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(September - October)

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Hollis B. Chenery papers - McNamara Discussions 1970 (Sept-Oct)


Archives



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Hollis B. Chenery Papers - McNamara discussions / notebooks / memoranda - 1970
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McNamara Discussions/Notebooks/Memoranda

- September 1970 to June 1972
- 1972 McNamara Discussions
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- 1973 July to December
- 1974 January to June
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Sep 70 to Jun 72

2 Oct 70

- Agenda for Discussion re: Coordination between Economics Staff and P.&B.

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7 Jun 72

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re: Invitation to Visit the Economics Department

22 Sep 72

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re: Organization of the Development Policy Staff

1 Nov 72

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re: Discussion with McNamara of Primary Exporters Study

22 Nov 72

- memo to E. Stern, M. Haq, and P.P. Kuczynski

re: Policy Planning Agenda

29 Nov 72

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SEPTEMBER -
DECEMBER 1970

OFFICE MEMORANDUM

TO: F I L E S

DATE: December 3, 1970

FROM: Hollis B. Chenery

SUBJECT: Meeting with Mr. McNamara on UNCTAD Questions (Supplementary Finance)

We discussed with Demuth the proper Bank position in respect to the UNCTAD request that the Bank study the implications of a supplementary finance scheme. We agreed that the Bank should resist doing this until or unless there is some prospect of support for additional funds for this purpose.

OFFICE MEMORANDUM

TO: FILES

DATE: November 10, 1970

FROM:

*HBC*SUBJECT: Discussion with Mr. McNamara, Friday, November 6.1. Appearance of Mr. McNamara before the Commission on International Trade and Investment Policy.

We discussed Isaiah Frank's proposal that McNamara testify before the Commission on February 25th. I said I had a talk with Frank for half an hour the previous evening and recommended that McNamara accept the invitation. We agreed that we should prepare an outline of the testimony that McNamara might give and a background analysis by December 15th. At that time he would decide whether to go ahead with the testimony. I stated that Bela Balassa, a consultant to the Economics Department was well-qualified in this field of investment and trade policy and would be able to assist in preparing the testimony. (I have since asked John Hulley to be responsible for preparing this paper).

2. Report on Program Lending.

I reported on the present status of the discussion and my intention to continue internal discussion in the Economic Committee for the next two weeks. I told McNamara that we would complete drafts of Henderson's paper and an internal analysis for the Board that we would prepare within that period. These documents would be ready for McNamara by November 23rd and he could then decide the subsequent timetable for presentation to the Board and the extent of material that we would forward in addition to the recommendation. McNamara said that he was satisfied with this approach and timetable. I reported that a main dissent from a policy recommendation in Henderson's paper had come from the Projects Department while the Area Departments seem to be unanimously favorable in the discussions so far.

3. Bernie Bell.

I reported my conversation with Bell in Djakarta and that I had gotten approval from Edgar Gutierrez for Lerdau to transfer about the end of November to the new Economic Program Department. McNamara agreed that we should appoint Lerdau immediately to the post of Deputy and offer the job to Bell when he came in to Washington about December 1. The Department could be formally activated over the next several weeks with the transfer of the members of the Economic Staff to it and recruitment for the remaining vacancies would get underway immediately.

HBC: csm

cc: Mr. L. Christoffersen

OFFICE MEMORANDUM

TO:

DATE: November 2, 1970

FROM:

SUBJECT: Memorandum of discussion with Mr. McNamara Thursday, October 291. Procedure for Review of Country Program Papers

McNamara said that he liked the outline suggested for the meeting this morning and I stated that we would work up a more **complete** format with P&B.

2. Paper on Program Lending

I stated that Henderson **had** finished a first draft which I propose to discuss with the Economic Committee next week. We agreed on a timetable of finishing the discussion within the Bank by the end of November and preparation of a final version for discussion by the Executive Directors early in December. McNamara said that he would like to see the next draft after Knapp had already reacted. I said that I would be sure to get **Knapp's** comments next week.

I raised a question of whether McNamara and the Bank wanted to exercise influence over country development programs since that was important to the discussion of program lending. McNamara said that he wanted to be in a position to exercise such influence and that it should be the basis for the consideration of the appropriate form of lending.

3. Staffing of the Economic Program Department

I reported a cable from Ripman that Bell would come in for consultation November 15 or shortly thereafter. McNamara suggested that I go ahead with my discussion with Lerdau and offer him the job if it turned out well.

