

THE WORLD BANK GROUP ARCHIVES

PUBLIC DISCLOSURE AUTHORIZED

Folder Title: Irving S. Friedman Chron files - Correspondence 02

Folder ID: 1784920

ISAD(G) Reference Code: WB IBRD/IDA 03 EXC-10-4482S

Series: Presidential chronological files of Economic Advisor Irving Friedman

Sub-Fonds: Records of President Robert S. McNamara

Fonds: Records of the Office of the President

Digitized: June 14, 2013

To cite materials from this archival folder, please follow the following format:
[Descriptive name of item], [Folder Title], Folder ID [Folder ID], ISAD(G) Reference Code [Reference Code], [Each Level Label as applicable], World Bank Group Archives, Washington, D.C., United States.

The records in this folder were created or received by The World Bank in the course of its business.

The records that were created by the staff of The World Bank are subject to the Bank's copyright.

Please refer to <http://www.worldbank.org/terms-of-use-earchives> for full copyright terms of use and disclaimers.



THE WORLD BANK
Washington, D.C.

© 2012 International Bank for Reconstruction and Development / International Development Association or
The World Bank
1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

PUBLIC DISCLOSURE AUTHORIZED

Friedman Presidential Chronfile

May 1 - Aug. 30, 1968

DECLASSIFIED
WBG Archives

The World Bank Group
Archives
1784920
A1995-169 Other #: 1 210707B
Irving S. Friedman Chron files - Correspondence 02

Mr. Robert S. McNamara

August 30 1968

Irving S. Friedman

Some Comments on Grand Assize and visit to Canada

In connection with the Grand Assize and more particularly your forthcoming visit to Canada, I would like to transmit briefly a few thoughts on various aspects; in addition to those contained in the attached memorandum prepared last March:

1. I believe that we should want to provide help for the Grand Assize from our economic group in the Bank. One way would be to second some economists despite our shortage of personnel. I know that various groups, such as the U.N., are likely to be quite concerned about excessive "Bank influence" on the Grand Assize, despite Mr. Pearson's reputation as a champion of the U.N., but perhaps this can be met by seconding only two economists or, at the most, three. I would be prepared to do this, if it is felt to be wise. Moreover, if Mr. Pearson finds a suitable person who is reluctant to come on a temporary assignment, we might be prepared to have the person given the assurance of a permanent position on the Bank staff after finishing the Pearson assignment. Of course we would have to approve this action. It was done successfully in the Coffee Study.
2. In addition we may wish to "volunteer" to undertake to provide economic material available within the Bank and even to prepare some studies for use by the Pearson Commission. This may help induce others to do likewise.
3. On the substance of the Commission's work I have felt for some time that there has been a considerable evolution in the problems in this field since the idea of a Grand Assize was first broached about two years ago. Put very briefly, in earlier years such issues as the volume of total aid needed, the use of bilateral versus multilateral channels, and ways and means by which to make more effective use of development finance, were of key importance. In the meantime, I believe that the world has come to accept the fact that there is a great shortfall in the amount of foreign assistance being provided as compared with need or effective use. Our estimates that about \$4 billion more of external capital could be effectively used is now accepted everywhere, both in donor and recipient countries. Moreover, there seems to be a strong trend in favor of multilateral agencies as against bilateral channels, and this is providing much of the answer to the skepticism of how to ensure effective use. The problem has seemingly become much more one of trying to persuade donor countries that they should have an immediate concern with the inadequacies of progress and development in the poorer countries and that this should be reflected in their attitude towards budgetary expenditures, access to capital markets, balance of payments management, tax terms of direct private investments abroad, etc. For this reason I hope that the Pearson Commission will have the kind of membership that will carry weight in the political arena and that it will give emphasis to the following kinds of questions:

(a) For what purpose and under what conditions would budgetary funds be forthcoming for foreign assistance more readily than now? For example, would we be getting more foreign assistance if it was earmarked for increased food production, or for rehabilitating a particular country, or countries, such as Indonesia or Viet Nam. Would we be getting more budgetary funds if their sources of such funds were repayments from past government loans rather than tax revenues?

(b) How can we make greater use of access to capital markets, particularly by the World Bank, but also by other existing or new international financial institutions? For example, would governments be prepared to increase substantially their capital subscriptions if no cash payments were involved? Are governments prepared to agree in advance that balance of payments measures will not apply to capital exports via international financial agencies? Would the international financial agencies be prepared to use their guarantee authority to strengthen the ability of developing member governments, or their entities in tapping foreign capital markets? What new concepts of so-called creditworthiness could be accepted to avoid the fear of excessive external debt? Can some distinction be made between loans extended to countries with relatively large external debt positions or outlook without jeopardizing the financial position of the lending agencies? Could concessional funds like IDA be used to alleviate the repayment burden of countries where this becomes an actual problem in meeting external obligations to international agencies or other creditors?

4. I believe that we will be working on these questions ourselves. Could we not undertake to let the Pearson Commission have the results of these investigations? Would it not be desirable to go so far as to commit ourselves to such submissions? Other agencies could also be asked for submissions in their fields.

5. There are a number of groups -- formal and informal -- that are now putting together ideas in this field of development assistance. The immediate inspiration is of course, the forthcoming change of administration in the United States. The Bank staff is engaged in such activities. It is not to be expected that others would stand aside and wait for the recommendations of the Pearson Commission and, indeed strategically important time might be lost if they did so. Assuming that the Commission would not wish to delay its own contribution until 1970 to get into a less competitive period of time, I would urge the importance of having its report done as soon as possible in 1969. This leaves me to suggest that it have a small permanent secretariat to avoid the temptation of undertaking extended studies that would delay the issuance of a report.

Att:

INTERNATIONAL FINANCE CORPORATION

1818 H STREET, N.W., WASHINGTON D. C. 20433 TELEPHONE: EXECUTIVE 3-6360



August 22, 1968

SUBJECT: Uruguay Joins IFC

Uruguay today joined the International Finance Corporation, the World Bank affiliate which assists less developed member countries by helping to promote the growth of the private sector of their economies.

The Articles of Agreement were signed in Washington by the Ambassador of Uruguay to the United States, His Excellency Juan Felipe Yriart.

Uruguay's subscription to the capital stock of the Corporation is 155 shares with a total par value of \$155,000. With the admission of Uruguay, IFC's membership now stands at 88 countries with a total subscribed capital of \$102,114,000. Uruguay was a founding member of the World Bank in 1946.

#

FOR IMMEDIATE RELEASE

INTERNATIONAL FINANCE CORPORATION

1818 H STREET, N.W., WASHINGTON D. C. 20433 TELEPHONE: EXECUTIVE 3-6360



September 4, 1968

SUBJECT: Singapore Joins IFC

Singapore today joined the International Finance Corporation, the World Bank affiliate which assists member countries by helping to promote the growth of the private sector of their economies.

The Articles of Agreement of IFC were signed in Washington by the Ambassador of Singapore to the United States, His Excellency Professor Wong Lin Ken.

Singapore's subscription to the capital stock of the Corporation is 177 shares with a total par value of \$177,000. With the admission of Singapore, IFC's membership stands at 89 countries with total subscribed capital of \$102,291,000. Singapore became a member of the World Bank in August 1966.



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

1818 H STREET, N.W., WASHINGTON D. C. 20433 TELEPHONE: EXECUTIVE 3-6360

For Publication AM Newspapers
Monday, August 19, 1968

SUBJECT: The Pearson Commission

Mr. Lester B. Pearson, formerly Prime Minister of Canada, has accepted the invitation of Mr. Robert S. McNamara, President of the World Bank, to head an international Commission to examine the past and future of world development.

In announcing this "with very great pleasure", Mr. McNamara said: "Since I first came to the Bank I have been deeply concerned with two linked problems: what is the strategy for aid and development for the next ten, twenty and thirty years; and secondly, what is the Bank's part in this strategy. We have begun to see the way ahead for the Bank in the immediate future -- a sharp increase in loans for development -- but the broad strategy for the future is not clear. It is to this that Mr. Pearson's Commission will turn its attention. I feel confident that a man of his long political experience will recognize that this is one of the gravest problems facing the leaders of the richer nations, and that concerted action by them all in partnership with the developing countries is essential."

Mr. McNamara recalled that his predecessor, Mr. George D. Woods, had proposed last year in a speech in Stockholm that "... the dozen or more leading world experts in the field of development [be invited] to meet together, study the consequences of twenty years of development assistance, assess the results, clarify the errors and propose the policies which will work better in the future."

This Commission is a direct result of that initiative.

For Publication AM Newspapers
Monday, August 19, 1963

August 16, 1963

Dear Mr. Pearson:

I am writing to confirm the results of our discussions of the past two days.

I have asked you if you could head a Commission of persons drawn from around the world, who have had experience with and shown capacity for understanding world problems and offering leadership in their solution. This Commission is to examine what I believe to be one of the most urgent problems facing our world, the division between a relatively few rich nations, and the great majority of the world's peoples who remain poor.

The Commission should review the impact of external assistance on the development of the poorer nations over the past two decades, noting where it has been most successful and where least. It should continue by trying to identify the causes of relative success and failure.

With these practical lessons of the past clearly before them, the Commission should consider the methods of giving assistance and the orders of magnitude for that assistance which appear necessary over the next decade and the next generation in order to ensure a reasonable hope of sustained, and eventually self-sustaining, growth in a number of the

Mr. Pearson

- 2 -

August 16, 1968

less developed countries. The Commission should also examine the courses of action which these less developed countries need to take to facilitate their economic growth.

It is with the greatest pleasure that I record your agreement to undertake this task. You have told me that you hope to select your colleagues in the near future, and that you believe that a Report can be produced during 1969. I believe it could have profound influence on the future of this planet.

We in the World Bank have agreed (as was stated by my predecessor George Woods in his Stockholm speech which originated this whole project) to finance the necessary research and to assist in recruiting the technical staff. You and I are in full agreement that this Commission and its Secretariat should collaborate closely with other bodies working in this field particularly the United Nations Department of Economic and Social Affairs and the Development Assistance Committee of the OECD.

May I in conclusion say how important I believe it to be that you and the Commission should feel independent of the World Bank, and indeed of its member governments, in seeking facts and proposing conclusions. We are ready to help you in any way we can, but the conclusions and recommendations will, of course, be the Commission's.

Sincerely,

Robert S. McNamara

For publication AM newspapers
Monday, August 19, 1968

August 16, 1968

Dear Mr. McNamara:

I have just received your letter which confirms my acceptance of your request, on behalf of the Bank, to lead a small Commission to examine problems of international aid and development along the lines indicated in your letter.

I do not think it is possible to exaggerate the importance of this problem; or the danger to peace and stability of the world becoming increasingly divided into rich and poor, developed and under-developed, nations.

I appreciate, therefore, the importance of a complete and objective survey of the situation, leading to conclusions and recommendations which would I hope be practical and constructive.

It is a privilege to take part in such a challenging and important task. I hope that the Commission and its Secretariat will be set up without delay and I agree that its Report should be completed before the end of 1969.

Sincerely,

Lester B. Pearson

THE RIGHT HONOURABLE LESTER BOWLES PEARSON,
P.C., O.B.E., M.A., LL.D.

Mr. Pearson was born in Toronto, Canada, on April 23, 1897. He was educated at the Universities of Toronto, Canada (B.A. 1919) and Oxford (B.A. 1923, M.A. 1925).

His career has been as follows:

Service with Canadian Army 1914-17; with Royal Flying Corps 1917-18; Lecturer in Modern History, University of Toronto 1924-26; Assistant Professor 1926-28; First Secretary, Department of External Affairs, Ottawa 1928-35; Office of Canadian High Commissioner in London 1935-38; Secretary with rank of Counsellor 1938-41; Assistant Under-Secretary of State for External Affairs, Ottawa, 1941-42; Minister-Counsellor, Canadian Legation, Washington 1942, promoted Minister Plenipotentiary, Canadian Embassy, Washington 1944; Canadian Ambassador to the United States 1945-46; Under-Secretary of State for External Affairs, Ottawa, 1946-48; elected to Canadian Parliament 1948; member of Mr. Louis St. Laurent's Liberal Party Cabinet as Secretary of State for External Affairs 1948-57; Leader of Liberal Party 1953-68; Leader of Opposition 1958-63; Prime Minister of Canada 1963-68; Professor of International Relations at Carleton University, Ottawa, 1963 -

Mr. Pearson has been a delegate to many international conferences including League of Nations Assemblies; United Nations Conference on Food and Agriculture, Hot Springs, Virginia 1943; UNRRA, Montreal, 1944 (Chairman); Conference of United Nations Food and Agriculture Organization 1945 (Chairman); United Nations, San Francisco, 1945 (Senior Adviser to Canadian Delegation); United Nations Special Session April-May 1947 (Chairman of 1st Committee); Second Session, U.N. General Assembly, New York, 1947; 3rd - 11th Sessions of the General Assembly (Chairman of Canadian Delegation and President of 7th Session (1952-53); Japanese Peace Treaty Conference, San Francisco 1951 (Chairman of Canadian Delegation); signed North Atlantic Treaty for Canada, Washington 1949; Canadian Representative at subsequent N.A.T.O. Council Meetings (Chairman 1951-52); Commonwealth Prime Minister's Conferences 1949, 1964, 1965 and 1966; Commonwealth Foreign Ministers' Conference, Colombo, 1950 (Chairman of Canadian Delegation).

Mr. Pearson was awarded the Nobel Peace Prize in 1957; he has received a number of other prizes and honours. He is an Honorary Fellow of St. John's College, Oxford (1946), and has published "Democracy in World Politics" (1955) and "Diplomacy in the Nuclear Age" (1959).

* * *

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Irving S. Friedman

SUBJECT: Stabilization of Prices of Primary Products

DATE: July 31 1968

You may be interested in reading the attached memorandum circulated by Mr. Plescoff. Incidentally, I reviewed again the authorship of the Commodity Study. In Part I the Bank staff's contribution was Chapters II, VI and VII, entitled respectively, "Trends in Commodity Trade, "Measures for Improving the Trend", "Diversification". The Fund chapters were largely written by Mr. Hirsch, a former staff member of the London ECONOMIST, supervised by Mr. Polak. Mr. Goreux of our staff, provided the Fund staff with a good deal of analytical background material for their chapters. The Bank chapters were largely the work of Messrs. Avramovic and Sundrum, with comments from many others and reviewed by myself.

The two most controversial chapters were Chapter III "Commodity Fluctuations and Commodity Stabilization" and Chapter I "The Problem and its Setting". The Fund people were very insistent on doing the first draft of Chapter I because they were quite concerned to meet some of the views which had been expressed by Executive Directors. There was a good deal of wrangling over Chapter I between the two staffs since we felt that Chapter I should be a summary of what was in the subsequent chapters rather than the place to "compromise" basic differences on approaches to the commodity problem. However, we did agree to the language used.

I would like to register again my view that, if possible, the next step should be that Part I goes to the Governors with the indication that preliminary policy recommendations had been made by the Fund and Bank staffs to their Executive Directors respectively which would be considered in due course after the Governors' Conference. In this way, the deliberations on future Fund and Bank policies would have the benefit of views expressed at the Governors' Conference as well as by Executive Directors.

The main advantage I had seen in the attempt to get both Part I and the Part II's to the Governors quickly was that it might dispose of the problem. However, if in any case the matter is to be sent back for further consideration by the institutions concerned, then I see little advantage in trying to get a quick agreement on important policy matters before the Governors' Conference.

You may be interested in looking at the attached copy of a technical study that the Bank staff had done previously on the commodity problem. The study was originally done in 1964 and revised in late 1966. Mr. Avramovic was the principal author.

Attm

OFFICE MEMORANDUM

SECRET

TO: Mr. Robert S. McNamara

FROM: Irving S. Friedman

SUBJECT: Middle Eastern Refugee Project

DATE: June 28 1968

DECLASSIFIED

MAR 28 2013

WBG ARCHIVES

Yesterday and today I had three meetings on the project for dealing with Middle Eastern refugees, through finding employment for such refugees both in their present areas and in other countries. One was a meeting yesterday in my office with Sir Eric Wyndham White and Mr. Lee Harris of the Carnegie Institute; the second was after dinner at my home with Wyndham White alone, and the third was with Senator Javits, Sir Eric Wyndham White and Mr. Harris in the Senator's office.

In summary the outcome of these talks was:

1. Agreement between Senator Javits and Wyndham White on the definition of the project. The next few months will be devoted to getting an economic judgment on the project. A Professor Wilson of Indiana University is being approached to take on the job of making the economic judgment as to the worthwhileness of the whole project. (Professor Wilson was recommended by Bob Sadove of the Projects Department.) Then Wyndham White would give his recommendation to the steering Committee as to the desirability and feasibility of proceeding with the project.
2. The financing of these activities is thought of as a combination of private contributions, government contributions and perhaps long-term investments by the World Bank, if it sees fit to do so at the time. The governmental and private funds might be given to one of the UN agencies like the European Committee for Refugees or the High Commissioner for Refugees. Senator Javits felt that there was sentiment in the Congress for a once-and-for-all contribution to the Arab refugee problem (mentioned \$200 million or more). The U.K. Foreign Office continued to feel that nothing could be done before peace talks, but Senator Javits said he disagreed. He thought that the British would help despite their skepticism about the whole project.
3. I said that we would be glad to cooperate with Sir Eric and Professor Wilson by having the latter visit with us to talk to people and to read material which could be shown to him. Everyone seemed quite happy with this kind of cooperation and expressed their appreciation.
4. In response to queries, Senator Javits said he did not regard this project as a confidential matter and assumed that all the countries in the region knew about the proposed project. He said that he had spoken to Arab leaders about it. We all agreed that at least during the next stage until further decisions were made, this project have no identification with the Bank as such. I believe that Senator Javits is eager to keep open the possibility of coming back to the Bank at some later date -- at the earliest next Fall -- if the economic analysis, followed by diplomatic soundings, indicate that something can be done.

cc: Mr. Kamarck
Mr. Sadove

July 25, 1968

Dear Dr. Guth:

I wish to refer to the very pleasant conversation we had in Bonn on July 1. I wish to confirm our understanding to proceed with a public issue of bonds through your Institution on September 20, 1968, in the amount of 200 million to 250 million Deutsche marks. Our preference is for the larger amount. I understand that the conditions of such an issue will be substantially identical with those that would apply to a Federal Government issue.

Mr. Aldewereld plans to visit you to discuss this transaction. Would you please advise him as to the date you would wish the discussions to take place.

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

Dr. Wilfried Guth
Director
Deutsche Bank A.G.
Jungbuhstrasse 5-11
Frankfurt (Main), Germany

cc: Mr. Aldewereld
Mr. Broches
Mr. Cavanaugh

RWCavanaugh:SAldewereld:ml

Mr. Rainer B. Steckhan
through Mr. Alexander Stevenson
George Kalmanoff

June 27, 1968

Germany's Foreign Aid

In response to your request of June 24, attached is a
paper on Germany's Foreign Aid.

Encl.

cc: Messrs. Friedman, Kamarck, Stevenson, Hulley, de Fontenay

GKalmanoff:vlb

GERMANY'S FOREIGN AID

Overall Magnitudes

The total net flow of official and private financial resources from Germany to less developed countries and multilateral development financing agencies reached an unusual peak of \$1.1 billion in 1967. The level had been in the range of \$600-\$750 million during the preceding four years. The 1967 level amounted to 1.26 percent of national income, compared to the average ratio to national income of 0.85 percent in the period 1963-1966. The increase in 1967, however, was largely an increase of private, rather than official, financial resources.

Except for 1967, the ratio of German aid to national income in these overall terms was lower than for Development Assistance Committee (DAC) donor countries combined. The 1.26 percent ratio for 1967 compares with a ratio of 0.92 percent for all DAC countries. The German excess was particularly marked in the private capital component.

Table 1

Outflow of Net Official and Private Financial Resources
to Less Developed Countries and Multilateral Agencies

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
<u>Millions of Dollars</u>					
Germany	605	707	727	738	1,143
All DAC countries ^{1/}	8,619	9,137	10,418	10,405	11,170 ^{2/}
<u>Percentage of National Income</u>					
Germany	0.83	0.89	0.85	0.81	1.26
Official	0.60	0.53	0.55	0.54	0.60
Private	0.23	0.36	0.30	0.27	0.66
All DAC countries ^{1/}	0.96	0.95	1.00	0.88	0.92 ^{2/}
Official	0.69	0.61	0.61	0.57	0.57 ^{2/}
Private	0.27	0.34	0.39	0.31	0.35 ^{2/}

^{1/} Australia, Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Norway, Portugal, Sweden, the United Kingdom, the United States.

^{2/} Estimated.

Source: OECD, Development Assistance Committee (DAC).

Main Components

The unusual increase in the flow of private resources in 1967 brought that flow for the first time to a level in excess of the flow of official resources. The increase was particularly marked in export credits, which probably reflects counter-recessionary policies pursued during that year.

The bulk of official aid is carried out on a bilateral basis. The increase in multilateral aid recorded for 1967 involved greater contributions to the European Development Fund, to Turkey via the European Investment Bank, and to the U.N. Development Program.

Bilateral aid has been distributed to the extent of about one-third in the form of grants and two-thirds in loans. With the termination of reparations grants to Israel in 1965, grants have been extended almost entirely for technical assistance. Loans are predominantly for the financing of specific capital projects.

Table 2

Main Components of Flow of Financial Resources
from Germany to Less Developed Countries and Multilateral Agencies

(millions of dollars)

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
Total Official and Private, Net	605	707	727	738	1,143
Total Official, Gross	496	527	637	595	681
Total Official, Net	437	423	472	490	549
- of which					
Bilateral	412	414	432	454	480
- Grants	154	156	176	113	135
- Loans	258	258	256	341	345
- of which					
Multilateral	25	9	40	36	69
Total Private, Net	168	284	255	248	594
- of which Direct and Portfolio Investment	96	162	197	149	242
- of which Export Credits	72	122	58	99	352

Source: DAC

Terms of Aid

The terms of Germany's official bilateral aid are less favorable than those of DAC countries as a whole. This is both because its grant component is lower and because the terms of its loans are harder. The comparison of terms is summarized in the table below on the basis of the "grant element as a percentage of total commitments", a concept which is defined in the footnote to the table. The "grant element" for Germany declined from 69 percent in 1964 and 1966 to 59 percent in 1967; the respective figures for all DAC countries for these same years were 82 percent, 79 percent, and 75 percent.

Table 3

Terms of German Official Bilateral Aid Commitments

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
Loans (weighted average)					
Maturity (years)	18.5	18.1	16.9	21.2	19.0
Grace period (years)	4.9	4.5	3.6	5.6	4.9
Interest rate (%)	4.3	4.0	4.2	3.3	4.3
Grant element as a % of total commitments ^{1/}	n. a.	69	62	69	59
(All DAC countries)	(n. a.)	(82)	(77)	(79)	(75)

^{1/} The total grant element is the sum of the value of grants plus the grant element of loans. The grant element of a loan is the difference between the present value of the repayment streams of amortization and interest payments, discounted at the opportunity cost of capital (here assumed to be 10 percent), and the present value of the disbursements.

Source: DAC.

Geographical Distribution

Germany's absence of traditional links with particular developing countries has resulted in wide geographical distribution of bilateral assistance. The total number of countries receiving German aid in 1967 was 97, though close to two-thirds of total loan commitments went to five countries. India, Pakistan, Turkey, and Israel have been particularly favored in recent years. The geographical distribution of bilateral disbursements by region has been as follows:

Table 4

Geographical Distribution of Net Bilateral Contributions
(Disbursements)

	<u>1963</u>	<u>1964</u>	<u>1965</u> (percentages)	<u>1966</u>	<u>1967</u>
Europe	10.0	5.8	9.3	8.1	9.0
North Africa	3.0	6.1	7.4	4.0	6.5
Africa south of the Sahara	13.5	9.9	14.1	21.2	15.4
Latin America	9.3	1.5	10.4	9.9	11.9
Middle East	19.5	17.4	19.0	15.0	11.3
South Asia	24.1	30.5	24.3	26.2	22.5
Far East	4.8	10.2	9.0	7.9	16.4
Others and unallocated	<u>15.8</u>	<u>18.6</u>	<u>6.5</u>	<u>7.7</u>	<u>7.0</u>
GRAND TOTAL	100.0	100.0	100.0	100.0	100.0

Source: DAC.

Aid Administration

The German aid program is characterized by a separation between policy formulation, which is the responsibility of certain ministries, mainly the Federal Ministry of Economic Cooperation, with the participation of the Ministry of Foreign Affairs and the Ministry for Economic Affairs through a system of interministerial committees, and the implementation of the aid program, which has been entrusted to a number of semi-autonomous institutions.

The principal executing agency for German bilateral capital assistance is the Reconstruction Loan Corporation (Kreditanstalt für Wiederaufbau - KfW), which is owned 80 percent by the Federal Government and 20 percent by the State Governments. It concludes loan agreements with recipient countries either in its own name or as a trustee for the Federal Government. In addition to administering loans for the account of the Government, the KfW extends commercial credits out of its own funds which are derived from the sale of bonds and from other sources.

The administration of German bilateral technical assistance is carried out largely by two agencies. The Federal Office for Industry (Bundesamt für Gewerbliche Wirtschaft - BAW), though falling under the jurisdiction of the Economics Ministry, has administered part of the technical assistance program for the Ministry for Economic Cooperation. Its main functions include the selection of technical experts and the provision of technical expertise on projects and equipment. It cooperates with the second principal technical assistance agency, the German Corporation for the Promotion of the Interest of Developing Countries (Deutsche Forderungsgesellschaft für Entwicklungsländer - GAWI), which

is under the supervision of the Ministry for Economic Cooperation. GAWI is concerned with the establishment of technical training institutes in developing countries, as well as with the recruitment and remuneration of German technical assistance experts. It also makes available minor items of equipment. There appears to be an intention to centralize the administration of technical assistance in one agency, under the direct authority of the Ministry for Economic Cooperation. This new agency may comprise those parts of the BAW and GAWI which have been responsible for technical assistance administration.

Apart from the agencies mentioned, there are several official and private organizations which are concerned with certain aspects of technical assistance: (1) the Carl Duisburg Gesellschaft, which supervises extension training for foreigners in Germany; (2) the Central Labor Exchange (Zentralstelle für Arbeitsvermittlung) which tries to find training places for Government-sponsored technical trainees in Germany; (3) the German Academic Exchange Service (Deutscher Akademischer Austauschdienst), which assists students from developing countries in their academic pursuits at German universities; (4) the Alexander von Humboldt Foundation which provides research fellowships for university graduates who have been selected by German Embassies abroad.

The implementation of the German export credit guarantee program is delegated to private companies. Export credit guarantees are administered by the Hermes Kreditversicherungs A.G. a commercial insurance company, and investment guarantees by the Deutsche Revisions und Treuhand A.G.

Germany, IBRD, and IDA

Nine Percent Capital Subscription - \$115.2 million, of which \$94.5 million were fully released as of May 31, 1967; the balance of \$20.7 million was released in six annual installments of \$3.45 million each beginning June 1, 1967.

Holdings of IBRD Debt, as of May 31, 1968 - \$782.59 million, broken down as follows:

DM public issues outstanding	:	\$115.1 million	
Holdings by Bundesbank	:	613.5	"
Estimated holdings by German residents of IBRD issues in U.S.	:	<u>54.0</u>	"
		\$782.6	"
<u>IDA</u> - original subscription	:	\$52.96	"
- first replenishment	:	72.6	"
- second " (proposed)		117.0	"

Aid Prospects

The German Government has incorporated the major part of official aid expenditure into its medium-term financial program covering the period 1968 to 1971. This program provides for an annual growth rate in aid expenditure of 11 percent, i.e., almost twice as high as the growth rate of total budgetary expenditure (6 percent). It should be noted, however, that this growth rate reflects only about 60 percent of the total official aid effort, i.e., that part of the funds which derive from the budget of the Ministry for Economic Cooperation. There remains a

large margin of uncertainty as to the financing of the complementary amounts for which the government relies mainly on capital market resources.

From the longer run point of view, Germany has accepted the new target for aid of 1 percent of GNP, defined at the Second UN Conference on Trade and Development in February-March 1968, though without any specific date for its achievement.

Mr. Robert S. McNamara

June 20, 1968

Irving S. Friedman

Papers on : Bank's Interest Rate

Allocation of IBRD Net Income to IDA, Fiscal Year 1967-1968

Attached hereto are draft papers on (1) Bank's Interest Rate, and (2) Allocation of IBRD Net Income to IDA, Fiscal Year 1967-1968, as requested.

These papers have not been discussed with any member of the President's Council, but conform with the five-year program, including the projected financial flows.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

REMINDERS - APPOINTMENT WITH Mr. McNAMARA

Italy and pre-financing of Bank loan.

Visit to Israeli Finance Minister.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: June 25 1968

FROM: Irving S. Friedman

SUBJECT: Memorandum on U.S. Bond Issues and Letter to Secretary Fowler

Attached hereto is a revision of the "White Paper" on the U.S. bond issue together with a suggested transmittal letter from you to Secretary Fowler. The transmittal letter also tries indirectly to make clear that our informal talks with Treasury officials do not in any way commit Secretary Fowler.

The major changes in the memorandum reflect:

- (a) A desire to make it seem less like a formal proposal (on the advice of the Treasury officials).
- (b) The success in raising money in Germany: this considerably alters what can be said about the impact on the U.S. balance of payments of World Bank operations -- it even enables us to say that virtually all of the \$500 million borrowed in the U.S. can be invested in the U.S. for some time, as with previous bond issues.

However, certain important assumptions have been made for the purpose of this memorandum, which are different from those which are made in the five-year financial projections:

- (1) The "slippage" in borrowing in fiscal 1969 originally estimated at \$133 million (out of \$1,211 million) has been revised downward to \$68 million (out of \$1,311 million). This reflects the firming up of our estimates for fiscal 1969 as a result of the commitments you obtained in Germany and the assumption by definition that the entire \$500 million from the U.S. will be borrowed.
- (2) The ceiling on cash and securities of \$1,500 million is not assumed. If this ceiling were assumed, we would presumably either have to suggest a reduction in borrowings in the U.S. or a reduction in borrowing abroad. The reduction of borrowing in the U.S. might facilitate U.S. approval, but could weaken the cooperation you are trying to obtain from other countries, and also deprive the Bank of liquid assets for future operations. On the other hand, if we were to suggest a reduction in borrowing outside of the U.S. to avoid exceeding the \$1,500 million ceiling on liquid assets, the impact on the U.S. balance of payments would be correspondingly less favorable and, perhaps even more important, the Bank would be losing valuable opportunities to strengthen its presence in international capital markets. (As you know, my own view is that it is better for the Bank to borrow on all markets as much as possible, even at prevailing high interest rates, even if it means exceeding the present projected \$1,500 million for cash and securities.

