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THE WORLD BANK
Washington, D.C.

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The World Bank
1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
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PUBLIC DISCLOSURE AUTHORIZED

McNamara Papers

1978 (Nov.-Dec)

The World Bank Group
Archives
1771956
A1995-252 Other #: 5 309650B
Chronological files - (outgoing) - Chrons 69

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FORM NO. 27-OCR (5-77)

WORLD BANK OUTGOING MESSAGE FORM (Telegram, Cable, Telex)

IMPORTANT (PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM.)

Class of Service: _____ Date: DECEMBER 1, 1978 493/5/407

Telex No.: 21877 COMEU B Originators Ext: 7 2001

START HERE

TO CLAUDE CHEYSSON

CITY/COUNTRY EEC COMMISSION

MESSAGE NO.:

IN REPLY TO YOUR CABLE ON THE ENTRY INTO FORCE OF EEC/IDA SPECIAL ACTION AGREEMENT, AM GLAD TO LEARN THAT EEC IS NOW VERY CLOSE TO FULL RATIFICATION. IDA CAN AGREE TO THE POSTPONEMENT OF THE DATE OF EFFECTIVENESS FROM DECEMBER 31, 1978 TO MARCH 1, 1979. MOST GRATEFUL FOR YOUR CONTINUED EFFORTS TO ENSURE AS PROMPT A COMPLETION OF PROCEDURES AS POSSIBLE. REGARDS, ROBERT S. MCNAMARA

END OF TEXT

Cleared with and cc:
Mr. Cargill
Mr. Benjenk
Mr. Nurick
cc: Messrs. Damry, Gabriel, Hattori

Frank Vibert

Robert S. McNamara

President

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

Office of the President

4073/5/405

December 21, 1978

NOTE TO MR. STERN

Mr. Mentre stated that France's decision to support or oppose our proposed "energy meeting" would be influenced in part by the attitude of the OPEC countries, particularly Saudi Arabia. When you return please make a low-key approach to El-Naggar and inquire as to his views of the proposal.

Robert S. McNamara

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

493/5/404

Office of the President

December 21, 1978

NOTE TO MR. STERN

When you have time next year (preferably by February 1) please review with me your plans for our urban development activities. My impression is that we are putting far too much emphasis on "housing" and far too little on employment creation through changes in macro-economic policies and the provision of credit to small entrepreneurs.

Robert S. McNamara

4913/5/1403

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

Office of the President

December 21, 1978

Dear Mr. Childs:

Mr. McNamara asked me to send you the enclosed documents pertaining to the Bank-assisted PIDER rural development projects in Mexico.

The President's Report for the second PIDER project gives a summary description of Bank Group operations and strategy in Mexico, the rural sector, performance of the first Bank-financed PIDER project, the components of the project, its organization and management, financing, and projected benefits and risks.

The PIDER II Appraisal Report deals with the same program and project in considerably more detail. Annexes I and II (analyzing the development of the rural sector and presenting an early evaluation of performance under the first project) might be of particular interest. Please note, however, that these reports were prepared in early 1977; more recent project documents on rural development are not available.

I also enclose two papers given recently by our project officer on Mexican rural development efforts at a Brookings Seminar and at the North/South Institute Conference.

Sincerely,

Caio Koch-Weser
Personal Assistant to the President

Mr. Marquis Childs
Huntington Hotel
Nob Hill
San Francisco, California
94108

493/5/402

DEC 20 1978

Dear Mr. Saouma:

Thank you for your letter of December 12 in which you raised some questions about the meeting we are proposing to hold in February to follow-up the World Food Council's Mexico Communique.

I am pleased to learn that you will arrange for FAO to participate in this meeting. It is my understanding that the meeting itself will be an informal one, the purpose of which is to prepare inputs for a document which is to be prepared by the World Food Council Secretariat. In the light of this I'm sure you will agree that selected outside experts can add to the substance of the discussion.

I'm inclined to agree with you that the discussants should focus a good deal of attention on the question of the adequacy or otherwise of the project pipeline, and how the pipeline might be strengthened. I also agree that this meeting will not be the best forum to discuss the effectiveness of projects.

I understand from Mr. Yudelman that he discussed these issues with members of the FAO staff and that they should now be in a position to brief you on any outstanding questions you might have on the meeting.

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

Mr. Edouard Saouma
Director-General
Food and Agriculture Organization
of the United Nations
Rome, Italy

cc: Mr. Koch-Weser

MYudelman:lkt
12/19/78

493/5/401

DEC 20 1978

Dear Dr. Al-Sudeary:

Thank you for your letter of December 4, in which you raised some questions about the meeting we are proposing to hold in February to follow-up the World Food Council's Mexico Communique.

I am pleased to learn that you will arrange for IFAD to participate in this meeting. It is my understanding that the meeting itself will be an informal one, the purpose of which is to prepare inputs for a document which is to be prepared by the World Food Council Secretariat. In the light of this I'm sure you will agree that selected outside experts can add to the substance of the discussion.

I understand from Mr. Yudelman that he discussed these issues with members of your staff, and that they should now be in a position to brief you on any outstanding questions you might have on the meeting.

Sincerely,

(Signed) Robert S. McNamara
Robert S. McNamara

Dr. Abdelmuhsin M. Al-Sudeary
President
International Fund for Agricultural Development
107, Via del Serafico, 00142
Rome, Italy

cc: Mr. Koch-Weser

MYudelman:lkt
12/19/78

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

493/5/399

Office of the President

December 19, 1978

MEMORANDUM TO OPERATIONAL VICE PRESIDENTS

Programming of Operational Work and Budgeting

In connection with my review of the "Post Mortem" of the Bank's FY78 work program and the midyear status of our FY79 work program, I thought that it might be helpful to you if I were to clarify how I view the current operation of our work program and budget system.

In each fiscal year, budgetary resources are made available to accomplish work programs established by or agreed to by the Regional Vice Presidents. These work programs and the input/output relationships for major categories of work are summarized in the region-specific Standard Tables VIk. Barring unforeseen events, it is my expectation that the actual deployment of these resources will adhere to the budgeted allocations by major work program categories. If changed circumstances should require a significant reallocation of resources among work program categories, I would expect you to make such reallocations in conjunction with an explicit revision of output targets.

I recognize that your monitoring of the actual deployment of your resources based on the time recording system operated by P & B is still encountering data problems. I understand, however, that you are working with P & B to improve data quality and turn-around time in order to make the TRS system a better management tool.

As for FY79 operations, I would like to draw your attention to the fact that preliminary data generated in preparation for the midyear work program and budget review seem to indicate that in FY79 lending work may be receiving less resources than budgeted while economic work, sector work and other outputs may be receiving more than the budgeted resources. Please review your current work programs, priorities and resource allocations by major work program categories for the remainder of FY79 and take any corrective action you judge necessary to adhere as closely as possible to your original input/output targets. Should your input/output targets have changed, please advise me and submit a revised Table VIk by January 5.

RSMcN

Robert S. McNamara

cc: Messrs. Stern, Cargill, Gabriel

493/5/398

DEC 15 1978

Dear Halfdan:

Thank you for your letter about the Onchocerciasis Control Program. I am sorry that I could not join you in Lomé for the meeting of the Joint Coordinating Committee.

I have heard from my colleagues about the success of that meeting and I was particularly gratified to hear of the manner in which you forcefully tabled the basic questions for the longer-term evolution of the Program. I strongly support your proposal to set up a working group of international scientists to look into these questions. Please let me know if there is anything I can do to help get the effort launched.

As I had mentioned in my earlier letter, it will be of great help to me if, in approaching our Executive Directors for the Bank's own contribution to the second phase of the Program, I could inform them of the specifics of the research effort to examine the longer-term evolution of the Program and I look forward to hearing from you on this in due course.

With kind regards.

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

Dr. Halfdan Mahler
Director-General
W H O
1221 Geneva 27
Switzerland

Cl. & cc: Mrs. Boskey, Fonaroff
Messrs. Alisbah, Thalwitz, Lee

SDenning/sn

FORM NO. 27-OCR
(5-77)

WORLD BANK OUTGOING MESSAGE FORM (Telegram, Cable, Telex)

IMPORTANT: PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM.)

493/5/397

Class of Service: _____ Date: DECEMBER 15, 1978

Telex No.: MA 30242 Originators Ext: 76671

12 10

0 START HERE

1 TO: HIS EXCELLENCY TENGKU RAZALEIGH HAMZAH, MINISTER OF FINANCE

CITY/COUNTRY: KUALA LUMPUR, MALAYSIA

MESSAGE NO.:

I VERY MUCH APPRECIATE YOUR PROMPT AND POSITIVE RESPONSE TO MY LETTER OF NOVEMBER 9 REGARDING MALAYSIAN PARTICIPATION IN THE SIXTH IDA REPLENISHMENT. I AM DELIGHTED TO KNOW THAT YOU PLAN TO CONTRIBUTE IN AN AMOUNT CORRESPONDING TO THE AVERAGE LEVEL ACHIEVED BY DONORS TO THE FIFTH IDA REPLENISHMENT, NAMELY 0.046 PERCENT OF THEIR GDP DURING THE THREE YEAR REPLENISHMENT PERIOD. YOUR PARTICIPATION ON THIS SCALE WILL SURELY RECEIVE GENERAL APPROBATION FROM THE OTHER DONOR COUNTRIES AND ESPECIALLY FROM THE POORER DEVELOPING COUNTRIES BENEFITTING FROM IDA ASSISTANCE. THE INITIAL MEETING OF IDA DEPUTIES HELD IN PARIS THIS WEEK ESTABLISHED A FIRM BASE FOR A SUBSTANTIAL INCREASE IN IDA LENDING IN REAL TERMS DURING THE SIXTH REPLENISHMENT PERIOD AND WE SHALL SOON BE FIXING A TIME FOR THE NEXT MEETING WHERE WE SHALL EXTEND A WARM WELCOME TO THE NEW DEPUTY FROM MALAYSIA. WITH BEST PERSONAL REGARDS,

ROBERT S. MCNAMARA

21 END OF TEXT

22

NOT TO BE TRANSMITTED

SUBJECT:	DRAFTED BY: JBKnapp:isk
CLEARANCES AND COPY DISTRIBUTION: cc: Messrs. Cargill, Gabriel, Vibert, Husain, Zain	AUTHORIZED BY (Name and Signature): 12/15
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4913/5/396

December 13, 1978

MEMORANDUM FOR MR. BAUM
Through: Mr. Stern

According to the latest "Monthly Report on Selected Assignments" and the note by Urban Projects on "Status of President's Work Assignment," the completion of a number of papers has slipped by considerable periods of time (see attached list).

