity of discussing our respective research programs in considerably greater detail at some future date.

Yours sincerely,

Douglas H. Keare, Chief
Urban and Regional Economics Division

DHKeare/gc

OFFICE MEMORANDUM

yellow

TO: Mr. Yves Rovani

DATE: August 13, 1973

FROM: J. Warford and S. Littlechild (Consultant)

SUBJECT: COSTA RICA - Telecommunications Research Project
Full Report

1. As noted in the back-to-office report of Messrs. Warford, Schkolnick and Littlechild, dated August 8, the Research Institute of the Faculty of Economic and Social Science of the University of Costa Rica submitted a preliminary research proposal to the mission. On the basis of this, and the subsequent discussion, the mission recommended that we should now proceed with the project.

2. The preliminary proposal is attached as Annex 1. While the proposal outlines in a fairly satisfactory fashion the objectives and methodology of the study, the mission had a number of points, both of substance and of detail, to make, and suggested that a revised proposal should incorporate them, namely:

- (a) Objectives B and C should be merged. The attempt to compare villages with and without telephones is unlikely to be feasible on a large scale. Rather, the experience of the impact of telephone service in villages which previously had none should provide the necessary information, particularly as investment in rural telephones is a comparatively recent phenomenon.
- (b) One-week pilot surveys of some concessionaires and telephone users/non-users should be incorporated. Alternative methods should be tried, not only to improve statistical accuracy, but also to ensure community acceptance of the major surveys.
- (c) Upon completion of the nationwide concessionaires survey, a sample survey should be maintained for a further period of at least 6 months.
- (d) All types of telephone usage (personal, emergency, government, and various categories of business) will be classified, and where possible quantified in economic terms. Even when an economic value cannot be attached to a particular use, it may be possible to give bounds.
- (e) It would be convenient if the sample survey of rural telephone customers were to be accompanied by the collection of village socio-economic data.
- (f) More detail should be provided as to the timing of the contribution required from ICE.

- (g) Interim reports should be issued, and proposals for each major stage of the study should be submitted to the Bank before being carried out.
- (h) The study should extend over a period of about 15 months, beginning on October 1, 1973. A suggested timetable is included as Annex 2.
- (i) The tradeoff between breadth and depth of the study should be recognized, bearing in mind the operational importance of assessing regional variation in the impact of telephones.
- (j) Names and curriculum vitae of proposed participants should be supplied.
- (k) The proposal should state that ICE would be heavily relied upon to obtain the assistance of concessionaires and the co-operation of telephone users in responding to questionnaires.
- (l) The proposal should note that extreme care will be taken to ensure that there will not be - or appear to be - any monitoring of calls without the knowledge of callers.

3. A number of points that should be borne in mind in the execution of the study, some of which were discussed during the mission, are as follows:

- (a) There may already be information on destination of calls from some concessionaires' records.
- (b) The use of private lines e.g. that used by the rural guard in Quepos, and other private alternative means of communication should be taken into account in analyzing the use of public telephones.
- (c) It is important to study incoming calls.
- (d) Projections based upon time series will probably not be feasible since rural telephones have been introduced so recently.
- (e) Information from customers should cover, in addition to the points already discussed, whether the use of telephone is the sole reason for a trip into the village; whether the call is for the benefit solely of the caller (i.e. he may pass on information to others, so that an external benefit results); whether a journey to the destination of the call would otherwise be necessary; arrangements for receiving calls, and for collect calls.

August 13, 1973

- (f) There may be more than 15 months' data for some telephones.

4. We expect to receive within the next two weeks a formal research proposal, which will incorporate the foregoing, as appropriate.

Attachments

JJWarford:pjk

cc: Mr. Flood (LAC)
Mr. Vasudevan
Mr. Sheehan
Mr. Anderson
Mr. Schkolnick
Mr. Littlechild

PROPOSAL FOR A RURAL TELEPHONE STUDY IN COSTA RICA

Submitted by the Instituto de Investigaciones
de la Escuela de Ciencias Economicas y Sociales

I. INTRODUCTION

The installation of rural telephones in small villages and towns is a recent development in Costa Rica. It is probable that such events may have had important repercussions in economic and social variables such as the use of transportation, marketing methods, time savings, administration of both private and public entities, family relations, emergency situations, etc. A priori there are important reasons to think that the installation of rural telephones has a very important influence on the development of those regions covered by the telephone system. However, no studies have been made that allow for quantification, not even partial, of the possible impact of rural telephones. The Instituto Costarricense de Electricidad has pushed rural telephony strongly in the past and hopes to increase its efforts in the future; it is therefore of paramount practical interest to ICE develop studies that will allow measurement of the economic and social effects of the installation of rural telephones in some villages in Costa Rica. The study of rural telephony that is proposed in this document is intended to study some aspects of great importance with regards telephone services but cannot be considered as a comprehensive study of all the problems involved in rural telephony in Costa Rica. However, it is a first step in the study of a public service of high relevance for the country.

II. OBJECTIVES OF THE STUDY

The study has as its goal, to research the following aspects:

- A. The past growth of rural telephone services so as to allow for the determination of what factors have determined this growth and at the same time to allow projection of the demand for rural telephone services in the future. To this effect the information available in ICE with regards the increase in the number of telephones, number of calls, relation between these and the distance to the centers to which the calls go, seasonal variations, and cost and duration of calls.
- B. Analysis of the main characteristics of the demand for rural telephone service. This will include estimates of income elasticities for telephone services. An attempt will be made also to obtain information with regard price elasticities for those services. In addition, other factors will be studied that are of high relevance in the determination of the demand for telephone services such as who are the users of the service; with what frequency they use it; and for what purposes; ability to pay on the part of the users; easiness of access to the services; use of the service by levels of income; the role of the concessionaires; determination of the use of the service by type of activity; etc. Finally, an effort will be made to estimate the impact of the demand in changes of some of the variables before mentioned (income, population, prices, access, etc.).

C. The socio-economic effect of the installation of telephone services in some rural zones in Costa Rica. In this chapter it is attempted to measure the impact of rural telephony by means of the comparisons of certain economic and social characteristics in villages with and without telephone services. From the economic point of view the benefits due to the use of the telephones will be quantified by the savings in transportation costs, time-savings, marketing advantages, advantages in relation to production, etc. Other benefits of a social nature are of high relevance but cannot be quantified in economic terms such as the use of the telephone services in emergencies, improvement in the administration of public and private enterprises, family relations, greater proximity to urban centers, etc. With regards these variables it will only be possible to measure the relative importance of the same but no effort will be made to quantify them in economic terms.

III. METHODOLOGY

A. Past growth of the demand for rural telephone services and projection of future demand. To estimate the expected growth in the demand for rural telephone services in the zones that have the service, the following methodology will be adopted.

- (a) Use will be made of the historic information obtained by ICE during the last 15 months for each telephone with regards its destination, number of calls and costs of the same.
- (b) For each village and its zone of influence information will be collected on different socio-economic aspects. (The purpose being to obtain the distinctive characteristics of the villages.) The information will refer to income and wealth, size of the population and some data related to educational level and literacy; main activities in agriculture, including husbandry and agro-industries; infrastructure works (highways, water supply, electricity, buildings used for public services); number and size of the dwellings and shops in the village proper (but not in the zone). This information will have different degrees of precision; some will be obtained from relatively old statistics, some by direct research in the field including sample surveys.
- (c) An attempt will be made to explain and project demand as a function of one or several of these above mentioned variables in (b). The projection of the demand will be made for the period 1975-80.

B. Analysis of the main characteristics of the demand for rural telephone services.

- (a) By sampling, a research will be made with regard effective use of telephones as well as potential uses. So that the sample to be designed may allow us to obtain representative information of the effective users, a preliminary research will be made before tending to collect information on the main characteristics of the population of effective users. This preliminary research will be made with the help of telephone concessionaires, who, with previous training by the Institute, will collect, during at least

a couple of months, information in relation to the name and address of the user, economic and professional activity to which he devotes his efforts, duration of the call and a very general information with regards the purpose of the call (this will indicate if it was for personal matters, official, professional, related to own economic activity, etc.). Also the number and type of calls received.

- (b) The information that will be obtained according to point (a) will allow a better design of the sample survey of the users (both effective and potential). The questionnaires will have to foresee the necessary questions to obtain not only the information mentioned in (a) ante, but other, such as who uses the telephone and for what purpose, destination and duration of the call; the necessary questions to detect the time savings in marketing or in travel that had been obtained; the use made by the user himself, and the possible advantages obtained. Also an attempt will be made to survey what substitutes to the use of the telephone are available to the user.

C. Evaluation of some of the advantages derived from rural telephones.

- (a) To analyse the socio-economic effect of rural telephony two procedures will be generally followed: A sample survey of the effective users for the purpose of obtaining information to detect if:
 - (i) the user has changed the way in which he buys and orders certain goods and services as a result of now having the telephone service; if the producers or shop keepers and in general the different users of the telephone have changed their method of buying inputs and goods in general and the way they sell, also as a result of the use of the telephone;
 - (ii) if the answer is positive, an attempt will be made to quantify the consequence of such changes, whether it be in cost, in efficiency of marketing or in time spent by the consumer, or in the price paid by him.
- (b) Several villages with similar socio-economic characteristics, with and without telephone service will be compared, so as to try to quantify the possible advantages that the telephone may represent.

IV. DURATION AND STAGES OF THE STUDY

It has been estimated that the duration of the study will be some twelve months depending on the stages that will be decided to be made. The development of the study has been divided into six main stages:

1. Compilation and analysis of the data in the hands of ICE, as well as other information with regards population of different localities, educational levels, income, etc.