June 25 1968

In light of the above Secretary Fowler might well argue that, on balance, he would prefer the Bank to borrow less in the U.S. and the central point in your discussion with him may well revolve around the significance of Bank borrowings in the U.S. for getting cooperation from others.

NB: Please note that Table 1 now includes projections on flow of funds taken from our Five-Year Plan. The Treasury officials would greatly appreciate something like this for their discussions with Secretary Fowler.

D R A F T

Dear Joe:

I am enclosing a memorandum dealing with World Bank bond issues in the United States. It tries to provide some of my background thinking on this matter. It includes some projections which are still tentative and subject to revision but I trust that this material will be helpful in our discussions on Friday. The memorandum profited from the informal talks between our staffs on various technical aspects and I would like to express our thanks.

As you know I am hoping that it will be possible for you to agree to two bond issues in the United States in the magnitudes mentioned to you and Fred. I do not, of course, intend to make any formal request until we have had our discussions and you have been able to come to some judgment as to what magnitudes you can approve.

Sincerely,

Robert S. McNamara

The Honorable
Henry H. Fowler
Secretary of the Treasury
Washington, D.C.

June 25 1968

World Bank Bond Issues in the United States

1. The World Bank is planning to increase substantially its borrowing in various capital markets in the coming fiscal year. For our planning purposes we are assuming that it will be possible to borrow \$500 million in the United States in two tranches and another \$300 to \$400 million of long-term issues outside the United States. We also assume a roll-over of medium-term debt held outside the United States, with a net increase of \$50 million in the amount outstanding.
2. Many of the developing member countries of the Bank have now reached a stage in the management of their national economies where they are able to take critically important forward steps in accelerating their economic growth, provided suitable financing is available. The emphasis in the Bank's approach is on agreeing with countries on their development potential, and on the policies which they must pursue to realize these potentials. The provision of external capital by the World Bank can and should be only a small portion of the total resources used for development, but the resources provided by the World Bank can and do play a vitally important role. The effect of World Bank lending in promoting development is many times the size of its loans. Moreover, by providing the link with private capital markets, the Bank avoids the need for corresponding increases in budgetary contributions for development.
3. It is difficult to determine at this time the future level of loan commitments, but it is anticipated that the World Bank will be able to move soon to a level of about \$1.2 - \$1.7 billion per year (compared to approximately \$880 million in FY 1968) in new commitments to the developing countries. This projected level is based on estimates of likely availabilities of sound projects in member countries pursuing satisfactory economic policies. It

reflects experienced judgments regarding what the Bank can reasonably and efficiently do to promote the economic development of the less developed member countries without compromising its lending standards and its insistence on satisfactory economic performance of borrowing countries. This increase in Bank commitments would permit substantially increased lending for agriculture and education, which are relatively new areas of activity in the World Bank. At the same time, the need continues for investments in such sectors as electric power, transportation and industry, where most of the Bank investments have gone so far.

4. About \$2.3 billion are still due to be disbursed on Bank loans, while \$3.6 billion are owed on Bank bonds (nearly half of this debt maturing within five years). Both of these amounts will rise as Bank lending increases. The balance of cash and securities held by the Bank will need to be adjusted accordingly. In the last five years, however, the Bank's balance of liquid assets has been drawn down by about \$500 million (from over \$1.7 billion on June 30, 1963 to less than \$1.2 billion on June 30 1968). The level of its financial operations has increased and is expected to continue increasing; it is proposed to restore the balance of cash and securities to \$1.5 billion or more. Because of the contemplated large borrowings outside of the United States, it will be possible to use mainly, if not all, of the proceeds of the proposed bond issues in the United States for a permanent build-up of IBRD investments in certain medium-term securities in the United States. Such investments, inter alia, will have favorable effects on the U.S. balance of payments (see paragraph 7).

5. The following general considerations suggest that the projected increase in the loan commitments by the Bank is feasible, as well as desirable:

- (a) World Bank studies, based on a country-by-country examination, indicate that the developing member countries of the Bank could effectively use \$4 billion more per year in productive high-priority investment meeting Bank standards.
- (b) Bilateral aid flows from DAC countries have been practically on a plateau during the past several years. If account is taken of the rise in prices and the decline in the proportion of grants to total bilateral aid (from 60% in 1965 to 55% in 1967), the real resource value of bilateral aid has been on a downward trend.
- (c) In view of the trend in official bilateral capital flows, it seems likely that an increased flow of resources to less developed countries will require more extensive tapping of private capital markets in industrial countries. To some extent this is already taking place by increased direct flotations on the part of some of the more advanced of the developing countries, (e.g. Argentina, Mexico, Peru). But for many less developed countries, the Bank will have to be the principal intermediary for channeling private savings in the donor countries to development in the less developed countries.
- (d) Debt servicing problems of some less developed countries have reflected the assumption of excessive short- and medium-term obligations at relatively high interest rates in the form of suppliers' credits. A greater lending capability by the Bank will make it possible to reduce undue reliance on suppliers' credits, and influence their terms and conditions through "conditional" joint financing.

(e) More fundamentally, the capacity of a number of developing countries to service additional foreign indebtedness should increase either because of encouraging trends in recent years in their exports, resulting in part from improved general economic policies, or because of the efforts being made by the World Bank and others to encourage countries to abandon policies that have had the effect of protecting inefficient domestic industries at the expense of improving their export earning capacities. The operation of successful international commodity agreements, e.g. coffee and tin, are also helpful in strengthening the creditworthiness of the countries assisted.

6. There are certain specific considerations with respect to the request for new borrowing in the United States which may be noted. First those which pertain to the Bank's anticipated flows of funds and the domestic capital market situation, in light also of the recent tax surcharge:

(a) The flow of funds from the Bank is organized on the assumption that there will be orderly arrangements for regular access to sources of credit to match disbursements for loans extended by the Bank and for servicing of debts owed by the Bank. Table 1 summarizes the IBRD's flow of funds from 1962 until 1973. The tentative projections indicate the contemplated orders of magnitude, but are subject to considerable change, e.g., policy on accumulation of cash and securities. Disbursements on Bank credits in fiscal 1969 are expected to approach \$900 million, while amortization of Bank debts will exceed \$500 million. A portion of the Bank's cash disbursement requirements will be met from inflows of payments on amortization, interest and other sources. However, in addition, a substantial borrowing in private capital markets

in the United States and elsewhere will be needed in fiscal 1969 to cover the projected level of Bank disbursements and attain the desired balance of cash and investments (cf. Table 1). Discussions with European investors, particularly those in Germany, give reason to believe that the Bank will be able to reach the targets for borrowings outside of the United States projected for fiscal 1969.

- (b) The bond issues contemplated in the United States are sizeable and may be regarded as large in terms of corporate or tax-exempt issues, although some of them have run up to higher amounts. However, in terms of the over-all absorptive capacity of the U.S. capital market for newly floated debt, assuming careful timing, the amounts suggested for World Bank operations should have only marginal impact. Moreover, the swings occurring in public offering of long-term debt by others than the Federal Government are much larger than the assumed operations and this would facilitate the timing of the Bank bond issues. In the past year these new issues have ranged between \$2.8 and \$4.1 billion monthly. Moreover, the suggested Bank borrowings would seem comparatively small in terms of Treasury refunding operations and also of its new cash issues, and about in line with normal market operations of Federal agencies. Refunding operations frequently range around \$10 billion or higher, involving \$3 to \$4 billion of private holdings, with an "attrition" of redemption of 10 percent to 20 percent; new cash borrowing (when not spread through additional auctioning of Treasury bills) usually involves from \$1 to \$4 billion, and offerings of "participation certificates" in F.N.M.A. assets have run to over \$500 million.

- (c) The Bank may conceivably tap other sources of funds than those available to the United States Treasury. The Bank's bond issues would be long-term obligations with maturities presumably comparable to the previous borrowings and at market rates of interest. The Bank is, of course, not limited in the interest rate it can offer on bonds longer than certain maturities. In this respect, the Bank and the U.S. Treasury could jointly consider the possibility of the Bank placing newly accrued funds in U.S. Government non-marketable medium-term notes (maturing in approximately eighteen months), of a type similar to those offered to foreign monetary authorities. If so, the Bank could conceivably act as a useful intermediary between the U.S. capital market and the U.S. Treasury. It could also provide running estimates to the Treasury of prospective additions to or withdrawals from its holdings of U.S. Government securities, and coordinate its investment operations with debt and monetary management.
- (d) Market conditions at present do not seem to be an obstacle to large long-term borrowings in the amounts suggested. It is true that interest rates are at historic "peaks", but the new surtax makes it even more likely that there will be a better availability of funds than in 1966 or in some other past years. Also, it seems that the congestion of corporate and tax-exempt borrowing that affected the bond markets in the latter part of 1967 or early 1968 has been moderately alleviated.
- (e) It is also worth considering whether it would be desirable for the Bank to shift from the previous type of bond issues to a mixing of choices, so as to penetrate into new sectors of the financial market and appeal to new groups of investors. For example, it is customary for the U.S. Treasury to offer investors

a "mix" of short and intermediate maturities in its refunding or financing operations. Perhaps, if the Bank's financial outlook permitted, the bond issues could also be divided, say, into a part with a single maturity of 20-25 years and some portion with serial maturities starting with 10 years, with a choice for investors as to which they would wish to acquire. This might lessen the impact of large issues on the market, as well as lessen the risk for the Bank that some maturities might prove less acceptable to investors than others. The decision will of course depend in part on market conditions and investors' preferences at the time. The Bank would welcome the opportunity to exchange views with the U.S. Treasury on this or other suggestions.

7. The above considerations have dealt essentially with the domestic fiscal and money market aspects of the proposed bond issues. There are some aspects pertaining to the effects of the proposed bond issues on the U.S. balance of payments which deserve consideration:

- (a) The World Bank has in recent years adjusted its financial operations so as to make as much of a positive contribution to the U.S. balance of payments as practicable. The Bank has managed its finances in a way compatible with its responsibilities to other countries and with its procurement policies and programs; at the same time, it has been possible for the World Bank to make substantial contributions to the U.S. balance of payments every year in the 1960's (see Table 2). The Bank can continue to manage its finances so that it can continue to make a positive contribution to the U.S. balance of payments in the coming years. To this end it is essential to have much larger long-term borrowings

outside of the United States than in the past. The ability to do this borrowing will be greatly strengthened by having large bond issues in the United States and increasing the Bank's liquid assets.

- (b) The Bank has made these balance of payments contributions in part by investing as much as was considered feasible in U.S. securities of a type which are classified as investments (i.e. transactions on capital account) in U.S. balance of payments statistics. Such investments by the Bank are in certificates of deposit with original maturity exceeding one year and in U.S. agency bonds, which, in accordance with the nomenclature used in balance of payments statistics, are referred to as long-term investments. Much of the Bank's liquid assets are now in this form. The possibility of switching further short-term into long-term assets is now quite limited.
- (c) If our present anticipations of borrowing abroad prove correct, the proceeds of the proposed U.S. bond issues could be entirely, or nearly so, invested in U.S. long-term securities as in the past. There will be favorable effects on the balance of payments whether the bond issue is to be delivered in full in fiscal 1969 (as illustrated in Table 2), or whether part of it is for delayed delivery in a subsequent year or years. The estimate of balance of payments effects is based on certain conservative assumptions; for example, it is assumed that procurement in the U.S. will continue at the current rate of about 18.5 per cent of total procurement under Bank loans, compared to the percentage of about 30 per cent which prevailed earlier in the 1960's.

- (d) In the longer run, the impact on the U.S. balance of payments of the proposed bond issues will be primarily through their effect on the rate of Bank lending, which must be in accordance with the principles and decisions determined by the Executive Directors of the Bank. A change in the rate of lending will affect the U.S. balance of payments only after considerable time lags between borrowing of funds, the approval of loans made possible by these borrowings, and the disbursements of proceeds in foreign financing. Thus, a large borrowing will not be soon followed by a corresponding increase in disbursements. The time lag between the initiation of a loan commitment and the beginning of substantial disbursement of loan proceeds may be a year or two and disbursements will not be completed for a decade. Therefore, Bank disbursements in the next year or so would not be significantly affected by any current borrowing policy. In the longer run, the bond issues will affect not only disbursements (part of which are made in the U.S.) but also payments of interest and principal to the U.S.; the net effects of IBRD operations on the U.S. balance of payments are therefore likely to continue to be positive.
- (e) The proceeds of the long-term bond issues that the Bank hopes to raise will be used for loans to developing countries which in general are in the least restricted categories in the current measures to safeguard the balance of payments. Under these measures, the developing countries can enter the United States capital market without restraint for long-term bond issues exceeding 10-year maturities.

8. The Bank is acutely aware of the importance from the balance of payments and other viewpoints of borrowing extensively outside the United States, and has continuously made efforts to raise funds in markets other than the United States. Through borrowings, sales of participations and portfolio sales, the Bank has tapped many different capital markets. Indeed, taking fiscal years 1966, 1967, and 1968 together, net borrowing in the United States amounts to \$157 million, while net borrowing outside amounts to \$408 million (Table 3). In Fiscal 1968 alone, net borrowing outside the United States will amount to about \$156 million, as compared to about \$57 million in the United States. These figures are net of redemptions, including roll-overs of medium-term holdings. Sales of participations and portfolio sales by the Bank have in the past been an important additional source of capital (Table 4).

9. The share of the funded debt of the Bank held by investors outside the United States has fluctuated around 58 per cent for the last two years, rising to 58.74 per cent as of the end of May, 1968. There are holdings of Bank bonds and notes in about 60 countries. During the period from January to June 1968 bond issues of about \$89 million have been sold in Germany, \$29 million in Switzerland, \$15 million in Saudi Arabia, \$14 million in Canada and \$11 million in Holland. These issues total about \$158 million. In addition, the Bank Executive Directors on June 25 approved a German issue of DM 400 million. It is intended to continue efforts to increase borrowings outside the United States as much as possible.

TABLE 1
SOURCES AND APPLICATION OF IBRD FUNDS BY FISCAL YEAR^{1/}
(in millions of US \$)

	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Net Income	98	113	130	138	141	170	146	176	176	177	177	180
Less Transfer to IDA			50	75	75	10	73	88	88	88	88	90
Net Income Retained	<u>98</u>	<u>113</u>	<u>80</u>	<u>63</u>	<u>66</u>	<u>160</u>	<u>73</u>	<u>88</u>	<u>88</u>	<u>89</u>	<u>89</u>	<u>90</u>
Receipts of Capital Subscriptions	54	44	38	20	32	50	34	30	23	17	13	8
Repaid to IBRD on Loans	104	113	117	137	166	188	236	302	354	383	426	448
Borrowing by IBRD - New Issues	271	121	100	598	289	730	734	1067	810	1028	1140	1200
Less Debt Retirement	<u>167</u>	<u>126</u>	<u>132</u>	<u>348</u>	<u>225</u>	<u>226</u>	<u>519</u>	<u>532</u>	<u>427</u>	<u>458</u>	<u>478</u>	<u>458</u>
Net Borrowing	<u>104</u>	<u>-5</u>	<u>-32</u>	<u>250</u>	<u>64</u>	<u>504</u>	<u>215</u>	<u>535</u>	<u>383</u>	<u>570</u>	<u>662</u>	<u>742</u>
Delayed Deliveries (net)	+189	+3	+5	-18	+18	-234		+157	+77			
Receipts from Sale of Loans	328	296	154	110	105	69	68	74	65	111	109	103
Increase in Misc. Liabilities	9	3	-4	1	6	4						
Payments to IDA over (-) or under (+) Transfer to IDA			+50	+65	+39	-52	+25	+1	-9	-2		+2
TOTAL SOURCES	<u>886</u>	<u>567</u>	<u>409</u>	<u>628</u>	<u>496</u>	<u>689</u>	<u>651</u>	<u>1187</u>	<u>981</u>	<u>1168</u>	<u>1299</u>	<u>1393</u>
Disbursement on Loans - Current	480	615	558	606	666	783	770	767	610	428	251	158
- New								90	370	741	1048	1235
Real Estate Investment	6	3			2	1	6	7	1	-1		
Increase in Accrued & Prepaid Exp.	<u>10</u>	<u>8</u>		<u>16</u>	<u>6</u>	<u>17</u>	<u>3</u>					
TOTAL APPLICATION	<u>496</u>	<u>626</u>	<u>558</u>	<u>622</u>	<u>674</u>	<u>801</u>	<u>779</u>	<u>864</u>	<u>981</u>	<u>1168</u>	<u>1299</u>	<u>1393</u>
Net Increase or Decrease in Year	+390	-59	-149	+6	-178	-112	-128	+323				
Cash and Securities at Year End	1797	1738	1589	1595	1417	1305	1177	1500	1500	1500	1500	1500

1/ Budget estimates for 1969, and projections thereafter.

N.B. The table does not reflect the most recent changes in prospects for borrowing outside the U.S., nor possible changes in policy concerning the level of cash and securities. (See covering note; see also Table 2, footnote 5)

June 25, 1968

Table 2

Estimated IBRD Effects on U.S. Balance of Payments
Fiscal Year 1960 through 1969
(In millions of U.S. dollars)

	Fiscal Years									
	1960	1961	1962	1963	1964	1965	1966	1967	1968 (est.)	1969 ^{4/}
New IBRD issues in U.S., gross	125	-	100	-	-	200	175	250	300	500
Adjustments ^{1/}	-108	+64	-37	-11	-34	-75	-203	-122	-245	+5
Net borrowing in U.S.	17	64	63	-11	-34	125	-28	128	55	505
Net IBRD loan sales in U.S.	79	-9	66	75	11	-13	-34	-52	-50	-30
Investment income earned by IBRD in U.S.	37	40	50	52	53	52	51	58	60	65
 Total received by IBRD in U.S.	 <u>133</u>	 <u>95</u>	 <u>179</u>	 <u>116</u>	 <u>30</u>	 <u>164</u>	 <u>-11</u>	 <u>134</u>	 <u>65</u>	 <u>540</u>
IBRD-financed goods bought in U.S. ^{2/}	158	118	144	205	175	130	139	148	140	165
Interest paid by IBRD to U.S. bondholders	38	40	43	44	43	45	48	53	55	65
Interest paid by IBRD borrowers to U.S. loan holders	4	12	12	12	16	17	15	15	10	10
IBRD administrative expenses in U.S.	10	10	12	14	16	18	25	27	30	30
IBRD long-term investments in U.S. ^{3/}	-	-	-	-	-	200	300	185	-5	335 ^{5/}
 Total paid by IBRD to U.S.	 <u>210</u>	 <u>180</u>	 <u>211</u>	 <u>275</u>	 <u>250</u>	 <u>410</u>	 <u>527</u>	 <u>428</u>	 <u>230</u>	 <u>605</u>
 Net paid by IBRD to U.S.	 <u>+77</u>	 <u>+85</u>	 <u>+32</u>	 <u>+159</u>	 <u>+220</u>	 <u>+246</u>	 <u>+538</u>	 <u>+294</u>	 <u>+165</u>	 <u>+65</u>

^{1/} Delayed deliveries, redemptions and purchases by foreigners.

^{2/} Includes procurement specifically identifiable as originating in the U.S. and the same proportion of procurement not identifiable by country of origin. Procurement in the U.S. is projected as 18.5% of total disbursements (the same rate as that of the period July-December 1967).

^{3/} Maturities over one year.

^{4/} Projected. (No allowance is made for delayed deliveries of new issues).

^{5/} It is hoped to expand sales of IBRD bonds outside the U.S. above budget projections. The level of investments in the U.S. shown in this table relate to the budget projections, given in Table 1. However, if present expectations prove correct, it should be possible to invest all of the proceeds of the proposed U.S. bond issues in the U.S. as in the past. Net positive effects on the U.S. balance of payments would thus be increased to about \$230 million in FY 1969.

Source of data: Treasurer's Department.

International Finance Division
Economics Department
June 24, 1968

Table 3

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

SUMMARY OF TRANSACTIONS AFFECTING FUNDED DEBT FISCAL YEARS 1966 THROUGH 1968

(Expressed in millions of U.S. \$ equivalent)

	1966			1967			1968 (ESTIMATED)		
	Inside U.S.	Outside U.S.	Total	Inside U.S.	Outside U.S.	Total	Inside U.S.	Outside U.S.	Total
New issues	175.0	288.0	463.0	250.0	304.2	554.2	300.0	434.8	734.8
Purchases of new issues in U.S. by non-residents of U.S.	(20.3)	20.3	-	(11.6)	11.6	-	(25.1)	25.1	-
Gross Borrowings	154.7	308.3	463.0	238.4	315.8	554.2	274.9	459.9	734.8
Portion sold for delivery in later years	(154.7)	(20.3)	(175.0)	(155.3)	(4.6)	(159.9)	(138.3)	(7.3)	(145.6)
New issues settled in year	-	288.0	288.0	83.1	311.2	394.3	136.6	452.6	589.2
Deliveries of previous issues	17.9	-	17.9	91.5	9.4	100.9	131.0	13.9	144.9
Net U.S. purchases and sales of previous issues	(12.0)	12.0	-	(4.0)	4.0	-	(20.7)	20.7	-
Issues matured, redeemed or refunded	-	(175.6)	(175.6)	-	(171.8)	(171.8)	(150.0)	(312.9)	(462.9)
Purchases for sinking funds and purchase funds	(34.0)	(14.4)	(48.4)	(42.6)	(11.5)	(54.1)	(40.0)	(12.0)	(52.0)
Exchange adjustments	-	-	-	-	-	-	-	(6.0)	(6.0)
NET BORROWINGS	(\$28.1)	\$110.0	\$81.9	\$128.0	\$141.3	\$269.3	\$56.9	\$156.3	\$213.2

Parentheses enclose negative items.

Treasurer's Department
Securities Division
May 20, 1968

Table A

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
PARTICIPATION IN AND PORTFOLIO SALES OF I.B.R.D. LOANS BY FISCAL YEAR

as at December 31, 1967

(Expressed in United States Dollars)

FISCAL YEAR	PARTICIPATIONS (Including Agreements to Sell)			PORTFOLIO SALES			TOTAL		TOTAL
	Inside U.S.	Outside U. S.	TOTAL	Inside U.S.	Outside U. S.	TOTAL	Inside U. S.	Outside U. S.	
Prior to 1952	\$ 24,100,000	\$ -	\$ -	\$ 4,599,000	\$ 4,318,496	\$ -	\$ 28,699,000	\$ 4,318,496	\$ 33,017,496
1952	3,500,000	-	-	2,442,000	17,417,192	-	5,942,000	17,417,192	23,359,192
1953	997,000	-	-	499,000	13,138,965	-	1,496,000	13,138,965	14,634,965
1954	19,064,879	1,806,000	-	1,873,250	20,062,337	-	11,938,129	21,868,337	33,806,466
1955	32,795,000	4,522,600	-	15,510,500	46,349,036	-	48,305,500	50,871,636	99,177,136
1956	12,290,000	7,707,842	-	10,726,500	41,442,764	-	23,016,500	49,150,626	72,167,126
1957	14,774,000 (249,297)	8,419,000	-	174,000	33,783,048	-	14,943,000 (249,297)	42,196,048	57,144,048 (249,297)
									56,894,751
1958	37,805,900 (178,113) (159,600)	11,165,142	-	1,848,000	36,512,548	-	39,654,900 (174,115) (156,600)	47,677,690	87,332,590 (174,115) (156,600)
									86,999,875
1959	26,788,000 (614,000)	5,579,619 (27,000) (25,000)	-	864,000	115,869,900	-	27,652,000 (614,000)	121,449,519 (52,000)	149,101,519 (666,000)
									148,435,519
1960	66,888,000	21,723,999 (25,000)	-	27,893,000	126,281,032	-	94,581,000	148,005,031 (25,000)	242,586,031 (25,000)
									242,561,031
1961	13,156,000 (84,466) (200,000)	12,234,727	-	21,225,000	155,601,134	-	34,381,000 (84,466) (200,000)	168,035,881	202,416,881 (284,466)
									202,132,415
1962	28,973,000 (1,513,000)	9,387,509 (3,072,669) (27,624)	-	69,309,300	217,751,230	-	96,262,300 (1,513,000)	227,138,739 (3,072,669) (27,624)	323,421,039 (4,613,293)
									318,807,746
1963	9,732,000	2,084,796	-	113,080,700	148,424,278	-	122,812,700	150,509,074	273,321,774
1964	24,530,000 (166,300)	23,752,554 (166,300)	-	15,446,000	110,376,479	-	39,976,000 (166,300)	133,629,033 (166,300)	173,605,033 (332,600)
									173,272,433
1965	25,145,000	5,255,137	-	30,017,300	45,748,894	-	55,162,300	51,064,931	106,166,331
1966	9,935,000 (490,000)	429,991	-	9,988,000	61,997,517	-	19,923,000 (490,000)	62,427,508	82,350,508 (490,000)
									81,860,508
1967	14,013,000 (277,000)	844,991	-	5,625,000	49,277,464	-	19,640,000 (477,000)	49,922,455	69,562,455 (977,000)
									68,585,455
December 31, 1967	5,695,000	16,265,000 (176)	-	52,000	8,441,038	-	5,747,000	24,706,038 (176)	30,453,038 (176)
									30,452,862
Transfers							(15,622,742)	15,622,742	
TOTAL	\$354,359,001	\$127,129,138	\$481,487,139	\$331,172,550	\$1,252,993,392	\$1,584,165,942	\$689,907,809	\$1,395,745,272	\$2,085,653,081

EXPLANATORY NOTES:

Items in parenthesis represent cancellations of Participations of previous years.

Fiscal years 1961 and 1962 include revision on previous Participations due to revaluations of Netherlands guilders and Deutsche Mark.

Treasurer's Department
Securities Division
January 22, 1968

Mr. S. Aldewereld

June 20, 1968

Irving S. Friedman

Possible Investments in World Bank Bond Issues by Church Institutions

I would appreciate having your reactions to this. Please regard it as most confidential at this stage.

Monsignor Bordelon and Monsignor Gremillion are calling on me tomorrow afternoon and, if possible, it would be helpful if I could give them our reaction at that time, even if we do not have a piece of paper prepared, as yet, giving the information requested.

1/19 To Mr. Friedman

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: June 17, 1968

FROM: Irving S. Friedman

SUBJECT: Possible Investments in World Bank Bond Issues by Church Institutions

attached

In a memorandum of June 7, 1968, to you dealing with another matter I mentioned the fact that I talked to Monsignor Bordelon (Director, National Conference of Catholic Bishops, Secretariat for World Justice and Peace), about the possibility of the Catholic Church (U.S. and Rome) investing in World Bank bonds. I had thought that this might be a useful idea in itself and also particularly helpful in connection with the Pope's forthcoming visit to Colombia. The Church people have given further thought to this suggestion and continue to be enthusiastic about its possibilities. They have even gone on to consider whether they might contribute to IDA.

This weekend I had occasion to discuss various matters with Monsignor Bordelon and Monsignor Gremillion (Secretary of the Commission for World Justice and Peace in Rome), and they informed me that they were very much interested in the bond purchase suggestion and wondered whether I could send them a memorandum on how this might be done. We were joined in our conversations by Mr. Robert S. Bilheimer (Executive Director, Department of International Affairs, National Council of the Churches of Christ in the U.S.A. and in effect the Protestant counterpart to Monsignor Bordelon.) Monsignor Bordelon told him of what he and others in the Catholic Church were thinking of in terms of purchasing World Bank bond issues, and asked whether the Protestant Churches might also be interested. He asked me to explain further my suggestion, which I did. Mr. Bilheimer expressed great enthusiasm for the idea and also asked for a background memorandum. I told them that I had not discussed this matter with anyone in the Bank, but would discuss this with you on your return.

As indicated above, I have not discussed this with anyone in the Bank. Our experience with a private placement in Germany and our dealings with Saudi Arabia, would seem to be very much in point. On the IDA point I did check out with Ronnie Broches the fact that IDA could accept contributions from private institutions.

Your reaction would be appreciated.

ISF

Forward them the necessary information, after consultation with Aldenwell. R. New

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: June 20, 1968

FROM: Irving S. Friedman

SUBJECT: Five-Year Country Economic Programs

The attached book contains 19 of the 27 country economic programs which we are doing.

I feel confident that we will have by the end of today also, India, Indonesia, Korea and Taiwan. I am particularly interested in your seeing the first two.

I have also been promised that we will have the items outstanding from the Africa Department, namely, Uganda and the East African Community.

Included in the attached book (but not part of the 19) are statements on Bank/IDA strategy and summary tables on Kenya and Tanzania, which will be combined with the country studies when they arrive. I have been promised these studies by the end of today; however, the Africa Department has been more sluggish than the other departments in getting out the studies on schedule.

ISF

President has seen

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Irving S. Friedman

SUBJECT: Five-Year Country Economic Programs

DATE: June 20, 1968

I understand that Mr. Aldewereld will be visiting Cambridge en route to Europe on Saturday, to discuss Professor Mason's reaction to the five-year programs. I understand also that Mr. Adler is going up especially for this purpose.

I would like to recommend that Mr. de Vries also go up with them since he was my principal assistant in doing Chapters 3 and 4 and in supervising the individual economic country reports. The participation of Mr. de Vries in these talks might be helpful in explaining why and what we had in mind in these chapters and studies, and also help Mr. de Vries in carrying on this work in the future.

ISF

cc: Mr. Aldewereld

President has seen

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: June 19, 1968

FROM: Irving S. Friedman

SUBJECT: IDA Policy

During the course of our discussions on the IDA papers I made some brief written comments, copies of which I gather were sent to you.

I would also like to send you a copy of a memorandum of June 14 in which I tried to pull together quickly some of these thoughts. I hope you may have a chance to read this before our meeting on Friday on the IDA Policy paper.

15F

President has seen

Mr. Robert S. McNamara

June 19, 1968

Irving S. Friedman

IDA Policy

During the course of our discussions on the IDA papers I made some brief written comments, copies of which I gather were sent to you.

I would also like to send you a copy of a memorandum of June 14 in which I tried to pull together quickly some of these thoughts. I hope you may have a chance to read this before our meeting on Friday on the IDA Policy paper.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: June 17, 1968

FROM: Irving S. Friedman

SUBJECT: Possible Investments in World Bank Bond Issues by Church Institutions

In a memorandum of June 7, 1968, to you dealing with another matter I mentioned the fact that I talked to Monsignor Bordelon (Director, National Conference of Catholic Bishops, Secretariat for World Justice and Peace), about the possibility of the Catholic Church (U.S. and Rome) investing in World Bank bonds. I had thought that this might be a useful idea in itself and also particularly helpful in connection with the Pope's forthcoming visit to Colombia. The Church people have given further thought to this suggestion and continue to be enthusiastic about its possibilities. They have even gone on to consider whether they might contribute to IDA.