4. I left copies of 2 papers on comparative analysis of developing countries which I have prepared this summer.

HBC:csm



Record Removal Notice



File Title Hollis B. Chenery Papers - McNamara discussions / notebooks / memoranda - 1970 (September - October)		Barcode No. 1464678		
Document Date October 23, 1970	Document Type Memorandum			
Correspondents / Participants From: Hollis Chenery To: Files				
Subject / Title Discussion with Messers. McNamara and Knapp of Staffing of the Economics Department Oct. 22				
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. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td>Withdrawn by Ann May</td><td>Date 13-Jan-17</td></tr></table>	Withdrawn by Ann May	Date 13-Jan-17
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Mr. Blountoff
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OFFICE MEMORANDUM

TO: Files

DATE: October 8, 1970

FROM: Hollis B. Chenery (edited by John Adler)

SUBJECT: Discussion by Messrs. McNamara, Chenery and Adler of Coordination between the Economics Staff and Programming and Budgeting Department on October 2, 1970.

The main purpose of the discussion was to clarify the responsibilities of the new Economic Program Department to be established under the supervision of The Economic Adviser and its relations to the Programming and Budgeting Department. The discussion followed the four headings in the attached agenda.

1. Review of Country Program Papers

The review of Country Program Papers will focus on clarification of the major issues that should be discussed in the subsequent meeting with McNamara or Knapp. Before the final draft of a CPP is prepared by the Area Department, EPD and P. & B. will jointly review it with the department concerned so as to bring out important policy issues for discussion. The Economic Committee, in its reorganized form described below, will discuss these issues and identify various policy choices for the consideration of the Review Group.

McNamara responded that he liked the general nature of this proposal very much. It should serve to sharpen the discussion before him and to focus on major alternatives. However, he did not want to move more rapidly in this direction than was permitted by the competence of the Economics Staff, P. & B. and the Area Departments. He agreed that, if possible, there should be an Economic Committee review of all countries that would be presented to him in the next twelve months. The scope of this review will vary according to staff availabilities and relative importance of the country program.

2. Function of Economic Program Department

Chenery outlined the main functions of the new department as being the comparative evaluation of the Bank's program in different countries and areas, concentrating on development strategy and the economic aspects of the country's performance and the Bank's program. P. & B. will be concerned mainly with operational issues regarding the lending program, including scheduling of projects, gross and net programs, sectoral allocations, etc., while EPD will deal primarily with issues of overall strategy and lending policy including program lending, IDA/Bank blend, local currency financing, etc. While this would be the broad division of labor, there would be close collaboration between the two staffs in all phases of their work.

McNamara indicated his support of this proposal and discussed several candidates for Department Director. He stressed the desirability of close cooperation with the Area Departments and the responsibility of The Economic Adviser for functional supervision of the economic work, which should be improved by this new unit. (He repeated this point quite strongly to the President's Council on October 5.)

President has seen

OCT 9 1970 (Returned)
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3. Reorganization of the Economic Committee

The Economic Committee should be reorganized to focus on discussion of general policy papers as its main function. This was envisioned in its original charter but has been allowed to lapse in recent months. A list of priority topics to be studied and presented to the Committee for discussion will be prepared and circulated. Review of Country Program Papers will be streamlined by limiting the group to those who are actively interested in the program for that country.

4. Other Areas of Joint Interest

The Economic Program Department will collaborate with the Area Department and P. & B. in the making of country projections. The Economics Staff has responsibility for evaluating and extending the economic analysis prepared by the Area Departments and suggesting revisions based on comparative analysis among countries. P. & B. will continue to prepare tables and reports to monitor and evaluate the progress of the Bank Group's lending program.

The area of debt studies has been assigned to Adler to backstop the work of Sir Denis Rickett. Chenery will involve himself in the discussion of the policy issues.

McNamara stated that he wanted the Economic Adviser to be responsible for the supervision of the Economic Missions and referred to Demuth's memorandum of August 14 on this subject.

cc: Mr. Knapp
Mr. Aldewereld
Mr. John Adler
Mr. Kamarck
Mr. Christoffersen (for Mr. McNamara)

COORDINATION BETWEEN ECONOMICS STAFF AND P. & B.