I hope that in the future when departments establish time schedules for their work they will be realistic.

Robert S. McNamara

cc: Messrs. Aklilu
Gordon
Jaycox
Lee
Rovani

RMcN:bmm

Status of President's CPS Work Assignments on Basic Needs and Poverty-Oriented Non-Agricultural Employment Creation

	Subject	Responsibility	Deadline*	Status**
Basic Needs				
1.	Shelter	Jaycox	Dec. 15	Jan. 31
2.	Health	Lee	Dec. 29	Jan. 31
3.	Water and Sanitation	Rovani	Dec. 29	Feb. 28
4.	Education	Aklilu	Oct. 1	Jan. 15
Urban Poverty				
5.	Credit Institutions	Gordon	Oct. 1	n/a
6.	Technical Assistance for Non-Agricultural Extension Services	Jaycox	Nov. 30	n/a
7.	Assistance to Labor-Intensive Enterprises through Public Procurement and through Subcontracting	Gordon	Nov. 30	n/a
8.	According to Urban Projects, delays also have to be expected with regard to the completion of the papers on (i) Interest Rate Problems: A Country Analysis (Gordon), and (ii) Review of Concepts to Monitor Employment Impacts (Jaycox/Chenery).			

* Distribution to President

** Revised date of distribution to President

December 12, 1978

493/5/395

DEC 12 1978

Dear Mr. Secretary-General:

I take great pleasure in sending you an advance copy of the World Atlas of the Child, which the Bank has prepared on the occasion of the International Year of the Child. It will be formally published next week.

The Atlas will, I believe, help to underscore what all of us in the United Nations family want to emphasize --that the condition of hundreds of millions of children especially in the developing countries, is an offense against the human conscience.

I sincerely hope this publication will contribute, however modestly, to creating greater awareness of the needs of children, particularly the poorest among them.

Greetings for the New Year,

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

Mr. Kurt Waldheim
Secretary-General
United Nations
866 United Nations Plaza
New York, N.Y. 10017

JEMerriam:ll
December 8, 1978

493/5/394

DEC 12 1978

Dear Dr. Lim:

I take great pleasure in sending you an advance copy of the World Atlas of the Child, which the Bank has prepared on the occasion of the International Year of the Child. It will be formally published next week.

The Atlas will, I believe, help to underscore what all of us in the United Nations family want to emphasize --that the condition of hundreds of millions of children especially in the developing countries, is an offense against the human conscience.

I sincerely hope this publication will contribute, however modestly, to creating greater awareness of the needs of children, particularly the poorest among them.

Greetings for the New Year,

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

Dr. Estefania Aldaba-Lim
Special Representative for the
International Year of the Child
866 United Nations Plaza
New York, N.Y. 10017

JEMerriam:ll
December 8, 1978

493/5 1391

DEC 11 1978

Dear Mr. Ambassador:

As I believe you know, the World Bank and UNIDO are organizing a symposium on "Development Banking in the 1980s," scheduled to take place during the first half of June, 1979. Its purpose is to assess in some depth the future role of the large number of development finance companies which have been or are being established in most countries of the developing world--over 100 of which have benefited from World Bank lines of credit. The symposium will focus on the opportunities and problems which these institutions are facing as a wide range of domestic situations and policies evolve and as the international economic/financial environment is changing, and will explore means by which development finance companies could achieve optimal realization of their purposes and avoid unnecessary mistakes in the decade to come. The participants in the symposium would be mostly senior executives of development banks, but would also include high level officials concerned with industrial policy in developing countries and representatives of multilateral and bilateral financing agencies.

UNIDO, which is undertaking on behalf of both agencies to organize the logistic arrangements for the symposium, has recommended Zurich as the most suitable place to hold it, and I am informed that the Swiss authorities have indicated that they would be receptive to such a proposal. My purpose in writing to you now is to confirm that the Bank is indeed interested in the meeting and concurs in the UNIDO recommendation as to its location. I am sure that the assistance and support of the Swiss Government and banks in making arrangements for this symposium would contribute greatly to its smooth functioning and successful outcome.

With kind regards,

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

Ambassador Paul Jolles
Secretary of State for Foreign Trade
Division of Commerce, EVD
3003 Bern, Switzerland

cc: Ambassador A. Dunkel
Federal Department of Public Affairs
3003 Bern, Switzerland

FStirnemann/PKnotter/DGordon:adh

493/5/390

DEC 11 1978

Dear Ray:

Thank you for your letter of November 22, 1978 about the workshop on The Politics of World Economy which you will direct on June 10-15 next year in Cambridge. With the group of participants you mention, it should be a stimulating gathering.

I note the name of Mahbub ul Haq on your list and hope he will be free to accept the invitation for part of the time at least. It may be difficult for another senior official to represent the World Bank at the workshop which takes place a fortnight before the end of our financial year, a time at which my colleagues and I always find it particularly difficult to leave Washington.

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

Mr. Raymond Vernon
Clarence Dillon Professor of
International Affairs
Center for International Affairs
Harvard University
1737 Cambridge Street
Cambridge, Mass. 02138

cc: Mr. McNamara's Office (2)
Mr. Haq

LPChatenay:mmh
December 5, 1978

DEC 11 1979

493/5/389

Mr. C. P. Bentley
Chairman
Governing Board
International Crops Research Institute
for the Semi-Arid Tropics
Department of Soil Science
University of Alberta
Edmonton, Alberta, Canada T6G 2E3

Dear Mr. Bentley:

Thank you for your letter commenting on the question of Bank supervision of projects. I appreciate having your views, and am grateful to you for taking the time to share them with me.

You are right to stress the importance of supervision, and I hope nothing I may have said left you with the impression that the Bank does not actively supervise the implementation of all the projects we finance. We have, in fact, long maintained an elaborate project supervision system and attach the highest priority to this aspect of our work. Indeed, in recent years some 40% of the Bank's operational manpower has been devoted to supervision tasks.

Most of this manpower expenditure takes place in connection with the supervision missions which regularly visit all projects in the field to assess implementation progress and discuss the problems being encountered with project management and, if necessary, higher authorities. However, we do not normally use Bank staff in an on-the-job, full-time supervisory capacity at the site of the project. That task is the responsibility of the borrower, but the Bank may recommend, or in some cases require, that consultants or other experts be brought in to assist in this full-time task.

What I was seeking to emphasize in my remarks on the subject is that the fundamental responsibility for implementation of Bank-financed projects must remain with the borrower. They are, after all, the borrowers' projects. Thus, the Bank's supervision work involves the sometimes delicate task of assisting the borrower with a responsibility that is fundamentally his. As part of this effort, in many projects we do include technical assistance and training components in the areas of administration and management, as you suggest, and are making continuing efforts to improve the effectiveness of these and other institution building aspects of our work.

In your future visits to Washington, if you wish to discuss this issue further, Warren Baum, Monty Yudelman, or I would be happy to meet with you. There is no question that supervision is a critical element in the project cycle.

It was very good of you to write to me.

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

493/5/386

November 30, 1978

Price Waterhouse & Co.
1801 K Street, N. W.
Washington, D. C. 20006

Dear Sirs:

With respect to the financial statements of the International Bank for Reconstruction and Development at June 30, 1978, and for the five years then ended included in the Prospectus relating to the 6-1/4% Deutsche Mark Bonds of 1978, due 1988 in the aggregate principal amount of DM 400 million, we reconfirm the statements made in our letter of July 31, 1978, except that payments due to the Bank under loan agreements but unpaid at November 29, 1978 are as shown on the attached list.

There have been no developments since July 31, 1978, which would materially affect the financial statements included in the above-mentioned Prospectus.

The unaudited financial statements of the Bank at September 30, 1978 and for the three-month periods ended September 30, 1977 and 1978, also included in the Prospectus, have been prepared on a basis consistent in all material respects with that followed in the preparation of the audited financial statements for the year ended June 30, 1978, and we are not aware of any matters or occurrences up to the present time which would materially affect such statements.

Sincerely,

(Signed) Robert S. McNamara

President

Vice President and General Counsel

Controller

Attachment

493/5/384

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

Office of the President

MEMORANDUM December 6, 1978

TO: Messrs. Christoffersen and Jaycox

FROM: Caio Koch-Weser (CKW)

SUBJECT: German Ministry of Economic Cooperation--Collaboration between the Bank and German NGOs on Social Aspects of New-Style Projects

1. At Mr. McNamara's meeting with the German delegation during the Annual Meeting 1978, Mr. Offergeld (Minister of Economic Cooperation) expressed particular concern about the social obstacles to development encountered in German aid projects directed at poverty groups. In his view, those sensitive social issues posed serious political problems for governments and advice on how to tackle them had to come from multilateral institutions rather than bilateral agencies. Mr. McNamara replied that, although the Bank was increasingly addressing these issues, it was not doing enough--as evidenced, for example, by the very small number of sociologists employed by the Bank.

2. On October 3, 1978, I met in Bonn with Mr. Karl Osner, Director for Social Structure Programs, Ministry of Economic Cooperation. He had sent me a paper on Possible Contributions of Non-Governmental Organizations towards a Social Development Strategy and he was anxious to explore ways in which NGOs could collaborate with the Bank. Mr. Christoffersen had earlier (letter of July 25, 1977) commented on the paper and had suggested exploring possibilities for closer collaboration in terms of (i) setting up "more regular channels for sharing information" on methods and operational approaches for poverty schemes, and (ii) participating jointly in operations. However, further steps in the dialogue had not been taken during 1978.

3. During our meeting, Mr. Osner made the following points: (a) The Minister was indeed most interested in a more systematic sharing of experience on social aspects of development between the Bank and the German bilateral programs (including NGOs); (b) The Bank's approach of addressing poverty through large-scale government programs could be complemented and supported more systematically by NGO activities which were small-scale and involved various social groupings on a self-help basis ("bottom up" approach); (c) In particular the churches did excellent work in this field and could provide valuable experience and support; (d) In a number of cases, cooperation between Bank-financed projects and German Government-supported NGOs was already going on in an ad hoc fashion (and in some cases without the Bank or the German Government being aware of it); he mentioned as examples the Tondo/Philippines project and an urban project in Honduras.