This weekend I had occasion to discuss various matters with Monsignor Bordelon and Monsignor Gremillion (Secretary of the Commission for World Justice and Peace in Rome), and they informed me that they were very much interested in the bond purchase suggestion and wondered whether I could send them a memorandum on how this might be done. We were joined in our conversations by Mr. Robert S. Bilheimer (Executive Director, Department of International Affairs, National Council of the Churches of Christ in the U.S.A. and in effect the Protestant counterpart to Monsignor Bordelon.) Monsignor Bordelon told him of what he and others in the Catholic Church were thinking of in terms of purchasing World Bank bond issues, and asked whether the Protestant Churches might also be interested. He asked me to explain further my suggestion, which I did. Mr. Bilheimer expressed great enthusiasm for the idea and also asked for a background memorandum. I told them that I had not discussed this matter with anyone in the Bank, but would discuss this with you on your return.

As indicated above, I have not discussed this with anyone in the Bank. Our experience with a private placement in Germany and our dealings with Saudi Arabia, would seem to be very much in point. On the IDA point I did check out with Ronnie Broches the fact that IDA could accept contributions from private institutions.

Your reaction would be appreciated.

Mr. Robert S. McNamara

June 17, 1968

Irving S. Friedman

Possible Investments in World Bank Bond Issues by Church Institutions

In a memorandum of June 7, 1968, to you dealing with another matter I mentioned the fact that I talked to Monsignor Bordelon (Director, National Conference of Catholic Bishops, Secretariat for World Justice and Peace), about the possibility of the Catholic Church (U.S. and Rome) investing in World Bank bonds. I had thought that this might be a useful idea in itself and also particularly helpful in connection with the Pope's forthcoming visit to Colombia. The Church people have given further thought to this suggestion and continue to be enthusiastic about its possibilities. They have even gone on to consider whether they might contribute to IDA.

This weekend I had occasion to discuss various matters with Monsignor Bordelon and Monsignor Gremillion (Secretary of the Commission for World Justice and Peace in Rome), and they informed me that they were very much interested in the bond purchase suggestion and wondered whether I could send them a memorandum on how this might be done. We were joined in our conversations by Mr. Robert S. Bilheimer (Executive Director, Department of International Affairs, National Council of the Churches of Christ in the U.S.A.) and in effect the Protestant counterpart to Monsignor Bordelon.) Monsignor Bordelon told him of what he and others in the Catholic Church were thinking of in terms of purchasing World Bank bond issues, and asked whether the Protestant Churches might also be interested. He asked me to explain further my suggestion, which I did. Mr. Bilheimer expressed great enthusiasm for the idea and also asked for a background memorandum. I told them that I had not discussed this matter with anyone in the Bank, but would discuss this with you on your return.

As indicated above, I have not discussed this with anyone in the Bank. Our experience with a private placement in Germany and our dealings with Saudi Arabia, would seem to be very much in point. On the IDA point I did check out with Ronnie Broches the fact that IDA could accept contributions from private institutions.

Your reaction would be appreciated.

(M No. 89
(2.66)

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

ROUTING SLIP

Date

June 13, 1968

OFFICE OF THE PRESIDENT

Name

Room No.

Mr. McNamara

1220

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

XX Information

Signature

Initial

Send On

Remarks

From

Irving S. Friedman

OFFICE MEMORANDUM

TO: Members of the President's Council

DATE: June 13, 1968

FROM: Irving S. Friedman

SUBJECT: IDA Lending Policies

I take the opportunity of putting in writing briefly my views on one particular point concerning IDA lending policies, which I think is of critical importance.

- (1) I do not think that the use of per capita income criterion is a reasonable basis for test of eligibility. The Bank, as well as IDA, is now lending virtually only to less developed countries, or, at best, what might be called semi-developed countries. Thus, from the viewpoint of per capita income, the distinction with respect to poverty is becoming less important. A large number of our World Bank Group borrowers are from this viewpoint in need of concessional terms in one form or another.
- (2) The statistical basis for the calculation of per capita income is unsatisfactory, making comparisons, particularly at the margin, unfair and unreliable.
- (3) The per capita income criterion is open to the charge of deliberate discrimination against countries which are still poor and have, or are expected to have, serious external indebtedness problems, but which do not quite meet the per capita income test.
- (4) This criterion ignores the relative availability of other sources of financing, including grants, help from participation in commodity agreements, other public external assistance and sources of private finance. Countries not meeting the poverty criterion may still be in need of IDA assistance if other sources of direct and indirect assistance are not available to them.
- (5) In practice much consideration is given to countries reserves and balance of payments position, and outlook for both.
- (6) Essentially for these reasons I would favor saying: (a) We give up the per capita income test; (b) all Part II countries are eligible for IDA; (c) we will look first at the balance of payments outlook as envisaged in the Articles of Agreement; (d) we will take into account the availability of other sources of finance; and (e) combining these and other factors we will come to a judgment on IDA creditworthiness of other countries.
- (7) I would also consider varying the terms and conditions of IDA loans, with the possibility of some interest charges, starting, say, in the eleventh year and perhaps being subsequently increased in one or two steps. The rates I have in mind are 2% to 3%.
- (8) The poverty of the country, not necessarily measured by per capita income figures, would still be important in our analyses and judgments on the needs of the country; its balance of payments outlook; the terms and conditions, etc., but we would give up using a broken and ragged-edged ruler.

President has seen

ROUTING SLIP

Date
June 14, 1968

OFFICE OF THE PRESIDENT

Name

Room No.

Mr. McNamara

1220

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

XX Information

Signature

Initial

Send On

Remarks

From

Irving S. Friedman

OFFICE MEMORANDUM

TO: Members of President's Council

DATE: June 14, 1968

FROM: Irving S. Friedman

SUBJECT: IDA Allocation and Control of "Counterpart Funds"

As in the case of the poverty criterion, it may be useful to make some brief comments in writing on the sections on IDA allocation of funds and the control of counterpart funds. I will confine myself to essential points.

(1) In the paper on Allocation of Funds, page 4, the argument against a political bargain is too strongly made, since in the end whatever we do will in effect have to be a political decision, since we simply do not have the funds to allocate on purely economic criterion. Our aim is to minimize the political aspect and to have it as only a framework, so that it does not impair our judgment in individual cases.

(2) The poverty criterion does not have the merit of allocating according to "need", see page 5. Need for IDA finance is a much more complicated judgment, in which the poverty of the country is likely to be significant in many cases, but is not a "test". For me "tests" implies that it is a requirement for access to IDA funds. Therefore, I would like to see the elimination (page 6, para. 2) of poverty as one of the IDA "tests", unless by definition all countries in Part II are "poor", except for those countries we indicate ought to be in Part I.

(3) I think that population as an allocation device is very poor. It is not viable in practice, and has no logic, except the appeal of simplicity. It completely divorces IDA from everything else going on in the world. I believe the only allocation test that can be applied is effective use within the framework of trying to see that the benefits of IDA funds are spread among more countries than in the past and not concentrated on relatively few. Prior full and frank discussions with Executive Directors, or in any other forms, on how we are proceeding should eliminate the suspicion of favoritism.

(4) On counterpart funds, I think that the arguments made are essentially sound, but do feel that the stipulation suggested in I-3 "for purposes of economic development" is perhaps more feasible than the other suggestions. The follow-up on this could be made part of our review of economic performance.

President has seen

DECLASSIFIED

SEP 28 2012

CONFIDENTIAL

Files

WBG ARCHIVES

June 10 1968

Irving S. Friedman

Meeting with Mr. Frederick L. Deming of the U.S. Treasury at 4:30 pm on Friday, June 7; Mr. Ralph Hirschtritt was also present.

Mr. Deming gave his general reaction to the draft memorandum on the \$500 million of new bond issues. In the course of discussions the point was clarified that the draft memorandum, or the letter which transmitted the memorandum from the President of the Bank, was not intended to be a formal request, and that in due course a formal request would be made, presumably along the lines of previous requests, nearer to the time agreed for the bond issues. It was agreed that the memorandum would be thought of as a background document to be used to help set forth the reasons why the President of the Bank was requesting these bond issues and why he believed that the required approval was feasible from both the domestic and balance of payments viewpoint.

On the domestic aspects, Mr. Deming stressed the importance of the pending tax bill. Mr. Deming indicated that the tax bill would probably be passed after the middle of June, or some time after the New York Democratic primary. If this bill were passed, there would be much less need for Treasury borrowing, and there should not be a major problem in raising the suggested \$500 million. He thought that the essential point was whether there would be a good market at the time. If this were the case, issues of all maturity lengths would be possible. If the market was not good, because of failure to pass the tax bill, all issues, including long-term and very short-term, would have difficulties. As for the idea of serial bond issues, he thought it was worthy of serious study by the Bank, but that it was not possible to have a judgment on the desirability of so doing until the market conditions at the time of issue were better known. However, even with a tax bill passed, there will probably still be high coupon rates, perhaps even higher than those prevailing in Germany. For example, in the forthcoming refunding operation at the end of July, he now expected that the rate might fall only from about 6 to 5-7/8. By November, at the next refunding, it might be down to 5-6/8 or 5-5/8. There were some who felt that it might go down to 5-1/2% but he didn't think so. Treasury Bills being short-term might fall by the end of the year to 4-1/2%. However, long-term rates would probably not fall, or fall only slightly.

Because Mr. Deming felt that the market outlook was reasonably good, assuming the tax increase, he felt that the real point at issue was the balance of payments. In this connection he hoped we would be able to come up with firmer or more precise figures on future borrowing abroad and the balance of payments implications. We agreed that this was the critical element as to whether the argument could be made that the World Bank would continue to make positive contributions to the U.S. balance of payments for the foreseeable future. He felt it was also necessary to be able to argue at this time that the World Bank was borrowing more abroad than it had in the past. He knew about the efforts being made, and I explained that, on the return of Mr. McNamara and Mr. Aldewereld, we might be in a better position to have firmer figures.

June 10 1961

He also felt that we should try to sharpen up the presentation the balance of payments figures would look like if, on one hand, we assumed the maintenance of the present level of holdup of non-liquid U.S. securities and using the proposed bond issue to meet current disbursements, or, conversely, locking up the proceeds of the proposed bond issues and using the present non-liquid securities. He felt that the memorandum had made a good case for a higher level of Bank activities and a higher level of borrowing. The question was whether this volume of lending by the Bank could be financed. This again emphasized the importance of the amount of borrowings abroad.

Mr. Deming instructed Mr. Hirschtritt to have Mr. Deming's deputy, Mr. Schiff, go over our memorandum and send any substantive comments or suggestions to us by the middle of next week. We agreed that in the Bank we would try to sharpen up our figures on overseas borrowings and the balance of payments implications.

I also had an exchange of views, separately, with Mr. Hirschtritt on the technique which had been used in measuring the impact of World Bank operations on the U.S. balance of payments. He said that there was no question of this technique being technically correct. It had never been criticized except on one particular point by one person, namely, that the figure for procurement in the United States included some unidentifiable procurement as well as identifiable procurement. This has, in any case, only a small effect in measuring the U.S. balance of payments impact of World Bank transactions with the United States. (Incidentally, Mr. Hirschtritt was quite optimistic about the outcome of the IDA bill this summer, saying that Secretary Fowler had made it clear to all that he was determined to secure the passage of the bill and was so doing. He said that this had been conveyed to Messrs. McNamara and Merchant.)

I agreed with Mr. Hirschtritt that we would do for the Treasury on a confidential basis a projection for the next few years of the impact of the World Bank operations. (We had already done this for 1969-73 based on the previous Five-year Program figures but are now re-doing the exercise incorporating the new contemplated borrowings in Europe in fiscal 1969.)

cc: Mr. McNamara
Mr. Aldewereld

OFFICE MEMORANDUM

CONFIDENTIAL
DECLASSIFIED

TO: Files

DATE: June 10 1968

SEP 28 2012

WBG ARCHIVES

FROM: Irving S. Friedman

SUBJECT: Meeting with Mr. Frederick L. Deming of the U.S. Treasury at 4:30 pm on Friday, June 7; Mr. Ralph Hirschtritt was also present.

Mr. Deming gave his general reaction to the draft memorandum on the \$500 million of new bond issues. In the course of discussions the point was clarified that the draft memorandum, or the letter which transmitted the memorandum from the President of the Bank, was not intended to be a formal request, and that in due course a formal request would be made, presumably along the lines of previous requests, nearer to the time agreed for the bond issues. It was agreed that the memorandum would be thought of as a background document to be used to help set forth the reasons why the President of the Bank was requesting these bond issues and why he believed that the required approval was feasible from both the domestic and balance of payments viewpoint.

On the domestic aspects, Mr. Deming stressed the importance of the pending tax bill. Mr. Deming indicated that the tax bill would probably be passed after the middle of June, or some time after the New York Democratic primary. If this bill were passed, there would be much less need for Treasury borrowing, and there should not be a major problem in raising the suggested \$500 million. He thought that the essential point was whether there would be a good market at the time. If this were the case, issues of all maturity lengths would be possible. If the market was not good, because of failure to pass the tax bill, all issues, including long-term and very short-term, would have difficulties. As for the idea of serial bond issues, he thought it was worthy of serious study by the Bank, but that it was not possible to have a judgment on the desirability of so doing until the market conditions at the time of issue were better known. However, even with a tax bill passed, there will probably still be high coupon rates, perhaps even higher than those prevailing in Germany. For example, in the forthcoming refunding operation at the end of July, he now expected that the rate might fall only from about 6 to 5-7/8. By November, at the next refunding, it might be down to 5-6/8 or 5-5/8. There were some who felt that it might go down to 5-1/2% but he didn't think so. Treasury Bills being short-term might fall by the end of the year to 4-1/2%. However, long-term rates would probably not fall, or fall only slightly.

Because Mr. Deming felt that the market outlook was reasonably good, assuming the tax increase, he felt that the real point at issue was the balance of payments. In this connection he hoped we would be able to come up with firmer or more precise figures on future borrowing abroad and the balance of payments implications. We agreed that this was the critical element as to whether the argument could be made that the World Bank would continue to make positive contributions to the U.S. balance of payments for the foreseeable future. He felt it was also necessary to be able to argue at this time that the World Bank was borrowing more abroad than it had in the past. He knew about the efforts being made, and I explained that, on the return of Mr. McNamara and Mr. Aldewereld, we might be in a better position to have firmer figures.

June 10 1968

He also felt that we should try to sharpen up the presentation on what the balance of payments figures would look like if, on one hand, we assumed the maintenance of the present level of holdup of non-liquid U.S. securities and using the proposed bond issue to meet current disbursements, or, conversely, locking up the proceeds of the proposed bond issues and using the present non-liquid securities. He felt that the memorandum had made a good case for a higher level of Bank activities and a higher level of borrowing. The question was whether this volume of lending by the Bank could be financed. This again emphasized the importance of the amount of borrowings abroad.

Mr. Deming instructed Mr. Hirschtritt to have Mr. Deming's deputy, Mr. Schiff, go over our memorandum and send any substantive comments or suggestions to us by the middle of next week. We agreed that in the Bank we would try to sharpen up our figures on overseas borrowings and the balance of payments implications.

I also had an exchange of views, separately, with Mr. Hirschtritt on the technique which had been used in measuring the impact of World Bank operations on the U.S. balance of payments. He said that there was no question of this technique being technically correct. It had never been criticized except on one particular point by one person, namely, that the figure for procurement in the United States included some unidentifiable procurement as well as identifiable procurement. This has, in any case, only a small effect in measuring the U.S. balance of payments impact of World Bank transactions with the United States. (Incidentally, Mr. Hirschtritt was quite optimistic about the outcome of the IDA bill this summer, saying that Secretary Fowler had made it clear to all that he was determined to secure the passage of the bill and was so doing. He said that this had been conveyed to Messrs. McNamara and Merchant.)

I agreed with Mr. Hirschtritt that we would do for the Treasury on a confidential basis a projection for the next few years of the impact of the World Bank operations. (We had already done this for 1969-73 based on the previous Five-year Program figures but are now re-doing the exercise incorporating the new contemplated borrowings in Europe in fiscal 1969.)

15 F

cc: Mr. McNamara
Mr. Aldewereld

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: June 7, 1968

FROM: Irving S. Friedman

SUBJECT: Luncheon for Mr. Barre, Vice President of the European Community

Yesterday, June 6, I attended a luncheon given for Mr. Barre, the Vice President of the European Community, by Henry Owen, Chairman of the Policy Planning Council, in the State Department. (Originally, he was going to host a rather large formal luncheon for Mr. Barre but because of the assassination of the Senator the luncheon was called off. However, he asked me to come to this business luncheon since Mr. Barre was eager to exchange views with certain people before going back to Brussels.) The others at the luncheon were Bill Gaud, Charles Schultz, who, as you know, is now at Brookings, John Rielly, an assistant to Vice President Humphrey, and myself.

Mr. Barre asked what was planned for Latin America and what was the outlook there. Henry Owen and Bill Gaud informed him of the aid likelihood (about \$1 billion) and took a rather pessimistic view of Latin America's outlook. I told Mr. Barre that we were somewhat more hopeful although still watching events very closely before coming to final judgments. Mr. Barre believes that the Common Market countries ought to be moving toward a common policy in foreign aid, but emphasized that this was still in the very early stages. On balance, he foresaw no significant increase in foreign assistance from the Common Market countries in the next few years, nor any particular change in their bilateral aid patterns. He thought that France would continue to emphasize aid to certain French-speaking countries, while the Germans would continue to emphasize export promotion and tied aid. He felt that the Dutch would be in favor of more multilateral aid, but probably at the expense of bilateral aid. The German attitude, with its emphasis on export promotion, was the major obstacle to moving to a more multilateral approach. Mr. Barre felt, however, that there was considerable popular support for foreign assistance in various countries, including France, particularly among the younger people. The French system of allowing young men to "serve" in overseas technical assistance positions instead of military service had been an important factor in creating this more favorable climate of opinion on foreign aid in France.

Gaud reported on the bleak prospects for aid in the United States at this time. He noted that in the U.S. there was increasing sentiment to move from bilateral to multilateral aid. The problem, however, as he saw it, was that certain countries, like Japan and Germany, did not want to cooperate in such a move since they favored bilateral aid.

There was some discussion whether the end of hostilities in Viet-Nam would change the outlook for aid. Mr. Rielly felt strongly that the end of hostilities would offer a real opportunity for a change in the attitude toward foreign assistance. Mr. Schultz pointed out, however, that assuming the next tax surcharge would come off at the end of hostilities, there would be nothing left in the budget for any new programs, domestic or external. It would therefore depend on what priority the new President would be willing to give

foreign aid. Mr. Schultz said the main issue would be the attitude toward military expenditures.

Mr. Barre said that in the early 1970's the attention of the Common Market would have to turn outwards. At that point the special treatment now given all Associated Members, especially French-speaking African countries, would come under review and likely change. In the meantime, he expected existing arrangements to be continued including the European Investment Bank and the European Fund. Mr. Gaud asked whether more could be done for Turkey, including whether Turkey might become a member of the Common Market. Mr. Barre replied that this was most unlikely; aid to Turkey was adequate but the problem was the unwillingness of the Turkish Government to pursue satisfactory policies. (Incidentally, our people working on Turkey have felt that the OECD Consortium for Turkey has been too lax with respect to performance criteria and has weakened the efforts by others to get better performance.)

We also had an exchange of views about the possible use of the IMF-SDR's for development purposes. Mr. Barre was very skeptical emphasizing that there was still a number of years before the SDR's come into effect. He felt that there were not only the legal requirements to go through but also that the Common Market countries would not agree to letting the SDR scheme be activated until there was a large change in the U.S. balance of payments position.

Before and after the luncheon I took occasion to speak to Mr. Rielly about Vice President Humphrey saying something positive and forceful in favor of the pending IDA Bill. I told him that I had been informed that the Vice President was strongly in favor of the Bill but had not seen any statements by him to that effect. Mr. Rielly said the Vice President had spoken out favorably but not in a very clear way. He said he would bring this matter to the Vice President's attention and would be glad to get some suggested paragraphs or notes in this connection. I sent him some notes in the afternoon, which I had drafted some weeks ago for possible use by the Vice President. Mr. Rielly also promised to send us copies of what the Vice President has said about IDA.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: June 7, 1968

FROM: Irving S. Friedman

SUBJECT: Luncheon for Mr. Barre, Vice President of the European Community

Yesterday, June 6, I attended a luncheon given for Mr. Barre, the Vice President of the European Community, by Henry Owen, Chairman of the Policy Planning Council, in the State Department. (Originally, he was going to host a rather large formal luncheon for Mr. Barre but because of the assassination of the Senator the luncheon was called off. However, he asked me to come to this business luncheon since Mr. Barre was eager to exchange views with certain people before going back to Brussels.) The others at the luncheon were Bill Gaud, Charles Schultz, who, as you know, is now at Brookings, John Rielly, an assistant to Vice President Humphrey, and myself.

Mr. Barre asked what was planned for Latin America and what was the outlook there. Henry Owen and Bill Gaud informed him of the aid likelihood (about \$1 billion) and took a rather pessimistic view of Latin America's outlook. I told Mr. Barre that we were somewhat more hopeful although still watching events very closely before coming to final judgments. Mr. Barre believes that the Common Market countries ought to be moving toward a common policy in foreign aid, but emphasized that this was still in the very early stages. On balance, he foresaw no significant increase in foreign assistance from the Common Market countries in the next few years, nor any particular change in their bilateral aid patterns. He thought that France would continue to emphasize aid to certain French-speaking countries, while the Germans would continue to emphasize export promotion and tied aid. He felt that the Dutch would be in favor of more multilateral aid, but probably at the expense of bilateral aid. The German attitude, with its emphasis on export promotion, was the major obstacle to moving to a more multilateral approach. Mr. Barre felt, however, that there was considerable popular support for foreign assistance in various countries, including France, particularly among the younger people. The French system of allowing young men to "serve" in overseas technical assistance positions instead of military service had been an important factor in creating this more favorable climate of opinion on foreign aid in France.

Gaud reported on the bleak prospects for aid in the United States at this time. He noted that in the U.S. there was increasing sentiment to move from bilateral to multilateral aid. The problem, however, as he saw it, was that certain countries, like Japan and Germany, did not want to cooperate in such a move since they favored bilateral aid.

There was some discussion whether the end of hostilities in Viet-Nam would change the outlook for aid. Mr. Rielly felt strongly that the end of hostilities would offer a real opportunity for a change in the attitude toward foreign assistance. Mr. Schultz pointed out, however, that assuming the next tax surcharge would come off at the end of hostilities, there would be nothing left in the budget for any new programs, domestic or external. It would therefore depend on what priority the new President would be willing to give

President has seen

June 7, 1968

foreign aid. Mr. Schultz said the main issue would be the attitude toward military expenditures.

Mr. Barre said that in the early 1970's the attention of the Common Market would have to turn outwards. At that point the special treatment now given all Associated Members, especially French-speaking African countries, would come under review and likely change. In the meantime, he expected existing arrangements to be continued including the European Investment Bank and the European Fund. Mr. Gaud asked whether more could be done for Turkey, including whether Turkey might become a member of the Common Market. Mr. Barre replied that this was most unlikely; aid to Turkey was adequate but the problem was the unwillingness of the Turkish Government to pursue satisfactory policies. (Incidentally, our people working on Turkey have felt that the OECD Consortium for Turkey has been too lax with respect to performance criteria and has weakened the efforts by others to get better performance.)

We also had an exchange of views about the possible use of the IMF-SDR's for development purposes. Mr. Barre was very skeptical emphasizing that there was still a number of years before the SDR's come into effect. He felt that there were not only the legal requirements to go through but also that the Common Market countries would not agree to letting the SDR scheme be activated until there was a large change in the U.S. balance of payments position.

Before and after the luncheon I took occasion to speak to Mr. Rielly about Vice President Humphrey saying something positive and forceful in favor of the pending IDA Bill. I told him that I had been informed that the Vice President was strongly in favor of the Bill but had not seen any statements by him to that effect. Mr. Rielly said the Vice President had spoken out favorably but not in a very clear way. He said he would bring this matter to the Vice President's attention and would be glad to get some suggested paragraphs or notes in this connection. I sent him some notes in the afternoon, which I had drafted some weeks ago for possible use by the Vice President. Mr. Rielly also promised to send us copies of what the Vice President has said about IDA.

UF

June 6, 1968

Dean G. Farrer
Assistant Professor of Marketing
California State College
Long Beach, California 40804

Dear Mr. Farrer:

On Mr. McNamara's behalf I am writing you to acknowledge your letter of May 20, 1968, and your report on the States of Malaya. Your report raises issues in which the World Bank is also very much interested. I would like to make one general remark on the subject. The question of financing loans for surplus commodities is a controversial issue. It would be generally acceptable to say that a country should try to diversify the economy and reduce its dependence on one or two export crops. But there are other questions, such as: what can the country do with its resources? What are the alternatives and what are the costs of switching to other crops? These will have to be taken into account before taking up a position on the finance for surplus commodities.

Your study will be passed on for review. We will let you know our reactions as soon as the review is complete.

Yours sincerely,

Irving S. Friedman
The Economic Adviser to the President

(Copy to Mr. McNamara's office for record purposes)



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION
WASHINGTON, D. C. 20433, U.S.A.

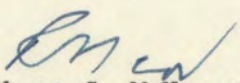


OFFICE OF THE PRESIDENT

June 4, 1968

MEMORANDUM FOR MR. IRVING FRIEDMAN

As I review the data showing the impact of the Bank Group's operations on the U.S. balance of payments, I am left with an uneasy feeling. I have not had an opportunity as yet to examine the figures in detail, but they leave me with a conclusion that the favorable effect on U.S. balance of payments is greatly overstated. If the same calculations were applied to all other member countries, would the net effect on balance of payments be zero or positive -- I am inclined to believe the latter. Perhaps the technical error results from a failure to take account of the imports into the U.S. necessary to reflect repayment of the loans. In any event, would it not be wise to arrange for a well qualified expert in the field of balance of payments statistics to review our data and certify that they reflect properly the full impact of the Bank Group's operations on the U.S. balance of payments?


Robert S. McNamara

*Reply Routed to McNamara
6/5*

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: June 5, 1968

FROM: Irving S. Friedman

SUBJECT: The World Bank and the U.S. Balance of Payments

I would like to make a few comments on your memorandum of June 4 on the contribution of the World Bank to the U.S. balance of payments.

The question has been repeatedly raised by one or two members of the President's Council for the past few years. When I first started to work on this question of the contribution to the U.S. balance of payments by the World Bank, I found that a form had been worked out in previous years by the U.S. Treasury experts. The Bank supplied the figures. In view of my own long interest and experience in balance of payments problems I had a number of conversations with different experts in the U.S. Government and the Fund on the appropriateness of this presentation. I became convinced that it is essentially right, although the itemization is somewhat too condensed for my tastes. It reflects the way in which the U.S. balance of payments statistics are compiled and presented to the public by the U.S. authorities; it seemed reasonable that the World Bank presentation on its contribution to the U.S. balance of payments should be presented in conformity with U.S. balance of payments statistical practices. I am convinced that it does not exaggerate the positive contribution of the World Bank to the U.S. balance of payments.

I have tried to explain to those within the Bank who have raised doubts that their confusion probably results from a combination of the following:

(a) The difficulty of keeping in mind that from the U.S. balance of payments viewpoint the World Bank is always treated as a foreign institution as though it were located outside the U.S. The World Bank enters into the U.S. balance of payments statistics only when there are payments between the World Bank and the U.S. Government or residents.

(b) The U.S. balance of payments statistical approach is simply not an "economic" concept. It is essentially an accounting flow concept. It does not follow through on the economic consequences of payments or receipts. It aims essentially to explain changes in monetary reserves or other changes in external capital positions.

(c) Therefore, the balance of payments statistics do not attempt to go into so-called secondary effects. For example, export earnings are regarded as receipts and no attempt is made in the balance of payments statistics to try to indicate what was the foreign import content of these particular exports. Imports register in the balance of payments when the payment is made for such imports. Thus, current exports are a plus and current imports are a minus, even though current exports may reflect past imports to some extent.

The reason I have taken this matter so seriously is not merely a desire for accuracy but to be sure that we are invulnerable to criticism. I have been extremely sensitive to this possibility. This balance of payments argument was

June 5, 1968

critical in breaking the bottleneck in 1965/66 in getting permission from the U.S. Treasury for new bond issues. We were well aware that many individuals in the U.S. Government and indeed elsewhere thought that for balance of payments reasons the Secretary of the Treasury should not give permission for the World Bank to borrow in the U.S. I am fearful that if even a faint impression is created outside the Bank, for any reason whatsoever, that the figures of the Bank are suspect, we will never rid ourselves of this taint on one of our most effective arguments for getting permission to borrow during this difficult period. My own recommendation is not to run this risk. I will, of course, again make efforts to check out the accuracy of the presentation, if you so desire, but, with your permission, I would like to check this out in such a way as to minimize the risk that we undermine this essential argument at a critical point in your efforts to raise money for the World Bank. Incidentally, no doubt about this presentation has been expressed to me by anyone in all the countries in which we had occasion to talk about balance of payments.

As to how such balance of payments analysis might work out with other countries -- an exercise we considered doing for the IDA replenishment -- there is some difference in the balance of payments techniques used by countries which makes the results of different national findings not strictly comparable. But if all countries used the U.S. statistical approach, the pluses of Bank contributions to the balance of payments would equal the minuses.

As you know from other conversations we have had, I make no special brief for the U.S. balance of payments statistical presentation. On the other hand the form used to present the Bank's contribution has been one of the major efforts by the Treasury to be helpful to the World Bank so that it could be an effective institution despite the widespread hysteria on balance of payments in the U.S. and elsewhere. Our statistical projections indicate that we will probably be able to continue to use this argument for the next few years, at least.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: May 28, 1968

FROM: Irving S. Friedman

SUBJECT: Board Meetings on Economic Subjects

I would like to convey briefly some thoughts which I have had on Board meetings, particularly as they affect the economic work. I had originally planned to raise this with you at a later date but with our new technique of trying to schedule meetings for a number of months, the question of what the Executive Directors should be discussing has come to the forefront.

As you know I have given thought to the question of the extent to which the Executive Directors, acting as a Board, should participate in the consideration of a country's development strategy, policies and performance. I appreciate that most of the useful work in this field (and some would say virtually all), can only be done by the staff acting quietly and confidentially with countries. This is now done in our regular country work and is ultimately reflected in the deliberations and decisions of the Economic Committee, in which the International Monetary Fund participates fully.

