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Series: General correspondence

Sub-Fonds: Records of President Robert S. McNamara

Fonds: Records of the Office of the President

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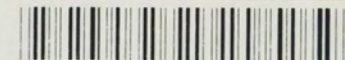
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McNamara Papers

Chronological file (incoming)
1977 (Jul. - Dec)

The World Bank Group
Archives



1771547

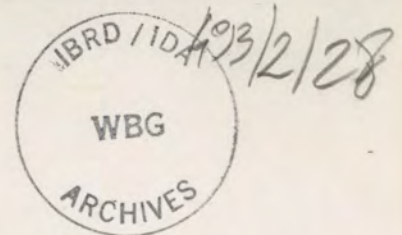
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President's papers - Robert S. McNamara Chronological files (incoming) - Chrons 17

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OFFICE MEMORANDUM



TO: Executive Directors

DATE: December 21, 1977

FROM: Edward R. Fried *ERF*SUBJECT: U.S. Policy on the Use of World Bank Documents for Official Purposes

I believe yesterday's discussion was clouded a bit by the unfortunate juxtaposition of Congressman Long's letter with the request from my office for extra copies of some World Bank documents previously distributed to the Board. If any confusion remains, I trust the attached material will help to clear it up.

12/21 As to general U.S. policy on this subject, I enclose a copy of Congressman Long's letter of October 27 to Secretary Blumenthal and the Secretary's reply. In his letter, the Secretary reiterates the long-standing U.S. position that the Executive Branch must be the channel of communication between the Congress and the international institutions.

I also enclose an extract of a letter from my office to the Congressional Research Service referring to the conditions under which any documents we provide may be used. The Congressional Research Service is responsible for a study for the Appropriations Subcommittee on the effectiveness of the international financial institutions in reaching the poor. My request for certain documents to help them carry out this study touched off the Chairman's memorandum to the Board and the discussion we had yesterday.

Enclosures

cc: Mr. McNamara ✓
Mr. Cargill
Mr. Damry
Mr. Nurick

DEC 9 1977

Dear Mr. Chairman:

I am responding to your letter of October 27, 1977. In your letter you requested information on loans and other financial assistance furnished by the international development banks to the seven countries listed in President Carter's letter to you, and on loans by these institutions for palm oil, sugar and citrus, when the production is for export, and could injure producers in the United States.

In response to your request, Treasury will transmit to you information on such loans as they are approved by the international banks. We will also send you a copy of the monthly operational summary of each institution so as to keep you informed of upcoming loans.

Some of the documents of the international financial institutions are made available to member governments subject to restrictions on their further distribution. In such cases this is indicated on the cover page. Under Executive Order 11652 we are required to give these documents the same protection as the institutions do. Therefore, these documents will be made available to you on the understanding that their classification will be respected.

I note from your letter that you have also written directly to the Presidents of each of the international development banks on this subject. The U.S. Executive Directors, who represent the United States in these institutions on a full-time basis and who are the customary channel of communication between the United States and the banks, had already informed the banks of the Congressional concerns expressed in your letter and of the President's instructions to the U.S. Executive Directors.

I believe that it is essential to reiterate our strong view that these multilateral institutions help fulfill a variety of U.S. foreign policy and economic objectives. By attacking the economic and social causes of poverty, they address U.S. humanitarian interests and help increase world stability and security. They promote U.S. economic relations with developing countries by helping to expand the market for U.S. exports, to improve U.S. access to sources of raw materials and to increase the security of present and future U.S. investments in developing countries. They foster cooperative political relations with developed countries as well as developing countries, by demonstrating our commitment to the growth and well being of the developing world.

It is important that we not lose sight of the multilateral character of these institutions. Many governments share in their decision-making, as they do in their funding. For every dollar contributed by the United States, other countries contribute three additional dollars, thus increasing the development impact of U.S. contributions four-fold. They are thus an excellent investment for the United States, and an essential element in our international economic policy.

Sincerely,

W. M. Blumenthal

W. Michael Blumenthal

The Honorable
Clarence D. Long, Chairman
Subcommittee on Foreign Operations
Committee on Appropriations
House of Representatives
Washington, D.C. 20515

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Congress of the United States
House of Representatives
Committee on Appropriations
Washington, D.C. 20515

October 27, 1977

23391

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CLERK AND STAFF DIRECTOR
KEITH F. MAINLAND

TELEPHONE:
CAPITOL 5-3121
EXT. 52771
OR
225-2771

Honorable W. Michael Blumenthal
Secretary of the Treasury
Department of the Treasury
Washington, D. C.

Dear Mr. Secretary:

During consideration of the Foreign Assistance Appropriation Bill for fiscal year 1978, there was a great deal of debate regarding the prohibition of indirect assistance to Vietnam, Laos, Cambodia, Uganda, Mozambique, Angola and Cuba and the prohibition of funds to the international financial institutions for the production of sugar, palm oil or citrus crops. These explicit prohibitions were finally deleted by the Conference Committee after written assurances by President Carter (see enclosure) that the United States representatives to the multilateral institutions will be instructed to vote against and oppose loans to these seven countries and for the production of the three commodities where such production is for export and could injure producers in the United States.

I have sent the enclosed letter to the international financial institutions stating that if loans or other assistance are provided to these countries or are provided for the export of the commodities previously mentioned notwithstanding the United States action to vote against and oppose such assistance, the Foreign Operations Subcommittee on Appropriations in particular and the House of Representatives in general will consider their actions in these instances in arriving at the final appropriation levels for the international banks in fiscal year 1979. In addition, the letter indicated that the Foreign Operations Subcommittee would conduct continuing oversight during the coming year with one of its purposes to monitor the granting of such assistance for the above stated purposes or to the particular countries mentioned.

Honorable W. Michael Blumenthal

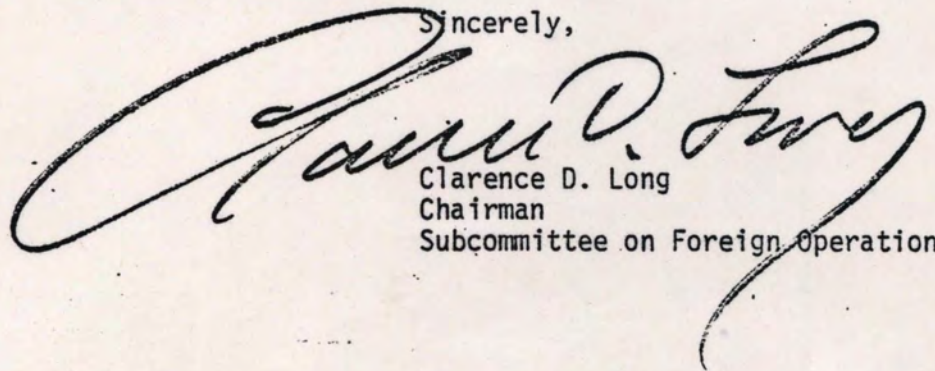
-2-

October 27, 1977

In order to monitor the financial or loan activity during the coming year, I direct the Department of the Treasury to continuously provide the Foreign Operations Subcommittee on Appropriations the detail on each loan or other financial assistance provided by any of the international financial institutions to these seven countries or for the export of the three commodities previously mentioned. It would also be extremely helpful to be supplied with any type of weekly or monthly operational summary on a regular basis which would detail the loan or assistance activity planned or provided during a specific period of time indicating the country, the type of project, the amount of assistance planned and a brief description of the project and its purpose.

I appreciate your cooperation in this matter.

Sincerely,

A large, stylized handwritten signature in dark ink, appearing to read "Clarence D. Long". The signature is fluid and cursive, with a large loop at the beginning and a long, sweeping tail that extends downwards and to the right.