2. An inquiry or a survey addressed to the concessionaires of the rural telephone.
3. An inquiry or a survey addressed to the effective and potential users of the rural telephone.
4. Comparative analysis of some characteristics of localities served by rural telephone and localities without the service.
5. A new inquiry or filling of questionnaires to the concessionaires to detect seasonal variations in the use of the service. This stage is suggested as tentative.
6. Drafting and preparation of a final document.

The information obtained in stages 1,2 and 5 will be used to attain the first objective; those of the stages 1,2,3 and 5 the second objective, and finally the third objective will be analysed on the basis of the results of stages 3 and 4. The distribution of the six stages in time are shown in the chart on the next page.

V. PERSONNEL RESPONSIBILITIES

DIRECTOR : he is directly responsible, both from the technical and administrative point of view of the project. Naturally he will report to the Director of the Research Institute and also will have advice from two persons mentioned later; this advisory role is necessary not only to enrich the technical capacity of the project director but also to add the support of staff with different specializations. The director will be full time during the first stage of the research and half-time during the rest of the duration of the project.

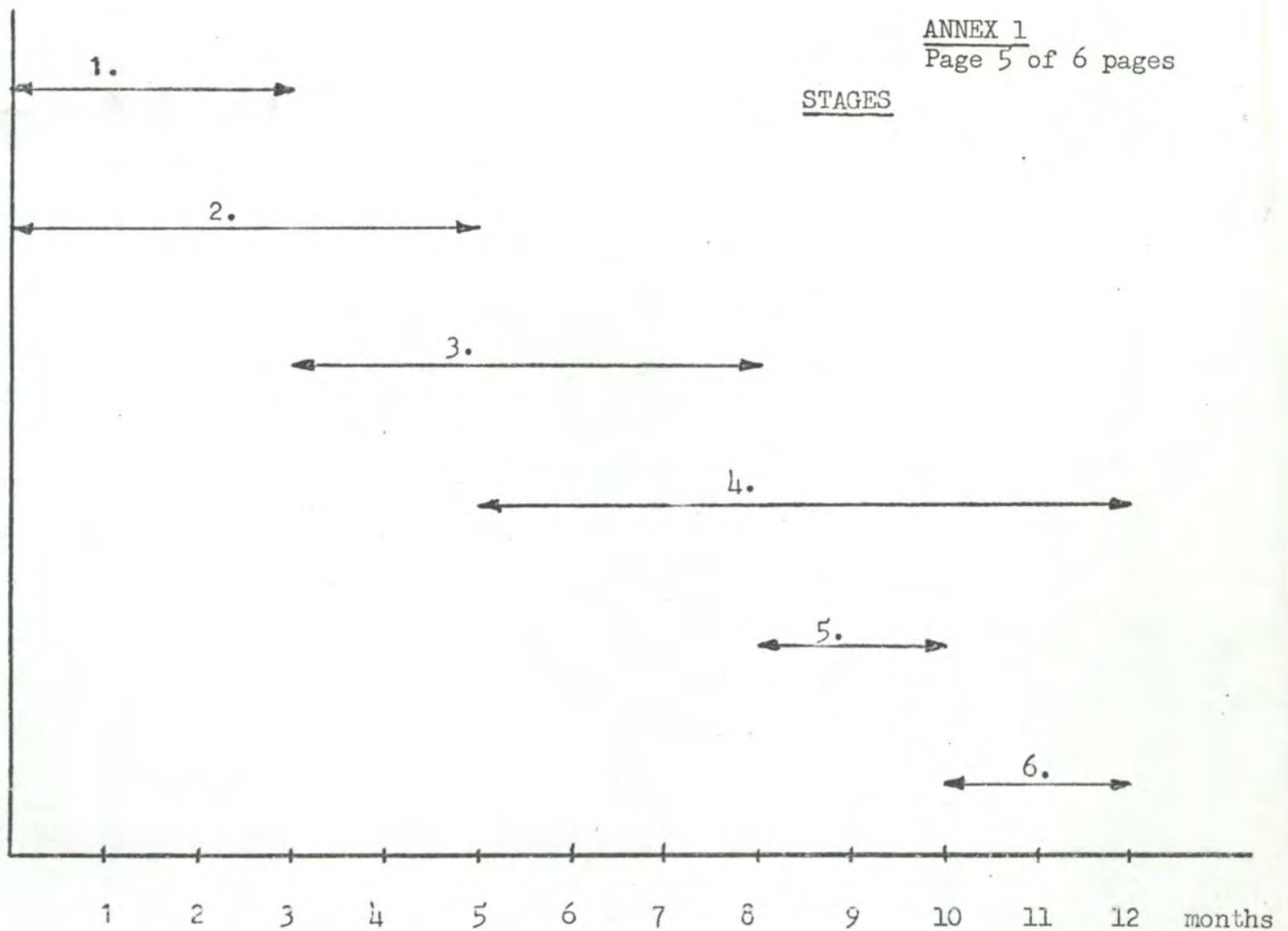
ADVISERS: the intensity of the work of the advisers will not be uniform over time. Their services will be specially necessary during the first stages and during the final stage in relation to the analysis.

RESEARCH ASSISTANT: these are people that have completed University studies with certain experience in research; they will be responsible and report to the project director on the specific tasks requested from them that involve a certain degree of technical responsibility. These same people will have an important function as supervisors of the quality of the field work as well as work done in the office, including the pre-drafting, codification, computation and tabulation of the questionnaires.

ASSISTANTS : personnel of lower level in charge of work where there is no need to make decisions and which are of a routine nature.

MAN-MONTHS : these personnel are of a certain level of expertise and experience in the preparation of questionnaires, and with regard field work, will be in charge of the persons who do the completion of the questionnaires.

STAGES



The distribution shown has the valuable advantage that at no point in time there will be work in more than two stages simultaneously, this will allow a better concentration of efforts in the part of the working team.

VI. I.C.E. PARTICIPATION

The study will be the responsibility of the Instituto de Investigaciones de la Escuela de Ciencias Economicas y Sociales. For the development of the study it will have close collaboration from ICE given the high level of expertise and knowledge ICE has in the field of telephony. It is considered that the participation of ICE is of paramount importance to guarantee the success of the study. ICE will provide as a minimum the following:

- (a) one qualified staff (research assistant) full time (6 months);
- (b) one staff of intermediate level (assistant) full time (8 months);
- (c) transportation services to make the preliminary visits to localities or villages served by rural telephones as well as for the making of the different questionnaire fillings or inquiries;
- (d) computation service in case it might be necessary to complement those of the University of Costa Rica.

VII. BUDGET IN US \$

<u>Item</u>	<u>University</u>	<u>ICE</u>	<u>BANK</u>	<u>TOTAL</u>
1 Director, \$400 monthly, half-time (12 months)			4,800	4,800
2 Advisers , 1/4 time, \$200 monthly (6 months)			2,400	2,400
3 Research Assistants, \$500 monthly (6 months)		3,000	6,000	9,000
2 Assistants \$250 per month (8 months)	2,000	2,000		4,000
1 Secretary, half-time, \$50 monthly (12 months)	600			600
400 interviews at \$10 each			4,000	4,000
8-men months to collect certain information in the field, \$300 each			2,400	2,400
Design of the questionnaires, instruction and maps			800	800
Transportation (including drivers)		1,000		1,000
Office supplies	750			750
Office	1,200			1,200
Contingencies			1,500	1,500
Computations	750	250		1,000
TOTAL	5,300	6,250	21,900	33,450

COSTA RICA

Timetable Proposed by IBRD Mission

Oct 1 Oct Nov Dec Jan Feb Mar Apr May June July Aug Sept Oct Nov Dec Dec 31
'73 '74 '74

Pilot Surveys Stage I



ICE Data Stage II



National Survey
Concessionaires Stage III



Sample Survey
Concessionaires Stage IV



Sample Survey
Customers Stage V




Integration & Summary
Stage VI



(P) Proposal

(R) Report

 Field work

August 1973

Stage	Description	Date Proposal Submitted	Date Report Submitted
I	Pilot surveys of concessionaires & customers	Not required	January 1, 1974
II	Analysis of ICE data & other published sources	Not required	February 1, 1974
III	National survey of Rural Telephone Concessionaires	January 1, 1974	June 1, 1974
IV	Sample survey of Rural Telephone Concessionaires	April 1, 1974	January 1, 1975
V	Sample survey of Rural Telephone customers/collection of village socio-economic data	June 1, 1974	December 1, 1974
VI	Integration of previous stages and summary	Not required	January 1, 1975

Notes

1. Stages I and II are planned to commence October 1, 1973.
2. Pilot concessionaire and customer surveys (Stage I) are planned to take place over two successive weeks in November 1973; national and sample surveys over subsequent six or seven months; sample survey of customers over two months during August 1974 referring to calls made during immediately preceding week(s) as shown by sample concessionaire survey; sample survey of customers accompanied by collection of village socio-economic data.
3. One month should be allowed between making proposals for Stages IV and V and going ahead, in order to allow for Bank comments and revisions.
4. Payment will be made in four installments, probably October 1, 1973, February 1, June 1, December 31, 1974 upon receipt of satisfactory reports.