Moreover, to give proper perspective to the Board's loan actions we have tried to transform the section of economic considerations in the President's Report to the Board into a meaningful statement on the country's economic problems, policies and performance, instead of the previous practice of very brief, purely descriptive, background economic information. There is much already in these economic sections which could be a basis for Board discussions, if so desired. In this way I had rather hoped that the Board members would be moving in the direction of at least getting a sense of participation, if not responsibility, for the views and actions the Bank was taking in trying to improve the economic performance of countries.

My conviction is that one of the great strengths of the Bank in this field of action, is that its world-wide governmental character enables it to conduct its economic work in such fashion that the enunciation and enforcement of performance criteria is an action of the international community based on objective and technical criteria. Through their Executive Directors, both in general policy formation and in discussions on individual countries, all countries can have an opportunity to influence the criteria which the Bank employs. Thus, the Bank has the possibility of avoiding the charge of outside "dictation", the most important obstacle to effective work on economic performance.

However, I appreciate that having "country discussions" every time we have a Board meeting on a loan or credit would be virtually impossible. Therefore, I have thought that Board meetings might be organized along the following lines:

(a) The Board consider a country's economy and policies once a year, or once in two years, say, about 40 countries per year. At these meetings we would outline the country's development program, policies and performance and the Bank's "posture" in relation to the development program. This would include our evaluation of the program, what we thought was desirable in the way of

change and what we were hoping to accomplish. It would also include lending programs which we had in mind at that time, if such a lending program existed. The Board would then have an opportunity to indicate what it thought of the staff views on performance and, where appropriate, whether it had any objections to the staff going ahead with the proposed lending programs. I appreciate that this would lead to some difficult discussions but, instead of having repeated confrontations on major policy issues in which blocs tend to form, there would be an opportunity to, in effect, discuss these major issues in a realistic and practical way, because they would be in the context of countries potentialities, policies, and practical possibilities. Executive Directors would then be encouraged to discuss, separately and individually with the appropriate staff, the details of country evaluations to avoid prolonging unnecessarily the Board meetings.

(b) Board discussions of loan or credit proposals would tend to be very brief, as they have been in the last two weeks.

(c) Board meetings would continue to deal with special country questions, such as the Indian debt, as well as general policy questions.

I appreciate some of the dangers and difficulties of this approach. However, I do believe that unless the Executive Directors are brought more deeply into important discussions on countries we will be losing an opportunity to strengthen the international influence of the Bank.

NOT SENT

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: May 28, 1968

FROM: Irving S. Friedman

SUBJECT: Board Meetings on Economic Subjects

I would like to convey briefly some thoughts which I have had on Board meetings, particularly as they affect the economic work. I had originally planned to raise this with you at a later date but with our new technique of trying to schedule meetings for a number of months, the question of what the Executive Directors should be discussing has come to the forefront.

As you know I have given thought to the question of the extent to which the Executive Directors, acting as a Board, should participate in the consideration of a country's development strategy, policies and performance. I appreciate that most of the useful work in this field (and some would say virtually all), can only be done by the staff acting quietly and confidentially with countries. This is now done in our regular country work and is ultimately reflected in the deliberations and decisions of the Economic Committee, in which the International Monetary Fund participates fully.

Moreover, to give proper perspective to the Board's loan actions we have tried to transform the section of economic considerations in the President's Report to the Board into a meaningful statement on the country's economic problems, policies and performance, instead of the previous practice of very brief, purely descriptive, background economic information. There is much already in these economic sections which could be a basis for Board discussions, if so desired. In this way I had rather hoped that the Board members would be moving in the direction of at least getting a sense of participation, if not responsibility, for the views and actions the Bank was taking in trying to improve the economic performance of countries.

My conviction is that one of the great strengths of the Bank in this field of action, is that its world-wide governmental character enables it to conduct its economic work in such fashion that the enunciation and enforcement of performance criteria is an action of the international community based on objective and technical criteria. Through their Executive Directors, both in general policy formation and in discussions on individual countries, all countries can have an opportunity to influence the criteria which the Bank employs. Thus, the Bank has the possibility of avoiding the charge of outside "dictation", the most important obstacle to effective work on economic performance.

However, I appreciate that having "country discussions" every time we have a Board meeting on a loan or credit would be virtually impossible. Therefore, I have thought that Board meetings might be organized along the following lines:

(a) The Board consider a country's economy and policies once a year, or once in two years, say, about 40 countries per year. At these meetings we would outline the country's development program, policies and performance and the Bank's "posture" in relation to the development program. This would include our evaluation of the program, what we thought was desirable in the way of

change and what we were hoping to accomplish. It would also include lending programs which we had in mind at that time, if such a lending program existed. The Board would then have an opportunity to indicate what it thought of the staff views on performance and, where appropriate, whether it had any objections to the staff going ahead with the proposed lending programs. I appreciate that this would lead to some difficult discussions but, instead of having repeated confrontations on major policy issues in which blocs tend to form, there would be an opportunity to, in effect, discuss these major issues in a realistic and practical way, because they would be in the context of countries potentialities, policies, and practical possibilities. Executive Directors would then be encouraged to discuss, separately and individually with the appropriate staff, the details of country evaluations to avoid prolonging unnecessarily the Board meetings.

(b) Board discussions of loan or credit proposals would tend to be very brief, as they have been in the last two weeks.

(c) Board meetings would continue to deal with special country questions, such as the Indian debt, as well as general policy questions.

I appreciate some of the dangers and difficulties of this approach. However, I do believe that unless the Executive Directors are brought more deeply into important discussions on countries we will be losing an opportunity to strengthen the international influence of the Bank.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: May 24, 1968

FROM: Irving S. Friedman

SUBJECT: World Bank Bond Issues in the United States

Attached hereto is the requested draft memorandum dealing with borrowing.

You will note that the suggested timing of the bond issues in the memorandum are September or October 1968, rather than November. This is because November is usually a particularly difficult period in the bond market for the United States Government. However, arguments in the memorandum, particularly those pertaining to the balance of payments, would not be greatly affected if the request should be for some time in November, instead of September or October.

Most of the pertinent facts have been checked with the Treasurer's Department. However, I have not circulated this memorandum to anyone else, as yet, hoping first to get your reaction, because it contains a number of new suggestions.

I have not drafted a covering letter from you to Secretary Fowler, thinking that this would be rather easy to do quickly when you had had a chance to read and react to the attached memorandum.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: May 24, 1968

FROM: Irving S. Friedman

SUBJECT: World Bank Bond Issues in the United States

Attached hereto is the requested draft memorandum dealing with borrowing.

You will note that the suggested timing of the bond issues in the memorandum are September or October 1968, rather than November. This is because November is usually a particularly difficult period in the bond market for the United States Government. However, arguments in the memorandum, particularly those pertaining to the balance of payments, would not be greatly affected if the request should be for some time in November, instead of September or October.

Most of the pertinent facts have been checked with the Treasurer's Department. However, I have not circulated this memorandum to anyone else, as yet, hoping first to get your reaction, because it contains a number of new suggestions.

I have not drafted a covering letter from you to Secretary Fowler, thinking that this would be rather easy to do quickly when you had had a chance to read and react to the attached memorandum.

ISF

Needs details for any plans

President has seen

May 24, 1968

WORLD BANK BOND ISSUES IN THE UNITED STATES

1. The World Bank is planning to request approval for two bond issues in the United States: the first in September or October 1968, and the second in the first half of January 1969, each in the amount of \$250 million. The Bank is also planning to request approval to negotiate a standby agreement with various insurance companies in the United States to borrow up to \$500 million in the event of need.
2. The proposed borrowing of \$500 million in the U.S. in fiscal 1969 is based on an assessment of the Bank's financial needs and an appraisal of the conditions in its member countries. Many of the developing member countries of the Bank have now reached a stage in the management of their national economies where they are able to take critically important forward steps in accelerating their economic growth, provided suitable financing is available. The emphasis in the Bank's approach is on agreeing with countries on their development potential, and on the policies which they must pursue to realize these potentials. The provision of external capital by the World Bank can and should be only a small portion of the total resources used for development, but the resources provided by the World Bank can and do play a vitally important role. The effect of World Bank lending in promoting development is many times the size of its loans. Moreover, by providing the link with private capital markets, the Bank not only avoids the need for corresponding increases in budgetary contributions for development, but also brings into action the initiative, experience and

financial support of the business community in the United States and elsewhere.

3. It is difficult to determine at this time the future level of commitment, but it is anticipated that the World Bank will be able to move soon to a level of about \$1.2 - \$1.5 billion per year in new commitments to the developing countries. This projected level is based on estimates of actual project availabilities in member countries pursuing satisfactory economic policies. It reflects experienced judgements regarding what the Bank can reasonably and efficiently do to promote the economic development of the less developed member countries without compromising its standards of project appraisal and its insistence on satisfactory economic performance of borrowing countries. This increase in Bank commitments would permit increased lending for agriculture and education, as well as tourism, which are relatively new areas of activities in the World Bank. At the same time, the need continues for investments in such sectors as electric power, transportation and industry, where most of the Bank investments have so far gone.

4. The following general considerations suggest that the projected increase in the loan commitments by the Bank is feasible, as well as desirable.

- (a) World Bank studies, based on a country-by-country examination, indicate that the developing member countries of the Bank could effectively use in productive high priority investment \$4 billion more a year.
- (b) Bilateral aid flows have been practically on a plateau during the past several years. If account is taken of the rise in prices, the increase in the proportion of tied aid, and the decline in the

proportion of grants to total bilateral aid, the real resource value of bilateral aid has been on a downward trend.

- (c) In view of the trend in official bilateral capital flows, it seems likely that an increased flow of resources to less developed countries will require more extensive tapping of private capital markets in industrial countries. To some extent this is already taking place by increased direct flotations on the part of some of the more advanced of the developing countries, e.g. Israel, Mexico and Peru. But for the bulk of the less developed countries, the Bank will have to be the principal intermediary for channelling private savings in the donor countries to development purposes in the less developed countries.
- (d) Debt servicing problems of some less developed countries have reflected the assumption of excessive short- and medium-term obligations at relatively high interest rates in the form of suppliers' credits. A greater lending capability by the Bank will make it possible to reduce undue reliance on suppliers' credits, and influence their terms and conditions through joint financing.
- (e) More fundamentally, the capacity of a large number of developing countries to service additional foreign indebtedness should increase

because of encouraging trends in recent years in their exports, resulting in part from improved general economic policies affecting their balance of payments. In particular, countries are being encouraged by the World Bank to abandon policies that have had the effect of protecting inefficient domestic industries and discriminating against exports (e.g., Pakistan, Brazil).

5. There are certain specific considerations with respect to the request for new borrowing in the United States which may be noted. First those which pertain to the Bank's reserve position and the domestic capital market situation:

- (a) The flow of funds from the Bank is organized on the assumption that there will be orderly arrangements for regular access to sources of credit to match disbursements for loans extended by the Bank and for servicing of debts owed by the Bank (see Table 1). About \$2.3 billion are due to be disbursed on outstanding Bank credits and \$3.6 billion are owed on Bank bonds. Disbursements on Bank credits in fiscal 1969 are expected to be about \$900 million, while amortization of Bank debts will be about \$500 million. A portion of the Bank's cash disbursement requirements will be met from inflows of payments on amortization, interest and other sources. However, in addition, a substantial borrowing in private capital markets in the United States and elsewhere will be needed in fiscal 1969 to cover the projected level of Bank disbursements.

- (b) If the bond issue is not made, the Bank will have to reduce the level of its investments in the United States. The Bank has resources totalling a little over \$1 billion, which are in effect its working capital. Any substantial reduction of these resources might affect adversely the willingness of institutions in other countries to invest in Bank bonds; conversely, maintenance of adequate reserves may help the Bank to borrow elsewhere. From the point of view of financial markets in the United States, liquidation of the Bank's long-term United States investments could be disruptive to operations in certain sectors, already under pressure from other factors. The flotation of new bonds, on the other hand, might result in a more diffused absorption of current savings and liquid funds from various sources. The proposed bond issues would give the Bank a choice whether to retain and make use of the newly raised cash, or to invest it in the United States, using instead the proceeds obtainable from maturities or sales of existing investments. This choice would of course be exercised in the light of guidance from U.S. authorities.
- (d) It is true that the bond issues contemplated in the United States are sizeable and may be regarded as large in terms of corporate or tax-exempt issues, although some of them have run up to higher amounts. However, the amounts suggested for World Bank operations would not seem so significant in terms of the overall absorptive

capacity of the U.S. capital market for newly floated debt, nor of the swings occurring in public offering of long-term debt by others than the Federal Government. In the past year, these new issues have ranged between \$3 and \$4 billion for month-to-month aggregate offerings, with a swing of \$1 billion. Moreover, the suggested Bank borrowings would seem comparatively small in terms of Treasury refunding operations and also of its new cash issues, and about in line with normal market operations of Federal agencies. Refunding operations frequently range around \$10 billion or higher, with an "attrition" of redemption of 10% to 20%; new cash borrowing (when not spread through additional auctioning of Treasury bills) usually involves upwards from one billion to a few billion dollars, and offerings of "participation certificates" in F.N.M.A. assets have run to over \$500 million.

- (d) The Bank has the opportunity of tapping other sources of funds than those available to the United States Treasury. The Bank's bond issues would be long-term obligations with maturities presumably comparable to the previous borrowings and at market rates of interest. The Bank is, of course, not limited, as is the United States Government, in the interest rate it can offer on bonds longer than certain maturities. In this respect, the Bank and the United States Treasury could jointly consider the possibility of the Bank placing newly accrued funds in U.S. Government non-marketable medium term notes, of the type similar

to those offered to foreign monetary authorities. If so, the Bank could conceivably act as a useful intermediary between the U.S. capital market and the U.S. Treasury. It could also provide running estimates to the Treasury of prospective additions to or withdrawals from its holdings of U.S. Government securities, and coordinate its investment operations with debt and monetary management.

- (e) Market conditions at present do not seem to be an overwhelming obstacle to large long-term borrowings in the amounts suggested. It is true that interest rates are at historic "peaks", but at present there seems to be a relatively better availability of funds than in 1966 or for some other past years. Also, it seems that the congestion of corporate and tax-exempt borrowing that affected the bond markets in the latter part of 1967 and early 1968 has been alleviated. These conditions can change again, and, if in the judgment of the United States some other timing than September or October and January in the next nine months would be more suitable, the Bank would be guided by this judgment.
- (f) It is also worth considering whether it would be desirable for the Bank to shift from the previous rather stereo-typed bond issues to a mixing of choices, so as to penetrate into new sectors of the financial market and appeal to new groups of investors. For example, it is customary for the United States Treasury to offer investors a "mix" of short and intermediate maturities in its refunding or financing operations. Perhaps

the Bank's bond issues could also be divided, say, into one half with a single maturity of 20-25 years and the other half with serial maturities, with a choice for investors as to which they would wish to acquire. This might lessen the impact of large issues on the market, as well as lessen the risk for the Bank that some maturities might prove less acceptable to investors than others. The Bank would welcome any thoughts the United States Treasury may have on this suggestion.

6. The above considerations have essentially dealt with the domestic aspects of the proposed bond issues. There are some aspects pertaining to the effects of the proposed bond issues on the U.S. balance of payments which deserve consideration:

- (a) The World Bank has in recent years adjusted its financial operations so as to make as much of a positive contribution to the U.S. balance of payments position as possible. The Bank has managed its finances in a way compatible with its responsibilities to other countries and with its procurement policies and programs; at the same time it has been possible for the World Bank to make substantial contributions to the U.S. balance of payments every year in the 1960's (see Table 2). The Bank has made these contributions in part by investing as much as was considered feasible in long-term securities in the U.S. As a result, much of the Bank's reserves are now in this form. If the Bank were obliged to reduce its investments in the U.S., the effect on the U.S. balance of payments would be negative to that extent. The alternative

mobilization of funds for disbursement through bond issues would by itself have no different effect on the U.S. balance of payments.

- (b) The impact on the U.S. balance of payments of the proposed bond issues will be primarily through their effect on the rate of Bank lending, which must be in accordance with principles and decisions determined by the Executive Directors of the Bank. There has been no occasion of any loan or lending policy decision without the concurrence of the United States Executive Director.
- (c) A change in the rate of lending will affect the U.S. balance of payments after time lags between borrowing of funds, the approval of loans made possible by these borrowings, and the disbursements of proceeds in foreign financing. A large borrowing will not be followed by a prompt corresponding increase in disbursements. The time lag between the initiation of a loan proposal and the beginning of substantial disbursements of loan proceeds may be expected to be well over a year, while total disbursements may well extend over a decade. Therefore, disbursements in the next year or so would not be significantly affected by any current borrowing policy.
- (d) Attached table 3 illustrates the effects on the U.S. balance of payments of the proposed bond issues. These estimates are based on certain conservative assumptions; for example, it is assumed that procurement in the U.S. in ensuing years will be about 18.5% of total procurement under Bank loans.

It is also assumed that additional loans by the Bank attributable to the bond issues will occur within one year. The estimated effects on the U.S. balance of payments are thus maximal; (they would be reduced and delayed if the additional loans are made over a longer period). On these assumptions, the results of the two bond issues will be roughly as follows: of the \$500 million of disbursements under Bank loans, about \$90 million would be for procurement in the United States; as shown in line 8 of the table, the effect on the U.S. balance of payments is neutral in 1968 and 1969, taken together: substantial negative effects begin in 1970, but by 1974 the effects are again positive

- (e) The proceeds of the long term bond issues that the Bank hopes to raise will be used for loans to developing countries which in general are treated as exceptions in the current measures to safeguard the balance of payments. Under these measures, the developing countries can enter the United States capital market without restraint for long-term bond issues exceeding 10-year maturities.

7. The Bank is acutely aware of the importance from the balance of payments and other viewpoints of borrowing extensively outside the United States, and has continuously made efforts to raise funds in markets other than the United States. Through borrowings, sales of participations and portfolio sales, the Bank has tapped many different capital markets. Indeed, taking fiscal years 1966, 1967 and 1968 together, issues in the United States amounted to \$668 million, while issues outside amounted to \$1,084 million, including sales of medium-term securities to central banks (Table 4). In fiscal 1968 alone, issues outside the United States will amount to about \$1,60 million, as compared to about

\$275 million of issues in the United States. Sales of participations and portfolio sales by the Bank have also been an important additional source of capital. In fiscal 1967 combined sales amounted to \$50 million outside of the United States, and \$20 million in the United States (Table 5).

8. As of the present, more than 55% of the funded debt of the Bank is held by investors outside of the United States. There are holdings of Bank bonds and notes in about 60 countries. During the period from January to June 1968 bond issues of about \$89 million are being sold in Germany, \$29 million in Switzerland, \$15 million in Saudi Arabia, \$14 million in Canada and \$11 million in Holland. These issues total about \$158 million. In addition \$125 million of bonds were placed with Central Banks and other monetary institutions outside the U.S. It is intended to continue efforts to increase borrowings outside the United States as far as possible, and it is hoped that the proposed bond issues in the United States will help in obtaining the necessary similar permission from other governments.

9. The implications of the proposed standby arrangement of \$500 million with various insurance companies are not further explored in this memorandum. It is hoped that it will not be necessary to use this arrangement and, indeed, it is not yet certain whether such an arrangement is feasible. Preliminary U.S. approval of this suggestion would provide the basis for a meaningful discussion with the companies concerned as to the feasibility of such arrangements and for reaching a firm decision as to its desirability after such exploratory talks have taken place. One of the prime reasons for suggesting this arrangement is the eagerness of the Bank to explore new ways of raising finance in the United States and elsewhere, and the conviction that greater participation by the private sector in development financing is not only desirable, but necessary. It is also intended to explore the possibilities of a similar diversification of techniques in raising capital outside the United States.

Table 1
IBRD Payments and Receipts
Actual for FY 1967: Estimated for FY 1968
(in millions of US \$)

<u>Fiscal Years</u>	<u>1967</u> (actual)	<u>1968</u> (estimated)
<u>Payments</u>		
1) Disbursements of IBRD loans	790	750
2) Amortization of IBRD debts	226	500
3) Total IBRD payments (lines 1 + 2)	<u>1,016</u>	<u>1,250</u>
<u>Receipts</u>		
4) Repayments of IBRD loans	188	245
5) Gross borrowings	554	735
a) from U.S. ^{1/}	(238)	(275)
b) from other sources ^{1/}	(316)	(460)
6) Other Receipts ^{2/}	272	270
7) Total IBRD receipts (lines 4 + 5 + 6)	<u>1,014</u>	<u>1,250</u>

^{1/} About 10% of gross issues in the U.S. have been estimated to be purchased by buyers outside the U.S.

^{2/} New capital subscriptions, loan sales and retained income; the latter item is estimated without allowance for an IBRD grant to IDA in 1968.

Source of data: Treasurer's Department.

International Finance Division
Economics Department
May 22, 1968

Table 2
Estimated IBRD Effects on U.S. Balance of Payments
1960 through 1967

(in millions of U.S. dollars)

	Calendar Years							
	1960	1961	1962	1963	1964	1965	1966	1967
IBRD bonds sold in United States, net of redemptions	32	41	68	-19	-40	141	6	187
Net IBRD loan sales in United States	44	2	79	76	22	-35	-50	-55
Investment income earned by IBRD in United States	42	42	54	54	51	54	54	56
Total received by IBRD from United States	118	85	201	111	33	160	10	188
IBRD-financed goods bought in United States ^{1/}	148	136	176	209	146	136	148	147
Interest paid by IBRD to U.S. bondholders	38	40	42	42	43	45	50	58
Interest paid by IBRD borrowers to U.S. loan holders	7	12	12	14	17	17	16	13
IBRD administrative expenses in United States	10	11	13	15	17	22	27	29
Total paid by IBRD to United States	203	199	243	280	223	220	241	247
Net paid by IBRD to United States	85	114	42	169	190	60	231	59
IBRD-Long-Term Investments in United States ^{2/}	-	-	-	-	-	240	341	179
Net paid by IBRD to United States and Long-Term Investments	\$85	\$114	\$42	\$169	\$190	\$300	\$572	\$238

^{1/} Includes procurement specifically identifiable as originating in the United States and the same proportion of procurement not identifiable by country of origin.

^{2/} Maturities over one year.

TABLE 3

ESTIMATED EFFECT ON U.S. BALANCE OF PAYMENTS DURING THE PERIOD 1968-1977
OF TWO IBRD BOND ISSUES, TOTALLING \$500 MILLION, IN U.S. /1

(in millions of \$)

Calendar Years	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
1. Funds borrowed from U.S. sources by IBRD	-225	-225								
2. Funds invested in U.S. by IBRD	+250	+250								
3. Net immediate effect on U.S. balance of payments	+25	+25								
4. Withdrawals for disbursement of funds invested in U.S. by IBRD	-5	-61	-118	-123	-84	-47	-27	-17	-10	-6
5. Identified procurements in U.S.	+1	+11	+22	+23	+16	+9	+5	+3	+2	+1
6. <u>Interest:</u> Paid by IBRD on bonds	+3	+29	+30	+30	+30	+30	+30	+30	+30	+30
7. Received by IBRD on undischarged balance outstanding	-2	-25	-22	-15	-9	-5	-3	-2	-1	0
8. Total net effect (lines 3 + 4 + 5 + 6 + 7)	+21	-21	-88	-85	-47	-13	+5	+15	+22	+25

Note: Details may not add up due to rounding.

/1 \$250 million on November 1, 1968 and another \$250 million on January 15, 1969.

International Finance Division
Economics Department
May 22, 1968

To make these disbursements, it is assumed that IBRD withdraws at the same time an equal amount from the reinvested funds mentioned in para. 4.

6. Identified procurements in U.S. (line 5). In the second half of 1967, 18.5% of the identifiable procurements were made in the U.S. This is the percentage used in the projection.

7. The interest paid by IBRD (line 6) to bondholders in the U.S. constitutes an inflow in the U.S. balance of payments. An interest rate of $6\frac{3}{4}\%$ is assumed for the projected bond issues.^{1/}

8. The interest received by IBRD (line 7) on the outstanding balance of certificates of deposit or agency bonds (see para. 4) is an outflow in the U.S. balance of payments. These investments are assumed to earn 6% .^{1/}

^{1/} Estimate obtained from the Treasurer's Department.

NOTES TO TABLE 3

Estimated Effect on U.S. Balance of Payments During the Period
1968-1977 of Two IBRD Bond Issues, Totalling \$500 Million, in U.S.

1. The accompanying table is intended to demonstrate the likely effects on the U.S. balance of payments of two IBRD bond issues in the U.S. One issue of \$250 million is assumed to take place on November 1, 1968 and another \$250 million is assumed to be issued on January 15, 1969. (No delayed deliveries are assumed.)
2. The projection is carried out up to 1977, by which year most disbursements out of the above bond issues are assumed to be made (see para. 5). In 1968 and 1969 combined, there will be no net balance of payments effect. The heaviest negative effect is expected to occur during 1970 and 1971. After 1971 the negative effect will gradually become less. In 1974 the net effect will turn positive and will remain so thereafter.
3. The table includes the following elements.

Funds borrowed from U.S. sources by IBRD (line 1). As stated in para. 1, the two bond issues amount to \$250 million each. One to be issued in 1968 and another in 1969. On the basis of past experience, it is assumed that an identifiable portion of around 10% of IBRD bonds issued in the U.S. is bought by foreigners.^{1/} The immediate negative effect on the U.S. balance of payments is therefore only 90% of the total amount of the issues.
4. Funds invested in U.S. by IBRD (line 2). It is assumed that all money not immediately needed for disbursements is reinvested in the U.S. in the form of certificates of deposit at a maturity of over one year or in the form of agency bonds. Reinvestments by IBRD in the U.S. constitute a positive contribution to the U.S. balance of payments. Reserves thus invested will be larger than would otherwise be possible in FY 1969, by the amounts of the bond issues.
5. Loan disbursements by IBRD (line 4). Two assumptions are made: (a) Additional loan commitments will be made by the Bank in an amount equaling the total of the borrowed funds in the year following the issuance, and (b) the pattern of disbursements against commitments will be as follows:^{2/}

Same year	11.6%	Seventh year	3.4%
Second year	23.9%	Eighth year	1.9%
Third year	25.3%	Ninth year	1.2%
Fourth year	17.0%	Tenth year	0.6%
Fifth year	9.3%		
Sixth year	5.4%		

^{1/} Information obtained from Treasurer's Department.

^{2/} Information obtained from the Statistical Division of the Economics Department. The rates represent the average disbursement pattern of all IBRD loans made from 1961 through 1965.