Clarence D. Long
Chairman
Subcommittee on Foreign Operations

Extract from Bill Dixon's Letter to Congressional Research Service
Providing Documents to Help in the Study of the Effectiveness of
The International Financial Institutions in Reaching the Poor

"You will note that many of these documents have a restricted distribution and that US Executive Order 11652 requires the US Government to give these documents a degree of protection equivalent to that given by these institutions. Consequently, it is my understanding that these restricted documents will be used only at the Library of Congress in connection with the current Congressional study, will not be reproduced, will be returned to this office upon the completion of the study, and that the information in the documents, although usable as raw material for your conclusions, will not be referred to in identifiable form. This is necessary so that this office can meet the twin goals of being accountable to inquiries from the different branches of our government and still protect the Bank's confidential relationships with its member governments, which must be preserved if international organizations like the World Bank are to continue to function effectively. I further understand that the confidentiality of individual country relationships can be preserved during your study since you are attempting to obtain an aggregate view of this institution's effectiveness in reaching the poor and not examining the situation in individual countries."



Record Removal Notice



File Title President's papers - Robert S. McNamara Chronological files (incoming) - Chrons 17		Barcode No. 1771547		
Document Date Dec 20, 1977	Document Type			
Correspondents / Participants				
Subject / Title Informal Discussions Between the EDs and Mr. McNamara on "Oversight" - December 20, 1997 - 3:00 P.M.				
Exception No(s). <input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7 <input type="checkbox"/> 8 <input type="checkbox"/> 9 <input type="checkbox"/> 10 A-C <input type="checkbox"/> 10 D <input type="checkbox"/> Prerogative to Restrict				
Reason for Removal				
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Withdrawn by Sherrine M. Thompson	Date Nov 9, 2012			

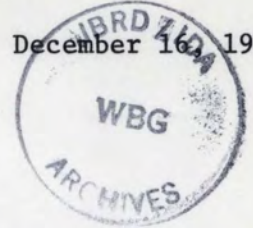
493/2/23

OFFICE MEMORANDUM

TO: Mr. McNamara

DATE: December 16, 1977

FROM: P. N. Damry

SUBJECT: President's Memorandum on "Oversight" Committee

12/16

Mr. Johnston was considerably perturbed on reading the last two paragraphs of the memorandum. He feels that they do not indicate the limits of confidentiality the Bank has set itself; and he is particularly worried that material not already distributed to the EDs should go out without prior consultation with the EDs. He asked whether I have had any other queries from "indignant Directors." While he said his mind had been set at rest by my explanation, I think he will raise these questions on Tuesday, and if you agree I shall advise him (if he so intends) to do so at the commencement of the Informal Meeting, when we shall be in Executive Session and the matter will not actually be out of context. Also, we shall have the Directors' views before we release any document.

PNDamry:df

493/2/29
December 22, 1977GUIDELINES FOR THE LIAISON COMMITTEE

1. It is important that the procedure followed in the Bank in connection with the investigation recognize that the responsibility for obtaining documents or requesting staff interviews rests with the United States Executive Director. Consequently, any documents or interviews sought by the Long Committee should be addressed by the Long Committee to the United States Executive Director.
2. If a staff member is directly asked by a representative of the Long Committee for information or for an interview, the staff member should advise the representative to address the inquiry to the United States Executive Director.
3. The United States Executive Director will then request Mr. Cargill (or Mr. Nurick) for such information or other action as he deems appropriate.
4. Requests by the United States Executive Director will be handled as they are made. The following procedure will govern.
 - (i) Additional copies of documents or other information previously given to the Executive Directors will be supplied on request.
 - (ii) Subject to (iii) and (iv) below, requests for any additional information by the United States Executive Director will be complied with.
 - (iii) If any additional information is requested which raises an issue of policy, the matter will be brought to the attention of the Executive Directors for appropriate action.

(iv) Requests for disclosure of information of a particularly confidential nature will be considered individually by the Committee.

5. Requests for interviews with staff members will be handled as they are made. If the United States Executive Director asks for an interview with the staff member and an interview is arranged, it is understood that the interview will be conducted by the Executive Director or his designee since the Executive Director is the channel of communication between the Bank and the Congress. The interview will be in his office. A member of the Liaison Committee or someone designated by the Committee will attend.

6. If material is furnished to the United States Executive Director which has not been previously distributed to the Executive Directors, copies will be sent them for their information.

7. It is understood by the United States Executive Director, and the Secretary of the Treasury has so advised Congressman Long, that any classified information given to the Executive Director and passed on to the Long Committee will retain its classification.

only US Ex.
Only
11652

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JOHN A. ROUSSELOT, CALIF.

JOHN R. STARK,
EXECUTIVE DIRECTOR

Congress of the United States JOINT ECONOMIC COMMITTEE

(CREATED PURSUANT TO SEC. 5(B) OF PUBLIC LAW 304, 79TH CONGRESS)

WASHINGTON, D.C. 20510

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WILLIAM V. ROTH, JR., DEL.
JAMES A. MCCLURE, IDAHO
ORRIN G. HATCH, UTAH

December 19, 1977

1 - Executive Director
2 - Permanent Office Copy

Hon. Robert S. McNamara
President
International Bank for
Reconstruction and Development
Room E1227
1818 H St., N.W.
Washington, D.C. 20433



Dear Mr. McNamara:

The United States Congress has authorized the Joint Economic Committee over the next year to undertake a Special Study of Economic Change (H. Con. Res. 248). The purpose of the study is to identify significant recent or emerging changes in the domestic or world economy and to evaluate these changes in terms of their implications for national policy. Papers will be prepared on the key issues and hearings are expected to be held in 1978. The ultimate objective is a Committee Report recommending alternative courses of action and policies for consideration by the appropriate standing legislative committees.

In the course of the study advice and assistance will be sought from competent people in the Federal and international agencies, research organizations, and in business, labor, and the financial community. We hope to have your support in this endeavor. I would appreciate your thoughts on the scope and direction of the study and will call you for an appointment at your convenience.

Sincerely,

Thomas W. Wolfe
Director, International Area
JEC Special Study on Economic
Change

DEC 30 1977
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Congress of the United States JOINT ECONOMIC COMMITTEE

(CREATED PURSUANT TO SEC. 229 OF PUBLIC LAW 94, 7TH CONGRESS)

WASHINGTON, D.C. 20510

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JOHN R. STARR, CALIF.
EXECUTIVE DIRECTOR

December 19, 1977

1 - Executive Director
2 - Permanent Office Copy

Hon. Robert S. McNamara
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International Bank for
Reconstruction and Development
Room E1227
1818 H St., N.W.
Washington, D.C. 20433

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Sincerely,

Thomas W. Wolfe
Director, International Area
JEC Special Study on Economic

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1977 DEC 20 PM 3:37
INCOMING MAIL UNIT



cc: Humphrey
Hatch
Javits
Kennedy
McClure
Moore
Proxmire
Roy
Starr
Tamm
Wick
Wolfe
Wright
Young
Zorinski

The World Bank

1818 H Street, N.W.
Washington, D.C. 20433, U.S.A.



With the compliments of

Mr. Edward R. Fried
U.S. Executive Director

To Mr. McNamara

Bob,

Wolfe is coming to see me for
lunch next Thursday to talk about what they
have in mind and how we might help them.

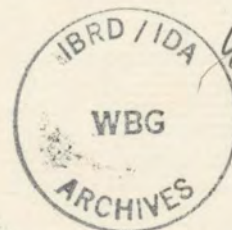
1/5

EW
1/5/78



1/5 To Mr. Bonniester
Discuss with William
Clark - if I spoke about
would you & be
recommended as a theme.
Rnw
Ref. D.1. 104.Dan.3/2

Copenhagen, December 17, 1977.



Dear President,

Looking forward to your participation in the IV Bellagio-conference, scheduled to take place in Denmark June 6-8, 1977, please allow me to take the opportunity to suggest whether it might be possible for you during your stay in Denmark to address the Danish Council for International Development Cooperation.