4. Mr. Osner agreed with Mr. Christoffersen's suggestions. He proposed that the Bank and the German NGOs (with the support of the German Government) agree on

(i) setting up a simple system for providing information on specific projects and sharing experience, and--as a result of this--

(ii) better coordinating their approach to addressing social issues of new-style projects, without necessarily undertaking joint projects.

These collaboration efforts should not require substantial inputs of staff-time and

financial resources; they should not become "institutionalized." As a next step, Mr. Osner suggested organizing a small workshop, for 2-3 days, possibly at the Bank's Paris Office and with the participation of, say, four Bank staff members and four representatives of German NGOs. The workshop should explore forms of collaboration by analyzing in great detail the Bank's and NGOs' experience in addressing social issues encountered in their poverty projects in 2-3 countries, i.e., by undertaking a few case studies. Mr. Osner mentioned Indonesia, (Northeast) Brazil and Tanzania as countries of special German interest. I promised to follow up in Washington.

5. Mr. Boell, Assistant Under-Secretary of the Ministry of Economic Cooperation, and his delegation also raised the possibility of such a collaboration during their visit to Washington in October 1978. Finally, Mr. Kurth, German Executive Director, asked me last week whether a Bank response was forthcoming.

cc: Mr. Cernea
Mr. Chatenay

493/5/381

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

DEC 4 1978

Office of the President

Dear Dave,

I very much appreciate your candid letter of November 7, 1978, regarding the World Bank's efforts to promote the growth and enrichment of professional staff. This subject is highly important for the effectiveness of the Bank.

You might be interested to know that since 1974 we have been actively working on the development of an integrated staff development system. Our approach emphasizes professional rather than career development because of the nature of the Bank's work and our staffing profile, which is comprised largely of experienced professionals recruited in mid career. It aims at providing staff with varied and challenging assignments coupled with relevant training. While I believe our policies are about right, we can improve and do much more. Effective implementation of staff development is now our primary focus, and we are presently evaluating our existing practices and considering ways of strengthening career planning and management development in the Bank. Also, while the Bank supports various kinds of external education for professional enrichment, there may be reason to expand our efforts in this area as well. We are also giving greater emphasis to refresher training programs for professionals. While the Bank's training efforts have expanded in recent years, we need to strike an appropriate balance between the Bank's work requirements and commitment to training.

In short, the problems you have identified are real and important. We are making progress on the difficult task of best utilizing and developing our highly talented professional staff resources -- but the progress has been slow and disappointing. Again, I very much appreciate your thoughtfulness in writing to me.

With best wishes,

Sincerely,

Robert S. McNamara

Mr. David E. Bell
Executive Vice President
The Ford Foundation
320 East 43rd Street
New York, N.Y. 10017

Babson/McNamara:js

493/5/380

NOV 30 [illegible]

Dear Mr. Koc:

Last July I wrote to you in response to your request that I might help in securing funds from American foundations in support of your education foundation.

I had hoped then to be able to interest at least one of the institutions concerned in such an effort. I am sorry to have to tell you, however, that my efforts were not successful. This may be due to the fact that your foundation has already received grants from American foundations; it is usually the custom of such foundations to expect the recipient to carry on independently after an initial grant.

I am sorry that I cannot help you further in this matter but I felt that you would wish to know the real situation.

With best wishes,

Sincerely,

(Signed) Robert S. McNamara

Robert S, McNamara

Mr. Vehbi Koc
Chairman
Koc Holding A.S.
Findikli, Istanbul
Turkey

MPBenjenk/dm
11/29/78

R McN Chron

493/5/377

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

Office of the President

November 22, 1978

The Honorable
Parren Mitchell
Chairman
Congressional Black Caucus
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Thank you for your letter of November 17, 1978 commenting on employment policies of the World Bank. I welcome the opportunity to comment on the points you raised.

While I have been President of the World Bank I have visited 31 African nations. On these visits it has been my particular concern to raise the issue of recruitment with national agencies, and at the highest levels of government to stress the Bank's interests in finding qualified African applicants. They have generally shown a willingness to cooperate, and we have pursued this by sending frequent recruitment missions throughout Africa.

Ten years ago there were seven black African professional employees in the Bank. Today there are 69. Recently two were appointed to senior positions: one as Director of the Education Projects Department, and another as Senior Adviser to the International Finance Corporation. Two additional African professionals are on temporary leave: one to help the Government of Liberia and another assigned to the Government of Barbados. I am encouraged by these results although they are by no means adequate.

Today, Africans represent 9.3% of the Bank staff from developing member countries, whereas the share of African population of the same countries is 13%. We have recruited 33 Africans in the past three years. Morever, as we have stated elsewhere, the rate of promotion on Africans in the Bank is greater than for other Bank personnel.

We also have 29 black Caribbean professionals, 3.9% of those coming from developing countries (the Caribbean population is .6% of the total population of those countries). Two have been appointed to senior jobs in recent months -- one has been made Senior External Relations Adviser and the other Deputy Special Representative to UN organizations. A Haitian staff member, now in charge of the Bank-WHO-funded river blindness program in the Sahel, is on leave from the Bank at the rank of Division Chief which he has held since 1972. We have done well in our program with Caribbean nationals, and I believe we shall do equally well in Africa.

The Bank, which is run by its 133 member countries and a Board of 20 Executive Directors, has had a long established practice of not looking beyond nationality to ethnic origin in recruitment of staff. With over 2400 professional employees from 99 countries, efforts to identify and select from the hundreds of ethnic groups within our membership would be unmanageable. Our personnel files do not contain information on ethnic origins.

Nevertheless, I fully share your conviction that there are black Americans who could ably serve the World Bank, and I believe the Bank could cooperate with the U.S. Government in this regard. With a common will I am convinced we can identify more qualified black American candidates for professional positions. I would be grateful for whatever help you and your colleagues of the Congressional Black Caucus can provide us in meeting this objective.

Mr. Chairman, I take great personal satisfaction in the progress made in promoting equal opportunity during the years I have been a public servant. I want the policies of the World Bank to be totally consistent with the practices I have always insisted on, and I am convinced they are in fact identical to those advocated by you and your colleagues.

Sincerely,

Robert S. McNamara

Robert S. McNamara

P.S. As you can see from the enclosure my interest in Equal Opportunity is not a new one.

RSMcNamara:js
cc: Messrs. Chadenet, Clark, Merriam, Clarke,
Fried

EXTRACT from "The Essence of Security"

by Robert S. McNamara

pages 123 - 127

Shortly after I became Secretary of Defense, I asked Gerhard A. Gesell, a leading attorney, to direct a review of progress toward equal opportunity in the armed forces. His committee took a hard, realistic look at the problem. It reported that substantial improvement had been made on military bases, but it found that severe off-base discrimina-

tion affected thousands of Negro servicemen and their families. This discrimination was most destructive in the field of housing.

Open housing is a serious issue throughout our society. But this intolerable racial discrimination affects military personnel even more severely than it does the population at large. The serviceman and his family, on limited compensation and under military orders, must move every few years. While defending his nation he is singularly defenseless against this bigotry.

My response to the Gesell Committee findings was to issue a directive incorporating its recommendations. Commanders everywhere were asked to organize voluntary programs to eliminate housing discrimination in the communities surrounding their bases. In the Pentagon we turned our minds to other problems.

Early in 1967 we reviewed the results of that four-year-old directive. Teams were sent to a dozen bases to look into every aspect of equal opportunity. A special task force was set up for the greater Washington area. Seventeen thousand service families were surveyed and their answers were analyzed. One fact became painfully clear: the voluntary program had failed, and failed miserably.

This failure we found intolerable. Our nation should not and will not ask a Negro sergeant, for example, to risk his life day after dangerous day in the heat and hardship of a jungle war and then bring him home and compel him to remain separated from his wife and his children because of the hate and prejudice that parade under the pomposity of

racial superiority. Yet that is precisely what has been happening in this country. The color of the blood that our men shed in the defense of Asia is all the same, but when these men return home, it is not the color of their blood that matters but the color of their skin.

Thousands of our Negro troops who have returned from Vietnam are victims of discrimination in off-base housing. When there is adequate housing on the base, Negro men in uniform are treated as all Americans should be treated. When there is not, and the Negro must depend on the civilian community for housing, he all too often is denied this equality of treatment. Because of his color he, his family and our national security suffer a penalty because of the impaired morale of our fighting forces.

This is a group of men who have distinguished themselves in the service of their nation. It is a fact that Negroes often volunteer for the most difficult and hazardous assignments. It is a fact that 20 percent of the Army men who died in Vietnam in 1967 were Negroes. The Negro serviceman has been loyal and responsible to his country, but the people of his country have failed him.

Our original voluntary program floundered and fell apart. It lacked sufficient leadership from the top, starting with me, and going right down through the senior echelon of the Defense Establishment; and it lacked appropriately stiff sanctions for violation of our antidiscrimination policy.

We forged, therefore, a whole new set of tools to deal with this failure. The first phase was to compile a nationwide census of open off-base rental housing for military

personnel. The second phase was to mobilize throughout the country effective community support for nondiscriminatory military off-base housing. The greater Washington metropolitan area, including Maryland and Virginia, was chosen as our first objective. We wanted to make the area surrounding the nation's capital a model program, as it should be, and we wanted to learn quickly all the lessons we could that would assist us in the country at large.

Officials from the highest levels of the Defense Department, the Deputy Secretary of Defense, the service Secretaries, and senior commanders, met with realtors and landlords of the area and put the matter to them squarely. The extent of off-base housing discrimination was appalling. The morale of Negro servicemen and their families was being severely eroded. We told the landlords the Defense Department could no longer tolerate the situation, and we appealed to them for voluntary compliance with our nondiscriminatory housing policy. But we pointed out that the situation as it stood was so unjust that, whether or not we secured their voluntary compliance, we simply could not permit the conditions to continue. If the landlords felt they would not or could not comply, we were going to have to prohibit any of our men—regardless of their race—from signing rental agreements in housing units where such discrimination was practiced.

Many proprietors complied voluntarily, but too many did not. In many instances their position, while shortsighted, was understandable. Some faced genuine economic pressures. In any event, they did not comply, and we were

compelled to take the only action open to us. We prohibited all military personnel from signing new leases or rental agreements in their facilities. This applied a countervailing economic pressure, and our open-housing program took on an altogether new and positive direction. In northern Virginia and Maryland we more than trebled the number of nondiscriminatory units, from about 15,000 to 53,000 units within 120 days.