August 1973

Mr. Ernest Stern, VPD
(Through Mr. Alexander Stevenson, ECDDR)

August 10, 1973

Douglas H. Keare, ECDRE

Research Proposal: Urban Land Use Policies: Taxation and Control

1. Attached for the consideration of the Research Committee at their meeting of October 15, 1973, is a research proposal entitled Urban Land Use Policies: Taxation and Control. It is a ~~more~~ detailed version of the proposal which I forwarded to you last March ("Preliminary Description of Research Projects to be Prepared: Urban Land Policies," March 26, 1973).

2. The ~~primary~~ researchers would be Orville Grimes, William Doebele (Consultant) and Nancy Hwang from this Division, assisted by Kenan Bulutoglu of the Public and Private Finance Division, ECD.

3. As you will note in the proposal, initial field work is scheduled to take place in November 1973. Since the Research Committee will not meet until mid-October, it would be very helpful to us if the review panel could give an early evaluation of the merits of the proposal, so that initial preparations may be made for the November mission. (We would of course make no contractual arrangements until the Research Committee renders a decision).

DHK:ap

Attachment

Mr. Charles Weiss, Jr.

August 10, 1973

Jochen Kraske

India - Cotton Research.

1. I refer to your memo of August 2, 1973, on the UNDP Integrated Programme for Cotton Research and Development. As for India, we have the following information and comments.

2. Our assistance to agriculture and agriculture-related activities in India so far includes a number of projects with cotton-related components. There is thus the Kadana Irrigation Project, in the State of Gujarat, to expand irrigated agriculture for various crops, including cotton. The emphasis is on general agricultural development and no cotton research is related to this project. But on-farm development work is being carried out and extension services for farmers are provided, including for those who grow cotton. We have also participated so far in nine Agricultural Credit Projects in nine different States: they provide long and medium - term credit to farmers through credit institutions for such on-farm investments as tractors, minor irrigation and land-levelling. Again, emphasis is not on cotton, but wherever farmers grow cotton under these projects they have access to these credit facilities. Finally, there are two Agricultural Markets Projects, in Bihar and Mysore. These credits will help to finance the establishment of wholesale markets in the two States; in Mysore cotton is one commodity that will be traded in these markets. In conclusion, although none of the above projects is focussing on cotton, they support, to a limited extent, production and marketing of cotton in various partsof India.

3. We recently identified, however, an Integrated Cotton Development Project in India, which we hope to present to the Board in FY 1975. This project would increase cotton output through higher yields per ha, improve cotton quality and provide large quantities of edible cottonseed oil and other cottonseed products. The first phase would include one variety areas of 100,000 ha each in two States. The project would include production of certified planting seed, a revolving credit fund to help farmers purchase required inputs (pesticides and fertilizer), and there would be an expanded cotton technical service in each area. High capacity gins would be installed to gin the additional production expected from the project and each area would have a cottonseed crushing mill, appropriately equipped and providing sufficient additional capacity to crush all the seed produced by project farmers.

4. If successful, this first phase would be followed by a second and third phase, comprising at ultimate development 1.5 to 2 million ha of cotton. Benefits from full development would be considerable, in terms of foreign exchange savings and earnings, and employment. The project does not include efforts to help the textile industry; it concentrates on improvements in yield and quality of raw cotton.

5. In consideration of our findings during pre-appraisal of the above project, we find the chapter on cotton in India of the UNDP report accurate and to the point. We have some comments, however:

- (a) Approximately 80% of total production, according to the report, consists of the two Asiatic Species (desi). This is not in accordance with our findings; while desi accounts for about 60% of cotton planted areas, production is less than 30% of the total. (See table, annex 1)
- (b) We have no reason to quarrel with the statement in the report that cotton research is most productive in developing improved varieties of cotton. We feel, however, that the Indians in their research place too much emphasis on long maturing varieties which are detrimental to prospects for double cropping and require large quantities of expensive inputs, i.e. pesticides. Generally, research results on cotton are not transmitted to farmers as fast or expeditiously as is desirable.
- (c) As for domestic marketing, the objective of GOI is to develop monopoly purchasing of seed cotton by a government agency, Cotton Corporation of India (CCI). If successful, the private trade, mentioned in the report, would cease to exist or have greatly restricted activity. However, the success of CCI in establishing monopoly purchasing is not a certainty.

6. You have also asked for comments on the UNDP mission's recommendations; I understand that Mr. Piciotto, Asia Agriculture and Rural Development Division, will take care of this.

Cleared with and cc: Mr. Lowenstein.

KHW:llen:nff



Transport & Tourism Technicians Limited

research planning development marketing

Ref F1/3

Registered office:
5 Vigo Street
LONDON W1X 1AH
Telephone: 01-734 7416/7789
Cables: TOURTEC London W1

10 August 1973

J A Simmons Esq
Chief Division I
Tourism Projects Department
International Bank for Reconstruction
and Development
1818H Street N W
WASHINGTON DC 20433
U S A

Tourism Projects Department	
AUG 13 1973	
Date Received:	_____
Replied by:	_____
Date Action Taken:	_____

Dear Mr Simmons

Air Transport Research

Many thanks for your letter of 31 July 1973. The visit to Washington was most useful and will enable us now to finish off this Study quickly. With all the current flurry of meetings and discussions of the air transport 'scene' it seems to be a very appropriate time to do this Study - although there is so much happening that it has been difficult to decide what has to be excluded in order to keep it reasonably within the scope of the Study.

2 When I returned to London I realised we had been a week out in the dates by which we would send you the drafts of the remaining Sections. Having got back to the office (via Montreal) on Thursday 2 August, I realised then that, allowing for drafting and typing, we should have said 10 August not 3 August.

3 Am therefore enclosing the drafts (almost complete - see below) of Sections E, F, G and H.

4 The extent to which they are not complete is:

Section E

I am doing a short sub-section on 'Forecasts' (which will include reference to the question of elasticity) and hope to send the draft to you early next week.

Section F

Continues/...

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COMMUNICATIONS
SECTION

10 August 1973

Section F

We are doing the country by country outline analysis of the main features of the LDC's but have not finished this yet. A specimen of how we propose to deal with this is enclosed.

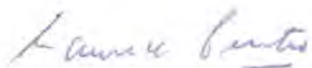
Section H

The statement to be attached to the introduction sheet of Exhibit 1 Section H is not yet finished but this will also be done by early next week.

- 5 Also I am redoing the Summary of the Report for inclusion in the Introduction but am leaving this until the rest is finished. As your request, it will be limited to three sheets (double sided) - although it may have to go to four sheets and I hope this is in order?
- 6 One further thing which I hope you can agree that we can go ahead with without sending you drafts is about four pages of 'charts' to include in the Appendix to illustrate main trends?
- 7 I hope this Study will be of use as the foundation for a Manual. It has certainly shown the vast amount of material on this subject, a great deal of which is controversial, and much no longer very relevant. And, in particular, it has indicated the need for a lot of rethinking of objectives and policies if air transport is to play a sound economic role in tourism development. Particularly, it has illustrated the need for much more co-ordination of air transport and tourism policies.
- 8 We will, of course, in the Final Report include the references to appropriate sources. In regard to the final paragraph of your letter I suggest that when it is finished we jointly identify that material which you may not already have and then either send you copies, or indicate from where you could procure them?

With kindest regards

Yours sincerely



Maurice Curtis
Director

P S We are enclosing two copies of the Report Drafts with this letter and are sending the other three under separate cover.



Record Removal Notice

File Title Operations - Research 1972 / 1974 Correspondence - Volume 5		Barcode No. 30045541		
Document Date 10 August, 1973	Document Type Letter			
Correspondents / Participants To: Keith Shaw, Administrative Director, Oversees Consultancy Service From: T. W. Berrie, Power Economic Advisor, Public Utilities Department				
Subject / Title Re: Standards of Urban Electricity Distribution Research Projects				
Exception(s) Personal Information				
Additional Comments		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by Sherrine M. Thompson</td><td>Date December 28, 2017</td></tr></table>	Withdrawn by Sherrine M. Thompson	Date December 28, 2017
Withdrawn by Sherrine M. Thompson	Date December 28, 2017			

File
OP-RESEARCH

Mr. E. Sterne

August 10, 1973

T. W. Berrie

Research Project
Standards of Urban Electricity Distribution

1. It has become necessary to ask for a further authorization from the Research Committee for \$6000, i.e., in addition to the \$20,000 already authorized, to be spent in FY 74.
2. The two basic reasons for the increase are: (a) the addition to the team (originally two engineers of somewhat differing specialisms) of an economist; and, (b) the need for a short review paper to be written and discussed before the main project got underway. Both needs arose during the course of discussions with the consultants, Overseas Consultancy Service, and within the Bank.
3. A breakdown between the original and proposed expenditure is as follows:

Fees

	<u>Original</u> <u>Submission</u>	<u>Revised</u> <u>Submission</u>
	<u>Man-days</u>	
i. Review Paper	-	17-1/2
ii. Discussions in London with Project Manager	-	4-1/2
iii. First visit to Washington and one/two Bank borrowers	10	22
iv. Scan of the literature	20	15
v. Discussions within Europe	20	16
vi. Writing "State-of-the-Art" Paper	20	15
vii. Second visit to Washington	<u>10</u>	<u>10</u>
	<u>80</u>	<u>100</u>
At \$200 a day	\$16,000	\$20,000

Mr. Sterne

- 2 -

August 10, 1973

Expenses

	<u>Original Submission</u>	<u>Revised Submission</u>
viii. First visit to Washington and one/two Bank borrowers	1,100	3,050
xi. Discussions within Europe	1,200	1,050
x. Second visit to Washington	<u>1,100</u>	<u>1,100</u>
Total Expenses	4,000	5,500
Total Fees	<u>16,000</u>	<u>20,000</u>
	<u>20,000</u>	<u>25,500</u>
Additional Allocation		(Approx.) <u>6,000</u>

4. You will notice that items 3(i) and 3(ii) should enable savings to be made with respect to items 3(iv), 3(v), 3(vi) and 3(ix). The increase in items 3(iii) and 3(viii) are due to an original underestimate of this item.