The Council for International Development Cooperation is a broadly composed consultative body representing all the main interests and groupings in relation to Denmark's participation in the international development cooperation. Besides general debates on Danish development assistance the Council holds conferences on specific development problems. Lately, the Council has been addressed by the President of Tanzania and the Director-General of WHO, and in January, 1977, the Administrator of UNDP will address the Council. The Chairman of the Council is Mr. H. Maegaard Nielsen, Managing Director of one of Denmark's leading banks, "Den danske Bank".

Also invited to the meeting in June, 1977, in the Council will be all the Members of Parliament, the Danish Board for International Development Cooperation, representatives from the Ministry of Foreign Affairs, and representatives of major Danish business interests and the Danish press.

Yours sincerely,

K.B. Andersen
Minister for Foreign Affairs

Mr. Robert S. McNamara,
President of the International
Bank for Reconstruction and Development,
1818 H. Street, N.W.,
Washington, D.C. 20433,
U.S.A.

DEC 30 1977
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Ref. D.I. 104.Dan.3/2

Copenhagen, December 17, 1977.



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Yours sincerely,

K.H. Andersen
Minister for Foreign Affairs

Mr. Robert S. McNamara,
President of the International
Bank for Reconstruction and Development,

1818 H. Street,
Washington, D.C. 20433,
U.S.A.

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1978 DEC 28 AM 10:25

INCOMING MAIL UNIT

493/2 124
December 14, 1977



Mr. McNamara:

I prepared the attached in consultation with Messrs. Cargill and Nurick, as requested. I also got some necessary information from Peter Riddleberger and went over it with him. (In so doing, Peter asked what his and Duke's role would be and I then realized I may have caused you a problem. I suggested to Peter that he might want to keep it to himself until you talked to Duke, but I'm not sure he will. Sorry I goofed, but my motives were pure -- I wanted a sensitivity check on the language lest the memo finds its way to the Hill.)


Here's the strategy behind the approach:

- 12/14
- Indicate the importance of these hearings by linking them to IBRD/IDA appropriations.
 - Alert readers to key names. (Although the Library of Congress, GAO, full Appropriations Committee Investigative Staff, American University professors seem to be working directly or indirectly on these hearings, I don't think it possible or proper to cover all this in the memo.)
 - Establish the fact that such hearings are unprecedented "fishing expeditions" to lay the basis for our unprecedented response of naming a control officer.
 - State the nature of cooperation we intend to give -- proper and limited but with no negative signals. Important to say something like this (first sentence in Paragraph 4) for the non-Americans who feel we should stonewall.
 - Establish the basic procedures to give Cargill and Nurick the control they'll need.

Cargill and Nurick plan to sit in on any meetings of Subcommittee staff with Bank staff but I purposefully avoided saying this in the memo.

You should show it to Ed Fried before sending it to the President's Council.

Now that something is down in black and white, what do you do with it? Any circulation, and particularly wide circulation, will certainly put it on the Hill. Yet, virtually all Bank professional staff must receive and understand the message if the objective is to be attained. Finally, even if we put the paper in everyone's hands, background information must be communicated by those in the know, something we do very poorly around here. Dilemma. I suggest you pass it out at the next PC, tell each PC member to reproduce, distribute it to, and discuss with, all of their managers (through Division Chief), telling them in turn to get the message across clearly to all their staff. This will give us a high probability of putting the memo on the Hill and still not get the full job done of passing the word, but it's the best we can do.


James M. Kearns

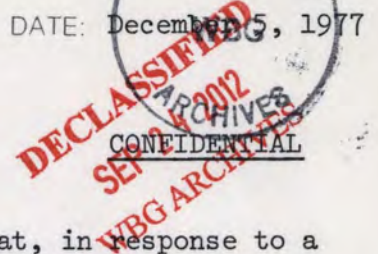
493/2 122

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: December 5, 1977

FROM: Edwin M. Martin

SUBJECT: Future of the CGFPI

As you know, Mr. Yudelman has informed me that, in response to a request by the Director-General of FAO, the sponsors have decided not to extend my contract as Chairman of the CGFPI beyond its present termination date of December 31. The absence of FAO support clearly leaves no alternative. This is, therefore, my official resignation as Chairman of the CGFPI to take effect on or about December 31, 1977.

Mr. Yudelman has also indicated that it is most probable the sponsors will conclude the present review of the future of the CGFPI by withdrawing their support for it.

12/5 - The recent meeting of the Group was assured that its work program, especially the ongoing preparation of and follow up on national food strategies, would be continued, even if the results of the review were to be to withdraw the support of the sponsors for the CGFPI. If withdrawal of support is fairly certain, I would like to urge that arrangements be made for continuing our work program under other auspices. I will be happy to do anything I can to make the transfer of functions a smooth one. It is a subject I have already had an opportunity to discuss with Brad Morse, Mr. Tanco and Harry Walters.

I want to thank you for the initiative you took in having me invited by the sponsors to serve as Chairman of the CGFPI for I have enjoyed greatly the challenges and the associations which the position has offered. I only hope that the special emphasis which we have tried to give to food production in the poorest countries to benefit the incomes and the nutrition levels of their poorer peoples has been helpful and may be not only continued but strengthened. Especially in times of grain surpluses like the present, there are risks that both donors and recipients of aid will be tempted to revert to their previous low priorities for the agricultural and especially the subsistence food sectors in the allocation of their resources.

EMMartin:gbo



THE ADMINISTRATOR
UNITED NATIONS DEVELOPMENT PROGRAMME

493/2/17



26 October 1977

Dear Edouard,

Thank you for your letter of 10 October 1977 proposing that the appointment of Ambassador Martin as Chairman of the Consultative Group on Food Production and Investment be terminated on 31 December 1977.

I agree with you that the questions of the chairmanship and the future of the Group should be considered separately, and that the evaluation of the CGFPI should be discussed and considered objectively. It should, however, be possible to do this without coming to a decision now about the future Chairman. If the review now in progress leads to the termination of the CGFPI, the issue of the chairmanship will of course not arise. If the CGFPI continues or continues in a modified form, the question of the chairmanship can be taken up in the light of the recommendations arising from the review. In any event, during the review process, neither UNDP's representative on the evaluation group nor I will in any way consider whether or not Ambassador Martin continues as Chairman as a factor in the review of the CGFPI.

Should, in the final analysis, it be decided that the CGFPI is to continue, it is my view that the Chairman of the Group should be someone fully acceptable to each one of the co-sponsors.

I am copying this letter to Mr. McNamara of the World Bank.

With kind regards, I am

Yours sincerely,

Bradford Morse

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

OFFICE MEMORANDUM

*Darker try to
steer the study*

TO: Mr. John E. Merriam

DATE: November 8, 1977

FROM: Peter Riddleberger *PR*SUBJECT: Clarence Long (D. Md.)*into a "comparative
study" - i.e. the
Bank vs other
institutions
re "helping
the poor"*
Es v

1/15

I am picking up bits and pieces about Chairman Long's most recent brainstorm. He wants to find out why the World Bank isn't helping the poor. Accordingly, he has instructed the Library of Congress to come up with guidelines for a study which would pinpoint our faults. Evidently Long foresees a six months to one year study done by an outside consulting firm.

I am somewhat reassured to learn that Jonathan Sanford of the Congressional Research Service is involved in the first phase. He is a thoughtful critic of the Bank and understands well the nature and purpose of our operations. Unfortunately Sanford has hinted to me that he may not be in his present job much longer. Meanwhile, Long's new assistant, Evan Vallianatos, is asking around town for ideas and experts who might contribute to this evaluation.

PBR:pam

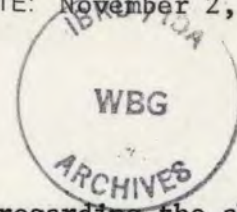
cc: Messrs. McNamara, Knapp, Cargill, Chadenet, Chenery, Clark, Stern
Messrs. Krieger, Vibert, Nurick, Gabriel, Burnham
Mrs. Boskey

493/2/20

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
FROM: Ernest Stern, Vice President, South Asia
SUBJECT: NEPAL - Proposed Khumbu Valley Tourism Project

DATE: November 2, 1977



1. I attach a memorandum to you from Mr. Tolbert regarding the above project.

2. We had included this project in our lending program as a reserve project for FY 1978, pending the review of the then ongoing feasibility study. Subsequently, upon the completion of the feasibility study in August 1977, we decided to delete it from the program and informed the Government about this decision during the recent Annual Meetings.