Table 4

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

GROSS BORROWINGS FOR FISCAL YEARS 1960 THROUGH 1968

(Expressed in millions of United States dollars)

Date	Issue	Funds Raised		Totals	Date	Issue	Funds Raised		Totals
		Inside U. S.	Outside U. S.				Inside U. S.	Outside U. S.	
7/11/59	4-1/2% Notes of 1959, due 1962	\$ -	\$ 30.0	\$ 30.0	8/1/65	4-1/4% Notes of 1965, due 1968-71	\$ -	\$ 18.7	\$ 18.7
9/15/59	4-3/4% 2-Yr Bonds of 1959, due 1961	-	100.0	100.0	8/1/65	4-1/4% DM Notes of 1965, due 1968-71	-	18.8	18.8
10/2/59	4-1/2% DM Notes of 1959, due 1961	-	2.5	2.5	9/15/65	4-3/8% 2-Yr Bonds of 1965, due 1967	-	100.0	100.0
10/5/59	4-1/2% Notes of 1959, due 1961	-	2.5	2.5	2/1/66	4-7/8% Notes of 1966, due 1968-71	-	16.0	16.0
12/21/59	5% 23-Yr E Stock of 1959, due 1982	-	24.0	24.0	2/1/66	4-7/8% DM Notes of 1966, due 1968-71	-	16.0	16.0
1/31/60	4-3/4% DM Notes of 1960, due 1963	-	50.0	50.0	3/15/66	5-1/4% 2-Yr Bonds of 1966, due 1968	-	100.0	100.0
2/15/60	5% 25-Yr Bonds of 1960, due 1985	113.1	11.9	125.0	3/15/66	5-3/4% 25-Yr Can.\$ Bonds of 1966, due 1991	-	18.5	18.5
2/15/60	4-1/2% 12-Yr SwF Bonds of 1960, due 1972	-	14.0	14.0	6/28/66	5-3/8% 25-Yr Bonds of 1966, due 1991	154.7	20.3	175.0
6/20/60	4% Notes of 1960, due 1962	-	25.0	25.0		Totals Fiscal 1966	\$ 154.7	\$ 308.3	\$ 463.0
	Totals Fiscal 1960	\$ 113.1	\$ 259.9	\$ 373.0	8/1/66	5-1/4% Notes of 1966, due 1968	\$ -	\$ 16.0	\$ 16.0
7/11/60	4% Notes of 1960, due 1963	\$ -	\$ 30.0	\$ 30.0	8/1/66	5-1/4% DM Notes of 1966, due 1968	-	16.0	16.0
7/-/60	4-1/2% 12-Yr DM Bonds of 1960, due 1972	-	125.0	125.0	10/1/66	6% 2-Yr Bonds of 1966, due 1968	-	100.0	100.0
7/-/60	4-1/2% 12-Yr Bonds of 1960, due 1972	-	120.0	120.0	1/4/67	6-1/4% 25-Yr Can.\$ Bonds of 1967, due 1992	-	18.5	18.5
10/1/60	3-1/2% 2 Yr Bonds of 1960, due 1962	-	100.0	100.0	1/16/67	5-3/4% SwF Notes of 1967, due 1969	-	7.7	7.7
10/15/60	4% 15-Yr SwF Bonds of 1960, due 1975	-	14.0	14.0	2/1/67	5-1/8% Notes of 1967, due 1969-70	-	16.0	16.0
1/1/61	4% SwF Loan of 1961, due 1967	-	7.8	7.8	2/1/67	5-1/8% DM Notes of 1967, due 1969-70	-	16.0	16.0
1/16/61	3-1/2% Notes of 1961, due 1964-65	-	148.0	148.0	3/15/67	5-3/8% 2-Yr Bonds of 1967, due 1969	-	100.0	100.0
1/16/61	3-1/2% DM Notes of 1961, due 1964-65	-	50.0	50.0	4/1/67	5-3/8% 25-Yr Bonds of 1967, due 1992	238.4	11.6	250.0
2/1/61	3-3/4% Notes of 1961, due 1965-67	-	110.0	110.0	6/28/67	5% 18-Yr SwF Bonds of 1967, due 1985	-	14.0	14.0
2/1/61	3-3/4% DM Notes of 1961, due 1965-67	-	50.0	50.0		Totals Fiscal 1967	\$ 238.4	\$ 315.8	\$ 554.2
4/15/61	4% 18-Yr SwF Bonds of 1961, due 1979	-	23.3	23.3	8/1/67	5-1/2% Notes of 1967, due 1971	\$ -	\$ 16.0	\$ 16.0
6/15/61	4-1/2% 20-Yr Neth.f. Bonds of 1961, due 1981	-	13.8	13.8	8/1/67	5-1/2% DM Notes of 1967, due 1971	-	16.0	16.0
	Totals Fiscal 1961	\$ -	\$ 791.9	\$ 791.9	9/1/67	5-7/8% 26-Yr Bonds of 1967, due 1993	139.9	10.1	150.0
7/1/61	5% 15-Yr Lit. Bonds of 1961, due 1976	\$ -	\$ 24.0	\$ 24.0	9/15/67	5-3/4% 2-Yr Bonds of 1967, due 1969	-	100.0	100.0
9/15/61	4% 2-Yr Bonds of 1961, due 1963	-	100.0	100.0	10/15/67	6% 25-Yr SKr Bonds of 1967, due 1992	-	14.5	14.5
10/20/61	3-3/4% SwF Loan of 1961, due 1966-68	-	23.3	23.3	11/15/67	6% Notes of 1967, due 1972	-	5.0	5.0
2/1/62	4-1/2% 20-Yr Bonds of 1962, due 1982	76.5	23.5	100.0	1/1/68	5% SwF Loan of 1968, due 1968-70	-	11.6	11.6
2/1/62	4% 11-Yr SwF Bonds of 1962, due 1973	-	23.3	23.3	2/1/68	6-1/8% Notes of 1968, due 1972-73	-	29.4	29.4
	Totals Fiscal 1962	\$ 76.5	\$ 194.1	\$ 270.6	2/1/68	6-1/8% DM Notes of 1968, due 1972-73	-	29.9	29.9
7/15/62	4-1/2% 20-Yr Neth.f. Bonds of 1962, due 1982	\$ -	\$ 11.0	\$ 11.0	2/15/68	7% 25-Yr Can.\$ Bonds of 1968, due 1993	-	13.9	13.9
10/1/62	3-3/4% 2-Yr Bonds of 1962, due 1964	-	100.0	100.0	3/1/68	6-3/4% 10-Yr DM Bonds of 1968, due 1978	-	30.0	30.0
11/15/62	4% Notes of 1962, due 1967	-	5.0	5.0	3/15/68	6-1/8% 2-Yr Bonds of 1968, due 1970	-	125.0	125.0
11/15/62	4-1/2% 15-Yr Bonds of 1962, due 1977	-	5.0	5.0	3/15/68	6-1/2% 26-Yr Bonds of 1968, due 1994	135.0	15.0	150.0
	Totals Fiscal 1963	\$ -	\$ 121.0	\$ 121.0	5/1/68	6-1/2% 26-Yr Bonds of 1968, due 1994	-	15.0	15.0
9/15/63	4% 2-Yr Bonds of 1963, due 1965	\$ -	\$ 100.0	\$ 100.0	5/31/68	5-1/4% 15-Yr SwF Bonds of 1968, due 1983	-	17.5	17.5
	Totals Fiscal 1964	\$ -	\$ 100.0	\$ 100.0	6/15/68	6-3/4% 20-Yr Neth.f. Bonds of 1968, due 1988	-	11.0	11.0
8/1/64	4-1/8% Notes of 1964, due 1968/69	\$ -	\$ 60.0	\$ 60.0		Totals Fiscal 1968	\$ 274.9	\$ 459.9	\$ 734.8
8/1/64	4-1/8% DM Notes of 1964, due 1968/69	-	40.0	40.0		GRAND TOTALS	\$ 1,038.6	\$ 2,967.5	\$ 4,006.1
10/1/64	4-1/4% 2-Yr Bonds of 1964, due 1966	-	100.0	100.0					
2/1/65	4-1/2% 25-Yr Bonds of 1965, due 1990	181.0	19.0	200.0					
2/1/65	4-1/4% Notes of 1965, due 1970	-	38.0	38.0					
2/1/65	4-1/4% DM Notes of 1965, due 1969/70	-	60.0	60.0					
3/15/65	5-1/4% 25-Yr Can.\$ Bonds of 1965, due 1990	-	23.1	23.1					
4/1/65	5-1/2% 20-Yr DM Bonds of 1965, due 1971-85	-	62.5	62.5					
5/15/65	4-3/4% 18-Yr SwF Bonds of 1965, due 1983	-	14.0	14.0					
	Totals Fiscal 1965	\$ 181.0	\$ 416.6	\$ 597.6					

GROSS BORROWINGS FOR CALENDAR YEARS 1960-1967 AND CALENDAR YEAR 1968 TO JUNE 30, 1968

	Funds Raised		Totals
	Inside U. S.	Outside U. S.	
Totals Calendar 1960	\$ 113.1	\$ 489.9	\$ 603.0
Totals Calendar 1961	-	550.2	550.2
Totals Calendar 1962	76.5	167.8	244.3
Totals Calendar 1963	-	100.0	100.0
Totals Calendar 1964	-	200.0	200.0
Totals Calendar 1965	181.0	354.1	535.1
Totals Calendar 1966	154.7	302.8	457.5
Totals Calendar 1967	378.3	345.4	723.7
Totals Calendar 1968 to 6/30/68	135.0	298.3	433.3
GRAND TOTALS	\$ 1,038.6	\$ 2,808.5	\$ 3,847.1

Table 5

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
PARTICIPATION IN AND PORTFOLIO SALES OF I.B.R.D. LOANS BY FISCAL YEAR

as at December 31, 1967

(Expressed in United States dollars)

FISCAL YEAR	PARTICIPATIONS (Including Agreements to Sell)			PORTFOLIO SALES			TOTAL		TOTAL
	Inside U.S.	Outside U. S.	TOTAL	Inside U.S.	Outside U. S.	TOTAL	Inside U. S.	Outside U. S.	
Prior to 1952	\$ 24,100,000	\$ -	\$	\$ 4,599,000	\$ 4,318,496	\$	\$ 28,699,000	\$ 4,318,496	\$ 33,017,496
1952	3,500,000	-		2,442,000	17,417,192		5,942,000	17,417,192	23,359,192
1953	997,000	-		499,000	13,138,965		1,496,000	13,138,965	14,634,965
1954	10,064,879	1,806,000		1,873,290	20,062,337		11,938,129	21,868,337	33,806,466
1955	32,795,000	4,522,600		15,510,500	46,349,036		48,305,500	50,871,636	99,177,136
1956	12,290,000	7,707,842		10,726,500	41,442,784		23,016,500	49,150,626	72,167,126
1957	14,774,000 (249,297)	8,413,000		174,000	33,783,048		14,948,000 (249,297)	42,196,048	57,144,048 (249,297)
									<u>56,894,751</u>
1958	37,806,900 (174,115) (158,600)	11,165,142		1,848,000	36,512,548		39,654,900 (174,115) (158,600)	47,677,690	87,332,590 (174,115) (158,600)
									<u>86,999,875</u>
1959	26,788,000 (614,000)	5,579,619 (27,000) (25,000)		864,000	115,869,900		27,652,000 (614,000)	121,449,519 (52,000)	149,101,519 (666,000)
									<u>148,435,519</u>
1960	66,688,000	21,723,999 (25,000)		27,893,000	126,281,032		94,581,000	148,005,031 (25,000)	242,586,031 (25,000)
									<u>242,561,031</u>
1961	13,156,000 (84,466) (200,000)	12,234,727		21,225,000	155,801,154		34,381,000 (84,466) (200,000)	168,035,881	202,416,881 (284,466)
									<u>202,132,415</u>
1962	26,973,000 (1,513,000)	9,387,509 (3,072,669) (27,624)		69,309,300	217,751,230		96,282,300 (1,513,000)	227,138,739 (3,072,669) (27,624)	323,421,039 (4,613,293)
									<u>318,807,746</u>
1963	9,732,000	2,084,796		113,080,700	148,424,278		122,812,700	150,509,074	273,321,774
1964	24,530,000 (166,300)	23,252,554 (166,300)		15,446,000	110,376,479		39,976,000 (166,300)	133,629,033 (166,300)	173,605,033 (332,600)
									<u>173,272,433</u>
1965	25,145,000	5,255,137		30,017,300	45,748,894		55,162,300	51,004,031	106,166,331
1966	9,935,000 (490,000)	429,991		9,988,000	61,997,517		19,923,000 (490,000)	62,427,508	82,350,508 (490,000)
									<u>81,860,508</u>
1967	14,015,000 (977,000)	644,991		5,625,000	49,277,464		19,640,000 (977,000)	49,922,455	69,562,455 (977,000)
									<u>68,585,455</u>
December 31, 1967	5,695,000	16,265,000 (176)		52,000	8,441,038		5,747,000	24,706,038 (176)	30,453,038 (176)
									<u>30,452,862</u>
Transfers							(15,622,742)	15,622,742	
TOTAL	\$ 354,358,001	\$ 127,129,138	\$ 481,487,139	\$ 331,172,550	\$ 1,252,993,392	\$ 1,584,165,942	\$ 669,907,809	\$ 1,395,745,272	\$ 2,065,653,081

EXPLANATORY NOTES :

Items in parenthesis represent cancellations of Participations of previous years.

Fiscal years 1961 and 1962 include revision on previous Participations due to revaluations of Netherlands guilders and Deutsche Mark.

Treasurer's Department
Securities Division
January 22, 1968

OFFICE MEMORANDUM

TO: Mr. McNamara

DATE: May 23 1968

FROM: Irving S. Friedman

SUBJECT: Mr. Leonard Rist -- Study Tour of USSR

May I recommend that Mr. Rist join the group of economists undertaking a study tour in the USSR from July 11 to August 22, as he proposes in the attached memorandum.

*If a Bank representative
is to participate in
such a tour would
it not be wiser to
send a member of
your department?
R. S. W.*

*Informed by phone - ISF
5/28*

OFFICE MEMORANDUM

TO: Mr. Irving S. Friedman

DATE: May 22, 1968

FROM: Leonard Rist /LR

SUBJECT: Trip to the USSR.-

I have been invited to join a group of economists which is undertaking a study tour in the USSR from July 11 to August 22. The leader of the group is Professor Gregory Grossman, of Berkeley University, who has, according to our friends in the Federal Reserve, the reputation of an outstanding sovietologist with a rather conservative approach.

The program includes an extensive tour through the USSR and discussions with all the leading institutions in the fields of economic research and planning, and a number of industrial and agricultural projects. My previous contacts with Eastern Europeans have convinced me that they tend to think according to Soviet teachings and methodology. A closer observation of Soviet economics on the spot would, therefore, be the best education for understanding the other Eastern countries.

I therefore hope that my participation in this study tour will be approved by the Management. Since I am leaving next week, it would be necessary for me to reply to this invitation before my departure on May 29.

lbr/mlc

OFFICE MEMORANDUM

DECLASSIFIED

SEP 28 2012

Confidential

WBG ARCHIVES

TO: Mr. Robert S. McNamara

DATE: May 22, 1968

FROM: Irving S. Friedman

SUBJECT: Economists

Some time ago when we were discussing the economic work you indicated that it would be appropriate for me to indicate to you what thoughts I had about personnel at this time. I had hoped to be able to give these thoughts in time to have an impact on the current budget considerations. I am informed that in the Projects Department at least, the new work being contemplated in the five-year program is being reflected in its budgetary request, but not reflected in the Economics Department budgetary requests. I don't know what the Area Departments are requesting for their economic work.

There will be a need for expansion of economic staff directly derived from the five-year program, but I believe that there should also be included in our thinking for the future the economic work which is more indirect in its contribution, but still vitally important. I have had a chance to check my thoughts with others supervising various aspects of the work, and most particularly, I waited for Mr. Kamarck to return from the conference in Ethiopia.

At this point it might be more desirable if I were to give you the end product of my thoughts without giving you the rationale, but would, of course, be prepared to do so at any time.

1. Consequences of the five-year projection work

This will require at least an additional 85 economists or so spread through the Area Departments, Projects Department and Economics Department. A rough division might be about 25 for the Area Departments and 30 each in the Projects and Economics Departments. Essentially this judgment is based on the need mainly to have more economic specialists to do more work on the analysis and strategy of country development problems as well as to have the generalists to try to achieve agreement with governments on the concrete measures and policies to be taken. This would permit the establishment of a Population Economics Unit in the Economics Department of about five or six economists. It does not include the possibility of an equivalent kind of division in the Projects Department. The recruitment and absorption of the number of qualified staff suggested would need about two years to accomplish. It is suggested that, if possible, one half be included in the fiscal 1969 budget.

2. International Development Finance

An additional five to ten economists working in the field of international development finance presumably within the framework of the Economics Department. At present our work on development finance is on a catch-as-catch-can basis. We do do a considerable amount of day-to-day work on various problems such as the staff work for the IDA replenishment negotiations, questions arising from U.N. consideration of the supplementary finance scheme, suppliers' credits, local currency financing, etc. However, we have no organized frame of work because the manpower has simply not been

there to do more than respond to requests, including those from myself. The International Finance Division in the Economics Department should also be following developments in the major capital markets, keeping up-to-date on the latest developments in foreign aid programs, and keeping critically abreast of latest thinking in this field outside of government circles. Hopefully, we ought to have a group who can not only do this work but be the originators of new ideas and suggestions. For this we would need also people with somewhat different backgrounds than the people we have now -- namely people with more training and experience in international finance, including international financial institutions and balance of payments problems. To get this staff in place would probably take about one to two years to accomplish. I would recommend for your consideration another five positions for this work in the fiscal 1969 budget.

3. Basic policy research

We have never really started on basic policy research, but a great deal of thought has gone into what we ought to be doing and we have consulted very widely outside the Bank on what would be useful for the Bank to do compared with the work done by others, particularly academic institutions. I think over the next three years, we ought to be thinking of building up to a basic research group of 25 to 35 economists, as well as helping to support basic research in our fields of concern in outside institutions. At the moment we have six positions in the budget set aside for this, and we hope to have them filled by the end of fiscal 1968-69. I would hope that the new budget would provide for at least ten positions so that we would have enough positions at different levels to be able to recruit people as we find them. Perhaps even more than in other areas of economic work, the essential difficulty is not in obtaining budgetary positions but in finding people. However, unless an adequate number and range of attractive budgetary positions exist, it is often necessary to pass up a good possibility because frequently the slot is earmarked for someone who is being talked to but who in the end does not materialize.

4. Personal staff

I also would like to suggest an increase in the budgetary allotment for my own personal staff from three economists to about six. In effect this is a kind of policy planning group dealing with special problems which are assigned to me by the President and do not fit into the present organization of work. I have been using two people from the Economics Department in addition to the three whom I have. Mr. Avramovic is at present also considered to be on my personal staff but I believe this is a mistake which should be rectified. He should be regarded as a Department Director like all other Department Directors. He is no more a member of my personal staff than Mr. Kamarck or any other Department Director.

ROUTING SLIP

Date
May 22, 1968

OFFICE OF THE PRESIDENT

Name

Room No.

Mr. McNamara

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

Remarks

I think you will find the attached memorandum of interest.

From

Irving S. Friedman

OFFICE MEMORANDUM

TO: Mr. Irving S. Friedman (through Mr. Hulley)

DATE: May 21, 1968

FROM: Willem Maane *WMA*SUBJECT: Restrictions Affecting Sale of Foreign Bonds in U.S.

1. There are no limitations on U.S. purchases or holdings of bonds issued by less developed countries with a maturity exceeding 10 years at the date of acquisition. There are also no restrictions on the issuance of bonds in the U.S. by L.D.C.'s, other than the general rules of the Security and Exchange Commission which, however, do not discriminate against foreign issues.

2. There are no limitations on U.S. purchases or holdings of IBRD bonds of any maturity. However, issuance by IBRD requires approval by the U.S. Government.

3. Purchases of bonds issued either by LDC's or IBRD are exempt from the interest equalization tax.

4. Details of the limitations on holdings of foreign bonds are described in the "Guidelines for Nonbank Financial Institutions"^{1/} which were issued by the Board of Governors of the Federal Reserve System on January 1, 1968. Each nonbank financial institution was thereby requested to reduce its aggregate holdings of "covered" foreign financial assets to 95 percent or less of its holdings on December 31, 1967. The guidelines provide a list of the types of foreign financial assets which are covered by the program. They include the following categories relevant to foreign bond issues:

- a) "All other claims on foreign obligors written to mature in 10 years or less at date of acquisition. This category includes all bonds, notes, mortgages, loans, and other credits, regardless of country of origin. Excluded are bonds and notes of international institutions of which the United States is a member, and loans guaranteed or participated in by the Export-Import Bank or insured by the Foreign Credit Insurance Association, regardless of maturity."
- b) "Long-term credits of foreign obligors domiciled in developed countries other than Canada and Japan. Included in this category are bonds, notes, mortgages, loans and other credits maturing more than 10 years after date of acquisition. Excluded are bonds of international institutions of which the United States is a member."

President has seen

^{1/} These institutions include insurance companies, investment companies, finance companies, mutual savings banks, employee retirement and pension funds, college endowment funds, charitable foundations, trust companies and trust departments of commercial banks.

Mr. Irving S. Friedman (through Mr. Hulley) - 2 -

May 21, 1968

5. The above has been checked with the IMF, the Federal Reserve Board and the Legal Department here.

WMaane:cc

Mr. Robert S. McNamara

May 17, 1968

Irving S. Friedman

Second Development Decade

I understand that Mr. de Seynes is seeing you on Monday on the Second Development Decade. In this connection, you may find the attached memorandum useful as briefing material.

AMKamarck:ner

OFFICE MEMORANDUM

TO: FILES

DATE: May 17, 1968

FROM: Andrew M. Kamarck

SUBJECT: Meeting of U.N. Committee on Development Planning on the
Second Development Decade, Addis Ababa, April 29-May 10

The U.N. General Assembly in 1966 and 1967 directed that preparation be undertaken for the Second Development Decade which is to begin on January 1, 1971. Two main lines of work are involved which are supposed to be coordinated by the U.N. Administrative Coordination Committee's Sub-Committee on the Development Decade. These are:

- 1) the drafting of a statement of general principles that might form the basis of a "Charter of Development." (The U.N. Secretariat has a consultant, David Wightman, working on this.)
- 2) the preparation of a proposed framework of an international development strategy consisting of development targets and the main lines of action to achieve them.

For this work, so far the Secretary-General has been relying mostly on the U.N. Committee for Development Planning. This Committee was set up in 1966 by ECOSOC as a "group of highly qualified experts, representing different planning systems, who would make their experience in development planning available to the United Nations." It is not merely an advisory body to the Secretary-General; it was specifically instructed by ECOSOC to work, in consultation with the Secretary-General, on guidelines and proposals for the Second Development Decade and it reports directly to ECOSOC.

A list of the members of the Committee is attached. Basically, the Committee is dominated by Professor Tinbergen who is its chairman. Tinbergen gives very high priority to the Committee work, is willing to work several times harder than any other member and does most of the drafting. The other members of the Committee consequently let Tinbergen pretty much have his way.

The meeting I attended in Addis Ababa of the Committee on Development Planning devoted much of its time to the discussion of what its recommendations should be for the Second Development Decade. (When this item of the agenda was being considered, the Chairman made it clear that he did not want any contribution to the discussion from the World Bank Group or the U.N. Specialized Agencies present, whereas in the rest of the meeting, he had welcomed any remarks we had to make.)

Based on the discussion at this meeting, a working party of the Committee is to meet at the end of June in a closed session to complete its first draft of the proposed development strategy. This will be sent to the U.N., the U.N. Specialized Agencies and the World Bank Group for comments. In early 1969, the Committee is then to prepare its final report to the Secretary-General and the General Assembly.

Judging from the Addis meeting, the goals and the development strategy that will be recommended by the Committee will be "maximal" rather than "realistic" or feasible. The growth target is likely to be set at 4% growth per annum of per capita GNP as a minimum during the 1970's for each developing country. Targets are also to be set for minimum levels of food consumption, education and level of employment as well as for rates of growth in industry, agriculture and other sectors. The strategy to achieve these targets is to consist of a series of measures to be taken by the developed countries on the one hand, and the developing countries on the other. According to the Addis meeting, the developed countries are to have to make available 1% of their GNP as a minimum in net transfers to the LDC's by 1972. This should include a substantial amount for IDA and other multi-lateral organizations. Among a series of other highly desirable measures are also to be included recommendations for a quick setting up of the Supplementary Finance scheme as well as of the International Investment Insurance scheme, etc.

The developing countries are to take such measures as "a general increase in efficiency and stimulation of human attitudes open to innovation..." "An important effort to expand and to improve qualitatively their educational system must be undertaken." These, however, are not stated in quantitative or other terms that would be easily susceptible to outside checking as to performance.

It is hard to quarrel with the basic idealism of the objectives and measures to be taken. But the statement is not likely to qualify as a realistic strategy of development for the 1970's. (The preliminary projections for the 1970's by the U.N. Secretariat, which appear quite reasonable, indicate that a large increase in the rates of growth of the developing countries during the 1970's is attainable with some improvement in their performance and with a build-up over the decade of the net capital flows from the developed countries to 1% of their GNP.) The attempt to set down a uniform set of minimum quantitative goals to apply to the major sectors of each developing country betrays a lack of appreciation of the enormous diversity of the development problems in the different developing countries across the world. The measures laid down for the developed countries to take are, as far as one can see today, not likely to be acceptable to them since the even less demanding goals of UNCTAD II were unacceptable. While the

developing countries have the votes to put such a set of recommendations through the General Assembly, this would be of little use if the developed countries can easily shrug off the whole proposal as being completely unrealistic.

I believe that Mr. de Seynes, Under Secretary General for Economic and Social Affairs, who attended the Addis meeting, shares at least part of my conclusions on this. UNCTAD definitely does: the present orientation of UNCTAD appears to be to concentrate on a development strategy consisting of a series of concrete attainable targets. This issue will certainly come up at the meeting of the AGC Sub-Committee on the Development Decade that is now planned for early July, immediately after the Committee on Development Planning produces its document.

cc: Mr. Friedman
Mr. Demuth
AMK:ner

MEMBERS OF THE COMMITTEE FOR DEVELOPMENT PLANNING

- Mr. Roque Carranza,
Economic Consultant, Argentina
- Mr. Nazih Deif,
Institute of National Planning, United Arab Republic
- Mr. Max Millikan,
Director, Center for International Studies, Massachusetts
Institute of Technology, United States of America
- Mr. Saburo Okita,
Japan Economic Research Center, Japan
- Mr. Jozef Pajestka,
Director, Institute of Planning, Poland
- Mr. M. L. Qureshi,
Member, Planning Commission, Pakistan
- Mr. W. B. Reddaway,
Director, Department of Applied Economics, Cambridge
University, United Kingdom
- Mr. Jean Ripert,
Director General, National Institute of Statistics and
Economic Studies, France
- Mr. Germanico Salgado,
Director, Economic Affairs Department, Organization of
American States
- Mr. Jakov Sirotkovic,
Professor, Faculty of Economics, University of Zagreb,
Yugoslavia
- Mr. Jan Tinbergen,
Professor, Netherlands Institute of Economics, Netherlands
- Mr. Zdenek Vergner,
Director, Research Institute of National Economic Planning,
Czechoslovakia

OFFICE MEMORANDUM

TO: Mr. McNamara

FROM: Irving S. Friedman

SUBJECT: The IMF Discussion on Commodities

DATE: May 16 1968

I am attaching some notes of a meeting on the IMF discussions on the Commodity Study outline which are self-explanatory.

It might be added that Plescoff, in the morning meeting, expressed the view that a Bank staff member should be present and was supported by Reid and Huntrods (the U.K. alternate). As a result of this intervention the Fund staff has been authorized to inform the Bank staff about the content of the Board discussion!

Four Executive Directors did not participate in the discussions -- namely Dale (U.S.), Saad (U.A.R.), the Japanese alternate, and Tann (China). Dale informs me confidentially that he did not speak because he saw no particular point to having a discussion and the U.S. Government had no position on the issues raised. In response to query he indicated that the Germans were in favor of discussion, but emphasized that they thought Part II of the Study should indicate the whole range of possible solutions. He speculated that their motive might be to swamp any suggestion with an excess of alternative solutions.

No decisions were taken. The Acting Chairman (Mr. Southard) made no substantive remarks but indicated that the staff would continue its work.

The names of the Executive Directors written in the margins of the attached notes and whom you may not know, are:

Madan - India
Biron - Belgium (Alternate ED)
Friis - Scandinavia
Crispi - Italy
Diz - Argentina
de Villiers - South Africa
Kafka - Brazil
Schleiminger - Germany

We are continuing our work on this Study.

Att:

ISF

SILENT

PLESCOFF
REID
HUNTROBS

DALE (U.S.)

SAAD

JAPANESE ALTERNATE

May 16, 1968

TANN

To: Senior Staff

From: The Secretary's Department

Subject: Executive Board Meeting 68/90, May 15, 1968*Stabilization of Prices of Primary Products (Provisional Outline)

Staff Representatives: Polak, Hirsch

Discussion: 2 hours, 50 minutes

General view that contents of provisional outline of study comprehensive and broadly-based. Several ED's underlined crucial importance to LDC's at present time of stabilization of primary product prices in view of falling-off in level of foreign aid, disappointing results in UNCTAD II, overwhelming predominance of primary products in total exports of LDC's, and unfavorable price trends projected for many commodities in 1970's. Need observed for medium-term financial assistance to sound projects for price stabilization to complement existing long-term loans of IBRD and short-term balance of payments assistance of Fund. Majority of ED's favored presentation in Part II of study of fairly precise and concrete proposals covering whole spectrum of feasible solutions, and not merely general indications of possible future lines of approach. One ED emphasized that proposals should be seen as additions to, and not substitutes for, SDR's, compensatory financing facility, and other facilities of Fund. MADAN

Various observations in regard to study included:

(1) One ED emphasized that solution would be likely to lie in field of buffer-stock arrangements and organization of commodity markets. He suggested that possibility might be considered of a pooling of finances of approved schemes, and Fund's acting as "banker" for these schemes, examining commodity trends carefully, and setting ceilings on finance that would be made available to each commodity. Several ED's suggested detailed case-study analyses of past arrangements as basis for possible proposals. PLESCOFF

(2) Need to examine nature of problem closely, and verify whether international schemes would be likely to contribute sufficiently to welfare of LDC's to compensate for effort and cost in establishing

- over -

*Précis for limited distribution; not basis for official action.

them. Noted that not all commodities suffered from price problem and suggestion made that analysis in Chapter II should be on commodity-by-commodity basis. Some ED's wondered whether establishment of organized price schemes was compatible with ultimate solutions of diversification and economic development.

BIRON
FRIS

(3) Importance of diversification in LDC's as long-run solution to avoidance of instability and adverse trends. One ED pointed out that diversification would assist buffer-stock schemes by restraining production of traditional commodities. Some ED's emphasized that LDC's should exercise necessary discipline in regard to control, diversification, and improvement in efficiency of production.

REID
CRISPI
DIZ
DE VILLIERS

(4) Need to examine effects of trade blocs on exports of primary producing countries. Some ED's thought that study should also be broad enough to cover issue of trade preferences in industrial countries for exports of LDC's.

KAFKA
MADAN
ETC.

(5) One ED stressed need to make distinction between stabilization of prices and stabilization of export proceeds, and observed that study should concentrate on the latter.

SCHLEIMINGER

(6) One ED pointed out that stabilization problem had both short-run and long-run aspect and both needed to be studied. He felt that there had been an overemphasis in past on price fluctuations and insufficient attention paid to price trends.

REID

(7) Some ED's doubted whether Fund could make direct contribution to stabilization of prices of individual products, but recognized that it would be wholly consistent with Fund's purposes for it to assist individual countries to increase export proceeds in general. Some ED's thought it might be difficult for Fund to venture beyond provision of short-term financial assistance, but some other ED's stressed need for a flexible approach in regard to Fund's willingness to commit resources.

SCHLEIMINGER
ETC.

BIRON
ETC
MADAN
ETC

Discussion to be resumed in afternoon.

* * * *

Next meeting, same afternoon continue discussion of Stabilization of Prices of Primary Products.

* * * *

No lapse-of-time decisions to be recorded.

YAMEOGO
KAFKA

May 16, 1968

To: Senior Staff
From: The Secretary's Department
Subject: Executive Board Meeting 68/91, May 15, 1968, p.m.*

Stabilization of Prices of Primary Products (Provisional Outline)

Staff Representatives: Polak, Hirsch
Discussion: 30 minutes

Discussion resumed. One ED pointed out that organization of commodity markets would be consistent with role of international organizations in seeking to combat adverse "natural" developments; he suggested that the consistency of the Board of Governors' Resolution No. 22-9 with Article I(ii) should be mentioned in the study and he felt that it would be possible to arrive at proposals which would not require amendment of Articles of Agreement. PLESCOFF

In responding to the discussion the staff said that the various suggestions made by ED's would be examined carefully. The staff felt that it would be inappropriate to include in Part II suggestions which the Fund could not adopt. As to the procedure with respect to Part II, the Board's discussion of alternative proposals might be facilitated if a form of draft text were prepared in some detail. However, it seemed unlikely that precise recommendations could be finalized for presentation to Governors in time for the 1968 Annual Meeting. POLAK

* * * * *

Next Meeting, Friday, May 17, Pakistan--1967 Article XIV Consultation and Postponement and Rescheduling of Repurchases; Iraq--1967 Article XIV Consultation; and Guinea--1967 Article XIV Consultation.

* * * * *

No lapse-of-time decisions to be recorded.

* Précis for limited distribution; not basis for official action.

Mr. McNamara

May 16 1968

Irving S. Friedman

The IMF Discussion on Commodities

I am attaching some notes of a meeting on the IMF discussions on the Commodity Study outline which are self-explanatory.

It might be added that Plescoff, in the morning meeting, expressed the view that a Bank staff member should be present and was supported by Reid and Huntrods (the U.K. alternate). As a result of this intervention the Fund staff has been authorized to inform the Bank staff about the content of the Board discussion!

Four Executive Directors did not participate in the discussions -- namely Dale (U.S.), Saad (U.A.R.), the Japanese alternate, and Tann (China). Dale informs me confidentially that he did not speak because he saw no particular point to having a discussion and the U.S. Government had no position on the issues raised. In response to query he indicated that the Germans were in favor of discussion, but emphasized that they thought Part II of the Study should indicate the whole range of possible solutions. He speculated that their motive might be to swamp any suggestion with an excess of alternative solutions.