5. I would be pleased if you could let me have assurance of this increased amount as soon as possible so that the flow of work need not be interrupted. At present we are approaching item 3(ii) and making preliminary arrangements for items 3(iii) and 3(viii).

cc: Miss Lenthe
Messrs. Rovani
Howell
Warford
Bateman

JB
TWB:odd

Mr. Charles Weiss, Jr.

August 10, 1973

S. El Serafy *SeS.*

Cotton Research (and UNDP Draft Report on "Integrated Cotton Research and Development Mission")

1. This is in reply to your August 2, 1973 memorandum on this subject. Without the UNDP report one is perhaps being unfairly critical, but the mission's recommendations appear to be deficient in any "strategy for defending cotton against competition from synthetic fibers". Such a strategy would, I conjecture, center on fiber relative prices and fiber technical characteristics as viewed by the spinning mills and ultimately by the final users.

2. An overdue emphasis runs through the recommendations on improving agronomic conditions in developing countries - a worthy goal no doubt - but can this be interpreted as a means to increasing world production of cotton so that a structural downward adjustment in price would ensue, which might induce substitution in favor of cotton? In any case, I fail to see in the recommendations any policy direction for stable and depressed (?) cotton prices.

3. The persistent onslaught on natural fibers by the man-made varieties has been going on for over half a century, essentially as a result of technological progress in the chemical industry which has produced new fibers with desired characteristics and acceptable prices which have tended to decline over time. The overall fiber composition of consumption continues to change with non-cellulosic fibers still rapidly rising^{1/}. In a sense it would be unadvisable and indeed difficult to resist such structural changes emanating, as they are, from formidable sources. However, there is room, albeit limited room, for improving and developing natural fiber characteristics that would preserve some of the traditional markets of raw cotton and perhaps extend its uses. Such

1/ Composition of World Fiber Consumption

	<u>Cotton</u>	<u>Wool</u>	<u>Rayon and Acetate</u>	<u>Non- Cellulosics</u>	<u>Total Fibers</u>
	<u>Percent</u>				
1962	63.7	5.2	22.3	8.8	100
1972	42.8	3.1	15.9	38.2	100

Source: ICAC (partly estimated)

August 10, 1973

developments would effectively take place not in the cotton growing countries per se, but where the major textile activities are located, especially where they coincide with major chemical industries.

4. The above are but quick and tentative responses to the summary recommendations, and the report when it becomes available may indeed alter one's first reactions.

5. On the more specific section dealing with Pakistan, to the best of our knowledge this appears accurate and informative. Its recommendations correspond with those of the Bank's own resident agriculturalist and others. Ginning, pesticides and improved seed appear to be especially critical problems. The recommendations dealing with salinity, land levelling, water application and other cultivation practices are also relevant and worth making. It may be mentioned that the UNDP is also conducting a commodity policy study on cotton in Pakistan over the next several months. The Bank's forthcoming economic mission (scheduled to take place in about two months' time) is expected to contain an industrial economist who will be considering cotton textile machinery problem.

cc: Messrs. J.H. Collier
G. Brown

SEL:Serafy:ccs

Mr. Charles Weiss, Jr.

August 10, 1973

Klaas Haasjes

Cotton Research

1. I have read the UNDP recommendations and the sections dealing with the major cotton producing countries in Latin America that you forwarded to me with your memo, dated August 2, 1973, and I have no comments to offer except that the subject appears to have been studied thoroughly and very competently.

2. In reply to your question in paragraph 2.b of your memo, I list the projects in our Region related to cotton as follows:

Brasil - Northeast integrated rural development project.

This project still has to be defined but would include cotton and probably research, extension, and training components.

Rio Grande do Norte State, Rationalization and Expansion of cotton cultivation. The pre-feasibility study was received on July 27, 1973 and is under review. Details can be made available at a later stage.

Mexico - First Irrigation Rehabilitation Project (Loan 275)-(ME). Four districts are involved and cotton is produced in all of them not necessarily as the major crop.

Second Irrigation Rehabilitation Project Loan (336)-(ME). Three districts are involved. At time of appraisal, cotton was a very important crop, but due to a combination of factors, it has virtually disappeared. Rehabilitation and

Rehabilitation and Expansion of the Region Lagunera and San Juan Irrigation Districts (Loan 450)-(ME). In the Lagunera District, cotton is the main crop grown. It is less important in San Juan.

Rio Colorado Project (Loan 527)-(ME). Cotton was a major crop at time of appraisal, but plantings have since been reduced. However, with better pest control, it is now coming back into the picture.

Sinoloa Irrigation Project - Under appraisal. Cotton is included as a possible crop under project conditions.

Penuco First Stage Project - Under appraisal. At one time, this project area was a major producer of cotton, but the crop has virtually disappeared due primarily to pests and disease. Under the project, however, it could be considered as a potential crop since irrigation would allow planting time to be shifted to the dry part of the year when the hazards of too much water, disease, and pests are much reduced.

Mr. Charles Weiss, Jr.
August 10, 1973
Page Two

Third Livestock and Agricultural Project (Loan 747)-(ME). Cotton is expected to represent about 2% of production of project farms at full development, by weight.

Colombia - Agricultural Credit Project (Loan 624)-(CO). Cotton is expected to represent about 45% of production of project farms at full development, by weight.

3. None of the projects listed above has a specific component for research, extension, or training for cotton only. All projects required extension activities but they were for all crops including cotton.

4. On the question in paragraph 2.c of your memo, I would like to make the following general comment. In the UNDP recommendations, which, in line with the purpose they serve, are very succinct, I cannot clearly detect any mention of a link between the results of the proposed cotton research and the economy of their application on various levels of farming. I refer mainly to the difference in benefits derived from using the results as realized by large cotton growers and by small farmers who grow a few acres of cotton as their only cash crop and many acres of subsistence crops. In the latter case, the development of cotton production is a perfect instrument to make them enter into a cash economy. Such farmers often have no basis for creditworthiness, and, since cotton has a very limited market except for the ginneries, it is a useful collateral for agricultural credit. Possibly, the UNDP study could also highlight the extent to which cotton research results could help subsistence farmers to become "commercial" farmers.

Miss M. Shah

August 9, 1973

David Haynes

Terms of Reference - A Study in Land Reform

1. Tomorrow you will proceed to New York for one day to obtain information regarding possible analyses of experiences with land reform in Latin America for the research project on land reform being carried out by Mr. S. Eckstein of the Rural Development Division, Development Economics Department.

2. Upon your return you will submit your findings to Mr. S. Eckstein.

cc: Messrs. Eckstein and Reutlinger

MShah:jb

Mr. Dragoslav Avramovic, Chief Economist, LAC.
Mr. Stanley Please, Chief Economist, EA through Mr. Tims
Shamsher Singh, Chief, EPD/CE

August 9, 1973

World Copper Study

1. In accordance with our work program which was discussed with the Regions earlier in the year, we are preparing a study on world copper prospects. Mr. Takeuchi is responsible for this study. The paper is primarily intended to forecast world production, consumption, trade and price of copper during the coming decade or so (up to 1985). It is also intended to touch on major issues relating to the development of copper industry in LDC's. The purpose of this memo is to request participation of country economists in this study.

2. What we would like to have is a section on the copper industry of each of the four CIPEC countries, briefly summarizing the historical development and future prospects of the industry in each country. We are thinking of a contribution requiring 2-3 man-weeks of work on each country on the part of the country economists concerned.

3. We propose to complete the first draft by the end of November and plan to issue it as a Bank Staff Working Paper. We will give due credit to the country economists concerned for their contributions.

4. Mr. Takeuchi has informally discussed this request with Messrs. Reichelt, Sonmez and Thiebach. I understand that they are, in principle, agreeable to the proposal and willing to participate in the exercise in so far as time and workload will permit. Since the study is intended to serve the needs of the Regions, I hope that you will kindly agree to this request.

cc: Mr. Tims
Mr. Takeuchi
Mr. Reichelt
Mr. Sonmez
Mr. Thiebach

8W
SSingh/KTakeuchi:jmca

O.P. Research

August 9, 1973.

Mr. D. Mayer
Caribbean Division
C.I.D.A.
122 Bank Street
Ottawa, Canada K1A.

Dear Doug:

I, and a number of colleagues, met with Peter Wickenden yesterday to discuss the scope, content and timing of the transport sector work program for the Caribbean Regional Study. We are all agreed that Wickenden has the training and experience to contribute to the study; I should like to have him on the team. We would be much obliged if C.I.D.A. would agree to sponsor Wickenden's participation as a transport economist in the Caribbean Regional Study.

In sponsoring Wickenden, I understand that C.I.D.A. will cover his salary and related benefits, travel between Ottawa and Washington, and subsistence during his stay in Washington D.C. The bank would undertake to cover Wickenden's travel between Washington and one or more of the Caribbean countries and subsistence while he is in that region. (These arrangements will be formalized through the Bank's Personnel Office once the matter has been cleared at your end).