The program is now at work elsewhere throughout the nation. There is an intensified program in California at this writing. We gave particular emphasis to this state, not merely because of the large number of Defense installations and military personnel there, but because California among the fourteen states with open-housing laws had the lowest percentage of apartments open to all races.

Everywhere our approach has been the same. We survey the local situation at each military base. We request cooperation and seek voluntary compliance. The Department will do everything possible to see that our military families act as good tenants: that they pay their obligations promptly and that they respect the property of private owners. I am fully aware that the Defense Department is not a philanthropic foundation or a social-welfare institution. But the Department does not intend to let our Negro servicemen and their families continue to suffer the injustices and indignities they have in the past. I am certain my successors will pursue the same policy.

493/5/376

November 21, 1978

Dear Mr. Minister:

I have just sent Prime Minister Ecevit the attached self-explanatory letter which I thought you should see. I am asking Mr. Bart to hand it over to you and to answer any questions you may have.

With best personal regards,

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

His Excellency
Ziya Muezzinoglu
Maliye Bakanligi
Ulus, Ankara
Turkey

MPBart:rpo
cc Mr. McNamara's office (2)
November 22, 1978

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

403/5/375

Office of the President

November 21 1978

Dear Mr. Prime Minister:

Earlier this month the Executive Directors of the Bank approved my recommendation for a $150 million program loan to Turkey. This loan has since been signed and became effective last week. This action, together with the approval and signing of three project loans for $205 million last June, and the strengthening of our projects pipeline in the last few months to meet with your request for higher World Bank lending to Turkey in the future, brings to a conclusion a first phase of the understanding we reached last April when I visited Turkey at your invitation. I am glad that in just a few months the World Bank was able to respond promptly, and in a variety of ways, to the growing needs of your country.

I felt the need to write to you today for two reasons; first, because we are now embarking on the next phase of our cooperation, which I consider of the highest importance if the cooperative path on which we jointly embarked last spring is to bring fruitful results in the medium and long run. You will remember my telling you, and I also stated this in my letter of April 18, 1978, to His Excellency the Minister of Finance, that a World Bank program of the magnitude you desire and, more specifically, the granting of a program loan, must necessarily be based on the existence of a solid development plan, which the Bank management can fully endorse when making recommendations for this level of lending. In view of the delays in finalizing the Plan and in order to meet Turkey's urgent need for fresh funds I agreed to my staff's recommendation that we should go forward with the program loan before being fully apprised of the new Plan and only on the basis of the Plan Outline, which had been made available to our economic mission. This decision, which was an act of faith justified by the courageous decisions on economic policy already made by your Government, in no way detracts from the need to proceed, as the next step, with an open dialogue between your Government and the Bank on the new Five Year Plan now that it has been approved by the Government and presented to Parliament. Such a review is particularly necessary, if we are to justify to our Board a greatly augmented lending program which you have requested from the Bank and for which we are making all the necessary technical preparations.

I am also writing this personal letter with a second and more immediate purpose in mind; I have to report to you, confidentially, that we had a great deal of difficulty getting the program loan through our Board. Many country representatives criticized us for presenting this loan before the successful conclusion of the forthcoming negotiations between Turkey and the IMF. Mr. Benjenk and his colleagues at the Board meeting finally convinced the Executive Directors that the unpopular decisions taken by your Government in its first few months in power, were a guarantee that future difficult decisions would also be made as required. The general consensus that emerged during the discussions was that the Turkish Government was certainly to be commended for having reversed the very dangerous trends in the economy that threatened Turkey late last year but also that additional difficult decisions needed to be taken in order to ensure that Turkey becomes the self-reliant, outward-looking country which I have heard you say you wish it to become in the next few years. In such a difficult period the Bank is anxious to help you not only with funds, as it has done in recent months, but also to contribute the experience in economic policy formulation which the Bank has acquired through its relationship with so many countries in the last three decades. I have therefore asked some of our leading economists in the Bank to prepare a paper containing our views of some of the immediate issues facing Turkey. It is brief and I am taking the opportunity of sending it to you with this letter.

I am sure it is as obvious to you as it is to us in the Bank that the main obstacle to a vigorous export and tourism drive which alone can redress Turkey's balance of payments gap, is an unrealistic exchange rate. However, further realignment of the exchange rate will be of little value, as the experience of the last few months shows, if the advantages gained thereby are more than wiped out by the progress of inflation. Equally, it is obvious to us from our own experience in many countries that the battle against inflation is a long one and cannot be won in a few weeks or months. What is therefore necessary for the next two or three years ahead, as the attached paper implies, is a foreign exchange system which gives export activities all the advantages of a new and favorable exchange rate and does not allow that to be lost when inflation catches up with it. Such a system would also go a long way towards attracting Turkish workers' remittances and savings, much of which now seem to be diverted towards financing unofficial imports of a non-priority nature. Similarly, tourism, to which you rightly attach great importance, would be furthered as there is evidence that tourists now prefer the less expensive facilities offered by countries such as Yugoslavia, Greece and Egypt. I hope that you will give this matter your most earnest consideration.

In writing the above I am sure I am right in assuming that it is the aim of your Government that Turkey should be an outward-looking country able to achieve growth by means of its own resources, and such reasonable inflows as are made available by friendly countries and international organizations, as well as some prudent borrowing from

commercial banks. With regard to the latter, we have in recent weeks done our utmost to convince these banks that Turkey's potential represents a good risk for the future, in spite of present difficulties. But, it is quite obvious to me that these inflows will largely depend on the extent to which Turkey's economy can be diverted from what you once referred to as its "claustrophobia". You may be surprised to see from the attached memorandum that the Turkish economy is more closed to the outside world than any other we are familiar with, either capitalist or socialist. Surely it would be the greatest achievement of your Government if this trend were reversed and self-sustaining growth were achieved on the basis of Turkey's own dynamism and potential.

With a view to discussing these points, and other matters, with your authorities I am sending to Turkey a mission composed of senior Bank officials, headed by Mr. Maurice Bart, Director of Programs in the Europe, Middle East and North Africa Region, whom I am asking to deliver this letter to you. I hope you may have time to receive Mr. Bart during his stay in Ankara.

I have written this letter to you as a good friend of your country and drawing encouragement from the frankness and sincerity with which you spoke to me during my visit last spring. I wish you every success for the future.

Sincerely,

Robert S. McNamara

Att:

His Excellency
Bulent Ecevit
Prime Minister
The Republic of Turkey
Ankara, Turkey

November 21, 1978

TURKEY--SOME ECONOMIC POLICY ELEMENTS

Introduction

1. When it assumed office at the beginning of 1978, Mr. Ecevit's Government faced exceptionally severe economic problems. These have been tackled rapidly and with great political courage. Stabilization measures have been implemented; and a new Five Year Plan, which could redress some of the long-standing structural weaknesses of the economy, has been prepared. But the economic situation remains far from satisfactory. The purpose of this Note is thus to analyse some of the options which currently confront Turkish policy makers, and to outline policies which could ease certain outstanding economic problems within the framework of the Government's program of national objectives.

Crisis Management and Exports

2. To overcome the immediate threat of internal economic dislocation and to permit the gradual resumption of a rapid pace of growth and development, it will be necessary progressively to restore a sound balance of payments position. This will require a successful rescheduling of the bulk of the short-term debt built up over the past few years. The Government has already taken some effective steps in this direction. More importantly, it will require very careful demand management, since the trade balance is fundamentally determined by the balance between domestic demand (consumption plus investment) and domestic output. It is vital therefore that the Government should pursue fiscal and monetary policies consistent with maintaining the trade deficit at a level that can be financed through workers' remittances and external borrowing on sound terms. In the short run, when output and capacity use are constrained by a severe foreign exchange shortage, this must involve continued tight restraints on investment and consumption, both public and private. This restraint of demand, however, should have a beneficial effect on inflation and would thus complement the Government's direct efforts to reduce cost-push pressures on wages and prices.

3. But reducing the trade deficit to manageable proportions through disinflationary policies is only one part of the solution. It is also vital, in order to increase capacity utilization (thus easing the degree of demand restraint required) and ultimately to allow for further increases of capacity, first to maintain and then to raise the level of imports. Given the need to reduce the trade deficit, there is only one way in which an increase in imports can be achieved, and that is by raising the level and the rate of growth of exports.

4. To bring about a major increase in exports (which, incidentally, would permit an increase in imports also through raising Turkey's external borrowing capacity) would require some basic changes in the direction of Turkey's economic policy. Since the Second World War, Turkey's industrialization has been based principally on import substitution. This, especially in its early phases, was entirely appropriate and accelerated the process of modernization. But the experience of other countries indicates that import-substitution becomes progressively more difficult and costly, especially since it requires ever-increasing imports of capital and intermediate goods, but does not contribute to earning the foreign exchange needed to pay for them. Thus in Turkey, exports have lagged further and further behind imports; around 1970, Turkish exports paid for about three-quarters of Turkish imports; by 1977, this ratio was down to 40 percent. Moreover, the current ratio of exports to Gross Domestic Product (GDP) in Turkey is only 5 percent, which is extremely low by international standards: in Brazil the ratio is about 10 percent, and in Romania and Yugoslavia about 25 percent. Only in China, perhaps, among the major countries of the world, is the ratio of exports to GDP lower than in Turkey.

5. The need to promote Turkish exports, as the Government has publicly recognized, is thus of paramount importance, both to make rapid growth consistent with balance of payments equilibrium, and to encourage Turkish producers to achieve international standards of efficiency and quality (thus also benefiting domestic consumers). It is vital to consider how this might be achieved. The main contribution to a major and sustained growth of exports must come from manufactured products, and this will require a considerable re-orientation of industry away from the domestic market. At present, Turkish price and exchange policies confer a premium on imports, and thus favor importers and manufacturers supplying the protected domestic market. Thus a re-orientation towards exports can be brought about only if the Government takes steps to make Turkish producers competitive on world markets, and to make exporting at least as profitable, if not more so, as selling in the domestic market. There are various ways in which this could be done. One would be to reduce tariffs and relax quotas, which, by lessening the present high protection of the domestic market, would reduce the profit margins on production for domestic use. But this tactic, though highly desirable in the medium to long term, could not be undertaken in the short term because of the difficult balance of payments situation. Another set of tactics for increasing the profitability of exporting involves various forms of direct and indirect subsidy to exporters, of the sort which the Government has already implemented. These are extremely useful, but beyond a certain level would invite foreign retaliation, especially since the rates of subsidy that would be required to bring about the growth rate of exports envisaged in the Fourth Plan outline strategy would be extremely high. The third, the simplest, and in many ways the best, tactic for increasing the profitability of exporting is through exchange rate adjustment.