No decisions were taken. The Acting Chairman (Mr. Southard) made no substantive remarks but indicated that the staff would continue its work.

The names of the Executive Directors written in the margins of the attached notes and whom you may not know, are:

Madan - India
Biron - Belgium (Alternate ED)
Friis - Scandinavia
Crispi - Italy
Diz - Argentina
de Villiers - South Africa
Kafka - Brazil
Schleiminger - Germany

We are continuing our work on this Study.

Att:

SEE 15F

Thank you

OFFICE MEMORANDUM

Confidential

TO: Mr. Robert S. McNamara

DATE: May 15, 1968

DECLASSIFIED

SEP 28 2012

WBG ARCHIVES

FROM: Irving S. Friedman

15F

SUBJECT: Comments on "Note on the Effect of Devaluation on Bank Earnings"

The following are some very brief comments or questions on this memorandum, leaving aside drafting suggestions or queries.

1. Much of the memorandum is affected by the attitude towards Bank holdings of U.S. dollars. If we wish to make the largest possible contribution to the U.S. balance of payments, or conversely to minimize any adverse effects on the U.S. balance of payments, we should be trying to hold as much of our assets in dollars and invest them in forms regarded as long-term investments, i.e. non-liquid liabilities, from the U.S. balance of payments point of view. If this were the policy much of our attitude on holdings and use of currencies might well be changed. For example, why should all Bank contributions to IDA be made out of U.S. dollars (para.9, page 3)? Under existing conditions we may assume that any Bank contribution to IDA would be used fairly rapidly; the Bank contribution made in dollars might otherwise have been held in some form of investment not regarded as a liquid liability by the U.S., thus our action may unnecessarily worsen the U.S. balance of payments. I suggest this practice be reconsidered.

yes

2. Para. 12 (pages 3 and 4) outlines four alternatives which the Bank could consider if it wished to avoid running the risk of a devaluation in any currencies in which its earnings are held. At least two other alternatives suggest themselves: One that the interest be paid in one of a group of convertible currencies, or any convertible currency in which the Bank has liabilities. Another alternative is to convert inconvertible or less desirable currencies into one of these currencies when interest is received. Unlike the assumption seemingly made in para.16 on converting currencies, such conversion would not be made when the judgment was reached that a currency might devalue. Instead it would be made at the time the less desired currency was received so that there would be no implications that Bank action was in anticipation of a devaluation. I believe these alternatives merit exploration.

3. The so-called "neutral" position stated in para. 17 (pages 5 and 6) treats all currencies loaned by the Bank on the same basis. However, the currencies which are used for financing Bank loans to borrowers are, from the borrowers point of view, selected by the Bank in an arbitrary fashion. For example, if a borrower had been given German marks, because from the Bank financial point of view this was desirable, the borrower would be in a position where he would have to pay interest in German marks. If this were done after revaluation of the German mark, more units of other currencies would be needed to meet these German mark payments -- this would not be the case if the Bank had given the borrower sterling or U.S. dollars or lira.

Mr. Friedman I mentioned this point to Mr. Adlwereld as one of Mr. McNamara's observations and we that he is studying this question. He feels there is merit to this point RB 5/21

Mr. Robert S. McNamara

- 2 -

May 15, 1968

Thus this paper raises the question as to what currencies we decide to use in financing any loans or, in other words, how do we make up the package of currencies in any particular case. I understand that we have followed the rule of first using those currencies which are least income earning, presumably because interest rates in that country are lower than elsewhere. From a strictly income point of view, this may be understandable, but it may mean that we are using the strongest currencies first.

I have not discussed the above suggestions with anyone. I think they are questions of policy rather than law, but I am not certain.

4/ protect assets from 1/ no currency change + price flight
 5/ Intermediate
 institution
 2/ change - dollar ready rate
 used previously
 3/ legal liabilities

May 9, 1968

NOTE ON THE EFFECT OF DEVALUATION ON BANK EARNINGS

1. Earnings, that is amounts received as payments of interest and other charges on loans and income on investments and profits on the sale thereof, are not protected by any obligation of members to maintain their value regardless of the currency in which they are held. Pursuant to Article IV, Section 2(d) of the Articles, earnings may be "used or exchanged for other currencies or gold required in the operations of the Bank without restriction by the members whose currencies are offered."
2. In the earliest days of the Bank the only earnings of the Bank were in U.S. dollars and no thought was given to exchanging these dollars for gold or any other currency.
3. When the Bank first began to have income in currencies other than U.S. dollars (receipts of interest and commission on portions of loans made out of 18% non-dollar currencies), these non-dollar currencies were regularly converted into U.S. dollars.
4. Commencing August 1, 1949, however, earnings in any currency (including U.S. dollars), other than receipts of commission earmarked for the special reserve, were used by the Bank to reimburse the 18% account of the member concerned for amounts previously drawn by the Bank from that account and used to pay administrative expenses of the Bank in that currency. By reimbursing the 18% accounts of the members, the currencies so paid into such accounts were protected by the members' obligation to maintain their values. Sufficient additional amounts of

earnings include commission

how & what currencies are paid projects in local currency

earnings were maintained in the currency of the member concerned to cover estimated future administrative expenses of the Bank in that currency.

Any amounts of earnings in non-dollar currencies in excess of these two sums, including receipts of commission earmarked for the special reserve, were immediately converted into U.S. dollars.

5. In 1950 the Executive Directors approved a change of policy on the basis of a memorandum from the President. The reason for the President's recommendation was that the policy followed until then, requiring income on 18% currencies to be converted into U.S. dollars, was a hindrance to the Bank's obtaining consent to the use of the 18%.

6. In accordance with this policy, adopted in 1950 and followed since then:

- (i) all earnings are retained in the currencies in which they are earned;
- (ii) a portion of the earnings in U.S. dollars equivalent to the special commission on loans (now discontinued, with some exceptions) is allocated to the Special Reserve regardless of the currencies in which the commission was earned. The Special Reserve assets are kept in U.S. dollars;
- (iii) the balance of earnings is used in the Bank's operations;
- (iv) the Bank bears the exchange risk on any currency representing earnings while held by the Bank or on loan.

1958
7. Following the devaluation of the French franc in 1957 the Bank's practice was reviewed and the President circulated a memorandum to the

Executive Directors recommending that no change for the time being be made in the policy adopted in 1950, but expressing his intention to keep the matter under review.

8. In 1961 the Bank modified its practice with respect to administrative expenses and started making larger use of U.S. dollar earnings to meet such expenses.

9. Since the first transfer of net income of the Bank to IDA in 1964, the Bank has made all such transfers in U.S. dollars out of its earnings in that currency.

10. In the fall of 1967, following the devaluation of the pound sterling and several other currencies, the Bank incurred a loss on currencies in which earnings were held amounting to about U.S. \$23 million equivalent.

11. Accumulated net earnings at December 31, 1967, based on book values, amounted to about U.S. \$1,243 million equivalent (see Annex A). It is estimated that net earnings during the next few years will amount to about 180 million U.S. dollars equivalent per year of which, if the present policy is continued, about 100 million U.S. dollars equivalent would be in currencies other than U.S. dollars. As stated above, under the present practice, losses or gains in the value of any currency held or loaned by the Bank and derived from earnings are for the account of the Bank.

12. Should the Bank wish to avoid the risk it runs of devaluation of any currency in which its earnings are held the following policies could be considered:

Why not change - in future all currencies - (could be negotiated above - if held by holding)

Why not... should be... would have... derived from... temporary... increase...

Key point

**... of... but... is held... to... earnings... long-term... need... to pay... on... to... other... if held...*

considered usually currency

also guaranteed

- 1) Obtaining a maintenance of value guarantee from its members;
- 2) Imposing a maintenance of value obligation on its borrowers;
- 3) Investing earnings in gold;
- 4) Converting currencies into other currencies.

*Could give option for gold
special feature to avoid devaluation?*

13. Obtaining a maintenance of value guarantee from members.

Each member in whose currency earnings accrue would be asked to maintain the value of such earnings in terms of a standard other than that currency (e.g. in terms of gold). If gold was used as the standard, earnings would then be protected in the same manner as the 18% portion of the Bank's capital whether they are held or loaned by the Bank. Such a guarantee from a member would of course go beyond its obligations under the Articles and would represent a substantial increase in its financial commitment to the Bank.

xx

14. Imposing a maintenance of value obligation on borrowers.

By imposing on its borrowers the obligation to maintain the value of a currency loaned to them out of its earnings in terms of gold, the Bank would effectively shift the risk of devaluation of that currency to its borrowers and would find itself substantially in the same position with respect to earnings loaned to its borrowers and outstanding as with respect to the 18% portion of its capital. This policy, however, would represent a substantial departure from the general practice of the Bank to lend only in legal tender currencies: it would in fact constitute a hardening of the Bank's lending terms. An increased risk would be placed

No - became currency used is arbitrary for benefit of borrower.

now arbitrary nature of currency values

is why not represent a convertible currency

on borrowers which happen to receive funds derived from earnings which might in the future impose a serious burden on them.

not

15. Investing earnings in gold. Conversion of the earnings held in cash or invested by the Bank from the currency in which they were earned to gold would afford the Bank a similar protection in respect of those earnings but would be costly, since gold does not produce income and in fact requires substantial expenditures for its custody. The advantage of protection should thus be compared with the cost of holding gold and foregoing income on the funds invested in gold.

silly!

16. Converting currencies into other currencies. An alternative to conversion of its earnings (held in cash or invested) into gold or similar assets would be for the Bank to hold from time to time those earnings in those currencies which in its judgment are least likely to devalue in the foreseeable future. Apart from the difficulty of making such judgments, the present and prospective size of the Bank's currency holdings and the fact that it is an international institution whose members are Governments and which is, at least in the mind of the public, closely associated with the IMF, would make it all but impossible in practice for the Bank to shift out of a particular currency when the judgment was reached that such currency might devalue. Conversion by the Bank would not remain secret and might, in terms of material and psychological effects, create or add pressure on the currency out of which the Bank was shifting.

optimum

could be done in advance?

17. The present policy of retaining earnings in the same currency in which they were earned, while exposing the Bank to the risk of

unrelated to para 12

** I believe the reason (use bank earnings to help strengthen currencies) - see forward to committee - Ed. cross*

fluctuations in the value of currencies held or loaned, has the advantage of leaving the Bank in a neutral position and, as far as borrowers are concerned, to treat all currencies loaned by the Bank, whatever their origin may be, on the same basis.

18. However, under the present policy, the Bank has used its earnings in one currency, i.e. U.S. dollars, also for purposes other than loans or investments, thus reducing in fact the U.S. dollar share of its total accumulated earnings. Administrative expenses are met to a large extent only out of the U.S. dollar earnings (estimated at U.S. dollars 203 million cumulatively to December 31, 1967, as against U.S. dollars 43 million equivalent in other currencies to the same date). Payments to IDA on account of transfers out of the Bank's net income, totalling U.S. \$210 million, have been made thus far in U.S. dollars out of earnings in U.S. dollars. The amount of such payments at May 1, 1968 was U.S. \$160,000,000.

*how
much per
year?
?*

PSella/SALdewereId:vg

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

ANALYSIS OF ACCUMULATED NET EARNINGS BASED ON BOOK VALUES
AS OF DECEMBER 31, 1967

<u>Country</u>	<u>Total Net Earnings Currency</u>	<u>US\$ Equivalent At Present Book Rate</u>
Argentina	18,927,462	\$ 228,317
Australia	20,501,475	22,961,652
Austria	150,290,390	5,780,400
Belgium	1,319,319,450	26,386,389
Burma	2,168,915	455,473
Canada	59,396,072	54,941,422
Ceylon	744,745	125,117
China	14,525,731	363,143
Denmark	50,537,659	6,738,355
Finland	8,390,606	1,997,778
France	198,168,709	40,139,012
Germany	340,782,480	85,195,620
Ghana	693,214	679,349
India	50,434,892	6,724,652
Iran	256,250,888	3,382,850
Iraq	197,824	553,908
Ireland	734,459	1,762,701
Israel	2,135,420	610,120
Italy	13,250,342,902	21,200,549
Japan	13,132,508,859	36,479,191
Kuwait	400,307	1,120,858
Luxembourg	46,858,530	937,170
Malaysia	6,206,128	2,027,338
Mexico	99,290,446	7,943,236
Netherlands	114,070,570	31,511,207
Norway	40,591,063	5,682,747
Portugal	3,120,708	108,546
South Africa	8,269,310	11,577,034
Spain	196,636,626	2,809,095
Sudan	298,329	856,669
Sweden	62,801,749	12,139,803
Switzerland	101,500,112	23,618,409
United Kingdom	52,733,913	126,561,392
United States (including Special Reserve)	699,642,211	699,642,211
Venezuela	19,756	4,390
Accumulated Net Earnings		<u>\$1,243,246,103</u>

Note: All accruals are included under United States.

Alternatives to Devaluation

IF CONGRESS should after all fail to restrain the federal budget deficit, we would not be surprised to hear more talk about devaluing the dollar. The point is that, with inflation hurting the trade balance, if the dollar were worth less in relation to other currencies, American products theoretically would be more price-competitive in foreign markets and more resistant to imports at home.

In fact, however, it is under just the present deplorable circumstances that devaluation makes the least sense and is the most objectionable to foreigners. Then what about later on? Unfortunately, evidence is accumulating that the dollar isn't what it used to be in a hard-driving competitive world. Foreign exchange parities do indeed require another look.

A growing amount of attention is being devoted by financial authorities to the basic disequilibrium in the international adjustment process, through which somehow Continental Europe keeps a perpetual balance of payments surplus while the dollar and sterling are forever weak.

* * * *

IT IS QUESTIONABLE how much longer such a state of affairs can go on before U. S. gold reserves sink and the international monetary system, as we have known it to date, sinks with them. We are inclined to think that by next year at the latest the U. S. payments deficit must dwindle to the marginal size of \$750 million or so.

The inflation in the U. S. complicates, rather than adds to, the case for altering exchange rates. Why should the Europeans make such a major concession to us if we won't help ourselves?

Likewise, Vietnam, the international costs of which can be fairly described as abnormal and temporary, distorts the main argument. By this time next year we may not be at war and if not what will be the balance of payments consequences?

Yet remove Vietnam and inflation, and it is unfortunately still rather easy to imagine a set of circumstances a year from now which might tend to prove that the U. S. payments imbalance is basically incurable by any ordinary means.

The trade balance will tell the story. Suppose this year fiscal and monetary restraint do curb inflation. Suppose by next year the Vietnam War is greatly reduced in scope. And yet also suppose it turns out that the trade balance still hasn't recovered enough to provide sufficient foreign exchange to finance the nation's normally heavy export of private and public capital.

If the Vietnam emergency abates, the temporary restraints the government has placed on private capital outflows will give way. Those restraints, while they last, create the illusion that the imbalance in U. S. international accounts is much smaller than we know it would be if the restraints were not there.

* * * *

SINCE U. S. payments deficits are related to European surpluses, let us also assume that these turn out to be as large again in 1968 as they were in prior years. And suppose they appear destined to be no less substantial in 1969, in part because European countries have not sufficiently heeded the urgings of international authorities to accelerate their domestic growth rates.

Under these conditions—and let us insist that we are not at all sure these particular contingencies will be the ones in view 12 months hence—a change in currency parities might begin to look necessary.

But it would not take the form of dollar devaluation, we think, for several reasons. Since the U. S., even with its greatly shrunken trade surplus, is still the world's leading trading power, we cannot believe the rest of the world would readily consent to devaluation.

The damaging consequences of a U. S. initiative to devalue could well be the imposition of exchange controls by European countries in order to put into effect multiple exchange rates, with an expensive dollar rate for trade and a cheaper one for capital transfers.

* * * *

FROM THE U. S. standpoint, devaluation would be relatively impractical and perhaps ineffective. The President, for instance, would have to bind himself to carry out deflationary measures dictated by the International Monetary Fund, and yet he could not constitutionally bind Congress.

There remains the alternative, which is beginning to be discussed in Europe now, of revaluing upward the currencies of persistent surplus countries, including the mark, the lira and the Swiss franc.

Not incidentally, this would benefit the world's other reserve currency, sterling, as well as the dollar. Britain may yet need more help. As of now it still has a disturbingly high import rate and the threat of another sterling devaluation could arise in 1969.

Needless to say, at this stage the Germans, the Swiss and the Italians are not rushing forward to volunteer higher exchange rates for their currencies. But if the adjustment process is to work, the continental Europeans will have to go into payments deficit and the sooner the better. This probably entails their accepting some trade reserves vis-a-vis the outside world.

* * * *

WE ARE NOT here arguing the case for the revaluation of these currencies, nor are we at all convinced that at any time in the future changes in their parities will become a panacea. We can see too many disturbing questions in the puzzle of the U. S.-European imbalance which merely changing money values wouldn't answer.

For example, is it rather the trade barriers which an inward-looking Common Market have raised against outsiders, instead of their perhaps undervalued currencies, which have been force-feeding the growth of the market's foreign exchange reserves?

And, on this side of the Atlantic, what accounts for the strange ease with which imports increasingly penetrate the American market—small cars, steel, Scandinavian furniture, Michelin tires—even though equivalent products could be made here and foreign labor costs are higher than ever?

Amidst these uncertainties, the only safe rule is that everything should be considered that might make the international adjustment process more a matter of give and take that it is now.

The 16 governments which last week agreed to speed up U. S. Kennedy Round tariff concessions did their bit. By some accounts, foreign officials value the monetary system enough to do even more, if only Congress would help them. If financial discipline finally found a home here, they could better justify to their own national legislatures more sacrifices to assist the U. S. surplus.

As for exchange rate manipulation as a cure for the international payments system's woes, for the moment the judgment on it must be that it is the medicine of last resort. We cannot forever rule it out. But there are a lot of things which can be done before we come to that pass—not the least urgent of which is a dose of fiscal restraint for the economy.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: May 9, 1968

FROM: Irving S. Friedman

SUBJECT: Study on Problems of Stabilization of Prices of Primary Products -
Scheduled IMF Meeting

On April 18, 1968, we circulated to our Executive Directors the outline of the joint analytical Part I of the study requested by the Board of Governors on Commodities at the Rio meeting. At the time it was not clear whether the IMF Executive Directors would wish to have a discussion of this outline. In the Bank we had agreed that Mr. Avramovic and myself would make ourselves available to the Executive Directors for informal discussions of the outline if they so wished, and this was passed on to Mr. Shoaib. Thus far the Executive Directors have not requested such discussions.

The other day Mr. Avramovic, who is heading our team on the study, informed me of rumors that the IMF Board might be discussing the outline. Mr. Shoaib undertook to sound out some of the Executive Directors informally on the desirability of some form of discussion of the outline by Bank Executive Directors, if the IMF Executive Directors were to have such a discussion. Mr. Shoaib talked to Messrs. Ayub, Chen and Suzuki, who felt that there ought to be some sort of Bank discussion by its Executive Directors, if the IMF Executive Directors had a discussion, since both institutions had been asked by their Boards of Governors to carry out the study and both staffs were doing the work.

We are now informed that the circulated outline of Part I will be discussed by the IMF Executive Directors next Wednesday, May 15. After discussion with Mr. Shoaib I recommend that you inform the Bank Executive Directors at the next Board meeting of the discussion of this outline by the IMF Executive Directors and ask them whether they would like to have a formal or informal discussion of this paper.

I am attaching a copy of the provisional outline circulated on April 18, for your convenience.

cc: Mr. Shoaib
Mr. AvramovicISF

President has seen

DECLASSIFIED

RESTRICTED

SEP 12 2012

SecM68-106

WBG ARCHIVES

FROM: The Secretary

April 18, 1968

STUDY ON PROBLEM OF STABILIZATION OF PRICES
OF PRIMARY PRODUCTS

1. As indicated in the Memorandum SecM67-285, dated October 30, 1967, a group of staff members from the Bank and Fund has been preparing material for a joint analytical Part I of the study requested by the Board of Governors under Resolution No. 239 adopted at the Annual Meeting in Rio de Janeiro. While it is not yet possible to envisage the final content or shape of the report, the attached provisional contents outline is circulated for the convenience of Executive Directors. Significant changes in content and coverage are likely to occur in the course of completing and reviewing of the final report.

2. As indicated in the Memorandum SecM67-285, Part II of the report will discuss the possible role that the Bank can play in contributing to the solution to the problems discussed in Part I. The Fund staff will prepare a parallel section on behalf of the Fund. Close consultation between the two institutions will be maintained in preparing the separate sections.

Distribution:

Executive Directors and Alternates
President
President's Council
Executive Vice President, IFC
Vice President, IFC
Department Heads, Bank and IFC
Secretary, IMF

STUDY ON PROBLEM OF STABILIZATION OF PRICES
OF PRIMARY PRODUCTS

Provisional Outline

NOTE: The attached draft outline has been prepared by the joint Fund-Bank working group as a basis for the organization of its work on this study. The outline is of course subject to such revisions, as regards both addition and deletion, as may appear appropriate in the course of the work.

PART I

The General Setting (Chapter I)

1. The problems of instability and of adverse trends in the exports of less developed countries have been studied intensively over a long period of time from many points of view with limited progress toward a solution. However, there are some new elements in the present situation, which may lead to a more effective attack on the problem:
 - (a) A general recognition that the solution of some of the problems of commodity trade is intimately connected with the development efforts of the less developed countries, concerning both the choice of development strategy and the ability to finance the chosen pattern of development.
 - (b) An important consequence of recognizing policies relating to commodities as the means of promoting the economic development of the poor countries is that in participating in international commodity negotiations, exporting and importing countries may be urged to take account of the major interests of development, and not only of the interests of the respective producers and consumers of individual commodities.
 - (c) One important question, which needs careful investigation, is the possibility that certain international policy actions related directly to commodity trade may provide donor countries with a more convenient vehicle for the transfer of development assistance to the less developed countries, as indicated in some aspects of the proposals for an organization of markets.
2. Foreign exchange receipts of developing countries derived from primary products have varied from year to year. Over the longer run, trends in export receipts of the LDC's, taken as a whole, have shown slow growth: slow relative to the growth of world trade and slow relative to the increase in imports required to sustain a satisfactory rate of growth

in these countries. For individual primary products and for individual countries, trends have ranged from a rapid increase to a slow decline. For many products, the demand rises slowly and in a fluctuating manner.

3. The commodity problem is a part of the general problem of development. Fluctuations and adverse trends reflect the excessive dependence of low-income countries on primary products and their limited flexibility of shifting resources to more productive uses. The problem is compounded further by restrictions on market access, which throw the burden of adjustment on the low-income countries whose resource mobility and therefore the capacity to adjust is severely limited.

4. Not all external difficulties of developing countries result from weak commodity trends: a particular country or a group of countries may fail to produce for the existing international demand, whether the latter increases slowly or rapidly, while increases in imports are frequently induced by inappropriate domestic policies. Foreign exchange difficulties which are caused by inadequate supplies of primary products in strong demand in external or domestic markets of the low-income countries or by bursts of their import demand cannot be attributed to the commodity problem.

5. Wide price fluctuations and weak price trends are serious insofar as they cause instability and adverse trends in countries' export earnings and purchasing power and affect the competitive position of primary products. The ultimate solution for excessive dependence by less developed countries on products with sluggish long-term growth in demand, or with wide price fluctuations or wasteful cobweb-type supply responses, lies in the acceleration of economic growth and of diversification in the low-income countries. The question is whether intermediate solutions can be found: they should reduce fluctuations in earnings and prices, improve long-term earning capacity, and at the same time facilitate (and certainly not make more difficult) the resource shifts necessary to accelerate growth and diversification. The problem is whether and through what means these objectives can be made mutually consistent. Effective action on the earnings of primary producers may, according to differing conditions, demand a combination of approaches, in fields including price stabilization, international fiscal action, improved market access, etc.

6. One of the major consequences of the commodity problem for the LDC's is the impact on their balance of payments position in the short run, as an adjunct to the pursuit of long-run development policies. As such, it is a factor affecting the role of the IMF in relation to these countries.

7. At the same time, the commodity problem is also a part of the general problem of development. Here, it is a factor affecting the role of the IBRD in relation to these countries.

Trends and Fluctuations in the Commodity Trade of the LDC's (Chapter II)

8. Summary presentation (rates of growth and measures of instability) of prices, quantities and values of exports of major commodities and of individual developing countries. Both short-term and periodic fluctuations should be discussed.

9. Analysis of results. Not all commodities suffer from the commodity problem: there are primary products--e.g., petroleum, aluminum--for which demand rises rapidly, price fluctuations are limited, and supply is adjusted with relative speed to demand trends and demand fluctuations. There are also commodities whose price fluctuations are very wide, but the underlying demand trend is strong (e.g., copper). In many cases, however, a relatively slow growth in demand is combined with price variations; and in the case of agricultural products, cobweb-type supply reactions may cause a continuing sequence of over- and under-production.

Causes of Adverse Trends and of Instability (Chapter III)

10. Relationships of price, volume and value. Condition of demand and supply in world markets for primary commodities. Some illustrative statistical analysis of demand and supply functions for export.

11. Demand factors underlying long-term trend. Supply factors underlying trend--the long-term tendency of developing countries to over-crowd the markets of primary products due to absence of alternative employment opportunities. The role of synthetic substitutes and of limitations on the access to markets.

12. Factors involved in cyclical and irregular fluctuations. Relationship of price fluctuations to fluctuations in export earnings and producers' incomes. Relative importance of demand-induced and supply-induced instability.

13. Summary examination of factors behind major short-term declines in export earnings experienced in this period.

Consequences of Adverse Trends and of Instability (Chapter IV)

14. Effects of adverse trends on import capacity, income growth and possibly on production and investment patterns. Effects on ability to finance development. Experience of the Bank with member countries.

15. Impact of instability on producers' decisions--cobweb effects. Impact of instability on the demand for primary materials--the competitive position of primary products vs. synthetics.

16. Impact of fluctuations in prices and export receipts on payments difficulties and on the maintenance of internal equilibrium--issues arising for national authorities in domestic financial policies and on balance of payments adjustment with unstable commodity markets--experience of the Fund with member countries.

International Commodity Policies: Past Experience and Proposals (Chapter V)

17. A brief review of general approaches to stabilization--the Havana Charter--the UNCTAD approach--the organization of markets--other approaches. The case for a commodity-by-commodity approach.

18. Techniques of commodity stabilization--application of these techniques in the postwar period. Problems of negotiation and problems of effectiveness of the techniques themselves.

Measures for Dealing with Fluctuations Around a Trend (Chapter VI)

19. The concept, distinguished from price leverage. Various techniques available--buffer stocks--and other or supplementary techniques to influence prices, quantities, and earnings, including quotas, levies, buffer funds, multilateral and bilateral contracts and market access. Particular conditions of elasticities, pattern of fluctuations, commodity characteristics, favoring alternative techniques. Effects on export earnings/availabilities, producer earnings and on trend.

20. Buffer stocks: criteria for establishment of buffer stocks (physical and economic). The problems of management, price adjustment (moving average vs. steps), relationship to commercial stocks. Financial aspects of buffer stocks under various alternatives.

Measures for Improving the Level and Trend of Earnings (Chapter VII)

21. Different ways of improving the level and trend of export earnings: improvement of access to markets, improvement of the competitive position of primary products in relation to synthetics, stimulation of exports of manufactured goods from developing countries, management of supply of primary products.

22. The concept of remunerative prices, the concept of adverse trends defined in relation to the possibilities of improving the trends.

23. Conditions under which supply management is feasible and appropriate. Techniques of supply management: export restrictions with or without production controls; export levies; diversification; import levies in developed consuming countries for transfer to developing producing countries. Link with buffer stocks. The efficiency problems. Suitability of particular commodities to supply management and to different techniques of management, depending on the characteristics of commodities. Implications among producing countries and consuming countries.

24. Side effects of supply management--problems relating to new producers, terms of competition, etc.

25. Financial implications of supply management for the exporting and importing countries.

The Problems and Prospects of Diversification (Chapter VIII)

26. Diversification as part of over-all development policy. Different concepts of diversification--in the broad sense (development of new activities without displacing factors of production from the existing activities) and in the narrow sense (displacement of factors). Experience with diversification. The most acute cases. The localized cost (nationally) and the wide-spread benefits (internationally) of diversification. Financial aspects of diversification in the narrow sense. Who should diversify? The need for international decision-making in diversification in order to avoid emergence of surpluses in alternate products. The link with internal price policy within the developing countries.

Summary (Chapter IX)

27. A summary review of the analytical report (Part I) with special reference to the differing financial implications of the various approaches discussed.

PART II

(Bank)

Implications for possible actions by the World Bank Group.

PART II

(Fund)

Implications for possible actions by the International Monetary Fund.

Mr. Knapp

May 8, 1968

W.L. Bennett

Mr. McNamara's luncheon with newsmen - May 9, 1968

1. The luncheon is scheduled to be held in Mr. McNamara's private dining room at 12:30 p.m. In addition to Mr. McNamara and you, Mr. Friedman and Mr. Clark will be attending from the Bank/IDA.

2. Ten newsmen have accepted the luncheon invitation:

James Bishop	Newsweek
Joseph R. Coyne	Associated Press
George Cruikshank	U.S. News & World Report
Jesse Glasgow	Baltimore Sun
Charles Ives	Baltimore Sun
Richard F. Janssen	Wall Street Journal
William B. Monroe, Jr.	NBC
Harvey Segal	Washington Post
Sterling Slappey	Nations Business
Joseph R. Slevin	Newsday

WLB:hm.

cc: Mr. Friedman ✓
Mr. Both

April 8, 1968

- (1) Ask to see McNamara - any time convenient - glad to come early as would prefer an hour (or longer if he can find time).
- (2) Call meeting of Economic Committee on economic work.
- (3) Draft answer to Knapp - if need is for institute program - no comments - but intend to proceed with resolution of assumption from economic viewpoint.
- (4) Get work started on McNamara's requests:

1. Problems
2. Cooperation and hopes 5-year program
3. Measures of success of accomplishment
4. Development progress in calculating
5. Bank as Development Center

Tell Economic Committee about evaluation of development program - every country - what we want to see happening in every country during the next 5 years.

Query: How affect World Bank Group lending articles?

- (5) Have Ben King come up.
- (6) Circulate Drag. outline on commodities for informal discussion.
- (7) Get up file on IDA - finished memos since last filing.
- (8) Talk to Hulley about early history (stages of discussions and personal participation).
- (9) Memo on role of personnel.
- (10) Inform McNamara of plans to have brief memo before loan or credit on economic status (including why not up-to-date, if so).
- (11) Call Al Koch (in hospital).
- (12) Check out - who did estimate of Indonesia's need quoted in Post today
- (13) Check out Beirut memo - (Budhoo - Jalan):
 - (a) Where is memo?
 - (b) French translation started now?
 - (c) Start with conclusions.
 - (d) Ask Kamarck - o.k. to use charts?
 - (e) How best to transmit - ask Graves to find out - (can be stencilled by end of week).