Frankly, we had some difficulty in fixing a time schedule. The best guess I can make at this time calls for Wickenden to:

- a) spend a period in Washington for briefing during the week of September 10th. - 14th. inclusive;
- b) spend the period from October 15th. - January 31st. 1974 in Washington and the Caribbean Region preparing a first draft transport sector report; we should allow for a week or ten days for Wickenden to return to Ottawa over the Christmas and New Year holiday period);
- c) visit Washington during the third or last week of February to discuss his draft report and revise it as necessary.

Mr. D. Mayer

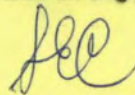
Aug. 9.1972 page 2.

This adds up to roughly sixteen weeks. Given the complexity of both the subject and the logistics, I think this would be the minimum time period required for the job; the specific dates I have mentioned, however, should be treated as tentative.

Needless to say, my colleagues and I very much appreciate C.I.D.A's willingness to help staff the Caribbean Regional Study team.

With warmest personal regards.

Sincerely,



S. E. Chernick

P. S. I hope the search for an agricultural economist yields as promising a participant as Wickenden.

c.c. F. Abbate
D. Turnham
P. Geli
M. van Gent

SEC/gs

OFFICE MEMORANDUM

TO: Mr. Yves Rovani

DATE: August 8, 1973

FROM: J. Warford, R. Schkolnick & S. Littlechild (Consultant)

SUBJECT: COSTA RICA: Telecommunications Research Project
Back-to-Office Report

1. In accordance with terms of reference dated July 11 and July 20, 1973, Messrs. Schkolnick and Littlechild visited Costa Rica during the period July 29 - August 7, Mr. Warford joining them for the last five days of the mission.

2. The mission had two main objectives. Mr. Schkolnick's primary purpose was to discuss with the Costa Rican telecommunications authorities (ICE) his progress to date on the telephone network cost structure study, and to obtain information that would enable him to complete his second progress report on the long distance network. Messrs. Warford and Littlechild were primarily concerned with the formation of a research project on the impact of telecommunications on rural development, and to this end held detailed discussion with the Research Institute of the Faculty of Economic and Social Science at the University of Costa Rica, as well as with ICE.

Cost Study

3. Mr. Schkolnick had prepared a preliminary draft of the second progress report on his study of the network cost structure, and upon arrival discussed this with ICE engineers. He also obtained the following additional information:

- . physical and cost data for long distance cables;
- . physical and cost data for junctions in the metropolitan area;
- . operating and maintenance costs for urban and long distance networks for 1971 and 1972 (to check the reliability of data for 1970);
- . exchange design for 1,000, 3,000, and 10,000 lines (to augment design previously made by an ICE engineer for 5,000 lines, in order to explore the presence or otherwise of economies of scale and to allocate exchange costs);
- . cost of transforming a coaxial 300 channel bearer into a 960 channel bearer;
- . long distance switching costs for exchanges other than San Pedro;
- . revenue from public telephones.

4. The information collected on the long distance network will be analyzed and presented in Mr. Schkolnick's second progress report, the remainder in his third report.

Rural Telephone Study

5. Prior to Mr. Warford's arrival Messrs. Schkolnick and Littlechild visited the University of Costa Rica and discussed with Messrs. Fernando Naranjo (Director of the Economic Research Institute), Victor Hugo Hespedes, Marco Vinicio Tristan and Francisco Guttierrez, a draft research proposal that had been prepared. Following these discussions, a revised proposal was submitted, this being the subject of further discussion when Mr. Warford arrived.

6. The second draft outlined the major objective of the research project as being to determine the economic impact of investment in rural telephones. The primary source of data would be the recording of information on telephone usage by public telephone concessionaires, this being followed up by in depth surveys of a sample of telephone users and non-users. Qualitative information on the nature of the demand for telephones, would therefore be provided, and attempts would be made to quantify this in economic terms.

7. On the basis of the foregoing, the mission agreed that the faculty members of the University who would be involved in the study had sufficiently demonstrated their interest and competence to carry out the work. As a consequence the second proposal was subjected to more detailed scrutiny, the major points at issue again being conveyed to the University. A meeting attended by Mr. Naranjo and ICE staff members (Messrs. Cafias, Loria and Campos) was most valuable in clarifying the operational issues involved, the interest of ICE, and the need for close co-operation between ICE and the University in carrying out the study.

8. ICE in fact claimed to have great interest in the study and specifically requested that certain data be recorded for their benefit. They also promised to handle the crucial problem of persuading concessionaires to co-operate, and to provide technical assistance and the necessary transportation. The mission emphasized both to ICE and the University that on no account should there be or appear to be any monitoring of telephone calls without the knowledge of callers. It was agreed that extreme care would be taken to ensure that this would not become a problem.

9. The mission recommends that we proceed with the rural telephone research project, and that our contribution, as requested by the University, be of the order of \$22,000. It is also recommended that Mr. Littlechild be retained to comment on interim reports throughout the course of the study. This would cost about \$2,000. Including staff travel, the total cost to the Bank would therefore be of the order of \$26,000. On the

Mr. Yves Rovani

- 3 -

August 8, 1973

basis of the present allocation from Research Committee funds, \$4,000 would have to be found from the Department's budget. It is planned that the study will commence on October 1, 1973, ending December 31, 1974.

10. A full report on the status of the research project will be submitted separately by Messrs. Warford and Littlechild.

JJWarford:pjk

cc: Mr. Flood (LAC)
Mr. Vasudevan
Mr. Sheehan
Mr. Anderson
Mr. Schkolnick
Mr. Littlechild (Consultant)

Ref. No. TAG/944

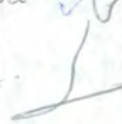
Central File - Caribbean Regional Study
MINISTRY OF TRADE, AGRICULTURE
AND GRENADINE AFFAIRS

SAINT VINCENT,
WEST INDIES.

8th August, 1973.

*R'ced
aug. 20/73*

O P. Research

*Mr Chernick to
please see 
8/23*

Shiv S. Kapur,
Chief,
Country Programs Division
Latin America and Caribbean
Regional Office,
1818 Street,
N.W. Washington, D.C. 20433,
U.S.A.

Dear Sir,

I wish on behalf of the Premier/Minister of Trade,
Agriculture and Grenadines Affairs, Hon. J.F. Mitchell
to acknowledge receipt of your letter of June 18th, 1973.

The Premier has noted IBRD's proposed economic
study and has designated the Permanent Secretary, Ministry
of Trade, Agriculture and Grenadines Affairs as Liaison
Officer for this exercise.

Sincerely yours,



Permanent Secretary

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COMMUNICATIONS
SECTION

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1973 AUG 17

OFFICE FOR THE EXECUTIVE

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Mr. E. P. Schertz - Agriculture

August 8, 1973

Robert D. Hunt, Economist, EPD/CE

The Proposed Gira Livestock and Meat Study

1. On reflection I believe that this study would be of much interest to several different areas of the Bank. With respect to my own work the study should offer a valuable check on my projections some 12 months after their completion. In addition the manpower devoted to the study permits coverage of other meats besides beef, something we were unable to do but would like to have.

2. In addition the detailed coverage of consumption patterns and market structures in different countries, and especially projection of these, should provide valuable information to people designing projects with beef export components in them. The East Africa Region should be particularly pleased with the country coverage in East Africa and the Middle East. This aspect is also of interest to the Commodities Division as we are considering a regional livestock study in East Africa and the Middle East.

3. In view of the substantial discount offered for current subscribers, I think a decision should be taken on this quite soon, but I believe because of its fairly widespread utility that it is worth acquiring.

cc: Mr. Wolffelt.

RDHunt:jmca

OP-RESEARCH

Mr. Francisco Thoun - ECDND

7 August 1973

Vinod Prakash - ECDND

VP

Terms of Reference: Brazil Economic Mission

1. On or about August 14, 1973, you will arrive in Brazil as a member of the Updating Economic Mission headed by Mr. David Greene.
2. You will investigate the role of small firms in the Brazilian industrial development process, with particular reference to the following:
 - a) Suggest appropriate definitions of small, medium, and large industrial establishments.
 - b) Assess the overall contribution of small firms to industrial production, employment, etc.
 - c) Identify industrial sub-sectors in which small firms contribute significantly to output or can make such contribution on a competitive basis.
 - d) Identify policy and institutional bias, especially with regard to credit availability, against small firms which constrain their growth and undermine their competitive position.
 - e) Analyze the socio-economic characteristics such as labor-intensity, capital-output ratio, labor productivity, etc., of small firms in selected lines of manufacture and compare these with characteristics of medium and large firms.
3. You will return to Washington on or about September 10, 1973. Upon your return, you will cooperate in writing the Mission's report which should be submitted to the Program Director in its yellow version by December 6, 1973.

FT:dvh

c.c. and cleared with Mr. Gulhati - ECDDR
Mr. Senner - LACIII

cc: Mr. Avramovic - VPLACC
Mrs. Hughes - ECDND

OP-RESEARCH
August 6, 1973

Mr. Keith Shaw
Administrative Director
Overseas Consultancy Service
30 Millbank
London SW1P 4RD
England

Dear Mr. Shaw:

Re: Standards of Urban Electricity
Distribution Research Project

Thank you for your letter of July 31, 1973.

The suggestions which you put forward are important and I will give them my earliest attention. I also believe that there has been some confusion over what part of the research project the present contract is expected to cover.

Meanwhile I am looking forward to receiving the review paper and, as you did not comment on any unsuitability about the date in your letter, I expect to call at your offices to visit the team at 10:00 a.m. on September 5, 1973.