6. Exchange rate depreciation is of particular relevance in the Turkish context at the present time, since repeated past devaluations have regularly tended to lag behind rises in domestic costs and prices. As a result, the competitiveness of Turkish exports has deteriorated markedly since 1970, to the point where, for example, wages in the Turkish automotive industry are at the present exchange rate nearly as high as in the United Kingdom, resulting in substantially higher costs per unit of output. The fact that inflation has in the past been allowed to overtake devaluation also suggests that it would be desirable for Turkey to introduce a fairly automatic mechanism for making repeated small adjustments in response to divergences between inflation rates in Turkey and in her main trading partners--perhaps a "crawling peg" mechanism along the lines adopted by Brazil. This type of mechanism, whose implementation would have to be preceded by an initial devaluation of appropriate magnitude, would not only ease the political tensions that accompany devaluation both in Turkey and elsewhere; it would also provide Turkish producers with an assurance of continuing profit from exporting, which is essential if the necessary redirection of investment is to be accomplished. This redirection, moreover, would not be confined to manufacturing. The benefits of a more competitive exchange rate would be felt also in an increase of foreign exchange earnings from tourism, international transportation, and contracts for construction abroad. In addition, there is considerable scope for increasing agricultural exports, provided that the prices and other incentives with which farmers are confronted are such as to induce them to increase their production of commodities that can be profitably exported.

7. There are three possible objections to immediate implementation of a devaluation strategy in Turkey.

(1) The first is that an increase in exports would not result because domestic production capacity is too constrained by shortages of foreign exchange to permit any increase in exports. This objection is misconceived. To increase exports it is not necessary to raise the overall level of domestic production; it would be sufficient to divert some existing production away from the domestic market (as would happen if the relative profitability of exporting were to be increased). Such a diversion need not be large: a 2 percent increase in the share of industrial output exported (from its present level of 7 percent) would cause a 30 percent increase in industrial exports. Moreover, insofar as production of certain commodities for export <u>is</u> constrained by foreign exchange shortages, some diversion of production of other commodities from domestic use is essential if the vicious low-exports-low-imports-low exports circle is to be broken.

(2) Another possible objection to devaluation is that it would increase the cost of external debt service in terms of Turkish lira (though not in terms of foreign currency), and would thus strain the public finances. This objection is in principle correct, but it overlooks the fact that devaluation, by increasing exports and permitting faster growth, would have a beneficial effect on public revenues.

(3) A third possible objection to devaluation is that it would worsen inflation. This is to some degree correct, in that devaluation would elevate the domestic prices of some imported goods (the effect in other cases would simply be a reduction of importers' profit margins). But it is easy to exaggerate the effect of devaluation on domestic prices: since the ratio of imports to aggregate Turkish demand is small (around 12 percent in 1977), each 10 percent rise in import prices would directly raise domestic costs by only 1 or 2 percent. Moreover, there are other policies for reducing inflation, particularly demand management and direct control of cost-push pressures; a devaluation strategy would simply require that these be applied somewhat more stringently than would otherwise be necessary. This relatively minor cost should be set against the immense benefits that Turkey could derive from sustained expansion of exports, not least through enabling the balance between the demand and supply of resources to be struck at a level of income high enough to be socially and politically feasible.

From Crisis Management to Development

8. If, and probably only if, a rapid growth of exports over the medium term is achieved, will Turkey be able to resume and surpass the impressively high growth rates achieved over the past two decades. But this, in conjunction with the greater justice in the distribution of the costs and benefits of development which the present Government so rightly emphasizes, will require appropriate economic and social policies, as well as a number of structural reforms.

9. The measures necessary to increase exports have been outlined above, and these in themselves will necessarily bring about some significant changes in the structure of the economy, especially in the private sector. But rapid growth would also require a high level of investment, and this in turn could be reconciled with a manageable trade deficit only through a commensurate increase in domestic savings, which have stagnated at about 16 percent of GDP during the last seven years, largely because of the poor performance of public savings. Thus, as the Government has recognized, a sustained increase in public sector (including SEE) revenues, relative to public sector consumption, is required, whose implementation will require political skill and determination of the highest order. In addition, an interest rate structure that gave greater encouragement to saving, and less encouragement to capital-intensive investment, would help improve the balance between savings and investment in the private sector.

10. Enterprises in the Turkish economy must also learn to make more sparing and more efficient use of imported inputs, both in response to a competitive exchange rate and through direct Governmental encouragement, particularly in public sector enterprises. More generally, it is worth emphasizing that SEEs should play a driving role in all the various aspects of structural change outlined above. The complacency with which they have been managed in recent years has surely had a deleterious effect on Turkey's economic fabric, both through draining the exchequer and through the poor example, in terms of inadequate exports, excessive imports, and low productive efficiency, that they have provided to the private sector. Reforms are needed to upgrade their institutional structure and objectives, their management capability, and their project selection processes.

11. In the field of social justice, the Turkish Republic has successfully made a major effort to ensure that basic needs (nutrition, shelter, health and education) are largely met. But although further progress on these fronts is very desirable, the single most important social issue, both at the present time and in the foreseeable future, is unemployment. The labor force is increasing rapidly, and could continue to do so for decades unless population growth is restrained, while opportunities for working abroad are likely to remain limited. Thus to reduce unemployment, it is essential to increase the rate at which jobs are created in Turkey. One way to do this would be to maintain as high a growth rate as possible, and for this reason, if for no other, a drive to increase exports seems imperative. Another way would be to reorient the structure of production in such a way as to generate more jobs at any given growth rate. Here again, an export drive would be beneficial, since it would give an especially large stimulus to industries whose employment potential is relatively great. But a re-orientation of agricultural policies, and of policies which affect the techniques of production chosen in non-exporting industrial sectors, would also be needed.

12. To reduce unemployment, or at any rate to prevent it increasing further, would improve the distribution of income. But in this area also, other policies are needed, including tax reform, the curbing of speculation in land, and measures to raise agricultural productivity and incomes in relation to productivity and incomes in the non-agricultural sector. Within the agricultural sector itself, increased equality of incomes would require, among other things, land reform, although in practice this must probably be regarded as a longer-term objective.

13. All of the above problems and issues, as the Fourth Plan outline reveals, are at the forefront of the minds of Turkish policy makers. Their successful resolution will require a consistent, comprehensive and, above all, realistic program. It is hoped that the new Plan (which we have not yet seen) will constitute such a program.

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493/5/374

NOV 22 1978

Dear Mrs. Østergaard:

I was very happy to hear from Mr. Knapp that Denmark will be able to give its full support to the Sixth Replenishment of IDA Resources at the level of $13 billion. I am sure that an expression of this view by your Deputy at the forthcoming Paris meeting will be greatly helpful in establishing a positive and constructive tone for that meeting, and in setting the negotiations on a course which will enable IDA to carry out a program over the coming years that will be adequately responsive to the needs of the poorest countries.

Please accept the expression of my warm appreciation for what Denmark, and you personally, are doing to support this program.

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

Her Excellency
Mrs. Lise Østergaard
Minister without Portfolio
Ministry of Foreign Affairs
Christiansborg Slot
SK-1218 Copenhagen K, Denmark

cc: Mr. Einar Magnussen

Messrs. Cargill
Gabriel
Nurick
Vibert

JBKnapp:isk (Dictated from London 11/21/78)

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

4/3/15/373

Office of the President

November 22, 1978

Dear Mr. Oppenheimer:

Mr. Warren Robbins, Director of the Museum of African Art in Washington, D.C., has shown me a copy of his letter to you soliciting your interest in the work of the Museum. I am writing to say that I hope you will be able to give favorable consideration to his proposal.

The Museum is, in my view, an extraordinary institution, rendering a unique public service. I agreed to serve on its Board at the request of Hubert Humphrey because I believe it is making an important contribution to the greater understanding by Americans of the richness of African culture. Not only, of course, is that culture part of the overall inheritance of American society -- and thus ought to be better known -- but it is in itself so compelling a case of artistic vitality that it serves to remind Americans of the immense diversity and potential of the peoples of the developing world.

The Museum is well on the way to becoming one of the best and mose useful institutions of its kind in the world. If its relatively short-term financial problems can be met, the forthcoming association with the Smithsonian Institution will assure long-term financial stability.

When you next pass through Washington I hope you will allow time for a visit with me.

With best wishes,

Sincerely,

Robert S. McNamara

Mr. Harry Oppenheimer
44 Main Street
Johannesburg
South Africa

Blind copy to: Mr. Warren M. Robbins
RSMcNamara:js

NOV 20 1978 493/5/372

Mr. Ibrahim F.I. Shihata
Director-General
The OPEC Special Fund
P.O. Box 995
Vienna, Austria

Dear Mr. Shihata,

I recall with pleasure our talk at the time of the Bank's Annual Meeting, and much appreciate your writing to me so promptly. As I said at the time, we must be constantly on the alert for ways of streamlining our lending procedures so as to minimize the administrative and legal burden on Bank borrowers, and shorten the interval between appraisal of a project and the disbursement of loan funds. It is most helpful to have your comments and suggestions, which I have had studied carefully by those of my associates who are responsible for the various matters covered by your letter. Let me comment briefly on the points you raised.

1. Loan Negotiations at Headquarters

The range of issues that have to be resolved at negotiations varies widely. Where the project under negotiation is relatively simple, and the Bank and borrower are familiar with each other's policies and procedures, negotiations serve mainly to review the legal documents embodying agreements already reached. It is much more frequently the case, however, that significant technical, financial and policy issues remain after appraisal which cannot be settled through correspondence. In addition, it often is desirable to have the Project Manager, who may be unfamiliar with the Bank technical staff and, sometimes, with the history of the project participate in negotiations and familiarize himself with the technical staff involved and the analyses underlying the project details. For both these reasons holding negotiations in Washington, where the full range of staff expertise is available, is desirable. Sending staff to the borrowing country for negotiations would be time consuming given the very large volume of operations. It would create difficult scheduling problems, reduce the time available for work on other projects or require an increase in staff. On balance therefore we feel the present system to be more efficient and in the interests of our borrowing member countries. However, we do stand ready to negotiate in the borrower's country in suitable cases, and there has been a small increase in recent years in the number of negotiations away from headquarters.