11/15
3. Considering the identified priorities and strategy for Nepalese economic development, we felt that our lending program should concentrate further on food production, rural development and on complementary infrastructure development. Secondly, we considered that a widening of the Bank's lending program to new sectors or increased activity in unrelated sectors would tax Nepal's limited absorptive capacity even further. Thirdly, we felt reluctant to take on this project because its benefits are restricted to a small locality in a thinly populated area and it has little prospect for replicability; the latter consideration being specially important because of Nepal's limited capacity for project preparation and implementation and the need to rationalize its use. Finally, the inclusion of the Khumbu Valley tourism project, due to its relatively complex administrative nature, would have required a large amount of IDA staff inputs, but with lower benefits compared to our efforts in other sectors.

4. There is no doubt that tourism deserves serious attention given its potential for enhancing Nepal's foreign exchange earnings. Scope for expanding the tourism sector exists with assistance from bilateral donors, specially with the interest created by the Aid Group. A project such as the Khumbu Valley tourism project, with components directed at the preservation of the environment and restoration of monuments, would appeal to donors, who have expressed interest in these areas. The Federal Republic of Germany, for instance, has already had experience in restoring monuments in Bhaktapur and helped Nepal to prepare a master plan for tourism.

5. With regard to paragraph 6 of Mr. Tolbert's memorandum, we feel that erosion control and reforestation are complex issues which should be handled within the framework of a national strategy rather than on a fragmented basis. We have, therefore, included an erosion control/forestry project in our lending program for FY 1979. A project identification mission is scheduled for mid-November.

6. Finally, there may now be no special reason to write to Sir Edmund Hillary as suggested in Mr. Tolbert's memorandum, since he expects to call on you in December.

Attachment: Mr. Tolbert's Memorandum

cc: Messrs. Tolbert and Rajagopalan

AHShibusawa/RGAbbott/MABdELAty/SRajapatirana:jae/ve

493/2/19

OFFICE MEMORANDUM

TO: Mr. R. McNamara (thru Mr. E. Stern) *es*

DATE: October 28, 1977

FROM: S. M. Tolbert, TMPDR *smj*SUBJECT: NEPAL: Proposed Khumbu Valley Tourism Project

1. Sir Edmund Hillary has recently written to you criticizing the proposed Khumbu Valley project, and you have agreed to see him when he visits North America in December. I recommend that you consider sending the attached draft letter, plus enclosure, to provide him with a proper factual account of the project in order to make the meeting with him more fruitful. Also attached for reference are copies of his letter to you of August 12 and your reply of September 9.

2. I should note at the outset that the Regional Office has decided not to include this project in the lending program. The Region is concerned over the number of difficulties already encountered in securing Nepalese performance under the lending program, and note that the Bank has only so much "clout" with Nepalese ministers, which must be reserved for other projects considered of high priority. They are therefore reluctant to take on a project such as this, whose benefits they do not consider especially great and which they consider administratively complex, requiring difficult interagency cooperation. We view the project as experimental and admittedly risky, but of high national priority, and we therefore hope that when circumstances change the Region may reconsider the position. As to the status of the project, it is ready for appraisal, and our preappraisal mission has calculated an economic rate of return on the project of 13.5%--excluding benefits from halting ecological damage and benefits to the local people from improved health services and water supplies, which we are not able to quantify.

3. Sir Edmund questions the wisdom of the "injection of \$10 million into the Khumbu economy," and suggests that the project aims to make the Khumbu Valley another tourist "hot spot" with consequent destruction of local customs and values and the local environment. He also questions our choice of advisors on the study.

4. The facts are as follows. Total investment in the Khumbu area would be less than \$2 million (possible inclusion of similar investments for the Jomsom/Annapurna trail and monument restoration in the Kathmandu Valley would bring total project cost to about \$5 million). Far from creating a tourism "hot spot," the project will introduce needed control over activities of trekking tourists and local tour operators--the major objective being to halt and attempt to reverse the environmental deterioration occurring in the area. The project could, we believe, accomplish this while retaining trekker-provided income and employment for the local people, as well as securing other important benefits for them in terms of basic public services and greater local participation in the tourism operation.

5. Sir Edmund's criticism of our choice of advisors is puzzling. We knew from the beginning that the old hands in the area--the New Zealand and Australian technical aid teams, and particularly Sir Edmund himself and his Himalayan Trust--had strong proprietary feelings about the "gateway to Everest." We consequently took pains to ensure that they were fully involved in the preparation of the project. The study, financed by funds provided under our first tourism project in Nepal, is in fact being carried out by the Nepalese themselves: we accepted the Government's suggestion that the study be entrusted to the Industrial Services Center (ISC), a Nepalese consulting firm set up by the Government a few years ago. ISC has been assisted by some expatriates provided under UNDP and bilateral aid, as well as by consultants supplied from this Department's funds. Nevertheless, the location of camp-sites, trail improvements, etc., has been worked out with the cooperation of the New Zealand park planners, the reforestation program with the help of the Australian foresters, and the planning of health services for Khumbu was done by the Government with the assistance of the Himalayan Rescue Association and the Himalayan Trust (one of the contributors to the study is identified as Sir Edmund Hillary). The project will in fact provide additional support to the work of all of these agencies. It is probably impossible to satisfy the preferences of all organizations involved in trekking in Nepal, but we consider that the consultants have done a reasonably good job in putting together a viable project.

6. The project would provide simple lodging facilities (trekking stations and camp-sites) to maintain environmental integrity. Ancient monasteries and monuments of cultural and historical value in the area would be restored. The project would provide better communications plus health services, clean water supplies, and environmental sanitation facilities which would benefit both the trekkers and the local population. Most significantly, the project would provide reforestation and erosion control measures and would make a beginning in substituting hydro, wind and solar energy for wood. The backdrop of the project is what the Worldwatch Institute calls "the other energy crisis"--the firewood crisis which afflicts the developing world. Nepal faces what may be the world's most acute national soil erosion problem. As Clair Sterling has helped to make all of us aware, unless the denudation of the slopes in these and other valleys in Nepal is stopped and reversed, the area's precariously thin natural resource of topsoil will continue to be washed away, adding to the silting of river systems in India and Bangladesh and forcing further migration out of the high hills into the already crowded areas below. Reforestation alone is not the answer in the high hills, because of the slow growth of vegetation; alternative energy sources must be developed. Sir Edmund and we should be natural allies in a project such as this and I believe we will be when he understands fully what is proposed.

7. The Government has also requested inclusion in the project of funds for restoration and preservation work on four of the main cultural monuments in the Kathmandu Valley, which have been identified in a Unesco study as most urgently meriting protection. Unesco has already saved the famous Hanuman Dhoka

temple, which was slanting several degrees from the vertical and about to collapse before the rescue work began, but does not have funds to tackle the others. All five of these monuments are major attractions visited by virtually every tourist who comes to Kathmandu. The objective would be to accommodate the inevitable increase in tourist arrivals while affording adequate protection to the monuments against both visitors and the elements. This component is ready for appraisal on the basis of the Unesco study. As to the other possible component of the project, the Jomsom Trail study could be completed fairly quickly by ISC, since the study techniques and approaches have already been developed for Khumbu, but this will require additional funds which the Government is reluctant to provide in view of the fact that the Khumbu study has not yet definitely led to a project.