Very truly yours,

Thomas W. Berrie
Power Economics Advisor
Public Utilities Department

cc: Miss Lenthe
Messrs. Ray
Rovani
Howell
Friedmann
Warford
Bateman

Control Number MISC-3-50

Mr. Tolbert, Mr. Glaessner, Mr. Simmons,
Mr. Odone
A. Hayman

August 6, 1973

European Market Study: Proposed Program

1. Background

There can be no doubt of the need to improve our knowledge of European tourist markets, and to develop a methodology whereby more reliable demand forecasts can be used in appraisals and sector work. Considerable thought is needed, however, to ensure that limited research resources are used to the maximum operational effect. It is also important that work done on European markets should be consistent with, and complimentary to, similar work on North American and Japanese markets. However, since Europe ^{1/} comprises some twenty countries each with its own statistical idiosyncracies, the European study needs much more effort put into establishing a data base than the other two.

2. Objects

The study would aim to:

- (a) provide historical trend data, within acceptable limits of approximation, on main tourist, leisure, and socio-economic indicators on a directly comparable basis for all ^{2/} European countries;
- (b) review tourist forecasting methodologies currently in use in main European travel organizations;
- (c) develop, together with the North American and Japanese studies guidelines for tourist demand forecasting appropriate for national sector reviews and individual project appraisals;
- (d) provide an analysis of significant trends in European vacation travel, with special reference to destinations where Bank operations are envisaged;
- (e) produce indicative long-run forecasts of total European vacation travel abroad.

3. Proposed Coverage

Basic data should be included for all the countries listed in Annex 1. But it is arguable that it is neither possible nor useful to develop elaborate forecasts for countries generating only a very small share of total European

^{1/} Assumed for the purposes of the study to mean non-Communist Europe plus Yugoslavia.

^{2/} See paragraph 3 below.

foreign vacation travel, such as Finland, Greece, Iceland, Irish Republic, Luxembourg, Portugal, Spain, and Yugoslavia. The effort should be concentrated on Germany, Scandinavia, France, Italy, and U.K. The study should review historical trends from the early 1960s. Forecasts should be for 1980 and 1990. The study will review appropriate units for tourist forecasts, but the most generally useful is probably the tourist bed-night.

4. Proposed Program and Timetable.

- (i) Department agreement on program, terms of reference, consultant inputs: late August.
- (ii) completion internal desk research of available sources: late August.
- (iii) First field visit: mid September.
- (iv) Establishment of data base: mid December.
- (v) Analysis and development of methodology. From December, coordinated with North America and Japan studies.
- (vi) Completion of study, tentatively April 1974.

5. Outline Budget

The US\$ 10,000 tentatively budgeted for this study should probably be allocated roughly as follows:

	US\$
Consultants - data base	5,500
Consultants - methodology	2,000
Purchase of sources	1,200
Consultants travel and subsistence	800
Contingency	500
	<hr/>
	10,000

The allocation for methodology could be pooled with the budget for the North America study so that a substantial contribution from qualified academic(s) could be expected.

cc: Mrs. D. Calvo, Mr. Iizuka, Mr. Benbrahim.

AHayman: nm

European Market Study

Checklist of selected european sources on tourism

1. International:

a) Sources

- (i) I.U.O.T.O., Geneva
- (ii) O.E.C.D., Paris
- (iii) European Travel Commission, London
- (iv) Institut de transport aerien, Paris.

2. Austria:

a) Sources

- (i) Austrian Central Statistical Office
- (ii) Institute for Scientific Research in Tourism,
University of Vienna.
- (iii) Austrian State Tourist Department.

b) Surveys

- (i) Sample survey, 1966-7.
- (ii) Federal Office of Statistics Survey 1968-9.

3. Belgium:

a) Sources

- (i) Institut National des Statistiques.

b) Surveys

- (i) Structure Depenses Touristiques de la population Belge
1966-7.
- (ii) Holiday expenses of the Belgian population.

4. Denmark:

a) Sources

- (i) Danish Central Statistical Office (DCSO)
- (ii) Institute for Transport and Tourism Research Science,
Copenhagen School of Business Administration.

(iii) Danish Tourist Board (DTB)

(b) Surveys

- (i) Tourism in Denmark, to 1970, DTB
- (ii) Holiday survey 1966-7, DCSO

5. Finland:

a) Sources

- (i) National Planning Office
- (ii) Finnish Tourist Board.

6. France:

a) Sources

- (i) Commissariat General du Tourisme (CGT)

b) Surveys

- (i) Institut National de la Statistique et des Etudes Economiques 1949-1969.
- (ii) Vacances d'Ete des Francais en 1969.
- (iii) S.E.T.E.C. Survey of border crossings.
- (iv) CGT data bank.

7. Germany:

a) Sources

- (i) Deutsche Zentrale fur Fremdenverkehr
- (ii) Statistisches Bundesamt - Wiesbaden

b) Surveys

- (i) Tourismus der Deutschen 1968-9 DIVO, Munich
- (ii) Federal Statistical Office survey 1968-9.

8. Greece:

a) Sources

- (i) National Bank

b) Surveys

- (i) National Statistic Annual Survey

9. Iceland:

a) Sources

(i) Iceland Tourist Bureau

b) Surveys

(i) Tourist development in Iceland 1969

10. Irish Republic:

a) Sources

(i) Board Failte Eireann

(ii) Central Statistical Office

b) Surveys

(i) Survey of Travellers 1968, 1971/2. Board Failte.

11. Italy:

a) Sources

(i) Ministero del Turismo e Dello Spettacolo

(ii) Istituto Central di Statistica (ICS)

(iii) Ente Nazionale Italiano per il Turismo

b) Surveys

(i) Survey of holiday habits 1966, 1969, ICS

(ii) Centro di Documentazione: annual

12. Luxembourg

a) Sources

(i) Service Centrale de la Statistique et des Etudes Economiques.

(ii) National Tourist Office.

13. Netherlands:

a) Sources

(i) Netherlands National Tourist Office

(ii) Central Bureau of Statistics (CBS)

(iii) Institute for Tourism and Recreation Research.

b) Surveys

(i) Sample surveys 1965/6 and 1968/9. Vakantiebesteding van de Nederlandse Bevolking.

(ii) CBS annual surveys.

14. Norway:a) Sources

(i) Central Statistical Office

(ii) Statisk Sentralbyra Oslo (SSO)

(iii) Ministry of Communications.

b) Surveys

(i) Sample survey 1967/8, SSO

15. Portugal:a) Sources

(i) Commissadio do Turismo

(ii) Instituto Nacional de Estatistica

16. Spain:a) Sources

(i) Subsecretario de Turismo.

b) Surveys

(i) National Institute of Statistics, bi-annual.

17. Switzerland:a) Sources

(i) Swiss National Tourist Office

(ii) Swiss Tourist Association

(iii) Federal Bureau of Statistics (FBS)

b) Surveys

(i) Survey of Swiss Travel Market 1970, FBS

(ii) Household survey 1970, St. Gallen University.

18. Sweden:

a) Sources

- (i) Swedish Tourist Traffic Association (STTA)

b) Surveys

- (i) Survey of holiday attitudes 1968, Institute of Public Opinion.
- (ii) Sample survey of holiday habits 1964, 1968 STTA

19. United Kingdom:

a) Sources

- (i) British Tourist Authority (BTA)
- (ii) National Institute of Economic and Social Research
- (iii) Department of Applied Economics, Cambridge.
- (iv) London Graduate School of Business Studies.

b) Surveys

- (i) British National Travel Survey. BTA. Annual since 1960.
- (ii) General Household Survey. Introduced 1972.
- (iii) International Passenger Survey. Dept. of Trade and Industry.

20. Yugoslavia:

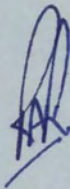
a) Sources

- (i) Federal Secretariat of Economy. Sector of Tourism
- (ii) Institute of Tourism Economics
- (iii) Federal Bureau of Statistics.

GOLDSLAND COTTAGE,
WENVOE
NEAR CARDIFF
WOODLAND 200

4th August, 1973.

Please find attached a copy
of my letter to Bill Kinsey
as per your telegramme of
today's date.



A handwritten signature in blue ink, consisting of a large, stylized capital 'A' with a loop at the top and a horizontal stroke at the bottom. Below the signature is a solid horizontal line.

RECEIVED

1973 AUG -9 AM 9:59

COMMUNICATIONS
SECTION

O.P. - Research
RPO 293

Goldsland,
Wenvoe,
Cardiff.
UNITED KINGDOM.

31st July, 1973.

Mr. B.H. Kinsey,
Food Research Institute,
Stanford University,
Stanford,
California,
U.S.A.

Dear Mr. Kinsey,

Thank you for your letter dated the 19th July, 1973.

Since my luggage has not yet arrived from Nairobi, I do not have at hand the address of the Portland Cement Company at Blantyre. I have, however, written separately to Jim Scott at Lilongwe asking him to forward this information to you. Your letter implies that the survey cards have not yet arrived at Washington. I am concerned about this since the Portland Cement Company was instructed to freight by air, in which case the cards should have arrived by the end of June.

With regard to the farm management survey, I should point out that I have not seen the proposals for the Lilongwe follow-up study, and was, therefore, unaware of your principal areas of concern when writing my previous letter. As you rightly suggest, the problem of analysing this survey would be reduced if the family labour recordings are omitted. Notwithstanding this, I am still perturbed at the proposal to analyse this survey in Washington for the reasons mentioned in my previous letter. I consider the first and most important stage in survey analysis is to make absolutely certain that the base data are thoroughly checked for recording, coding and punching errors. Unless the original survey schedules (about 4000 booklets), are sent to Washington, this work can only be undertaken properly at Lilongwe.