AGENDA FOR DISCUSSION

1. Review of Country Program Papers

General purpose: clarify main issues for President's discussion.

Joint management by P. & B. and Economic Program Department.

Scope of review by Economic Committee.

2. Functions of Economic Program Department

(a) Supervision of economic reports.

(b) Staff for Program Review.

(c) Supply of development finance.

(d) Related policy studies.

3. Reorganization of Economic Committee

(a) Identification and discussion of policy issues.

(b) Review of Country Program Papers.

4. Other Areas of Joint Interest

(a) Country projections.

(b) Total Bank lending program.

(c) Debt studies.

(d) Economic missions.

OFFICE MEMORANDUM

TO: Files

DATE: October 8, 1970

FROM: Hollis B. Chenery *HBC*

SUBJECT: Discussion with Mr. McNamara, Tuesday, Lunch, October 6.

1. We discussed the functioning of the new Economic Program Department in relation to the Area Departments. I suggested that the review staff in this department would be useful to Knapp as well as in the annual review of a country program. We agreed to talk with Knapp about this relationship, which was done by the three of us in the afternoon.
2. Indicators of Performance. McNamara said he would like to have some measures other than GNP by which to judge a country's performance. I said that this would be done by a new Comparative Analysis unit within the E.P.D. and described briefly the work which we had done at Harvard on these lines. He encouraged me to set up this unit and develop a variety of norms for country performance as well as indicators of social welfare.
3. Office Location. I asked whether he thought I would be better located here or closer to my staff. McNamara said that on the whole he thought I was better located where I am.
4. Research. I proposed the establishment of an Advisory Committee on Research which would cover the Basic Research Center as well as other research functions in the Economics Staff and would provide a link to research centers in other countries, particularly the developing countries. McNamara thought this was a fine idea.
5. Staff Rotation. I said that it would be desirable to rotate economists from the Area Departments to the central economics staff as well as vice versa and inquired how to do this. McNamara said this was desirable and should become easier on a volunteer basis once the importance and interesting nature of the economics staff had been established. He agreed to help in this effort.
6. Control of Positions. I asked for clarification of the system by which positions are approved, i.e. whether it was allocated by division or to the staff as a whole. He said that I had complete flexibility to shift positions within the Economics Staff and that he merely wanted to be informed of the division structure. He agreed that some divisions probably should be reorganized or abolished and new ones created. He thought this had been a misunderstanding on Friedman's part and that he had not intended to control the staffing at a division level. We are instructed to proceed on the basis of departments in the future, and I will make this clear with Mr. Adler.

cc: Mr. Kamarck
Mr. Stevenson

file 277

OFFICE MEMORANDUM

TO: Messrs. Andrew M. Kamarck & Alexander Stevenson DATE: October 5, 1970

FROM: Hollis B. Chenery

SUBJECT: Meeting of the President's Council, October 5.

Mr. McNamara made the following announcements concerning the future orientation and assignment of the Economics Staff.

1. He announced the setting up of a new Economic Program Department to conduct a review of country programs and to have responsibility for the evaluation of the work on economic reports.
2. The Economic Committee will be reorganized as a forum for discussion of major issues. The procedure for reviewing CPPs will be streamlined. He suggested that I discuss these changes with Mr. Knapp, Mr. Chadenet (in Mr. Aldewereld's absence), and Mr. Demuth.
3. He announced that he was assigning me responsibility for the preparation of papers on Program Lending and Local Cost Financing, which had been held over from the previous review of Pearson Commission Recommendations. Apart from the Pearson Commission aspect he felt it was time for a thorough look at Bank policy in this area. He laid down a time table in which there would be thorough discussion with the Area Departments and the President's Council by the end of November before putting the papers to the Board some time in December.
4. I stated that I had in preparation a draft on the reorganization of the Economics Staff and the Economic Committee and would discuss with the relevant Departments both matters. The Economic Committee will meet on Wednesday to take up the new procedure for review of CPPs. Mr. Gaud stated that he would like to have the I.F.C. involved in this to a greater extent and I have accordingly asked Qureshi to join the Wednesday meeting.
5. There was little discussion of any of the above at the meeting. Mr. Cope told me afterwards that he welcomed the proposed changes in the CPP procedure, and I arranged to meet with him and Mr. Knapp later in the week.