Attachments:

SMTolbert:va

Cleared with and cc: Messrs. J. Lee, C. Weiss

cc: Messrs. Baum, Blobel (o/r), Rajagopalan, Abd El Aty

DRAFT: AMates/SMTolbert:va
10/28/77

Dear Sir Edmund:

Further to my letter of September 9, 1977, I enclose a note on the Khumbu Valley project, including a description of the project components recommended by the consultants. I trust that this material will make more fruitful our discussion in Washington in December. It should be noted, however, that due to overall country lending considerations, we have not yet made a final decision to include the project in our lending program for Nepal.

We have followed with interest the progress of your "sea-to-sky" expedition along the Ganges. I look forward to hearing more about it when we meet in December.

Sincerely,

Robert S. McNamara

Encl:

Sir Edmund Hillary, Chairman
The Himalayan Trust
P. O. Box 28-391
Ramuera
Auckland 5
New Zealand

PROPOSED KHUMBU VALLEY PROJECT

Background

1. Tourist arrivals in Nepal increased ninefold in the period 1965-1975 and currently form Nepal's leading source of foreign exchange; earnings from tourism in 1974/75 were over US\$11 million, one fifth of foreign exchange earnings. Of the tourist market, the segment of mountaineers/trekkers has increased its share over the years, reaching about 15% in 1975. Trekker flows which doubled between 1971 and 1975 are expected to further grow from 12,000 in 1975 to about 38,000 by 1990, and Khumbu trekkers from 3,500 to about 10,000. The Government is committed to maintaining this type of tourism as a source of foreign exchange and employment and this is reflected in its Five Year Plan.
2. Uncontrolled development of trekking tourism, however, will have seriously adverse effects on the environment. Besides causing degradation of the landscape, the trekkers use large quantities of firewood for heat; their consumption of firewood is estimated, despite their relatively small numbers and short stay in the area, to be one-fourth as much as that used over the year by the local people, who are already seriously denuding the slopes of soil-holding trees. The projected tourism growth will lead to an inordinately increased demand for firewood unless alternative energy sources are developed. Ecological damage in the high hills occurs faster and is more likely to be irreversible than elsewhere. Nepal faces what may be the world's most acute national soil erosion problem; the geologically young and jagged foothills of the Himalayas are considered to be the most easily erodible anywhere and the progressive deforestation that is occurring results in the area's precariously thin natural resource base being washed away, contributing to flooding and siltation problems of the river systems of the Indian subcontinent.
3. The Khumbu study, financed by funds provided under the Bank's first tourism project in Nepal, is being carried out by the Industrial Services Center (ISC), a Nepalese consulting firm set up by the Government a few years ago. ISC has been assisted by some expatriates provided under UNDP and bilateral aid, as well as by two consultants supplied on a short-term basis from the Bank's funds. The location of campsites, trail improvements, etc., has been worked out with the cooperation of the New Zealand park planners, the reforestation program with the help of the Australian foresters, and the planning of health services for Khumbu was done by the Government with the assistance of the Himalayan Rescue Association and the Himalayan Trust.
4. According to the Study, total investment in the Khumbu area would be less than US\$2 million. The project would introduce needed control over activities of trekking tourists and local tour operators--the major objective being to halt and attempt to reverse the environmental deterioration occurring in the area. The project would seek to accomplish this while retaining, in accordance with the Government's wishes, the trekker-provided income and employment for the local people; it would also secure other important benefits for them in terms of basic public services and greater local participation in the tourism operation.

Project Components

5. The Khumbu Regional Tourism Study foresees development of a network of trekking accommodations and related infrastructure. Along the access corridor, seven campsites would be provided. Along the main Khumbu trekking trails, through the Sagarmatha National Park (SNP) to the snows and glaciers, 11 campsites and one lodge would be provided to serve the projected volume of trekkers, sherpas and porters up to 1990. An environmental land-use plan and development controls would protect not only the ecology but also the socio-cultural structure of the local settlements.
6. The campsites would be served by safe water supply, sanitary sewer and solid waste disposal. In the access corridor three settlements adjacent to campsites would be provided with water taps and public latrines. In the Khumbu Valley itself, four settlements including Namche Bazaar would be provided with the same facilities. The clean water supplies should have important health benefits for the local residents, 72% of whom are estimated to suffer from intestinal parasitic infection.
7. Improvements to the trail network, bringing it to acceptable safety standards, would provide scenic and efficient travel by novice trekkers. Improved river and stream crossings on traditional log and cantilever bridges and one suspension bridge would provide safe all-weather trekking. In a few strategic locations, river training would be provided for erosion control.
8. Health and rescue facilities would be provided in the Khumbu Valley through improvements to four existing health facilities. Improvements to the building complex of the Kunde Hospital (the main facility in the Valley) and minor improvements for three other health facilities including the health post at Namche Bazaar would be provided. For rescue operations by helicopter, an emergency heli-pad would be provided in the middle of the Valley. In the access corridor three health posts distributed between the two existing hospital facilities would be built.
9. To enforce the prohibition on the use of firewood by the trekkers, alternate energy systems would be introduced on a limited scale to provide for cooking, heating and electricity. Prototype flat plate solar collectors for example, would produce heat and hot water for the lodge. Mini-hydro and wind generators and solar cells would provide power for cooking, lights, pumps and radio communications. A network of radio communications would be provided within the Khumbu Valley to improve the logistics for trekking operations as well as emergency health and rescue operations. The three existing radio facilities would be interconnected to six new stations in the Valley and access corridor.
10. Reforestation in the Sagarmatha National Park (SNP) of 325 ha (later to be expanded to 600 ha) would stabilize slopes, reduce soil erosion, improve wildlife and the aesthetic quality of the environment as well as supply wood for part of the needs of the local inhabitants. Included in the project would be the establishment of a nursery and training of the local population for seed collection, nursery

management and planting as well as the protection of existing forests. An experimental program of woodlots of scrub growth for fuel wood in selected communities would be managed by SNP. The inclusion in the project of an agricultural component for the production of fruits, vegetables and dairy products for the local population and for the trekkers is being considered.

11. The temples and monasteries of great cultural and touristic value in the Valley would be restored under the supervision of the Unesco experts. Improvements to the four small unpaved airstrips would be provided by the Royal Nepal Airline Corporation (RNAC) and would not be financed under the project, but alternate energy devices for two of the airstrips to power radio communications would be included.

Kali Gandaki Valley Tourism Development (Jomsom/Annapurna)

12. A second valley tourism development, which would substantially enlarge the area affected by the project is also under consideration by the Government. Trekker accommodations, infrastructure and services would be provided along the most heavily traveled trail in Nepal, the Jomsom Trail. The designs and engineering prepared for the Khumbu Valley would be applicable to this subproject. Community services and assistance would be provided similar to the Khumbu.

Kathmandu Monument Restoration and Preservation

13. Also under consideration for inclusion in the project is a program of cultural restoration and preservation in the Kathmandu Valley. The four most important tourist attractions which are part of the artistic heritage of the Kathmandu Valley (the Kathmandu Durbar Square, the Patan Durbar Square Palace/Museum, Bhaktapur Palace and Swayambu Temple) would be restored and provided with visitor facilities, site museums and services. The Unesco experts who prepared the plan would also be involved in the implementation through the Ministry of Culture. All works related to the historical attractions in Kathmandu would be carried out by the Ministry of Culture.