/Continued.

31st July, 1973.

In answer to the questions contained in your letter, I have the following comments to make:-

- 1) It would not be difficult to extract the cards you require though, as mentioned in my previous letter, the card filling has become somewhat confused. Not all recordings, however, have been punched onto cards, (for example, the household listings and the growers diary) and some of these may be relevant to your analysis.
- 2) It would be possible to design an edit programme in Washington to be run in Washington. I do not consider it feasible since, without the original schedules, there would be no way in which identified errors could be corrected.
- 3) I do not understand how such an 'error margin' can be defined or expressed. I can provide an estimate of percentage of card rejects and you should expect this to be around 30% overall. Most of the cards were punched at the National Statistical Office at Zomba and their standard has been erratic and sometimes quite unsatisfactory. The N.S.O. verifiers do not leave an identification mark on the cards and although all card boxes have been marked, 'verified', one cannot visually check whether this has in fact been done. The punching 'routes' are rather complicated on most of the card types and for this reason, we supervised initial punchings to ensure that the correct route was being followed. Despite this, some 12,000 cards of the 1969/70 survey year were discarded due to an incorrect punching route being followed - a mistake which supposedly passed through the verifier as well.
- 4) Hand analysis of a sub-sample of the FMS will require either the original schedules from Lilongwe, which they do not want to part with, or a visit to Lilongwe, in which case the full sample could be tackled on the Malawi computers.
- 5) I think the present position is as follows:-
1969/70 has been edited and corrected but not analysed.
1970/71 has been edited but not corrected.
1971/72 has been punched but not edited.

/Continued.

Mr. B.H. Kinsey.

- 3 -

31st July, 1973.

- 6) As part of the FMS, a sociological survey schedule was completed for each grower during the 1970/71 year. This could and should be meshed with other FMS data.

I do not wish to give the impression that I am either an abject pessimist or opposed to any analysis of the Lilongwe farm management survey. On the contrary, I welcome any move to progress with this survey which has fallen sadly behind schedule. I do, however, feel that it is unrealistic to proceed with analysis until such checks have been completed.

Incidentally, I have not, so far, received any communication on arrangements and terms of service for my appointment in September. Assuming this is forthcoming, I look forward to seeing you on September 10th.

Yours sincerely,

R.A. Reader

c.c. Mrs. Uma Lele, I.B.R.D.
Mr. Andrew Mercer, Lilongwe.
Mr. P.J. Scott, Lilongwe.

OUTGOING WIRE

12381

TO: MR RIDA AZZABI
COMTOURISME
TUNIS

DATE: AUGUST 3, 1973

CLASS OF
SERVICE: FULL RATE

COUNTRY: TUNISIA

TEXT:
Cable No.: RE ETUDE AIDE DE LETAT ET VOTRE TELEX DU 31 JUILLET PRIMO SOMMES DACCORD

AVEC LISTE PROPOSEE STOP SUGGERONS AJOUTER COOPERS AND LYBRAND ADRESSE

ABACUS HOUSE GUTTER LANE CHEAPSIDE LONDON EC2V 8AH ET HORWATH AND HORWATH
QUI SOUMETTRONS PEUT ETRE UNE PROPOSITION PLUS INTERESSANTE
STOP PRIERE CONFIRMER PAR CABLE SECUNDO SUGGERONS QUE GOUVERNEMENT TUNISIEN

LANCE APPEL DOFFRES STOP SOMMES PRETS A VOUS ENVOYER SI LE DESIREZ MODELE

DAPPEL DOFFRES UTILISE PAR LA BANQUE TERTIO SUPPOSONS QUE VOUS SOUHAITEREZ

MENTIONNER DANS LAPPEL DOFFRES QUE LACCEPTATION DE FRANK MITCHELL COMME

CHEF DE MISSION EST CONDITION DE SOUMISSION QUARTO A CET EGARD SOMMES PRETS

A PRENDRE A NOTRE CHARGE VOYAGE DE MITCHEL POUR DISCUSSIONS A TUNIS ET POUR

RENCONTRER FIRMES INVITEES A SOUMISSIONNER STOP SALUTATIONS DISTINGUEES

TOLBERT

INTBAFRAD

Translation / not for transmittal.

Re incentives study and urcable of July 31 AAA agree with proposed short list
stop suggest to add firm of Coopers and Lybrand address Abacus House Gutter Lane
Cheapside London EC2 8AH and Horwath and Horwath stop Please confirm by cable
BBB Suggest Tunisian Government invite proposals stop We are ready if you wish
to send sample request for proposals used by IBRD CCC assume you will wish to
mention in request for proposal that condition for submission is that Mitchell be
Mission Chief DDD In this connection we are ready to pay for
Mitchell's travel for discussions Tunis and to meet short listed firms stop Regards.

AUTHORIZED BY:

NAME Mr. S. M. Tolbert

DEPT. Tourism Projects

SIGNATURE *S M Tolbert*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: JFBaier: nm

CLEARANCES AND COPY DISTRIBUTION:

Cleared in substance: ElMendorff
cc: Mr. Odone

For Use By Communications Section

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch: *[initials]*

Parvez Hasan

August 3, 1973

T. S. Swayze

Some Comments on the Research Proposal: Urban Land Use Policies, Taxation and Land Control

1. The proposal appears essentially sound. The plan is to study the use of land tax and controls with special reference to Korea and Taiwan, building on a nearly completed IBRD working paper (not attached) on the economics of continuing betterment through land value taxations and/or advance land acquisitions. In commenting on this proposal, it would be helpful to see a draft of the earlier work to check the inter-relationship of the two pieces of research and to check whether the findings suggest retailoring this piece of research.

2. Following are some comments on the current proposal. In general, I am inclined to emphasize the practical aspects of the research, perhaps to insure that the more operational side of the study does not lose ground to the finer points of land use policy which may be interesting from a research point of view but which, in effect, may be less useful to many government planners.

3. (1) I am a little unclear as to why Korea and Taiwan have been chosen. Presumably, Korea is included because it has a variety of land taxes and controls (and a well-developed planning and implementation structure), and Taiwan is included because it has one of the "most effective urban land taxation systems in the developing world." It seems, therefore, that to some degree we may end up studying the finer points of the relation of urban land prices and locational framework, models of land price determination, the relation of the land tenure systems to the ability to control land use through taxation and direct controls, etc. My general question is: To what extent will the research help to develop and improve urban land use policies in the bulk of the LDCs that have much less developed and less effective municipal tax systems--aren't their problems more basic? For example, for many countries (i.e. municipalities) the critical problem is not so much the actual choice of a land tax policy, but the collection of adequate revenue which, in turn, is often largely determined by the administration of the tax, particularly assessments and collections. Granted, the administration of a tax is related to the choice of a tax, but an administrative focus would lead to a different research emphasis.

4. (2) A key element of the research proposal is to measure the determinants of urban land values and the rationalization of settlement patterns as a means of increasing social welfare. The work is to be based on a model that shows that urban land prices are determined by (1) the accessibility of households to centers of employment and (2) amenity or disamenity features. This finding seems elementary and raises the question of whether further work with the model would be

very productive or, at least, whether the research time might better be spent on another, more useful line of inquiry. Pursuing the link between prices, location, and social welfare seems less relevant for many developing countries than identifying means to increase urban land tax collections and the capacity of municipalities to use the increase to improve social services, e.g. low-cost transportation, health, and education.

5. (3) The first of the six major objectives of the proposal is to trace the use of land taxes and betterment levies. The effect of the distributional aspects of the two systems which are to be explored through the model, as indicated above, appears less important than the second major objective, to measure the effectiveness of the two major types of urban land tax: land value increment taxes and betterment levies. But the main thrust of the study of effectiveness may be too restrictive, i.e. to examine the relative impact of investment projects and increased tax levels. For example, do we have adequate information on the degree of evasion and difficulties of updating assessments--which is being examined by another project? More generally, how do the two systems compare in terms of their capacity to raise taxes--ease of tax rate revisions vs. increased collections through rising values of taxed property?

6. (4) Similarly, the third objective, to compare taxation of urban land with the overall fiscal effort by municipal governments, will examine the substitutability of site value tax and property taxes. The choice between the two may not be as important (in the real world) as the need to use one system consistently and, when needed, to be able to increase tax collections. This can either be done through the market (with the site value tax) or by raising the tax rate applicable to property taxes. Does it really matter which tax is used if both are equally easy to administer?

7. (5) The fourth objective, to examine the effectiveness of land use control measures, should be useful--and is a current issue for Malaysia. It is closely related to the study's fifth objective, the institutional and administrative structure within which land use controls operate.

8. (6) The sixth objective, to investigate the impact of land use control measures on low-income housing and settlements, is aimed at finding out who buys and sells land and how we can increase our ability to predict urban behavior with regard to locational decisions. This line of pursuit would seem less important than exploring the government's role in and means of using land control to provide land for low-income households.

Mr. Shamsheer Singh

August 2, 1973

Wouter Tims *Wouter Tims*

Terms of Reference: Mission to Papua
New Guinea, Indonesia and New Delhi

You will proceed to Port Moresby on August 15 and stay in Papua New Guinea for seven days with a view to initiate data collection for the study on comparative advantage. You will meet the various government agencies, cocoa traders and cocoa producers (plantations as well as peasant farms) and obtain as much information on alternative crops as possible. Following your stay in Papua New Guinea, you will spend about a week in Indonesia for the same purpose. You will keep the Resident Mission informed of your activities and obtain their cooperation as necessary. In both countries you are authorized to engage student Research Assistants for the purpose of collecting data on the prescribed questionnaires that have already been finalized in the Division.