(4) *Bob Asher.*

(14) What to do with Toronto Speech

(15) Where are we with Chicago paper (see Blaxall - give views on "two focal points")

Tell Eco Center
about value of
level of pyrene
- every county -
what we want
to see happen in
every county next
5 year
over

*Spang - John
Spang
W.B.*

*Spang
Spang
Spang*

IRVING S. FRIEDMAN

THE ECONOMIC ADVISER TO THE PRESIDENT

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C.

Mar. Tall &
honor

(1) problems.

(2) operations & logs
- 5 yr. program.

(3) reserves & future
accounting

(4) develop program
in country -

(5) Bils & Duly. Cates



Kindly present this card to the waiter,
who will serve you

SOFT DRINK

with the compliments of

AIR-INDIA

Mar. 1966

(1) expansion of Development Finance
Role

(1) kind of work - no longer
just servicing or background to
loan credit work (part on performance)

(2) status of work -
not advisory - which are made
only by Pres can decide -

(3) importance of loan project
work - make part of input into
decision on how best can be done
help of ~~the~~ develop process -
influence projectors of likely

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

credits - impact greater on
future credits project and other
purpose selection greatly influenced
in future - r

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

- ① Ash to MacNamara - any time
convenient - get to know say a world
paper on how (or danger, if he can
find time).
- ② Call meeting of Ex. Committee on
Ex. Work
- ③ Draft answer to Knapp -
if need is for immediate
program - no commit - let
intent to proceed with resolution
of assumption for ex. report
- ④ Get work started on MacN. requests
(see penk sloped colly card
for notes)
- ⑤ How Be' King can rep

- (6) Circulate Pray. outline, ^{on computer}
for ~~reference~~
- (7) Get up file on IDA -
further memo since last
filing -
- (8) Talk to Alley about early
history (stages of development
and personnel participation)
- (9) memo on role of personnel
- (10) Info memo - office have
brief memo before loan agreement
sent status (including why not
upto date if so)
- (11) Call Al Koch (in hospital)

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

- (2) Check out - who did
estimate of J. Induwan's need
quoted in Pat today
Bennet memo
- (3) Check out - (Butler - J. -)
(a) when is memo -
(b) Fine translation states now
(c) Start and conditions
(d) deal know - ok to use
charts?
(e) how to the amount - ask
Bureau to find out - (can be
sterilized by end (week))
(f) What to do with 1 month Spence

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

(15) Where are we with Chicago
paper (see Plaxall -
give us on "two four
points" -

Mac

And endorsement of views of staff on
his develop (already explicit
in two sections of Pres report) -

either

- (a) merely repeating new situation
 - (b) possible decision of management
 - (c) or add to present decision or
 - (d) another decision same time
- (in M E R T O and Study by
discussed simultaneously, but
separate decision)

Spent to overabundance
Mac Non each county carry up
to C1.

1) Trust - do both

Acad. Bus. Res. and

get pay clearly -

4/4/68 get Trans. E.D.S.

spec.

3) On loan loans papers -
Part I

either, ~~open~~ can't assume

loans - as men say that is
what they are - therefore renewed

by En Dept

OFFICE MEMORANDUM

TO: Mr. McNamara

DATE: May 8 1968

FROM: Irving S. Friedman

SUBJECT: Five-Year Projections

I am attaching a set of drafts on five-year economic projections for Ethiopia, Kenya, Tanzania, Uganda and East African Community, Indonesia, Philippines, Korea and Argentina. Additional drafts should be coming forth regularly.

I would like to stress that these are a crude beginning and that we will continue to try to improve this work. We may also wish to do more work on certain aspects of the countries concerned as we get deeper into the process of putting together the over-all five-year outline.

Attach:

cc: Mr. Aldereweld
Mr. KnappPresident has seen

OFFICE MEMORANDUM

TO: Mr. McNamara

DATE: May 6 1968

FROM: Irving S. Friedman

SUBJECT: House Republican Conference

You may be interested in glancing at these letters from Dr. Boarman, dealing with the Thursday seminar on foreign aid and development, sponsored by the House Republican Conference.

I am also attaching a copy of my reply.

cc: Mr. Wm. Clark

158
President has seen

May 6 1968

Dear Dr. Boarman,

This is in reply to your letters of May 3 which I received this morning. Thank you very much, both for the invitation and for the attached material.

I am arranging to send to you, as agreed, 75 copies of the paper I did recently entitled, "The Developing Countries in the Past Twenty Years: Growth, Transformation and Problems". You may regard this as a back-up or supporting paper for my opening remarks and you may give it any circulation that you think useful.

Looking forward to seeing you on Thursday morning,

Yours sincerely,

Irving S. Friedman
The Economic Adviser to the President

Dr. Patrick M. Boarman
Research Director
House Republican Conference
House of Representatives
Washington DC 20515

cc: Mr. McNamara
" Wm. Clark

CHAIRMAN
MELVIN R. LAIRD, M.C.
7TH DISTRICT, WISCONSIN

VICE-CHAIRMAN
WILLIAM C. CRAMER, M.C.
8TH DISTRICT, FLORIDA

SECRETARY
RICHARD H. POFF, M.C.
6TH DISTRICT, VIRGINIA

RESEARCH DIRECTOR
PATRICK M. BOARMAN

Congress of the United States

Republican Conference

House of Representatives

Washington, D.C. 20515

MINORITY LEADER
GERALD R. FORD, M.C.
5TH DISTRICT, MICHIGAN

MINORITY WHIP
LES ARENDS, M.C.
17TH DISTRICT, ILLINOIS

COMMITTEE ON POLICY
JOHN RHODES, CHAIRMAN
1ST DISTRICT, ARIZONA

COMMITTEE ON RESEARCH
AND PLANNING
CHARLES GOODELL, CHAIRMAN
38TH DISTRICT, NEW YORK

May 3, 1968

Dr. Irving S. Friedman
Economic Advisor to the President
International Bank for Reconstruction and
Development
1818 H Street, N. W.
Washington, D. C. 20433

Dear Dr. Friedman:

I am delighted that you will find it possible to take part in our proposed seminar in the House of Representatives on "Foreign Aid and Economic Development." The seminar is scheduled to take place on the morning of Thursday, May 9th. We shall begin our program promptly at 9:15 a.m. in the Education and Labor Committee chambers, Room 2175 Rayburn House Office Building.

We expect to adjourn around 12:30 p.m. and would be very happy if thereafter you could join with the panelists and a group of Members for lunch.

Let me briefly outline what we have in mind to do at our seminar on foreign aid. Its purpose is primarily educational; we would like to shed as much light as we can on this critical subject at a time when the Congress will be debating the Administration's foreign aid request. Our intention is to keep the effort nonpartisan (although under Republican auspices) and to ensure wide distribution of the transcript of the discussion and of the backup papers which participants may contribute. We plan to have the panelists make a relatively brief oral presentation of their views and then to invite a general exchange among the panelists themselves on the issues raised. Thereafter, Member of Congress present (especially those whose Committee assignments involve one aspect or the other of foreign aid) will be invited to join in the discussion, together with the special observers from the press.

We have found that a discussion conducted in this way gains a great deal in spontaneity over an arrangement requiring the reading of a series of formal papers. We would, nevertheless, hope that participants could submit for the record a backup paper, the length of which would be entirely of the author's choosing.

Dr. Irving S. Friedman
May 3, 1968
Page Two

On January 24, a balance of payments seminar conducted along the above lines was held under Republican auspices. It was most successful and the response to it has been exceptional both in the Congress and elsewhere. I enclose a copy of the proceedings of that affair in which you can note the general scheme we followed.

I am happy to report that Gunnar Myrdal has cabled us from Sweden that he will be glad to participate and to expound on some of the views presented in his recent book "Asian Drama". We have extended invitations as well to Professor Gustav Ranis, head of the Economic Growth Center, Yale University; Professor Thomas Molnar of Brooklyn College; Lester R. Brown, a specialist in foreign aid problems with the Department of Agriculture; and John Pincus of the Rand Corporation.

We envisage a free-wheeling discussion of the following broad topics:

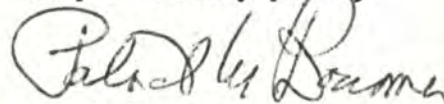
- 1) What has U.S. foreign aid accomplished since the end of World War II? What lessons have we learned in respect to wrong and ineffective uses of aid to promote development of the less developed countries?
- 2) Where do we go from here? What new directions in aid now offer themselves and what must be done to give maximum effectiveness to U.S. aid now and in the future? In the period of fiscal crisis through which the Nation is now moving and in the face of the extreme aggravation of our balance of payments problem, should we have an aid program at all? If so, what is the amount of strictly economic aid this nation can and should make available?

We would hope that out of our discussions could be distilled specific proposals in respect to the impending aid legislation. The practical value of the seminar to the Members would be greatly enhanced if you could give some attention, however brief, to this point.

Under separate cover, I am forwarding to you a packet of background materials on the subject of the seminar. If you have any questions in the interim about any of the aspects of our undertaking, don't hesitate to call me at 202-225-5107.

With kind regards.

Very sincerely yours,



Dr. Patrick M. Boarman
Director of Research
House Republican Conference

PMB/jgl
Enclosure

SPECIAL DELIVERY

CHAIRMAN
MELVIN R. LAIRD, M.C.
7TH DISTRICT, WISCONSIN

VICE-CHAIRMAN
WILLIAM C. CRAMER, M.C.
8TH DISTRICT, FLORIDA

SECRETARY
RICHARD H. POFF, M.C.
6TH DISTRICT, VIRGINIA

RESEARCH DIRECTOR
PATRICK M. BOARMAN

Congress of the United States

Republican Conference
House of Representatives
Washington, D.C. 20515

May 9, 1968

MINORITY LEADER
GERALD R. FORD, M.C.
5TH DISTRICT, MICHIGAN

MINORITY WHIP
LES ARENDS, M.C.
17TH DISTRICT, ILLINOIS

COMMITTEE ON POLICY
JOHN RHODES, CHAIRMAN
1ST DISTRICT, ARIZONA

COMMITTEE ON RESEARCH
AND PLANNING
CHARLES GOODELL, CHAIRMAN
38TH DISTRICT, NEW YORK

Dr. Irving S. Friedman
Economic Advisor to the President
International Bank for Reconstruction and
Development
1818 H Street, N. W.
Washington, D. C. 20433

Dear Doctor Friedman:

I enclose herewith a packet of materials which you may find useful in preparing for our seminar on "Foreign Aid and Economic Development." Under separate cover, I am transmitting to you a document issued by the Agency for International Development containing the details of the Administration's foreign aid request.

We would hope that out of our discussions could be distilled some specific proposals in respect to the impending aid legislation. The practical value of the seminar for the Members would be greatly enhanced if you could give some attention, however brief, to this point in your presentation.

May I reiterate the principal questions to which we expect to address ourselves?

- 1.) What has U.S. foreign aid accomplished since the end of World War II? What lessons have we learned in respect to wrong and ineffective uses of aid to promote development of the less developed countries?
- 2.) Where do we go from here? What new directions now offer themselves and what must be done to give maximum effectiveness to U.S. aid now and in the future? In the period of fiscal crisis through which the Nation is now moving and in the face of the extreme aggravation of our balance of payments problem, should we have an aid program at all? If so, what is the amount of strictly economic aid this Nation can and should make available?

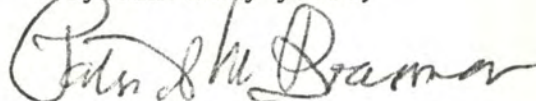
More broadly, we would like to explore the basic purposes of our aid program and the realistic limits on aid imposed by other urgent demands on our resources.

Dr. Irving S. Friedman
May 6, 1968
Page Two

Congressman Charles Goodell will chair our meeting on Thursday, May 9. He and I look forward with pleasure to seeing you then. We shall convene promptly at 9:15 A.M. in Room 2175, Rayburn House Office Building; it would be helpful if you could be present a few minutes earlier in the reception room adjacent to Room 2175.

With best wishes,

Very sincerely yours,



Dr. Patrick M. Boarman
Director of Research
House Republican Conference
Tel. 225-5107

P.S. While we would hope that you could keep your initial oral presentation within ten minutes, we would welcome the submission of a backup paper or other documentation for inclusion in our transcript of the supporting paper by Tuesday latest so that we can arrange for its reproduction and distribution at the seminar. A paper submitted at or several days after the seminar would also be acceptable.

PMB/jgl

Enclosure

OFFICE MEMORANDUM

TO: Mr. McNamara

FROM: Irving S. Friedman

SUBJECT: Status of Five-Year Economic Projections

DATE: May 2 1968

Attached hereto is a table summarizing the progress made thus far on our five-year economic projection studies.

Attach:

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: May 2, 1968

FROM: Irving S. Friedman

SUBJECT: 1% Aid Target

In connection with your meeting this weekend, the attached illustrative table may be of interest. It shows the extent to which the 1966 flow of financial resources fell short of, or exceeded, 1% of the national income of each of the IDA Part I countries, according to the most recent data.

The table also shows the relation of the same flow to 1% of GNP at market prices, which is the new point of reference recommended by the UNCTAD session early this year as compared with 1% of the National Income target. A copy of the UNCTAD resolution, which was supported by all donor countries, is attached. The use of the GNP concept substantially enlarges the targeted amounts and, similarly, the amounts by which the actual aid flows fall short of the targets!

Although the financial flows from most countries have been below both targets, a few have exceeded it. Financial flows in 1966 in excess of both targets were those of France, Italy, Kuwait and the Netherlands.

Complete figures for 1967 will not be available for some weeks, but partial estimates can be made. We estimate that increases in national income and GNP in 1967 raised the targets by roughly \$700 million (1% of national income) and about \$900 million (1% of GNP at market prices). Ed Martin gave me on April 30 a preliminary DAC estimate of total of official aid flows in that year of \$7,205 million; this is an increase of nearly \$800 million, or more than 10%, over the 1966 level. Official aid in 1967 has thus increased more rapidly than the national income and GNP of donor countries. Figures on private flow, however, are not yet available. Total aid and shortfall below target can therefore not yet be calculated for 1967. The estimated increase in 1967 reflects earlier commitments since the figures are on disbursements rather than commitments.

Attachments (2)

158

President has seen



Distr.
GENERAL

TD/II/RES/27
29 March 1968

United Nations Conference on Trade and Development

Second session
Agenda item 12

DECISION TAKEN BY THE CONFERENCE

27(II). Aid volume target

1. The Conference agrees that economic development entails mutually reinforcing efforts by developing and developed countries. It is appreciated that developing countries must and do bear the main burden for financing their own development. The developed countries, for their part, recognise their responsibility to provide increased resources to developing countries. The Conference stresses that, in view of the crucial role of external resources in helping to mobilize the domestic resources of developing countries, the efforts of developed countries in support of development should be further intensified.
2. The Conference accordingly recommends that each economically advanced country should endeavour to provide annually to developing countries financial resource transfers of a minimum net amount^{1/} of 1 per cent of its GNP at market prices in terms of actual disbursements, having regard to the special position of those countries which are net importers of capital.
3. The Conference recognises that the target should be regarded as an incentive to greater efforts to provide resources rather than as a ceiling or a suitable method for comparing the appropriate quantitative or qualitative development assistance efforts as between different economically advanced countries.

^{1/} Net financial resource transfers are defined as follows:

(i) official cash grants and grants in kind including grants for technical assistance but excluding grants for defence purposes; sales of commodities against local currencies exclusive of utilisation of such currencies by the donor country for its own purposes; government lending for periods exceeding one year net of repayments of principal; grants and capital subscriptions to multilateral aid agencies, and net purchases of bonds, loans and participation from those agencies.

(ii) private capital on the basis of net long-term movements originating with residents of the capital exporting countries; they are thus net of repatriation of principal, disinvestment and retirement of long-term loans, portfolio assets and commercial debt. They are not net of reverse flows of capital originating with residents of less-developed countries, nor of investment income.

4. Some economically advanced countries have already met the target as defined above. They are prepared to endeavour to ensure that their net financial resource transfers are maintained and to envisage, if possible, an increase in them.
5. Several developed countries expressed the view that their progress towards the target is affected by their relative aid-giving capacity, and may, from time to time, be affected by certain temporary difficulties.
6. In the view of developing countries and some donor countries this target should be achieved by 1972; some other donor countries stated that they were prepared to meet this target either by this date or at the latest by 1975; all the other donor countries do not feel able to accept a precise date.
7. The Conference recognises that official bilateral and multilateral flows are clearly required to meet many of the basic needs of developing countries. It is generally accepted that the resources which individual donor countries can provide differ widely in composition in view of the differences in their economic structure. The Conference recognises, moreover, that private funds have their role to play, and in order to meet the increasing needs of developing countries, these as well as official flows should be promoted. A number of developed countries stated that within the one per cent target defined above, they were prepared to attempt to provide a minimum of 0.75 per cent of its GNP by way of net official financial resource transfers.^{2/} One developed country expressed the view that this proportion should be at least half of the one per cent target. The other developed countries, even though they are not prepared to accept any precise ratio, believe that endeavours should be made to ensure that official bilateral and multilateral flows represent a substantial part of the totality of financial resources provided.
8. Annual progress reports in an appropriate form should be submitted and reviewed in terms of General Assembly resolution 1995 (XIX) and Trade and Development Board resolution 19(II).

^{2/} Net official financial resource transfers are defined in paragraph (i) of foot note ^{1/}.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Irving S. Friedman

SUBJECT: Status of Studies

DATE: May 1, 1968

You may be interested in seeing the attached document summarizing the status of studies in the Economics Department. This summary has been circulating within the staff since last fall and it is now planned to send Part I - Completed Studies, to the Executive Directors for information. The Executive Directors have requested to be kept informed of the studies done in the Economics Department.

We are giving further thought as to whether Part II, which summarizes studies in progress, might also be sent to the Executive Directors in the future.

ISF

President has seen

Mr. Robert S. McNamara

May 1, 1968

Irving S. Friedman

Status of Studies

You may be interested in seeing the attached document summarizing the status of studies in the Economics Department. This summary has been circulating within the staff since last fall and it is now planned to send Part I - Completed Studies, to the Executive Directors for information. The Executive Directors have requested to be kept informed of the studies done in the Economics Department.

We are giving further thought as to whether Part II, which summarizes studies in progress, might also be sent to the Executive Directors in the future.

OFFICE MEMORANDUM

TO: Mr. Irving S. Friedman

DATE: April 29, 1968

FROM: Alexander Stevenson SUBJECT: Status of Studies

1. As you know, since October 1967 the Economics Department has been circulating, at quarterly intervals, the "Status of Studies" to staff members of the Bank to keep them informed about the research work undertaken by the Department. Internal distribution of this paper has been gradually extended and now consists of yourself, Messrs. Knapp, Shoaib, Rosen, Raj, Directors and Deputy Directors, and Division Heads of the Bank and IFC.

2. Since it is now planned to send Part I (Completed Studies) of this document to the Executive Directors, you may wish to send the entire document (consisting of studies completed, on-going and planned) to Mr. McNamara for his information. I enclose a copy of this latest issue.

Attachment

cc: Mr. Kamarck

OFFICE MEMORANDUM

TO: Mr. McNamara

DATE: May 1 1968

FROM: Irving S. Friedman

SUBJECT: Facts about IDA

On the basis of my discussions with various members of the staff of Congressional Committees considering the IDA bill, the attached points about IDA might be found useful for Congressmen and Senators.

Attachment

ISF

President has seen

Facts about IDA

1. IDA commitments have been running at a level of about \$350 million a year. The country investigations and the project evaluations meet exactly the same standards as the World Bank. All decisions about IDA credits are made on purely technical grounds. Economists, engineers, and accountants join in making business-like decisions in the way in which they would in any modern corporation. Only the financial terms differ from the Bank's because of the poorness of the recipient countries and the dim outlook for their ability to service foreign debt.
2. The Bank administers the IDA. There is no special staff for IDA. The Bank charges IDA a fee of a little more than \$4 million, but this is less than IDA's income from the service charges on credits extended by IDA to borrowers. Therefore none of the budgetary contributions of the United States to IDA is used for IDA's administration.
3. Every dollar contributed by the United States to IDA results in investments of at least \$5; it has a "multiplier" of 5 or more. Thus the proposed U.S. contribution of ~~\$100~~ million per year would mean investments of at least \$500 million a year and probably much more in the developing countries. This "multiplier" effect results from the fact that for every dollar put up by the United States there is one and a half dollars put up by donor countries and in every investment made there is a large share of resources financed by the country which is the receiver of the credit. In most credits the recipient country could be expected to provide more than 50 per cent of the total costs, in which case the "multiplier" of the United States contribution would not be five, but something even higher.
4. The proposed bill provides for an increase in annual appropriations for IDA. However, balance of payments safeguards are part of the international agreement. They limit U.S. cash payments to IDA to procurement in the U.S. until the middle of 1971 or later. It is expected that the U.S. would provide in cash only about 20 per cent of the total IDA disbursements until at least the middle of 1971 and perhaps even later. In this way in terms of cash, the United States, for the next few years, will only be providing one-fifth of the funds used to meet disbursements under IDA credits. On this basis the "multiplier" effect for the next few years of cash payments by the United States for IDA credits will be much more than ten times -- \$100 million a year of U.S. cash payments to IDA would finance over a billion of IDA investments.
5. The balance of payments safeguards which are part of the IDA proposal represent an important friendly act towards the United States by a number of friendly donor countries, such as Germany, Italy, Sweden, the Netherlands and Canada. The balance of payments safeguard measures are only made possible by the fact that other donor countries are willing to accelerate their own cash payments to IDA so that the financial soundness of IDA is maintained at the same time as the burden on the U.S. is correspondingly reduced. The postponement of IDA would in effect mean turning down a generous act of international cooperation very helpful to the United States.
6. Both political parties, in both Republican and Democratic Administrations, have evidenced repeated warm support for this international institution. Their past actions have also indicated their recognition that the World Bank Group was something distinctly different from domestic foreign aid and from regional financial institutions.

May 1 1968

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

ECONOMICS DEPARTMENT

STATUS OF STUDIES -- 2ND QUARTER - APRIL 1, 1968^{1/}

TABLE OF CONTENTS

	<u>Pages</u>
COMMODITIES AND TRADE	1 - 3, 7 - 9, 22
SECTOR AND PROJECT PROBLEMS	3 - 4, 9 - 17, 23 - 24
NATIONAL AND INTERNATIONAL FINANCE	5, 17 - 20, 24
OTHER	5 - 6, 20 - 21

^{1/} This is a quarterly publication, the first issue of which was published in October 1967, and the second in January 1968.

NOTE: Division Draft, Department Draft, and Final Paper

Definitions of these terms are as follows:

- (a) Division Draft: The first draft of a study which has been completed by a staff member and submitted to the Division Chief for review.
- (b) Department Draft: The Division Draft which has been revised to take account of comments received. This is generally distributed both within and outside the Department either for information or for comments.
- (c) Final Paper: can either be a Bank Occasional Paper, an Economics Department unclassified report, a Department Working Paper, or a Department Draft.

DISTRIBUTION: Messrs. Friedman, Knapp, Shoaib, Rosen, Raj, Avramovic, Rist, Department Heads (Bank and IFC), Economic Advisers, Busse, Owen (2), Waterston, Young Professional Training Program, Paris Office (2), Nairobi Office (2), Abidjan Office (2), New Delhi Office (2), Pakistan Office (2), Peter A. Reid, IBRD/FAO (2), Economics Department Staff Members, and those indicated in the distribution list supplied by each Department.

ECONOMICS DEPARTMENT
STATUS OF STUDIES -- APRIL 1968^{1/}

Part I - Completed

<u>Title of Study</u>	<u>Brief Description of Study</u>	<u>Division</u>	<u>Author(s)</u>	<u>Remarks</u>
<u>COMMODITIES AND TRADE</u>				
1. Export Experience of Developing Countries	Analysis of commodity and minor export growth patterns of developing countries in 1950-63.	Director's Office	de Vries	ISSUED AS OCCASIONAL PAPER NO. 3, NOVEMBER 1967.
2. STRUCTURE OF PROTECTION IN THE INDUSTRIAL COUNTRIES AND ITS EFFECTS ON THE EXPORTS OF PROCESSED GOODS FROM DEVELOPING COUNTRIES	CALCULATION OF THE DEGREE OF PROTECTION ON PRODUCTS AT DIFFERENT LEVELS OF FABRICATION; AN ESTIMATE OF THE PROBABLE EFFECTS OF TARIFF REDUCTIONS UNDERTAKEN IN THE KENNEDY ROUND ON IMPORTS OF MANUFACTURES FROM DEVELOPING COUNTRIES.	"	BALASSA*	ISSUED AS EC-152a, MARCH 1968.
3. ECONOMIC GROWTH, TRADE AND BALANCE OF PAYMENTS IN THE DEVELOPING COUNTRIES 1960-1965	ECONOMIC PERFORMANCE OF DEVELOPING COUNTRIES IN THE FIRST HALF OF THE 60'S AND ITS RELATIONSHIP WITH THE SOURCES AND USES OF FOREIGN EXCHANGE; A DETAILED ANALYSIS OF THE EXPORT EXPERIENCE OF THESE COUNTRIES AND THE FLOW OF OFFICIAL AND PRIVATE CAPITAL.	"	BALASSA*	ISSUED AS EC-159, MARCH 1968.

^{1/} This is a quarterly publication. Items in capital letters indicate changes from the previous report dated January 23, 1968.

* Consultant

Part I - Completed (Cont'd)

<u>Title of Study</u>	<u>Brief Description of Study</u>	<u>Division</u>	<u>Author(s)</u>	<u>Remarks</u>
<u>COMMODITIES AND TRADE (Cont'd)</u>				
4. Development of U.S. Coffee Consumption, Analysis and Forecast	Analysis of past and future trends in U.S. demands.	Export Projections and Trade	Lovasy*	Issued as Economics Department Working Paper No. 9, November 1967.
5. Commodity Price Trends, 1967 Edition	Factual information on medium and long-term trends in the prices of some 23 primary commodities.	"	Singh and Staff	Issued as EC-155, August 1967.
6. Contribution of Primary Commodities to Export Earnings of Developing Countries.	Compilation showing principal commodities' shares of total earnings in each of 86 developing countries 1960-62 and 1965.	"	Singh	Issued as No. 1 Background Paper on the Commodity Stabilization Study, December 1967.
7. Background Note on Bananas	Critical analysis of major statistical series available on the world banana economy.	"	Singh	Issued as No. 2 Background Paper on the Commodity Stabilization Study, December 1967.
8. Exports of Major Commodities from the Developing Countries, 1953-65	Data showing postwar movements of principal commodity exports of developing countries in volume, value and unit value.	"	Singh	Issued as No. 3 Background Paper on the Commodity Stabilization Study, December 1967.
9. Background Note on Jute	Critical analysis of major statistical series and principal issues confronting the world jute economy.	"	Varon	Issued as No. 4 Background Paper on the Commodity Stabilization Study, December 1967.

* Consultant

Part I - Completed (Cont'd)

- 3 -

<u>Title of Study</u>	<u>Brief Description of Study</u>	<u>Division</u>	<u>Author(s)</u>	<u>Remarks</u>
<u>COMMODITIES AND TRADE (Cont'd)</u>				
10. REPORT ON SECOND SESSION OF FAO STUDY GROUP ON BANANAS	REPORT ON MEETING INCLUDING ANALYSIS OF THE CURRENT AND PROSPECTIVE WORLD BANANA SITUATION	EXPORT PROJECTIONS	SINGH	ISSUED AS COMMODITY NOTE NO. 56, JANUARY 1968.
11. RECENT TRENDS AND OUTLOOK FOR WORLD PETROLEUM INDUSTRY	CRITICAL ANALYSIS OF MAJOR PROBLEMS AND CURRENT PROJECTIONS.	"	HUANG	ISSUED AS COMMODITY NOTE NO. 57, JANUARY 1968.
12. BACKGROUND NOTE ON TEA	CRITICAL ANALYSIS OF MAJOR STATISTICAL SERIES AND OF PRINCIPAL ISSUES.	"	ELZ	ISSUED AS NO. 5 BACKGROUND PAPER ON THE COMMODITY STABILIZATION STUDY, JANUARY 1968.
13. COPPER PRICE PROSPECTS	ANALYSIS OF POSTWAR TRENDS AND LIKELY FUTURE COURSE OF SUPPLY, DEMAND AND PRICE.	"	RYSHPAN	PREPARED FOR IFC. ISSUED AS A MEMORANDUM, MARCH 1968 AND WILL APPEAR AS ANNEX TO IFC PROJECT APPRAISAL REPORT.
14. NOTE ON INTERNATIONAL SUGAR MARKET	REVIEW OF POSTWAR AND CURRENT DEVELOPMENTS IN SUGAR.	"	LOVASY*	APPEARED ORIGINALLY AS ANNEX TO IFC BOARD PAPER, SEPTEMBER 1967.
15. Commodity Price Series		Statistical Services	Eschenbach	Issued as Economics Department Working Paper No. 6, October 1967.
<u>SECTOR AND PROJECT PROBLEMS</u>				
16. Present Worth Calculation of Projects: 12 Tables	Calculation of the net present worth of projects of which the benefits grow more or less regularly over time, presented in 12 tables.	Investment Planning	de Weille Kim	Issued as Economics Department Working Paper No. 2, June 1967.

* Consultant

Part I - Completed (Cont'd)

<u>Title of Study</u>	<u>Brief Description of Study</u>	<u>Division</u>	<u>Author(s)</u>	<u>Remarks</u>
<u>SECTOR AND PROJECT PROBLEMS</u> (Cont'd)				
17. Program Windex for the Systematic Calculation of a Weather Index to be used in Agricultural Production Analysis	Outgrowth of a study exploring the possibilities of deriving agricultural production models for developing countries.	Investment Planning	Oury	Issued as Economics Department Working Paper No. 3, August 1967.
18. A Review of 62 Road Project Appraisal Reports, 1960 to 1966	Analysis of quantitative information contained in the project appraisal reports.	"	de Weille Angeles	Issued as Economics Department Working Paper No. 5, December 1967.
19. A Cost-Benefit Approach to Educational Planning in Developing Countries	Review of methods currently used in planning educational expenditure, and integration of the methods into a cost-benefit approach.	"	Blaug*	Issued as EC-157, December 1967.
20. The Economics of Road User Charges	Development of principles for analysis and policy regarding road user charges.	"	Walters*	Issued as EC-158, January 1968.
21. THE ECONOMIC BENEFITS OF ROAD TRANSPORT PROJECTS	OUTLINE OF THE CONCEPTUAL FRAMEWORK AND DISCUSSION OF THE PROBLEMS OF MEASUREMENT OF THE BENEFITS OF ROAD TRANSPORT PROJECTS.	"	VAN DER TAK RAY	ISSUED AS EC-160, MARCH 1968.