NOV 20 1978

2. Standard Clauses in Loan Agreements: "Master" Agreements

The possibility of concluding "framework" or "master" agreements with member countries has an obvious appeal and we have considered it in the past on several occasions. On balance we have concluded each time that the disadvantages outweigh the benefits. The major problems we see with framework agreements are: (a) in many countries, ratification of the "framework/master" agreement by Parliament, or some other constitutional authority, would not expedite lending operations since, as a matter of constitutional law or practice, there would still be need to obtain ratification or approval of individual loan agreements mainly because of budgetary implications; and (b) once concluded, the "framework/master" agreement might, except for automatic incorporation by reference in the loan documents, become a dead instrument; the agreement might end up in the archives of some ministry and not be fully known to the entities in charge of the project or to other ministries of the member concerned. In any event, such agreements could not include much beyond the existing General Conditions, since the financial terms and technical provisions relating to a specific project would still need to be negotiated in each case, and the General Conditions are not a cause of delay in negotiations.

A more practical approach, which the Bank has consistently followed, has been to try to convince member countries to recognize or grant the Executive standing authority to enter into loan or guarantee agreements with the Bank either on a permanent basis (as in India, Argentina, Brazil, Ethiopia or Zambia) or for definite periods of time (as in Cameroon or Morocco) or under a ceiling which is revised from time to time (as in Thailand). This approach has proved effective in countries where such grant of authority was constitutionally possible and politically acceptable. There is, however, still a number of countries in which this approach is not possible or acceptable.

3. Language of Loan Documents

Wall Street agreements, such as those involving Euro-dollar financings and private financings, are far more detailed and complicated than those of the Bank. If anything, it could be said that the Bank's loan documents are often couched in terms of general standards and leave many issues to be handled as they occur during the administration of the loan. Through the years a deliberate effort has been made to make loan documents understandable and applicable in the context of a member's legal system, and to facilitate the use of the same expressions in several languages. However, unlike the agreements of those lending institutions which are governed by municipal law, the Bank's loan documents are self-contained documents governed by international law. It is necessary to spell out in the loan documents rights and obligations of, or agreements between, the parties which could be omitted if we were dealing with agreements governed by municipal law. Also, the Bank's operations are not only financial transactions, but have developmental purposes which require clear agreement on policies to be followed and administrative action to be taken by the

borrower. Many projects, particularly those involving poverty groups in the rural or urban areas are extremely complex, both because of the many interrelated actions required to carry out the project and the number of project entities or beneficiaries involved, and that complexity is bound to be reflected in the loan documents.

There is one class of documentation under our agreements which is similar to Wall Street's, namely that used in "enclave" mineral projects where specific security is taken for our loan, and usually for other loans as well (e.g., take-or-pay contracts, assignments of the proceeds of sales contracts, set-aside arrangements under a trust agreement). We take security of this kind only in those special cases where the Bank believes it essential to safeguard its exposure. These arrangements are indeed complicated because of the nature of the issues involved and the necessity of being able to enforce the security, if necessary, in a local court.

Our Legal Department is very much aware of language problems and, because of its composition, is able to work in many languages. Translations of the General Conditions exist in French and Spanish, and an Arabic translation is about to be published. In addition, it has been the practice of the Bank, for many years, to prepare when requested by the borrower (and as a matter of routine in the case of French-speaking African countries) "unofficial" translations of loan agreements. Multilingual lawyers take linguistic problems into account in drafting the General Conditions and particular loan documents. The same lawyers are available to give explanations in the borrower's language during negotiations.

4. Conditions Precedent

Precisely for the reasons that you mention, it is the Bank's policy whenever possible to have conditions satisfied before negotiations or Board presentation. This policy must, however, be applied in the light of the circumstances. In many instances, the borrower, although in agreement with the steps to be taken (e.g. employment of consultants, establishment of project units) is not ready to take them before having in his possession a formal commitment on the part of the Bank to finance the project. A Bank's project preparation facility was introduced some years ago and has been extensively used, particularly in the poorest countries, to provide interim financing of the cost of meeting conditions required for ultimate lending operations. Engineering loans and credits are also available to help bring projects to the point where construction can begin and the Bank can make a standard loan or credit with a minimum of delay.

5. Preparation of Tender Documents

The preparation and use of standard contract forms has been considered from time to time. It would be an extremely complex task and the Bank has not felt justified in undertaking it, as the matter does not seem to be a concern of the majority of our member countries. Most project agencies

have developed their own contractual forms, often adapted from various international and national models. A universal contractual form would certainly facilitate international trade and reduce project costs, but it would be difficult to design one that fitted the various legal systems and practices. The FIDIC documents most closely approximate a universal standard. The Bank has reviewed the FIDIC Standard Contracts for Civil Engineering Construction and for Agreement between Client and Consulting Engineers, and is commenting on the Conditions of Contract for Electrical and Mechanical Works now under revision. The Bank's review has helped to make these documents more representative of the needs of the parties to the contract, and while we have not officially endorsed them we believe they are generally suitable.

6. Advertisement of International Tenders

Our customary practice under international competitive bidding has been to require advertisement in at least one newspaper of general circulation in the borrower's country, plus transmittal of copies of the invitation to bid, or the advertisement, to local representatives of the Bank member countries (and Switzerland). Only in the case of large, specialized or important contracts is it sometimes thought necessary to advertise in leading international newspapers or periodicals in a number of countries - perhaps one project in ten. In an attempt to improve the international advertising, especially to the benefit of smaller manufacturers and suppliers in general and from developing countries in particular, the Bank places General Procurement Notices in Development Forum Business Edition, published by the United Nations Centre for Economic and Social Information. This publication comes out 24 times a year and is obtainable on subscription from the UN. It began publication in February 1978 but is not yet widely enough known to replace advertisement in international publications for those relatively few projects which merit it.

7. Security Clauses

There are no "standard" clauses regarding security arrangements between the Bank and borrowing member countries. The Bank's policy, which was adopted by the Executive Directors in 1950, is not to seek, in normal circumstances, special security from the member concerned. Exceptions to this general rule have been made only in connection with: (a) so-called "enclave projects", i.e., industrial or mining projects, which are self-liquidating in terms of foreign exchange, in countries whose lack of credit-worthiness would otherwise not permit the Bank to lend; (b) co-lending operations when the loans of co-lenders were specifically secured; and (c) existing security arrangements entered into by the borrower which would have put the Bank in a subordinate position. All these arrangements are tailored to the circumstances of each case and do not reveal uniform, much less "standard", patterns. No set-aside arrangement relating to amounts in the borrower's own currency has been made since 1960. IDA does not take security.

8. Procedures in Cases of Co-Financing

There are standing instructions to staff to try to identify co-financing agencies early in the project cycle and to treat them as partners in processing the project. Most of the official agencies have been happy to conduct joint appraisals with the Bank. We fully agree that it is desirable, especially in the case of projects co-financed by a number of agencies, to resolve as many issues as possible in the course of appraisal, and to keep the number of meetings to a minimum. It is helpful if the lead agency can work out most of the issues with the borrower and present its recommendations to the other co-financiers before final negotiations.

We also share your view that commercial banks should be encouraged to co-finance projects in the middle and higher income developing countries. Guidance to staff was recently given on this point; in the case of projects likely to be of interest to commercial banks, staff are urged to make contact with the latter at an early stage of project preparation.

With best personal regards,

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

cc: Messrs. Stern
Benjenk
Clark
Hornstein
Nurick
Van der Tak

RJGoodman/LNurick/RHornstein/
H van der Tak/rf

493/5/369

NOV 17 1978

Dear Dr. Bowman:

Now that the External Advisory Panel on Education has completed its work and transmitted its report to the Bank, I wish to express to you my deep appreciation and gratitude for your participation in its work. The experience and dedication which you have brought to the task have greatly contributed to the outstanding report that has been prepared by the Panel. The report fully meets our high expectations when we commissioned this inquiry and its wise counsel will be invaluable in framing the Bank's work in education in the years to come. We have started on a careful review of the wide-ranging conclusions and recommendations of the report and their implications for the Bank's operations. I have circulated the report to the Executive Directors and expect to discuss it with them when we have had time to consider our responses to its recommendations. In this regard, I am pleased to note from Mr. Bell's letter to me of November 7, which was copied to you, that you and other Panel members, individually or as a group, are willing to assist us further in the future.

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

Dr. Mary Jean Bowman
5650 S. Dorchester Avenue
Chicago, Illinois 60637

AkliluHabte/HGvanderTak/hl
November 15, 1978

493/5/366

NOV 17 1978

Dear Dr. Monekosso:

Now that the External Advisory Panel on Education has completed its work and transmitted its report to the Bank, I wish to express to you my deep appreciation and gratitude for your participation in its work. The experience and dedication which you have brought to the task have greatly contributed to the outstanding report that has been prepared by the Panel. The report fully meets our high expectations when we commissioned this inquiry and its wise counsel will be invaluable in framing the Bank's work in education in the years to come. We have started on a careful review of the wide-ranging conclusions and recommendations of the report and their implications for the Bank's operations. I have circulated the report to the Executive Directors and expect to discuss it with them when we have had time to consider our responses to its recommendations. In this regard, I am pleased to note from Mr. Bell's letter to me of November 7, which was copied to you, that you and other Panel members, individually or as a group, are willing to assist us further in the future.

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

Dr. G. L. Monekosso
Director
University Center for
Health Sciences
University of Yaounde
Yaounde, Cameroon

AkliluHabte/HGvanderTak/hl
November 15, 1978

493/5/365

NOV 17 1978

Dear Dr. Singh:

Now that the External Advisory Panel on Education has completed its work and transmitted its report to the Bank, I wish to express to you my deep appreciation and gratitude for your participation in its work. The experience and dedication which you have brought to the task have greatly contributed to the outstanding report that has been prepared by the Panel. The report fully meets our high expectations when we commissioned this inquiry and its wise counsel will be invaluable in framing the Bank's work in education in the years to come. We have started on a careful review of the wide-ranging conclusions and recommendations of the report and their implications for the Bank's operations. I have circulated the report to the Executive Directors and expect to discuss it with them when we have had time to consider our responses to its recommendations. In this regard, I am pleased to note from Mr. Bell's letter to me of November 7, which was copied to you, that you and other Panel members, individually or as a group, are willing to assist us further in the future.