On your way back you will stop in New Delhi to consult with the government officials, as well as the Resident Mission, about the current and prospective food situation in India.

On your return you will prepare a back-to-office report and other documentation for inclusion in the comparative advantage study on cocoa.

SS
SSingh:jl

File: Research - Standards of Urban Electricity Distribution
Q.P. Research

The Electricity Council

Overseas Consultancy Service

30 Millbank London SW1P 4RD

Telephone: 01-834 2333 Telex: 23385 and 261130
Cables: Elecoun London SW1

2 August 1973

Date Received:	8/7/73
Assigned to:	Mr Berrie Miss Grotal # 3-55
Action Taken:	Answered by Telephone August 8 T W Berrie
By:	

Dear Mr Berrie

Standards of Urban Electricity Distribution
Research Project

Many thanks for your letter of 27 July 1973. I now have pleasure in enclosing three copies of the Review Paper on Standards of Urban Electricity Distribution.

I note that you will reserve at least two days during your visit to London in September for discussions with the team and to assist them to work out the Terms of Reference for the State of the Art Paper. Wednesday, 5 September will be convenient for the first discussions and if these are likely to take longer than a day, I would suggest that they continue on Thursday, 6 September as Mr Prior and Mr Brown will be travelling from South Wales. Would you let me know as soon as possible if this fits in with your plans.

October 8 to October 18 is satisfactory from our point of view for the US and Latin American visits. You refer to Messrs Boley and Prior visiting Washington for discussions, but I assume that you still wish the full team of Messrs Prior, Brown and Boley to go out.

I look forward to hearing from you once you and your colleagues have had a chance of discussing the Review Paper.

Yours sincerely



T W Berrie Esq
Power Economics Advisor
Public Utilities Department
International Bank for
Reconstruction and Development

From Keith Shaw Administrative Director

RECEIVED

1973 AUG -7 AM 10: 57

COMMUNICATIONS
SECTION

OP-RESBARIN
August 2, 1973

Mr. W.L. Newton
Petroleum Economics Ltd.
1, Argyll Street
London, W1V 2DS
England

Dear Mr. Newton,

Price of Fuel Oil

I refer to our telephone conversation of July 31, 1973, your letter to me of July 27, 1973 and also discussions which I had with Mr. White whilst he was in Washington.

With respect to fuel oil prices in Turkey, I have passed these on to Mr. Fish and Mr. Russell who are dealing, as you know, with a particular project in Turkey. I have had some further discussions with them on the project and feel obliged, despite what we talked about on the telephone, to ask whether you cannot still give us some information concerning your opinion about similar information for 1985.

On the subject of a more general study being made on the future of the price for fuel oil, about which I talked in Washington to Mr. White and which we somewhat urgently need, I expect to discuss this in London with Messrs. White and Dalton sometime during the weeks commencing September 3 and September 17, as we agreed on the telephone. I will let you know more precise dates as soon as I am able.

With best regards,

Sincerely yours,

T. W. Berrie
Power Economics Advisor
Public Utilities Department

cc: Messrs: Fish, Russell, Foster, P.D. Henderson, Rovani, Howell,
Friedmann, Warford, Berrie

Files
TWBerrie:jr

CODE NO. MISC.-3-48

Q. P. R. research
August 1, 1973

Doctor German Moreno Fonseca
Jefe del Departamento de Planeacion
Empresa Distrital de Servicios Publicos, EDIS
Bogota, D. E., Colombia

Muy estimado Doctor Moreno:

Sirvase recibir mi caluroso saludo y personal agradecimiento por haberme enviado la informacion que le solicitara, la cual recibí junto con su amable carta del 14 de junio. Puede estar en la seguridad de que nos sera de gran utilidad en nuestro estudio sobre la ciudad de Bogota.

Al revisar el material que usted tan gentilmente me enviara note que tanto los gastos como los ingresos totales de su institucion para los anos 1969-1973 estan divididos en clasificacion economica, tal y como yo se lo pedi. Me gustaria saber si es posible obtener un calculo de los gastos o egresos segun las funciones de esa organizacion, por ejemplo: egresos de los departamentos que controlan la recoleccion de basura, limpieza de calles, cementerios, etc., ademas nos seria de gran utilidad obtener informacion similar de los anos anteriores (por ejemplo: 1963-1968) si esta disponible. En el aspecto de ingresos necesitaríamos recibir un calculo de "Otros Ingresos" y sus varias sub-categorias (mercados, cementerios, etc.), todo lo cual nos es necesario para completar el estudio. Tambien el periodo 1963-1968 nos interesa grandemente.

Toda la informacion descrita arriba nos es de particular interes y si fuera posible computarla para el Banco nuestro estudio tendra un significado e importancia relevantes, especialmente dado el hecho de que nuestra mira u objetivo principal es el establecer una comparacion entre ocho ciudades en el mundo segun su desarrollo en los ultimos diez anos.

Reciba mi agradecimiento por su fina atencion a mi solicitud y su imprescindible cooperacion en el pasado y en el futuro.

Muy cordialmente,

Johannes F. Linn
Urban and Regional Economics Division
Development Economics Department
(Division de Estudios Urbanos y
Regionales - Departamento de
Desarrollo Economico)

JFL:ap

Tunisia - Loan 838 / A 329

Adm

✓ 11 OP - [unclear]

OFFICE MEMORANDUM

TO: Files

DATE: August 1, 1973

FROM: Richard L. Storch ^{vs}

SUBJECT: TUNISIA - Odone's Tourism Mission

1. Further to my memo of July 13, I talked with Mr. Bauer today in order to get the latest information on the study of tourism investment incentives under the Tunisian Infrastructure Project. No written report on the Odone mission has been made available to us as yet (Odone is on home leave from July 16 to August 20).

2. Mr. Bauer indicated that the Bank is now having second thoughts about the employment of Howarth and Howarth as consultants in the project. Yesterday, the Tunisian Government sent a list of three additional firms, to which the Bank would like to add a fourth, who will be solicited for their interest. Fortunately, the economist the Bank has been eager to see involved in this study, Mr. Mitchell, is going to be available after all, as of November, and would presumably be attached to whichever firm of consultants is employed.

RLStorch:mb

cc: Messrs. Bauer
Odone (o/r)

Mr. Mahbub ul Haq

August 1, 1973

C. S. Swaminathan

Export Credit Guarantee Study

1. At this morning's meeting, you desired that I should put down in writing my suggestions regarding what the recommendation should be in the Export Credit Guarantee Paper.
2. As I mentioned at the meeting, my suggestions are:
 - (i) that the Bank make the export credit sector of developing countries eligible for Bank financing,
 - and (ii) that the Bank express support for setting up an international export credit insurance institution.
3. For many years, the Bank has been preparing studies on export credits and saying how the matter is important for developing countries but has all along kept that sector as ineligible for Bank assistance. In the paper that was submitted on January 25, 1973 to Mr. McNamara, the recommendation of which he accepted, and hopefully in the forthcoming paper, we have weighty material to show how important all this is for industrializing developing countries. We shall be concluding that because of the Bank Charter, we shall not be able to do what the proposal suggests, though the overall objectives are attractive. In that context, the Bank can demonstrate the genuineness of its interest by moving that sector from the ineligible to the eligible category. There are no inseparable difficulties in this. The passage that I have quoted (in paragraph 27 of the attachment) from Mr. McNamara's memorandum to the Board dated April 28, 1970 shows that this could be worked for. The benefit will be limited, because the operations will be limited. But as a demonstration of the Bank's interest and by way of adding momentum to other desirable action, the effect will be considerable.
4. The supplementary action also follows logically. While the Bank shall be expressing inability, because of limitations of charter, to support the kind of arrangement suggested by Mr. Sanbar, the need for international action for an institutional arrangement for insurance cannot be denied. It could be argued that the Bank has no expertise in insurance matters and therefore will not be able to organize such an institution. But it can express support for it and use its good offices for furthering work in that direction. After all, though the Bank has no expertise in settling investment disputes, it took initiative for international action for setting up a centre for settling investment disputes. This was because the Bank was interested in the orderly growth of private foreign investment in developing countries. The Bank can show that it is also interested

August 1, 1973

in the orderly growth of export credit insurance and financing organizations in developing countries and in widening the access of developing countries to international private capital, and so can support action for setting up international facilities for those purposes.

5. Pursuing this thinking, I have already drafted some paragraphs as input to chapter V. I am placing them below for your information and comments.

cc: Messrs. Kuczynski
Vibert
Mulley

CSSwaminathan:ag

August 1, 1973

Mr. Luis A. Passalacqua Christian
Director
Institute of Caribbean Studies
Facultad de Ciencias Sociales
Universidad de Puerto Rico
Rio Piedras
Puerto Rico 00931
PUERTO RICO

Dear Dr. Passalacqua:

The World Bank is undertaking an economic study of the Commonwealth Caribbean Region with special focus on the integration movement.

I understand from George Rampersad that, as the former Executive Director of CODECA, you may have or can obtain access to, the regional studies prepared under the aegis of the old Caribbean Commission and subsequently CODECA. We are particularly interested in any studies in the area of transport, agriculture and industry; the transport sector, Frank thought, was the one most intensively studied. I should be much obliged if you could indicate the range of studies available and, if you yourself cannot supply copies, how I might gain access to them.

Sincerely yours,

Joe
S. E. Chernick

SEC:ser