* Consultant

5/8 Policy
 may 5/8
 L. W.
 done 5/9

Part I - Completed (Cont'd)

<u>Title of Study</u>	<u>Brief Description of Study</u>	<u>Division</u>	<u>Author(s)</u>	<u>Remarks</u>
<u>NATIONAL AND INTERNATIONAL FINANCE</u>				
22. SUPPLIERS' CREDITS REDISCOUNTING FACILITIES FOR EXPORTS FROM DEVELOPING COUNTRIES	SECOND STUDY ON SUPPLIERS' CREDITS TO COVER IN A PRELIMINARY WAY REDISCOUNTING FACILITIES AVAILABLE FOR EXPORTS OF CAPITAL GOODS BY DEVELOPING COUNTRIES.	DIRECTOR'S OFFICE	SACCHETTI KARAOZMANOGLU DUBEY	SENT TO THE SECRETARY-GENERAL OF UNCTAD, FEBRUARY 1968.
23. The Mechanics of Growth and Debt	Description of the mechanics of the process of transferring resources from one country to another.	"	King	Issued as Economics Department Working Paper No. 4, August 1967.
24. Earmarking of Taxes for Highways in Developing Countries	Attempt to determine systematically whether any relationship exists between the earmarking of revenues for highways and the relative share of highway expenditure in total investment in developing countries.	Domestic Finance	Eklund	Issued as Economics Department Working Paper No. 1, June 1967.
25. External Debt Statistics - Objectives and Problems	Review of IBRD work in this field, including discussion of some current problems.	International Finance	Karaozmanoglu	Submitted to the External Debt Review Committee of the Bank.
26. MULTILATERAL REGIONAL FINANCING INSTITUTIONS	ANALYSIS OF SOURCES OF FUNDS AND PROCUREMENT POLICIES OF REGIONAL BANKS.	"	RIST DE FONTENAY KAO RAO	DISTRIBUTED TO EXECUTIVE DIRECTORS IN MARCH 1968 THROUGH MR. RIST'S OFFICE.
<u>OTHER</u>				
27. FRENCH ACADEMIC AND PRIVATE RESEARCH ON ECONOMIC DEVELOPMENT PROBLEMS	REVIEWS INSTITUTIONS, IDEAS AND RESEARCH METHODS APPLIED IN FRENCH DEVELOPMENT ECONOMICS.	INDUSTRIALIZATION	NOWICKI	ISSUED AS ECONOMICS DEPARTMENT WORKING PAPER NO. 12, FEBRUARY 1968.

Part I - Completed (Cont'd)

<u>Title of Study</u>	<u>Brief Description of Study</u>	<u>Division</u>	<u>Author(s)</u>	<u>Remarks</u>
<u>OTHER (Cont'd)</u>				
28. An Analysis of the Determinants of Money Wage Changes in Jamaica, 1958-1964	Econometric analysis of wage changes.	Applied Quantitative Research	Hall*	Issued as Economics Department Working Paper No. 7, October 1967.
29. A Linear Programming Model of the Output and Employment Possibilities of the Economy of Jamaica 1965-1975; Preliminary Results		"	Carter	Issued as Economics Department Working Paper No. 8, October 1967.
30. A Method for Projecting Imports	Application of input/output technique for projecting imports - a case study of New Zealand.	"	Carter	Issued as Economics Department Working Paper No. 10, January 1968.
31. INTERNATIONAL COMPARISONS OF DOMESTIC SAVINGS RATES - A REVIEW	REVIEW OF EXISTING LITERATURE.	"	KRISHNA-MURTY	ISSUED AS A DEPARTMENT DRAFT, JANUARY 1968.

* Consultant

Part II - In Progress

<u>Title of Study</u>	<u>Brief Description of Study</u>	<u>Division</u>	<u>Author(s)</u>	Dept. Final		<u>Remarks</u>
				<u>Draft</u>	<u>Paper</u>	
<u>COMMODITIES AND TRADE</u>						
1. Structure of Protection in Developing Countries	Effects of various measures of protection on resource allocation and relative prices in Mexico, Pakistan, Argentina, Chile, Brazil, Philippines, Malaysia and Norway.	Director's Office	Balassa* and Associates	SEPT. 68	NOV.68	The Inter-American Bank is contributing finance for this study.
2. THE COFFEE ECONOMY OF COLOMBIA	COVERS COLOMBIA'S ROLE IN THE WORLD COFFEE TRADE, COFFEE AND THE ECONOMIC DEVELOPMENT OF THE COUNTRY, THE STRUCTURE AND PROSPECTS OF ITS COFFEE SECTOR, AND THE PROBLEMS OF DIVERSIFICATION.	INTERNATIONAL GROUP	KALMANOFF	MAR.68	JUN.68	BEING DONE FOR THE TRIPARTITE (IBRD-FAO-ICO) COFFEE STUDY. THE COMPLETION DATE WILL DEPEND UPON THE DECISION OF THE DIRECTOR OF THE TRIPARTITE STUDY.
3. Effects on Developing Countries' Exports of Reducing Trade Barriers to Primary Products	Evaluation of recent estimates.	Export Projections and Trade	Lovasy*	Nov.67	--	Completion delayed due to Miss Lovasy's participation in the Commodity Stabilization Study.
4. Prospects for Jute	Analysis and projection of supply, demand, trade and prices.	"	Varon	APR.68	JUL.68	SUGGESTED BY ASIA DEPARTMENT AND IFC. DIVISION DRAFT COMPLETED AND BEING REVIEWED. TO BE ISSUED AS AN ECONOMICS DEPARTMENT REPORT.

* Consultant

Part II - In Progress (Cont'd)

<u>Title of Study</u>	<u>Brief Description of Study</u>	<u>Division</u>	<u>Author(s)</u>	<u>Dept.</u> <u>Draft</u>	<u>Final</u> <u>Paper</u>	<u>Remarks</u>
<u>COMMODITIES AND TRADE</u> (Cont'd)						
5. PAST AND PROSPECTIVE TRENDS IN THE WORLD ALUMINUM INDUSTRY	Analysis and projection of supply, demand, trade and prices.	Export Projections and Trade	Huang	FEB.68	APR.68	SUGGESTED BY IFC AND WESTERN HEMISPHERE DEPARTMENT. ISSUED FOR COMMENTS THROUGH ECONOMIC COMMITTEE.
6. Export Prospects for Developing Countries	Review and analysis of post-war export experience of developing countries and forecast of future trends based on individual commodity forecasts.	"	Singh and Staff	JUN.68	JUL.68	Delayed due to operational interruptions and the Commodity Stabilization Study.
7. Prospects for Plywood	Analysis and projection of demand, supply, trade and prices.	"	Singh (Miss)	APR.68	MAY 68	SUGGESTED BY ASIA DEPARTMENT. DIVISION DRAFT COMPLETED AND BEING REVIEWED. To be issued as an Economics Department Report or Commodity Note.
8. Background Note on Copper	Critical analysis of major statistical series and of principal issues confronting the world industry.	"	Ryshpan	MAY 68	JUN.68	UNDERTAKEN FOR THE COMMODITY STABILIZATION STUDY.
9. PROBLEMS ON THE INTERNATIONAL SUGAR MARKET AND SUGGESTED SOLUTIONS	ANALYSIS OF PROBLEMS IN WORLD SUGAR INDUSTRY AND POSSIBLE APPROACHES TO STABILIZATION.	"	LOVASY*	APR.68	JUL.68	UNDERTAKEN FOR THE COMMODITY STABILIZATION STUDY.

* Consultant

Part II - In Progress (Cont'd)

<u>Title of Study</u>	<u>Brief Description of Study</u>	<u>Division</u>	<u>Author(s)</u>	<u>Dept. Draft</u>	<u>Final Paper</u>	<u>Remarks</u>
<u>COMMODITIES AND TRADE</u> (Cont'd)						
10. INTERNATIONAL COFFEE AGREEMENT OF 1968 - HISTORY AND REVIEW	ANALYSIS OF THE NEW COFFEE AGREEMENT WITH HISTORICAL BACKGROUND.	EXPORT PROJECTIONS AND TRADE	SINGH	MAY 68	JUN.68	REQUESTED BY WESTERN HEMISPHERE AND AFRICA DEPARTMENTS.
11. PROBLEMS AND PROSPECTS IN INDIAN JUTE TEXTILE EXPORTS	REPORT ON MISSION TO INDIA	"	VARON	APR.68	JUL.68	REQUESTED BY ASIA DEPARTMENT.
12. PROBLEMS AND PROSPECTS IN INDIAN TEA EXPORTS	REPORT ON MISSION TO INDIA AND CEYLON	"	ELZ	MAY 68	JUN.68	REQUESTED BY ASIA DEPARTMENT.
13. Study of World Market for Rubber	Econometric techniques applied to factors determining the price of rubber.	Applied Quantitative Research	Behrman*	May 68	--	Project concerned with exploration of econometric techniques likely to be relevant to the Bank's operational needs.
<u>SECTOR AND PROJECT PROBLEMS</u>						
14. Central American Road User Charges Study	The operational purpose of this study is to reach conclusions on the appropriate level and pattern of road user charges in the Central American countries; it will also offer an opportunity to test the analytical techniques developed by Professor Alan Walters. (See also Part I, No. 20 above).	Domestic Finance	Churchill Huber Walters* Soges** Park** Bronfman**	Mar.68	--	REQUESTED BY WESTERN HEMISPHERE AND PROJECTS DEPARTMENTS. DEPARTMENT DRAFT DISTRIBUTED TO THE MEMBERS OF THE STEERING COMMITTEE, MARCH 1968.

* Consultant; ** Projects Department

Part II - In Progress (Cont'd)

<u>Title of Study</u>	<u>Brief Description of Study</u>	<u>Division</u>	<u>Author(s)</u>	<u>Dept. Draft</u>	<u>Final Paper</u>	<u>Remarks</u>
<u>SECTOR AND PROJECT PROBLEMS (Cont'd)</u>						
15. Load Control Study in West Pakistan	Review of theoretical literature and the experience of individual countries with load control and the application of these ideas to West Pakistan.	Domestic Finance	Beier	Dec.67	JUL.68	SUGGESTED BY PUBLIC UTILITIES DIVISION OF PROJECTS DEPARTMENT. Draft discussed with Public Utilities Division of Projects Department on January 22. FURTHER WORK ON THIS STUDY IS EXPECTED TO BE UNDERTAKEN FROM THE BEGINNING OF APRIL.
16. Optimum Timing of Investments	Discussion of the question of the optimum point in time at which to undertake investments and presentation of practical guidelines in this regard.	Investment Planning	de Weille	MAY 68	--	SUGGESTED BY PROJECTS DEPARTMENT. Division draft completed and being revised.
17. Techniques for Project Appraisal under Uncertainty	Presentation of feasible method for evaluating the riskiness of investments. Shows how quantitative evaluations of riskiness might be used in the context of various decision problems.	"	Reutlinger	Jun.67	MAY 68	SUGGESTED BY PROJECTS DEPARTMENT. Department draft being revised for circulation to the Economic Committee.

Part II - In Progress (Cont'd)

<u>Title of Study</u>	<u>Brief Description of Study</u>	<u>Division</u>	<u>Author(s)</u>	<u>Dept. Draft</u>	<u>Final Paper</u>	<u>Remarks</u>
<u>SECTOR AND PROJECT PROBLEMS (Cont'd)</u>						
18. RISK ANALYSIS OF A LIVESTOCK PROJECT	DESCRIPTION OF ONE TECHNIQUE FOR EVALUATING THE RISKS ASSOCIATED WITH A LIVESTOCK PROJECT.	Investment Planning	HUSAIN	--	--	BEING DONE IN CO-OPERATION WITH PROJECTS DEPARTMENT. PRELIMINARY DRAFT COMPLETED.
19. Project Evaluation in Inflationary Conditions	Analysis of financial and allocative problems caused by inflation.	"	Schmedtje Lall	APR.68	--	SUGGESTED BY PROJECTS DEPARTMENT. DIVISION DRAFT COMPLETED AND BEING REVIEWED.
20. Public Expenditure Patterns in Developing Countries.	Quantitative analysis of government expenditure patterns in relation to GDP per capita for some 40 developing countries.	"	(Sharif) Schmedtje	Aug.66	MAY 68	Being redrafted. Expected to be issued as an Economics Department working paper in MAY 1968.

Part II - In Progress (Cont'd)

<u>Title of Study</u>	<u>Brief Description of Study</u>	<u>Division</u>	<u>Author(s)</u>	<u>Dept. Draft</u>	<u>Final Paper</u>	<u>Remarks</u>
<u>SECTOR AND PROJECT PROBLEMS (Cont'd)</u>						
21. Agricultural Production Models for Developing Countries	Exploration of the possibilities of deriving agricultural production models for developing countries.	Investment Planning	Oury	FEB.68	--	SUGGESTED BY PROJECTS DEPARTMENT. DEPARTMENT DRAFT CIRCULATED AND TO BE DISCUSSED IN APRIL. Study consists of four parts: I - Methodology; II - Evaluation of Past Efforts; III - Time Series Analysis of West Punjab Wheat Production Data: The Case of Lahore District; and IV - Some Factors Influencing Wheat Production in West Punjab.
22. Optimum Berth Occupancy in Ports	Methodological study including collection and analysis of data available.	"	de Weille Ray	May 68	--	SUGGESTED BY PROJECTS DEPARTMENT. Preliminary draft completed and being discussed.

Part II - In Progress (Cont'd)

<u>Title of Study</u>	<u>Brief Description of Study</u>	<u>Division</u>	<u>Author(s)</u>	<u>Dept. Draft</u>	<u>Final Paper</u>	<u>Remarks</u>
<u>SECTOR AND PROJECT PROBLEMS (Cont'd)</u>						
23. Optimum Depth in Ports	Methodological study including collection and analysis of data available.	Investment Planning	de Weille Abe	--	--	SUGGESTED BY PROJECTS DEPARTMENT PRELIMINARY DRAFT COMPLETED.
24. Urban Water Demand	Quantitative analysis of water consumption and income data for some 30 cities in developing countries.	"	Meroz	--	APR. 68	SUGGESTED BY PROJECTS DEPARTMENT. Division draft being edited. Expected to be issued as an Economics Department Working Paper in APRIL 1968.
25. Evaluation of Community Water Supply Projects	Definition and measurement of benefits and costs of water supply projects.	"	Schmedtje	--	--	SUGGESTED BY PROJECTS DEPARTMENT. Division draft expected in JUNE 1968.

Part II - In Progress (Cont'd)

<u>Title of Study</u>	<u>Brief Description of Study</u>	<u>Division</u>	<u>Author(s)</u>	<u>Dept. Draft</u>	<u>Final Paper</u>	<u>Remarks</u>
<u>SECTOR AND PROJECT PROBLEMS (Cont'd)</u>						
26. Kenya Case Study in Educational Planning	Case study on Kenya to test the feasibility of cost-benefit analysis in educational planning.	Investment Planning	Thias Carnoy* Rado*	--	--	SUGGESTED BY PROJECTS DEPARTMENT. FIRST STAGE OF FIELD WORK COMPLETED. Preliminary draft expected in April 1968.
27. Economics of the Manufacture of Heavy Mechanical Equipment in Developing Countries	Analysis of factors in the growth and competitiveness of the heavy mechanical equipment industry in some developing countries.	Industrialization	Walstedt Schrenk	MAY 68	JUN.68	FURTHER WORK TILL COMPLETION WILL BE UNDERTAKEN BY MR. WALSTEDT.
28. Heavy Electrical Equipment in Developing Countries	Analysis of factors in the growth and competitiveness of the heavy electrical equipment industry in some developing countries.	"	Cilingiroglu	Aug.67	APR.68	Issued to Economic Committee for comment in JANUARY.

* Consultant

Part II - In Progress (Cont'd)

<u>Title of Study</u>	<u>Brief Description of Study</u>	<u>Division</u>	<u>Author(s)</u>	<u>Dept. Draft</u>	<u>Final Paper</u>	<u>Remarks</u>
<u>SECTOR AND PROJECT PROBLEMS (Cont'd)</u>						
29. Automotive Industries in Developing Countries	Analysis of factors in the growth and competitiveness of the automotive industries in some developing countries.	Industrialization	Baranson	Mar.67	APR.68	Issued to Economic Committee for comments in FEBRUARY.
30. Import Substitution: Conceptual and Methodological Study	Survey of problems arising in planning import substitution.	International Finance	Dubey	May 67	--	BEING REVISED.
31. Protection of Capital Goods Production in Developing Countries	Summary of findings of research on competitiveness of capital goods industries, with particular relevance to margins of preference in Bank lending.	Director's Office	de Vries	Dec.67	--	Based in part on studies 27 - 30 (above). BEING REVISED.

Part II - In Progress (Cont'd)

<u>Title of Study</u>	<u>Brief Description of Study</u>	<u>Division</u>	<u>Author(s)</u>	<u>Dept. Draft</u>	<u>Final Paper</u>	<u>Remarks</u>
<u>SECTOR AND PROJECT PROBLEMS (Cont'd)</u>						
32. Productivity Growth and Development in Latin America	Study of productivity changes and their determinants in Argentina, Brazil, Chile, Colombia and Mexico.	Industria- lization	Bruton*	Aug.67	MAY 68	Comments on draft being reviewed with author.
33. Consumer Spending Patterns and Income Elasticities of Demand	Review of the distribution of consumer expenditures between major types of goods and services as well as demand elasticities at different levels of per capita income and in different countries.	"	Datas	--	--	Division draft completed; after review and editing, to be issued as an Economics Department Working Paper.
34. Projection of Automobile Demand in Developing Countries	Analysis of factors determining the demand for automobiles in developing countries and methods for demand projections.	"	Nowicki	APR.68	--	Division draft being revised; expected to be issued as an Economics Department Working Paper.

* Consultant

Part II - In Progress (Cont'd)

<u>Title of Study</u>	<u>Brief Description of Study</u>	<u>Division</u>	<u>Author(s)</u>	<u>Dept. Draft</u>	<u>Final Paper</u>	<u>Remarks</u>
<u>SECTOR AND PROJECT PROBLEMS (Cont'd)</u>						
35. The Demand for Steel	Analysis of factors determining the demand for steel and techniques for steel demand projections.	Industrialization	Walstedt Datas	Oct.64	APR.68	FINAL REVISIONS UNDER WAY.
36. Pulp and Paper Industry: A Background Paper	Briefing paper for industrial economists and others involved in industrial analysis.	"	Datas	--	--	DIVISION DRAFT COMPLETED. Expected to be issued as an Economics Department Working Paper.
<u>NATIONAL AND INTERNATIONAL FINANCE</u>						
37. Outlook for Development Debt	Analysis of present and prospective debt servicing burdens (1965-75) based on current projections of capital needs and current and alternative lending terms.	Director's Office	de Vries	Oct.67	--	Objective is to test relevance to debt-cum-growth model and distinguish among different types of countries in the analysis of alternative lending terms.

Part II - In Progress (Cont'd)

<u>Title of Study</u>	<u>Brief Description of Study</u>	<u>Division</u>	<u>Author(s)</u>	<u>Dept. Draft</u>	<u>Final Paper</u>	<u>Remarks</u>
<u>NATIONAL AND INTERNATIONAL FINANCE (Cont'd)</u>						
38. Financial Markets in Developing Countries	Review of aspects of the evolution of financial markets in developing countries during the various phases of economic growth.	Director's Office	Tamagna*	Nov.67	May 68	In its final version this study should serve as a guideline for studies in depth of important aspects of financing economic development at various stages of economic growth.
39. Development Finance Problem in Brazil	Intensive study of certain problems in both the private and public sectors relating to the mobilization of financial resources for development.	Domestic Finance	Holsen Christofersen Sciolli	Dec.67	--	REQUESTED BY WESTERN HEMISPHERE DEPARTMENT. Division draft available. Final report delayed due to authors' participation in mission work.
40. Earmarking Study	Survey of the general literature on the earmarking of public revenues and the collection of data and other information which is available from published sources on earmarking.	"	Eklund	Jul.68	--	Completion delayed due to author's participation in mission work.

* Consultant

Part II - In Progress (Cont'd)

<u>Title of Study</u>	<u>Brief Description of Study</u>	<u>Division</u>	<u>Author(s)</u>	<u>Dept. Draft</u>	<u>Final Paper</u>	<u>Remarks</u>
<u>NATIONAL AND INTERNATIONAL FINANCE (Cont'd)</u>						
41. Financial Market Study in Pakistan	One of a series of intended country studies that it is planned to undertake of certain problems of domestic development finance particularly those relating to the flow of funds to the agricultural sector, to export financing and to regions requiring selective treatment in the allocation of financial resources.	Domestic Finance	Christof-fersen	Apr.68	--	STUDY IS OF INTEREST TO ASIA DEPARTMENT. BRIEF REPORT ON AGRICULTURAL CREDIT COMPLETED FOR INCLUSION IN REPORT OF THE ECONOMIC MISSION TO PAKISTAN. FURTHER WORK DELAYED (DUE TO ABSENCE OF AUTHOR IN PERU) UNTIL MAY 1968.
42. Agricultural Taxation (Tunisia)	One of a series of country studies on the problems of taxation in the agricultural sector in developing countries. <u>1/</u>	"	Sciolli	OCT.68	--	REQUESTED BY MIDDLE EAST AND NORTH AFRICA DEPARTMENT. THIS STUDY IS TO BE EMBRACED INITIALLY BY A WIDER STUDY OF THE TUNISIAN TAX STRUCTURE.
43. Agricultural Taxation (Pakistan)	One of a series of country studies on the problems of taxation in the agricultural sector in developing countries. <u>1/</u>	"	Amselle	Apr.68	--	DIVISION DRAFT TO BE COMPLETED BY EARLY APRIL.

1/ These studies are being undertaken in collaboration with the Fiscal Affairs Department of the IMF.

Part II - In Progress (Cont'd)

<u>Title of Study</u>	<u>Brief Description of Study</u>	<u>Division</u>	<u>Author(s)</u>	<u>Dept. Draft</u>	<u>Final Paper</u>	<u>Remarks</u>
<u>NATIONAL AND INTERNATIONAL FINANCE (Cont'd)</u>						
44. Agricultural Taxation (India)	One of a series of country studies on the problems of taxation in the agricultural sector in developing countries. <u>1/</u>	Domestic Finance	Abbate	Jun.68	--	AUTHOR AT PRESENT IN INDIA UNDER-TAKING FIELD WORK RELATED TO THE STUDY.
45. Multilateral Consolidations of External Debt 1956-1966	Analysis of international experience with multilateral debt relief operations.	International Finance	de Fontenay	Jan.68	--	COMPLETION DELAYED DUE TO AUTHOR'S PARTICIPATION IN THE BANK'S MISSION TO UNCTAD II IN NEW DELHI.
46. Savings and Taxation in Developing Countries	Cross-section and time series analysis is made in this paper. Cross-section analysis includes 35 developing countries; time series analysis is made for 12 developing countries.	Applied Quantitative Research	Krishna-murty	Aug.67	--	TO BE ISSUED AS AN ECONOMICS DEPARTMENT WORKING PAPER.
<u>OTHER</u>						
47. IBRD CASH FLOW MODEL	PREDICTS CASH FLOW, INCOME STATEMENT, AND BALANCE SHEET VARIABLES, GIVEN PAST ACTIONS, ASSUMED FUTURE POLICY VARIABLES, AND ASSUMED VALUES OF EXTERNALLY DETERMINED VARIABLES. BEING DEVELOPED AS A MANAGEMENT TOOL FOR PREDICTING IMPLICATIONS OF ALTERNATIVE LENDING, BORROWING, AND LIQUIDITY MANAGEMENT POLICIES OF THE BANK.	DIRECTOR'S OFFICE	ORCUTT ROVANI** GOOR	APR.68	--	THIS PAPER IS PART OF A STUDY BEING UNDERTAKEN FOR MR. ALDEWERELD.

1/ These studies are being undertaken in collaboration with the Fiscal Affairs Department of the IMF.
** Projects Department

Part II - In Progress (Cont'd)

	<u>Title of Study</u>	<u>Brief Description of Study</u>	<u>Division</u>	<u>Author(s)</u>	<u>Dept. Draft</u>	<u>Final Paper</u>	<u>Remarks</u>
<u>OTHER (Cont'd)</u>							
48.	Country Model/ Malaysia	A macro-economic model for use in country economic work for the purpose of making projections and testing the significance of different patterns of development.	Applied Quantitative Research	Niebuhr	MAR.68	JUL.68	AT THE REQUEST OF ASIA DEPARTMENT. INTERIM REPORT COMPLETED AND SENT TO MALAYSIA, MARCH 1968.
49.	COUNTRY MODEL/PERU	A MACRO-ECONOMIC MODEL BASED ON THE NATIONAL ACCOUNTS OF PERU.	"	EISAAS	JUN.68	--	
50.	Country Model/ Brazil	Structural forecasting model.	"	de Vries Liu	--	--	Revision completed. Further work subject to discussion.
51.	Planning Models for India	Review of models used in Indian planning and a discussion of the theoretical issues involved.	"	Elsaas	Apr.67	APR.68	ISSUED THROUGH THE ECONOMIC COMMITTEE FOR COMMENTS, FEBRUARY 1968.
52.	Output Employment Models - Jamaica	Linear programming optimizing model.	"	Carter	Oct.68	--	Continuation of the work appearing in Economics Department Working Paper No. 8
53.	Capital-Output Ratios	Econometric estimate of capital-output ratios.	"	Conrad*	May 68	--	Work is progressing according to schedule.

* Consultant

Part III - Planned

<u>Title of Study</u>	<u>Brief Description of Study</u>	<u>Division</u>	<u>Author(s)</u>	<u>Object</u>	<u>Remarks</u>
<u>COMMODITIES AND TRADE</u>					
1. Outlook for Meat	Analysis of past and possible future trends in supply, demand, trade and prices for beef and veal.	Export Projections and Trade	Elz	This study is being undertaken because this commodity is becoming increasingly important both in Bank lending and in diversification programs.	Timetable and precise scope not yet settled. Some data already collected and a draft note has been made available to missions.
2. Trends in Tropical Timber Trade	Analysis of postwar trends in demand, trade and prices.	"	Macone Singh (Miss)	There is no study available on world supply, demand and trade trends in this area. It is planned to start by at least obtaining an idea of past trends, including price developments.	SUGGESTED BY AREA DEPARTMENTS.
3. TRENDS IN WORLD FERTILIZER INDUSTRY	ANALYSIS OF PAST WORLD MARKET TRENDS AND REVIEW OF AVAILABLE DEMAND PROJECTIONS.	"	HUANG	THIS STUDY WOULD PROVIDE BRIEFING MATERIAL ON WORLD MARKET AND PREPARE GROUND FOR PAPER ON FERTILIZER RAW MATERIALS, ESPECIALLY PHOSPHATE ROCK AND POTASH.	SUGGESTED BY IFC AND AREA DEPARTMENTS.

Part III - Planned (Cont'd)

<u>Title of Study</u>	<u>Brief Description of Study</u>	<u>Division</u>	<u>Author(s)</u>	<u>Object</u>	<u>Remarks</u>
<u>SECTOR AND PROJECT PROBLEMS</u>					
4. PROJECTION OF DOMESTIC DEMAND FOR AGRICULTURAL PRODUCTS IN DEVELOPING COUNTRIES	METHODOLOGICAL STUDY INCLUDING COLLECTION AND ANALYSIS OF AVAILABLE ESTIMATES FOR SPECIFIC COUNTRIES.	INVESTMENT PLANNING	OURY		TO BE UNDERTAKEN IN RESPONSE TO A SUGGESTION FROM AGRICULTURE DIVISION OF PROJECTS DEPARTMENT.
5. Appraisal of Road Maintenance Projects	Methodological study including collection and analysis of data available.	"	de Weille		To be undertaken in response to suggestion from Transport Division of Projects Department. Preparatory work started in December 1967.
6. Transport System Analysis	Inventory and analysis of existing transport models.	"	de Weille	Such a study appears timely as the use of models in transport planning is rapidly increasing.	Starting date dependent on availability of suitable co-author.
7. Investment Planning in the Tourism Sector	Development of a cost-benefit framework for evaluating investments in the tourism sector.	"		Such a framework is needed as an analytical basis for the Bank operations.	STARTING DATE DEPENDENT ON AVAILABILITY OF SUITABLE AUTHOR.

Part III - Planned (Cont'd)

<u>Title of Study</u>	<u>Brief Description of Study</u>	<u>Division</u>	<u>Author(s)</u>	<u>Object</u>	<u>Remarks</u>
<u>SECTOR AND PROJECT PROBLEMS (Cont'd)</u>					
8. Investment Costs in Nitrogenous Fertilizer Manufacture	Analysis of actual investment costs for plants recently constructed in developing countries and analysis of factors leading to high investment costs.	Industrialization	Cilingiroglu	The review should pinpoint critical areas for project appraisal and provide policy guidelines for the Bank Group in dealing with this important industry. The findings might have relevance for other industries as well.	STARTING DATE NOT YET DECIDED.
<u>NATIONAL AND INTERNATIONAL FINANCE</u>					
9. RESOURCE TRANSFERS THROUGH LOANS	Comparative analysis of debt models used by IBRD, OECD, UNCTAD, AID and others.	International Finance		FOR USE BY IBRD AREA DEPARTMENTS AND BY OTHER INTERNATIONAL AGENCIES.	UNDERTAKEN IN RESPONSE TO VARIOUS REQUESTS FOR SURVEY OF EXPERIENCE IN THE DEBT MODELS. Data being collected; starting date first half of 1968.
10. MACRO ECONOMIC ANALYSIS IN COUNTRY ECONOMIC REPORTS	AN EXAMINATION OF THE USE OF SMALL MODELS FOR THE PURPOSES OF MACRO-ECONOMIC ANALYSIS NORMALLY MET WITH IN COUNTRY ECONOMIC WORK.	APPLIED QUANTITATIVE RESEARCH	CARTER HAWKINS	AN EXAMINATION WILL BE MADE OF THE EXTENT TO WHICH RELATIVELY SIMPLE MACRO-ECONOMIC MODELS CAN BE USED FOR THE ANALYSIS OF PAST TRENDS AS WELL AS FOR PROJECTION PURPOSES IN COUNTRY ECONOMIC ANALYSIS.	

Office of the Director
S. K. Bhatia
April 9, 1968