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

Dr. D. P. Singh
W-129 Greater Kailash-I
New Delhi 110048
India

AkliluHabte/HGvanderTak/hl
November 15, 1978

493/5 1362

NOV 16 1978

Dear Mr. Bell:

Thank you for your letter of November 7, in which you formally reported that the External Advisory Panel on Education had completed its work and transmitted its report to the Bank. The report lives up fully to our high expectations when we commissioned this inquiry and its wise counsel will be invaluable in framing the Bank's work in education in the years to come. We have started on a careful review of the wide-ranging conclusions and recommendations of the report and their implications for the Bank's operations. I have circulated the report to the Executive Directors and expect to discuss it with them when we have had time to consider our responses to its recommendations. In this regard, I am pleased to note that you and other Panel members, individually or as a group, are willing to assist us further in the future.

At this time I wish to express to you my great appreciation and deep gratitude for the major contributions you have made to the work of the Panel. I do not detract from the hard work and rich insights contributed by other members of the Panel, to whom I am writing separately, when I pay special tribute to you as its Chairman. The excellence of the report, its searching analysis, perceptive conclusions and balanced recommendations owe much, I am sure, to your leadership.

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

Mr. David E. Bell
Executive Vice President
The Ford Foundation
320 East 43rd Street
New York, NY 10017

AkliluHabte/HGvanderTak/hl
November 15, 1978

493/5/361

NOV 16 1978

Citoyen Président Fondateur,

J'ai l'honneur de vous remercier de votre lettre du 28 octobre dernier qui m'a été transmise par votre Ambassade à Washington et dans laquelle vous me demandiez que la Banque Mondiale apporte son soutien au Zaïre lors de la réunion de Bruxelles. J'ai par ailleurs appris que nous avons reçu une lettre de votre Gouvernement nous donnant des assurances concernant les questions que nous avions soulevées dans l'Aide-Mémoire sur la situation de Gécamines que M. Wapenhans vous a remis lors de sa récente visite à Kinshasa.

Compte tenu de ces derniers développements, notre délégation à la réunion de Bruxelles a participé activement aux discussions qui ont eu lieu sur les mesures à prendre en vue du redressement économique du Zaïre, dans le cadre du programme de stabilisation qui doit être établi avec le concours du Fonds Monétaire International.

Veuillez agréer, Citoyen Président Fondateur, les assurances de ma très haute considération.

(Signed) Robert S. McNamara

Robert S. McNamara

Au Citoyen Président Fondateur
Mobutu Sese Seko Kuku Ngbendu Wa Za Banga
Président de la République du Zaïre
Kinshasa, Zaïre

cc: for Mr. McNamara's Office

SCSchott/FMonceaux:dv

November 14, 1978

TRANSLATION

Citoyen Mobutu
Président de la République du Zaïre
Kinshasa, Zaïre

Dear Mr. President,

Thank you for your letter of October 28, 1978 delivered to me by your Embassy in Washington. I have taken note of your request that the Bank give its support to Zaire in the Brussels Conference. I have also been informed that we have received a letter from your Government responding positively to the Aide-Mémoire on Gecamines that Mr. Wapenhans left with you during his recent visit to Kinshasa. In view of this, our delegation to the Conference in Brussels has participated actively in the consultations on the means required to promote Zaire's economic recovery within the framework of an IMF approved program of stabilization.

Sincerely yours,

Robert S. McNamara

SSchott:dv

493/5/360

NOV 14 1978

Dear Mr. Minister:

I am most grateful to you for having received Mr. Knapp in Athens yesterday. I was delighted to hear from him that Greece is prepared to join the community of nations which will support the Sixth Replenishment of IDA Resources, and that you will send a Deputy to the meeting in Paris on December 11-12. I am sure that your action will be greatly appreciated by the other donor countries as well as by the recipients of IDA assistance.

Will you please regard this letter as the formal invitation to your Government to attend the Paris meeting. I understand that Mr. Knapp left copies of the relevant documents in Athens with your Under-Secretary, Mr. Stavros Dimas. I am enclosing a further set of copies for your convenience.

Will you kindly let me know by cable who your Deputy will be and we shall look forward to greeting him in Paris.

With best regards,

Sincerely,

(Signed) Robert S. McNamara
Robert S. McNamara

Enclosures

His Excellency
Constantine Mitsotakis
Minister of Coordination
Plateia Syntagmatos
Athens, Greece

cc: ~~Mr. Moncef Belkhodja~~ Dr Kota

Messrs. Cargill
Benjenk
Vibert
D.R. Clarke

493/51359

NOV 13 1978

Dr. Halfdan Mahler
Director-General
WHO
1221 Geneva 27
Switzerland

Dear Halfdan:

Further to our lunch on October 26, I was glad that you raised the question of the long-term future of the Onchocerciasis Control Program. We are particularly concerned about the financial implications of this Program in the longer run. While the current attitude of some major donors to the question of continuing the Program for a second six year phase has been encouraging, the prospects beyond that are less clear. Much will depend on the level of resources required to maintain effective long-term vector control and STAC has indicated that we will not know this until 1980.

If the resources required are substantial, the question of the priority that this Program should receive as against lower cost health programs dealing with the other major diseases in the area will become a more pressing issue.

We agree that it is too early yet to reach a definite judgment about the prospects of the disease control program and that the potential benefits of the Program may justify that it be continued for another six years. However we feel that this period should be used to address the Program's long term prospects by conducting a vigorous research effort to examine lower cost methods of larviciding and alternative strategies of maintaining disease control.

As you know, if the Bank is to make a financial contribution to the second phase of the Program, I shall have to seek the authority of the Executive Directors to do so. I would expect to include in the justification for any such request a statement along the lines of the

preceding paragraph. It would be helpful if I could also assure the Executive Directors that broad agreement had been reached with WHO on the scope, orientation, timing and leadership of the research effort. I would therefore welcome your proposal as to how we might proceed and what should be done.

I am sorry I had to miss seeing you at the ACC.

With kind regards,

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

cleared with and cc: Messrs. Thalwitz, Weiss, Lee
Ms. Boskey, Fonaroff

cc: Mr. Alisbah o/r

SDenning:mgml

NOV 9 1978

493/5/358

Dear Governor:

At the Annual Meeting in Washington, I mentioned that we wish to start negotiations for the Sixth Replenishment of the International Development Association (IDA) before the end of the year. This is because IDA will have fully used its existing commitment authority under the Fifth Replenishment by the end of June 1980. Before then not only is there a need to reach an executive agreement on the next replenishment but also time has to be allowed for legislative ratification among governments. It is therefore proposed to hold the first meeting of IDA Deputies at our Paris Office on December 11 and 12 of this year. For this purpose, I am writing to ask if you would be good enough to appoint a Deputy to represent your Government in the IDA 6 Replenishment discussions and to attend the first meeting in Paris. I am sending a similar request to all countries that contributed to the Fifth Replenishment. At the same time, my senior associates and I have started to approach possible new donors to IDA in order to make our best efforts to widen the circle of contributors.

Mr. Benjenk has briefed me on his recent discussions with you in Belgrade on this subject and I was indeed very grateful for your reaffirmation that Yugoslavia supports our endeavours to seek a substantial increase and that your Government would give due consideration to its own substantial participation in this Replenishment. I am sure that the expression of such wholehearted support by your representative attending the Paris meeting would be of material help in mobilizing other donors.

During the course of these negotiations, I hope there will be agreement to increase IDA resources substantially in real terms to help meet the needs of the poorest countries described in the 1978 World Development Report.

I look forward to your support in the forthcoming negotiations.

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

His Excellency
Peter Kostic
Federal Secretary for Finance
Federal Secretariat for Finance
SIV-II
YU-11000 Belgrade, Yugoslavia

cc: Mr. McNamara (2)
Mr. Looijen

FVibert:plc

493/5/356

NOV 8 1978

General Abbas Gharabaghi
Minister of Economic Affairs
and Finance
Tehran, Iran

Dear Mr. Minister:

I am writing to you in connection with the possible participation by Iran in the next replenishment of the resources of IDA (the International Development Association), the affiliate of the World Bank that provides assistance to the poorest countries among our membership. This is a subject which was discussed in a preliminary way with Mr. Yeganeh when he was in Washington in September attending the Annual Meeting of the World Bank.

The proceedings at the Annual Meeting demonstrated that there is an increasingly widespread recognition, stimulated in part by the Bank's recent World Development Report, that the plight of the poorer developing countries makes pressing calls upon all of us in a position to do so to augment both the amount and the effectiveness of external assistance to these countries. The World Bank Group, because of its central position in the family of international development institutions, feels a sense of great responsibility in this matter. We are therefore bending every effort toward mobilizing more concessional funds for assistance to the poorer developing countries, and toward making further improvements in the administration of the funds provided to us. In particular, we are reorienting our activities toward a direct attack upon the appalling conditions of poverty that exist in these poorer developing countries.

IDA will play a key role in this program since the great bulk of its assistance is rendered to countries whose per capita income still remains below $300 a year. Hence, there is nothing to which I attach higher priority than the successful conclusion of the international negotiations for the Sixth Replenishment of IDA Resources, which will commence with an initial meeting in Paris on December 11-12, 1978.

IDA will have committed all of its present resources and will require new commitment authority by June 30, 1980. In order to allow time for the process of ratification by national Parliaments and Congresses we feel that we must reach a firm inter-governmental agreement on the amount, terms and conditions of the Sixth Replenishment by the summer of 1979 or at the latest by the time of our next Annual Meeting. The Paris meeting will be the first of a series of meetings designed to achieve this result.

Twenty-six member countries of the World Bank participated in the last (fifth) IDA Replenishment, including all of the principal industrialized countries, several of the OPEC countries (Saudi Arabia, Kuwait and the United Arab Emirates) and several of the more advanced developing countries that are not oil producers (Spain, Yugoslavia and Korea). We are especially desirous of enlisting the participation in the next replenishment of a number of other countries which would have a capacity to contribute in amounts related to their resources and capabilities, and I very much hope that Iran will consider joining in this common effort.