SUMMARY COST ESTIMATES - KHUMBU VALLEY SUBPROJECT "A"
(NR '000)

	<u>Land</u>	<u>Civil Works</u>	<u>Equipment Furniture & Furnishings</u>	<u>Professional Services</u>	<u>Contingencies</u>	<u>Total Cost (NR '000)</u>	<u>Total Cost (US\$ '000)</u>
1. Trekking Accommodations							
1.1 Campsites	380	4,919	725	694	2,202	8,920	716
1.2 Lodge	20	683	76	95	296	1,170	94
	<u>(400)</u>	<u>(5,602)</u>	<u>(801)</u>	<u>(789)</u>	<u>(2,498)</u>	<u>(10,090)</u>	<u>(810)</u>
2. Water Supply & Sanitary Sewerage	-	1,800	989	289	1,045	4,114	330
3. Transportation	-	1,322	178	120	525	2,145	172
4. Energy	-	468	1,239	164	629	2,500	201
5. Health	-	560	186	32	280	1,058	85
6. Communications	-	110	475	30	176	791	64
7. Agriculture ^{1/}	101	1,700	514	82	695	3,092	248
8. Forestation	8	930	38	-	195	1,171	94
9. Monument Restoration	-	650	100	75	250	1,075	86
TOTAL	<u>509</u>	<u>13,142</u>	<u>4,520</u>	<u>1,572</u>	<u>6,293</u>	<u>26,036</u>	<u>2,090</u>

^{1/} Whether or not this component will be included in the project has to be decided during appraisal.

Mr. Talbot

SEP 14 1977

SEP 9 1977

CC: Stern
Blosel
Rajagopal
Shibusawa

Dear Sir Edmund:

Thank you for your letter, which arrived while I was out of the city.

I would be delighted to talk to you here about Nepal. If you will ring my office [(202) 477-2001] when you reach North America in early December, we will try to arrange a mutually convenient time.

It was thoughtful of you to write.

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

Sir Edmund Hillary
Chairman
Himalayan Trust
P.O. Box 28-391
Remuera
Auckland 5
New Zealand

ML
JLaddux:mwm
August 30, 1977

2.5 Hillary, E.

cc: Messrs. Baum, Picciotto

HIMALAYAN TRUST

CHAIRMAN: SIR EDMUND HILLARY
MEDICAL COMMITTEE: DR MAX PEARL

P.O. BOX 25-291
REMUEA,
AUCKLAND 5 NEW ZEALAND
TELEPHONE: 543-806 & 543-174

12th August, 1977.

Mr. Robert S. McNamara,
President,
International Bank for Reconstruction and Development,
1818 H. Street, N.W.,
Washington, D.C. 20433,
U.S.A.

Dear Mr. McNamara,

I am President of the Himalayan Trust which with financial support from New Zealand, Australia the U.S.A. and Canada has been carrying out assistance projects in the Solu-Khumbu District of Nepal for sixteen years now.

As you are of course aware the World Bank has been carrying out an extensive survey in the Khumbu district, south of Mt. Everest, with a view to a possible substantial loan for capital intensive tourist development of the area. My organisation (and myself) started the first foreign assistance projects in this area and we are still by far the major contributors to health, education, bridges, water pipelines and social welfare. We are in fact the only foreign organisation that operates throughout the 12 months of the year and doesn't take time off for the monsoon. The selection of your advisors on the Khumbu area has rather puzzled both us and a lot of other people in Kathmandu and we are by no means sure that you will be getting as full and unbiased a picture as you might wish.

The Himalayan Trust operates the Kunde Hospital - the only hospital in Khumbu - and we like to think we are a lively and well financed organisation. Our major interest has been the welfare of the local inhabitants but we have also been giving an increasing assistance to foreign visitors. Due to our close association with the Sherpa and other peoples of Nepal we believe we have rather more involvement and understanding of their problems than most visitors. No doubt time will tell whether this is true or not.

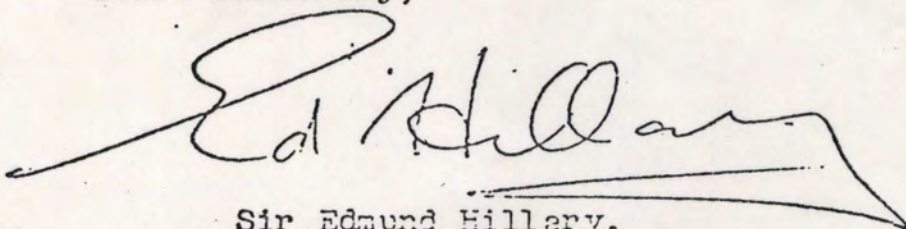
I personally have considerable doubts about the injection of \$10,000,000 into the Khumbu economy unless it is handled with a good deal of understanding and consideration. I have heard that you are a lover of the mountains yourself and would not I am sure wish to see the Khumbu degenerate into still another tourist "hot spot" with consequent destruction of the local customs, philosophy and religion - and the local environment as well.

We are not particularly interested in your money but we are

happy to co-operate in any worthwhile efforts to co-ordinate medical services in the Khumbu; communications; social welfare; or conservation of the forests and mountains - within the limits of our finance.

I am heading off in a few days to India and Nepal on an expedition. However I will be in North America at the beginning of December. If you had some spare time and considered a discussion might be of some value I would be happy to come to Washington and tell you a little about the way we look on the Khumbu and its future development.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Ed Hillary', with a long, sweeping horizontal line extending to the right.

Sir Edmund Hillary.

ROUTING SLIP

Date 10/17/77

OFFICE OF THE PRESIDENT

Name

Room No.

Mr. Maddux

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

Jack,

This may throw a bit more light
on the subject. "Jim" is Sydney Stein,
of Stein Roe & Farnham of the same name.

From

S

493/2/18

STEIN ROE & FARNHAM

Investment Counsel

October 13, 1977

Telephone (312) 368-7700
Writer's Direct Line

150 South Wacker Drive
Chicago, Ill. 60606



Dear Bob:

You were very kind indeed to have offered to talk to our Visiting Committee to the Committee on Public Policy Studies at the University on December 13. I recently sent a memorandum to the Committee members which mentioned our meeting of December 13 as follows:

...."I want to announce also a dinner meeting to be held on Tuesday, December 13, with Robert McNamara, President of the World Bank. Mr. McNamara plans to talk fifteen or twenty minutes, and his comments will be followed by a question and answer session with members of the Visiting Committee and perhaps faculty and students of the Committee on Public Policy Studies. I will be sending you more information about the December 13 meeting at a later time."

So, it is officially recorded.

I hope to talk to you perhaps next week and again in late November to work out further details for your visit here.

Again, my deep appreciation. Warm regards to you and Margie.

Sincerely,

A handwritten signature in cursive script, appearing to be 'Jim'.

Mr. Robert S. McNamara
1818 H Street, N. W.
Washington, D. C. 20433

Mr. McKeown

The World Bank

1818 H Street, N.W.
Washington, D.C. 20433, U.S.A.



With the compliments of

Mr. Edward R. Fried
U.S. Executive Director

12/21

THE SECRETARY OF THE TREASURY
WASHINGTON, D. C. 20220

AUG 29 1977



Dear Bob:

I have in hand your memorandum of August 16 concerning the several matters the Bank is discussing with Saudi Arabia.

As indicated the last time we had lunch, I will - in a low-key way - take advantage of any appropriate opening to raise one or more of these matters with the Saudi Government during my visit there in October.

If the subjects do arise during my stay in Riyadh, I will of course give you a complete report upon my return.

Sincerely,

W. Michael Blumenthal

The Honorable
Robert S. McNamara
President
The World Bank
Washington, D. C. 20433

INCOMING MAIL UNIT
AUG 31 PM 3:58
RECEIVED

8/25/76
THE SECRETARY OF THE TREASURY
WASHINGTON, D. C. 20520



AUG 29 1977

Dear Bob:

I have in hand your memorandum of August 16 concerning the several matters the Bank is discussing with Saudi Arabia.

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Sincerely,

W. Michael Blumenthal

The Honorable
Robert S. McNamara
President
The World Bank
Washington, D. C. 20433

RECEIVED
1977 AUG 31 PM 3:28
INCOMING MAIL UNIT

493/2/15

August 16, 1977



MEMORANDUM FOR SECRETARY BLUMENTHAL

When we lunched together last Thursday, I suggested that the World Bank would benefit substantially if the United States, both through its Ambassador and through senior officials visiting Saudi Arabia, would urge that country to support the activities of the Bank. The purpose of this memorandum is to ask that you do so during your forthcoming trip to the Middle East.