1 term 1

McNamara

H.B. Chenery
October 2, 1970

COORDINATION BETWEEN ECONOMICS STAFF AND P. & B.

AGENDA FOR DISCUSSION

1. Review of Country Program Papers

- a. General purpose: clarify main issues for President's discussion.
b. Joint management by P. & B. and Economic Program Department.
c. Scope of review by Economic Committee.

2. Functions of Economic Program Department

- (a) Supervision of economic reports. } with P+B
(b) Staff for Program Review.
(c) Supply of development finance. joint
(d) Related policy studies.

can.
[Gilmartin
Please]

3. Reorganization of Economic Committee

- (a) Identification and discussion of policy issues.
(b) Review of Country Program Papers ✓

4. Other Areas of Joint Interest

- (a) Country projections.
(b) Total Bank lending program.
(c) Debt studies - watching lib in EPP - Henry present interest
(d) Economic missions - [Committee headed by Cope
Allen]

[Capital markets]

McNamara

Functions of EPP & Econ Committee

Ac Namana - Week of Sept 28 - Oct 2

Meetings of ~~Oct~~ Sept. 29 and 30

1. Agreed to establishment of EPD--ratified on Oct. 2 with Adler
2. RM stressed need for general economic guidance to Bank, functional supervision of Economists.

October 2.

1. Coordination with P and B (see ~~memo~~ memo with Adler)
2. Economic missions--Chenery to take responsibility for terms of reference, general format. (*De Smith memo. 1 Aug 17*).
3. ~~Data~~ Computer Activities Department to be set up and assigned to report to Chenery. Muller director. (*Rymer memo.*)

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OFFICE MEMORANDUM

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WBG ARCHIVES

Discontinued Oct. 2

DATE: August 14, 1970

TO: Mr. McNamara

FROM: Richard H. Demuth

SUBJECT: Economic, Sector and Special Missions

You have recently received from P & B the first comprehensive report projecting our economic, sector and special missions through the end of the fiscal year.

My staff have analyzed this report with a view to ascertaining to what extent the participation of UNDP Resident Representatives had been arranged and whether cooperation was being sought from other international agencies. The results, summarized below, are not encouraging:

- (a) In the case of only 14 out of the 111 missions listed have arrangements as yet been made for the participation of the UNDP Resident Representative.
- (b) There are 544 positions on the 111 missions. The present intention, as shown in the report, is to fill only 20 of these positions, i.e., about 4%, with personnel from other United Nations agencies. In contrast, 65 positions (about 10%) will be consultants. The 20 to be sought from other U.N. organizations break down as follows:
 - WHO - 7
 - FAO Cooperative Program - 5
 - IMF - 3
 - ILO - 2
 - Unesco Cooperative Program - 2
 - UNDP - 1
- (c) One expert is to be sought from the African Development Bank, but there is no indication on the list of intention to seek cooperation from the IDB, CIAP, or the Asian Development Bank.

It is probably true that, in the course of staffing the missions, more attention will be paid to other international organizations and presumably, in most instances where under present policy the participation of the UNDP Resident Representative is to be arranged, this will at some stage be done. Nonetheless, the list seems to me to indicate that Bank staff are not as yet implementing in any serious way the lines of policy which you have laid down.

As I have indicated to you before, I believe that the solution to this problem is the creation of a strong central control point for these missions. My own preference would be to see this control point in the office of the Chairman of the Loan Committee, since he is the Vice President through

[How to organize to meet the problem]

August 14, 1970

*Proposed by
R.H.*

whom the Area Department Directors report to you. Alternatively, it could be in the Office of the Economic Adviser. But, wherever located, I think someone with experience and authority should be constantly reviewing the mission program to assure that the missions are properly composed and effectively led, that they have the right terms of reference, that their timing has been coordinated so far as possible with the IMF and other agencies such as CIAP, and that full consideration has been given to the desirability of co-opting experts from the other international agencies, including the regional banks.

Incidentally, one possible candidate for such an assignment would, I believe, be Narayan Prasad. I mentioned this suggestion to Burke Knapp, who did not react favorably. However, Prasad seems to me to have the right combination of administrative ability, knowledge of developing countries, and a sense of what missions can and cannot achieve, to enable him to handle such an assignment effectively. The job does not require, in my judgment, a skilled modern economist.

cc: Mr. Knapp
Mr. Aldewereld
Mr. Ripman