At some point when you might consider it appropriate I would like to send a senior officer of the World Bank to Tehran to discuss this matter personally with you and your associates. In the meanwhile I would suggest that you consider sending an observer to the Paris meeting in order to keep fully informed regarding the progress of the discussions. For this purpose I am sending you herewith the agenda and other relevant papers for consideration at the Paris meeting, and would greatly appreciate receiving your advice as to whether you will be represented there and by whom.

I very much hope that Iran will eventually decide, in the spirit of mutual collaboration which inspires the World Bank Group, to participate actively in the Sixth Replenishment. I am confident that this would be very warmly welcomed by the international community, first of all by the poorer developing countries that will be the ultimate beneficiaries of your action, and secondly, by the principal donor countries to the IDA fund who will find their own position with their Parliaments and Congresses greatly strengthened by the participation of an increasing number of the more advanced developing nations in the IDA Replenishment.

With best regards,

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

Enclosures

cc: Messrs. Cargill, Benjenk, Vibert, D.R. Clarke
Mr. Jahangir Amuzegar

JBKnapp:isk

493/5/354

November 8, 1978

Dear Dr. Leutwiler:

Since July 1, 1978 the World Bank has raised SwF 2.4 billion through public issues and private placements. This represents approximately one-third of the World Bank's fiscal year borrowing program of $4.3 billion equivalent. I would like to express to you my personal appreciation for the most valued advice and support which the Swiss authorities and you personally are giving the World Bank in respect of its financial operations. I wish also to thank you for having been instrumental in bringing about the Confederation's current investment of SwF 200 million in a World Bank Note.

Your guidance and support have greatly contributed to our efforts in providing productive development assistance throughout the world and is most appreciated by this institution.

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

Dr. Fritz Leutwiler
President
Banque Nationale Suisse
8022 Zurich
Switzerland

Eugene H. Rotberg/pa
11/6/78

cc: for Mr. McNamara's office (2)

Record Removal Notice

The World Bank Group Archives & Records Management

File Title	Barcode No.
Chronological files - (outgoing) - Chrons 69	1771956

Document Date	Document Type
January 6, 1978	Memorandum

Correspondents / Participants
To: Dr. Rota and Mr. Fried
From: Robert S. McNamara

Subject / Title
Comments on August 4, 1978 Contract Proposal

Exception No(s).

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10 A-C ☐ 10 D ☐ Prerogative to Restrict

Reason for Removal

Additional Comments
Pending review by/consultation with relevant World Bank Unit(s).

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.

Withdrawn by	Date
Shiri Alon	Feb 4, 2013

493/5/351

NOV 6 1970

Dear Mr. Minister:

On behalf of Mrs. McNamara and my associates, I would like to express my sincere thanks for the warm hospitality extended to us during our recent visit to your country. I wish our stay could have been longer, but I am sure you appreciate that pressing business in Washington caused me to keep our visit short.

I had heard and read so much about the courageous efforts the new government, under the guidance of your Ministry, is undertaking to accelerate the economic development of Sri Lanka. It was of great personal satisfaction to me to be able to discuss these efforts with you and to see some of their fruits first-hand.

Let me again assure you that we will do our utmost to assist Sri Lanka in this bold endeavor. We look forward to continued close cooperation with your Ministry in the exciting years ahead.

With kind regards,

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

The Honorable Ronnie de Mel
Minister
Ministry of Finance and Planning
Government of Sri Lanka
Colombo 1
Sri Lanka.

493/5/350

NOV 6 [illegible]

Dear Mr. Minister:

On behalf of my associates, I would like to express my sincere thanks for the well-organized and most informative field trip you arranged for us during our recent visit to Sri Lanka. I was greatly impressed with the scope and potential of the Mahaweli Ganga Development Scheme, and the progress achieved to date. Let me again assure you of our fullest support in this great endeavor.

As you will recall, in the course of the interesting discussions we had during the field trip, I promised to send you two books -- "Freedom at Midnight" by Earl Mountbatten, and "Thirteen Days" by Robert Kennedy. I enclose these books with great personal pleasure.

With kind regards,

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

The Honorable Gamini Dissanayake
Minister of Lands and Land Development
Minister of Mahaweli Development
Government of Sri Lanka
Colombo 1
Sri Lanka.

493/5/349

NOV 6 1978

Dear Ted:

Thank you for sending your 1978 Annual Report and for informing us of the Council's work priorities in 1979. The Council and its staff deserve to be congratulated on the completion of your first decade of operations. I wish you many more years of useful service to the development community.

I am glad to confirm that the Bank will continue its support for the Council's information program in 1979 and will provide a sum of $41,000. All of us in the Bank appreciate the ODC's work in furthering public education on development issues.

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

Rev. Theodore M. Hesburgh, C.S.C.
Chairman of the Board
Overseas Development Council
1717 Massachusetts Avenue, N.W.
Washington, D.C. 20036

PBS:apz

493/5/347

The attached letter was also sent to the following addressees:

Mr. Bradford Morse
Administrator
United Nations Development Programme
One United Nations Plaza
New York, New York 10017

His Excellency Abdelmuhsin Al-Sudeary
President
International Fund for Agricultural
Development
107, Via del Serafico
00142 Rome, Italy

Mr. Garson N. Vogel
Executive Director
World Food Programme
Via delle Terme di Caracalla
Rome, Italy

Mr. Shiro Inoue
President
Asian Development Bank
P.O. Box 789
Manila, Philippines 2800

Mr. Kwame Fordwor
President
African Development Bank
B.P. 1387
Abidjan, Ivory Coast

Mr. Antonio Ortiz Mena
President
Inter-American Development Bank
808 17th Street, N.W.
Washington, D.C. 20577

OCT 31 1978

Mr. Edouard Saouma
Director-General
Food and Agriculture Organization
Via delle Terme di Caracalla
00100 Rome, Italy

Dear Mr. Saouma:

As you will recall, the Mexico Declaration of the World Food Council, adopted in June 1978, called on the international financial institutions, and the multilateral development agencies, in particular the World Bank, the regional development banks, FAO, IFAD and UNDP, to address the constraints to increasing food production and improving nutrition, and to recommend measures to overcome them. The Economic and Social Council of the United Nations has urged that steps be taken to implement the Declaration.

The Executive Director of the World Food Council, Mr. Maurice Williams, has asked the World Bank to stimulate the discussions and to generate specific proposals among the institutions. He has suggested focussing on the following issues:

(a) increasing the flow of external assistance for food production and nutrition;
(b) increasing the internal priority for food and nutrition within developing countries; and
(c) increasing the number and effectiveness of projects and programs in the areas of increasing food production and nutrition.

I have responded to Mr. Williams that the Bank would be willing to organize a meeting of the appropriate agencies. Consultations held during the Bank's Annual Meeting and elsewhere suggest that such a meeting might appropriately and conveniently be held at the Bank's headquarters in Washington on February 22 and 23, 1979. This letter will most cordially invite your organization to participate.

Mr. Williams' suggestions for the focus of attention will serve as the agenda for the meeting. It is proposed that each participating agency should prepare a brief written statement on each of the agenda items which it would distribute directly to the other participants no later than January 30, 1979. This would enable their review before the meeting. The February meeting should aim at preparing a report which the representatives

of agencies would approve and which would be forwarded to the next session of the World Food Council. It is therefore essential that participants bring to the meeting the considered view of their agencies. At the same time, if the meeting is to reach a broad consensus on many of the current food issues, considerable flexibility on the part of the participants will be required.

Invitations are being extended to FAO, UNDP, IFAD, the Inter-American Development Bank, the African Development Bank, the Asian Development Bank and the World Food Programme. The World Food Council will, of course, also be represented. In addition, a few experts with wide developing country experience will be invited to participate in their individual capacities. These experts will be invited, but not required, to submit papers. They will, however, be expected to comment on the reports prepared by the agencies and to share with the other participants their views on current and prospective food problems, based on their research and experience. The Bank will meet the costs of these experts' participation.

I should be glad to learn whether your agency will participate and, if so, the name of your representative. Further details will then be communicated to you by Mr. Montague Yudelman, Director of the World Bank's Agriculture and Rural Development Department, who will be responsible for the organization and conduct of the meeting.

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

SEB

BAbbai/SEBoskey/rob

In substance cleared w/Messrs. Yudelman, Christoffersen, Walters

493/5/346

OCT 31 1978

Dear Mr. President:

On behalf of Mrs. McNamara and my associates, I would like to express my sincere thanks for the warm hospitality extended to us during our recent visit to your most beautiful country. I wish our stay could have been longer, but I am sure you appreciate that pressing business at home forced me to keep our visit short.

Having heard and read so much about the courageous efforts you and your government are undertaking to accelerate the economic development of your country, I was pleased to see firsthand some of the fruits these efforts have already produced. I commend you for taking such a personal and forceful lead in these efforts, and agree with your approach that there is no more effective way to safeguard the impressive social standards your country has achieved.

I also wish to thank you for the well-organized and informative field trips arranged for myself and my wife. Mrs. McNamara greatly enjoyed her visit to Kandy. I was much impressed by the scope and potential of the Mahaweli Ganga Development Scheme and by the progress to date. Let me again assure you of our full support in this great endeavor.

I have read with considerable interest the books you gave me at your dinner and they have provided me with a fuller understanding and appreciation of your remarkable career.

May I conclude by saying that we at the World Bank look forward to continued close cooperation in the years ahead.

With kind regards,

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

His Excellency J.R. Jayewardene
President of the Democratic Socialist
Republic of Sri Lanka
Colombo 1,
Sri Lanka.

JRBorthwick:mc

493/5/345

November 1, 1978

Dear Mr. Weerakoon:

On behalf of my associates, I would like to thank you for the interesting and informative program you prepared for us during our brief visit to Maskeliya. I was pleased to see that comprehensive rehabilitation efforts are underway to restore the vitality of this great industry, and hope that the IDA project might serve as a model for similar efforts in other areas.

May I also thank you for the book you sent me--"A Hundred Years of Ceylon Tea." I found it a very fascinating and well-written account of the industry's development. Hopefully, the next one hundred years will be just as dynamic!

With kind regards,

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

Mr. Bradman Weerakoon
Secretary
Ministry of Plantation Industries
Government of Sri Lanka
Colombo 1, Sri Lanka

JRBorthwick:ml