Here are the facts:

1. IBRD Borrowing

As the result of a series of discussions in 1974 with the then Governor of the Saudi Arabian Monetary Agency, Mr. Anwar Ali, we thought that the IBRD might be able to look forward to borrowing \$1 billion a year from Saudi Arabia. As a matter of fact, we did borrow \$940 million equivalent in the 12 months ended June 30, 1975. Anwar Ali died in November of 1974, and at the Annual Meeting in the following September we were told that we could count on only \$300 million of borrowings annually from SAMA. In the 12 months ended June 30, 1976 we borrowed a total of \$215 million equivalent, and in the 12 months ended June 30, 1977 we borrowed \$249 million equivalent. Although we have on occasion encountered difficulty in reaching agreement on the terms and timing of our borrowings, I do not think that this is the real problem. We have stated repeatedly that we are willing to pay interest on loans from Saudi Arabia equivalent to the interest we pay on loans denominated in the same currency elsewhere in the world. I see no reason why Saudi Arabia should not look upon these as appropriate investments for their rising reserves or why they should not in principle endorse a program of lending of approximately \$1 billion per year to the IBRD. But it seems clear that this will require a political decision at the highest level.

2. Contributions to IDA

Early in the negotiations on IDA 5, Kuwait agreed to make a contribution of \$225 million. It appeared to us that Saudi Arabia's share should be approximately \$600 million, a figure which took account of the size of the Kuwait contribution as well as Saudi Arabia's liquidity and economic strength, and its total development assistance program. We suggested this figure to Saudi Arabia in the

spring of 1975, and we understood them to agree to a contribution of \$450 million. We were later told that it would be cut to \$300 million, following which we were informed that Yamani proposed that it be eliminated entirely, that this was apparently agreed to at a Cabinet meeting, and that following strong protests by the Bank and major efforts by Abalkhail, the Cabinet reversed itself and approved a contribution of \$250 million. This is far below what we should expect from Saudi Arabia, and we hope that during the next 12 months they will agree to a supplementary contribution of at least \$150 million. This is important, not only for IDA 5, but as a base from which to negotiate an appropriate level for their contribution to IDA 6, negotiations for which will start in twelve to fifteen months' time.

3. Bank Technical Assistance to Saudi Arabia

Two or three years ago Abalkhail asked that we establish an office in Riyadh to advise the government on various aspects of its development program. We have done so and we have provided the equivalent of 25 man-years of technical assistance each year, the costs of which, following our policy in this regard for capital surplus countries, are reimbursable. Although the extent of our contribution has been, in part, limited by conflicts between Abalkhail and Yamani and Abalkhail and Nazer (Minister of Planning), we have provided advice with respect to the housing program, manpower planning and accelerated literacy, and a series of investment projects (for example, although we were unable to persuade them to cancel the Bahrein causeway, our work will save them \$200-300 million in its construction). In addition to advising them on their own development program, we have provided substantial technical assistance in their efforts to assist other developing countries -- we have loaned personnel to the Saudi Arabian Development Agency, we have encouraged co-financing of our own projects, providing the project preparation, appraisal and supervision, etc. at no cost to them.

I am confident that support from you and the American Ambassador can result in a major shift in Saudi Arabian attitudes toward the Bank. Needless to say, I would be happy to visit Riyadh at any time if it would be helpful in achieving that objective.

2. Contributions to IDA

Early in the negotiations on IDA 5, Kuwait agreed to make a contribution of \$225 million. It appeared to us that Saudi Arabia's share should be approximately \$225 million -- a figure which took account of the size of the Kuwait contribution as well as Saudi Arabia's liquidity and economic strength, and the total development program. We suggested this figure to Saudi Arabia in the

Robert S. McNamara

cc: Mr. Fried
bcc: Mr. Cargill

RMcn/RJGoodman:mss

THE WORLD BANK

ROUTING SLIP		DATE: Dec. 22 , 1977	
NAME		ROOM NO.	
Mr. Cargill			
Mr. Damry ✓			
Mr. Wm. Clark			
Mr. Merriam			
	APPROPRIATE DISPOSITION		NOTE AND RETURN
	APPROVAL		NOTE AND SEND ON
	CLEARANCE		PER OUR CONVERSATION
	COMMENT		PER YOUR REQUEST
	FOR ACTION		PREPARE REPLY
	INFORMATION		RECOMMENDATION
	INITIAL		SIGNATURE
	NOTE AND FILE		URGENT
REMARKS:			
FROM: Lester Nurick		ROOM NO.: E915	EXTENSION: 72257

493/2/13



AUG 10 1977

Dear Mr. Minister:

Thank you for your kind note of July 23.

The discussions on the allocation criteria for IDA were protracted and difficult but finally were completed satisfactorily, with the ceiling of forty percent unchanged. Dr. Sen, as always, was most helpful in reaching this conclusion.

Now that this matter is behind us, it is vital, as I mentioned at our last meeting, to assure that an adequate supply of projects will be available on a timely basis to utilize the IDA and Bank funds which are potentially available. I was pleased to learn that progress is being made by our staffs in strengthening the forward planning for projects. This effort should continue to receive very high priority.

I look forward to seeing you at the Annual Meeting.

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

His Excellency
H. M. Patel
Minister of Finance
New Delhi, India

bcc: Dr. Sen ✓
Messrs. Blobel/Alisbah o/r

EStern/ls
August 9, 1977.



No. 653 FM/7 VIP(M)

वित्त मंत्री, भारत
FINANCE MINISTER
INDIA

New Delhi - 110001
23rd July, 1977



Dear Mr. McNamara,

I am happy to learn from Dr. Sen that the Executive Board of the Bank has approved your proposals on International Development Association's allocations criteria. I have seen this Paper and would like to convey to you my warm appreciation for the highly objective manner in which this question was examined by the Bank management and for your sympathy and strong support to our case for maintaining International Development Association's support to India at the existing level of 40 per cent.

2. I look forward to having another fruitful meeting with you when I next visit Washington towards the end of September.

With best regards,

Yours sincerely,

(H. M. PATEL)

Mr. Robert McNamara,
President,
World Bank,
WASHINGTON D.C. 20433
(U. S. A.)



INTERNATIONAL LABOUR OFFICE
GENEVA

493/2/14



THE DIRECTOR-GENERAL

1 August 1977

Dear Bob:

As always, it was a great pleasure to see you the other day.

I had a very good meeting with Secretary Vance on Friday. He seems to be deeply concerned by the foreign policy implications of U. S. withdrawal, particularly for the UN system as a whole. At the same time, he of course recognizes the political constraints imposed upon the U. S. Government by the position taken by the AFL-CIO and the Chamber of Commerce. I have the impression that in order to address himself to this position, he is looking around for new facts and new developments which might justify at least a temporary continuation of U. S. membership pending a further effort to achieve U. S. objectives in the ILO context. Of course, I offered to help and will remain in close touch with the State Department and the Secretary. I was gratified to learn that he intends to bring up the ILO situation with various Arab leaders during the course of his Middle Eastern tour.

In my meeting with Secretary Marshall I also encountered a constructive attitude, although I would say that he is perhaps even more concerned by the internal political constraints.

The Cabinet-level Committee presently is scheduled to meet on August 16, although there may be some suggestions for a delay, which, incidentally, I would warmly support. In all probability, the Committee will be making a recommendation to the President. Therefore, I would greatly appreciate it if, as you suggested, you would talk to Secretary Vance when he returns from the Middle East.

With warm regards.

Sincerely,

Francis Blanchard

Mr. Robert S. McNamara
President, World Bank
701 - 19th Street, N. W. (Rm. E-1227)
Washington, D. C. 20433



INTERNATIONAL LABOUR OFFICE
GENEVA



THE DIRECTOR-GENERAL

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15 JUL 1977

PERSONAL

Dear Bob,

I enclose for your information copies of the letters I sent to some of the members of the Cabinet-Level Committee on the ILO asking to see them before they make a recommendation to the President on US withdrawal from the ILO. I also enclose a letter to the Vice-President.

You will note that these letters mention my disappointment with some aspects of the 1977 International Labour Conference. This is a reference to the fact that the US delegation was unable to obtain endorsement for machinery which would have screened out draft resolutions in violation of due process or of an essentially political nature. It is also a reference to the failure of the Conference to approve the Report of its Committee on the Application of Conventions and Recommendations. This report failed to obtain the necessary quorum of votes.

However, the outcome of the Conference was not entirely negative. First, the Conference Committee Report, and, even more so, the Report of the Committee of Experts on which it is based, takes direct issue with the double standard in the application of Conventions. The action, or rather, inaction of the Conference was not a challenge to this fundamental position but was a

Mr. Robert S. McNamara,
President,
IBRD,
WASHINGTON D.C. 20433

spill-over of the Middle East conflict. Second, although the proposals to set up screening machinery for draft resolutions were not seriously discussed at the Conference, they were not rejected either. They were simply put off until such time that the developing countries could achieve some of their objectives in the ILO context. Third, despite intense Arab pressure both within the ILO and in other international organisations, there was no recondemnation of Israel. And to all this must be added the fact that, throughout the Conference, the Western allies rallied staunchly around the United States.

However one assesses the political achievements and setbacks of the 1977 Conference, one point should be absolutely clear. The politicisation of the International Labour Conference in recent years has not undermined the substantive work of the Organisation, and, in many respects, this work can be of considerable value to the fundamental thrust of US foreign policy. This is the case in at least three important areas: human rights; basic needs; and issues which tend to divide the workers of the industrially advanced countries from those of the developing countries (unfair competition in trade, migration for employment and so forth).

Another fundamental point: given a little more time, I have no doubt that the United States could make considerable progress towards depoliticising the annual Conferences. The developing countries would be willing to support the screening machinery for resolutions referred to above provided they were given a larger voice in the day-to-day affairs of the ILO.

I would appreciate anything you felt you could do to make these points in high places as the occasion may arise and to support my efforts to obtain appointments with Secretary Vance and Dr. Brzezinski, neither of whom I was able to see on my last visit to Washington.

With warm regards,

Sincerely,

A handwritten signature in blue ink, appearing to read "Francis".

13 JUL 1977

Dear Mr. Secretary,

In the near future the United States will be making the final decision on whether to let the letter of intent to withdraw from the International Labour Organisation run its course.

I believe I have made clear to all elements of the US tripartite representation at the ILO my basic sympathy with the concerns raised in that letter and my disappointment with some aspects of the outcome of the 1977 Conference. However, I am firmly convinced that a strong case can be made for continued participation in the ILO. In particular I think that the ILO can be a useful forum for US efforts to seek accommodation with the Third World on such questions as unfair competition, excessive migration for employment, and industrial adjustments. I would also like to make some concrete suggestions as to how the United States could achieve most, if not all, of the objectives set forth in the letter of intent to withdraw from the ILO.

Mr. F. Ray Marshall,
Secretary of Labor,
Department of Labor,
WASHINGTON, D.C. 20210

I would like to have the opportunity to discuss these and other points directly with you in some detail before the Cabinet-Level Committee makes its recommendation to the President. I hope to meet with the other members of the Committee as well, and I am writing to them separately to this effect.

I enjoyed seeing you here in Geneva and look forward to seeing you again in Washington at a mutually convenient time except between 20 and 26 July.

Yours sincerely,

Francis Blanchard



13 JUL. 1977

Dear Dr. Brzezinski,

In your letter of 26 April, sent to me before my last visit to Washington, you were kind enough to tell me that, schedule permitting, you hoped to see me on my return from Venezuela. Although our staffs were unable to find a mutually convenient time, I greatly appreciate this expression of interest on your part.

I am writing to you now because I think that, more than ever, it is important that we have an opportunity to talk, since the United States soon will be deciding on whether to let the letter of intent to withdraw from the International Labour Organisation run its course.

I understand and share the concerns raised in that letter as well as the disappointment at some aspects of the outcome of the 1977 International Labour Conference. Nonetheless, I am firmly convinced that, if the United States takes a long-run view of the ILO situation and considers it in terms of its fundamental interests, there is a great deal to be said for continued US membership. I would also like to make some concrete suggestions as to how the United States could achieve most, if not all, of the objectives set forth in the letter of intent to withdraw from the ILO.

The Hon. Zbigniew Brzezinski,
Assistant to the President for
National Security Affairs,
Executive Office of the President,
White House,
WASHINGTON, D.C.

I would greatly appreciate an opportunity to put this to you directly and to give you an occasion to have all facts and considerations at your disposal before you join with members of the Cabinet-Level Committee in making a recommendation to the President.

I also hope to see the other members of the Committee and am writing to them separately. I am available to come to Washington at any time, except between 20 and 25 July.

Yours sincerely,

Francis Blanchard

13 JUL. 1977

Dear Mr. Secretary,

The time is fast approaching when the United States will make the final decision on whether to let the letter of intent to withdraw from the International Labour Organization run its course.

I understand and share the concerns raised in that letter. From this viewpoint, the 1977 ILO Conference was on balance disappointing. However, I believe that, despite this setback, a strong case can be made for continued participation in the ILO, particularly from the standpoint of fundamental United States interests over the long term.

I would greatly appreciate the opportunity to make this case to you personally and directly before a recommendation is made by the Cabinet-Level Committee to the President. I would also like to make some concrete suggestions as to how the United States could achieve most, if not all, of the objectives set forth in the letter of intent to withdraw from the ILO. I am ready to come to Washington at any time that you could fit me into your heavy schedule, except between 20 and 26 July.

The Hon. Cyrus Vance,
Secretary of State,
WASHINGTON, D.C.

I also hope to see the other members of the Cabinet-Level Committee and am writing to them separately.

I am convinced that you will want to examine all the facts and arguments before your great country takes a final position on its membership in one of the most useful of the international organizations.

Yours sincerely,

Francis Blanchard



INTERNATIONAL LABOUR OFFICE
GENEVA



OFFICE OF THE DIRECTOR-GENERAL

15 JUL 1977

Dear Mr. Vice-President,

Soon the Cabinet-Level Committee on the International Labour Organisation will be making a recommendation to the President on whether to let the letter of intent to withdraw from the Organisation run its course.

I have asked to see the members of the Committee (individually) before they join in making a recommendation. My hope is that this would help to make all the facts available before a final decision is taken.

I mention all this because you were kind enough to give me an opportunity to see you during my last visit to Washington D.C. If I return during the coming weeks, I will of course let you know.

Yours sincerely,

Francis Blanchard

Mr. Walter F. Mondale,
Vice-President,
The White House,
WASHINGTON D.C. 20500



THE UNDER SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

493 / 2 / 11



JUL 01 1977

Dear Mr. McNamara:

Your letter of June 28, 1977, requested the approval of the United States of America of a proposed borrowing by the International Bank for Reconstruction and Development of \$750,000,000, in the markets of the United States of America through an issue of five-year notes in the aggregate principal amount of \$250,000,000, an issue of ten-year notes in the aggregate principal amount of \$250,000,000, and an issue of twenty-five year bonds in the aggregate principal amount of \$250,000,000.

On behalf of the Secretary of the Treasury, I am happy to inform you that:

(1) The Government of the United States of America hereby approves, in accordance with Article IV, Section 1 (b) of the Articles of Agreement of the Bank, the proposed borrowing in an aggregate principal amount not to exceed \$750,000,000.

(2) The Government of the United States of America hereby agrees, in accordance with Article IV, Section 1 (b) of the Articles of Agreement of the Bank that the proceeds of the borrowing approved by this letter may be exchanged for the currency of any other member of the Bank without restriction.

Sincerely yours,

(Signed) Anthony M. Solomon

Anthony M. Solomon
Under Secretary for
Monetary Affairs

Mr. Robert S. McNamara
President
International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433