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President's Council Minutes,
June - Dec. 1969

Folder 4

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Records of President Robert S. McNamara President's Council minutes - Minutes 04

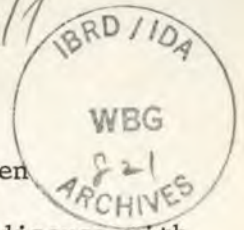
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CONFIDENTIAL

821/4/1

President's Council Meeting, July 7, 1969

Present: Messrs. McNamara, Knapp, Aldewereld, Shoaib, Clark, Ripman, Rosen

Mr. Aldewereld said that he would go to New York on July 10 to discuss with Merrill Lynch and others the outlook for the two-year bond markets in the U.S.

Mr. Rosen reported on his recent visit to Iran. The country's industrialization program was likely to lead to very difficult problems in the economy since the Government was pushing ahead with industrialization, irrespective of price considerations and behind a very high level of tariff protection. Besides expanding its manufacturing facilities, Iran would also enter into steel production and petrochemical industries. Very little foreign private investments had entered Iran and he felt that it was in the Government's power to do much more to improve this situation. The development of capital markets in Iran was another problem for industrialization. There appears to be a large volume of savings available but no mechanism exists for mobilizing these funds effectively. The low efficiency of existing industries poses another difficulty in Iran. In summary Mr. Rosen compared the Iranian situation with Turkey's problems with industrialization and suggested that perhaps the Iranian case was even more precarious in many respects. He mentioned that he had discussed this matter with Messrs. Cargill and Avramovic and that he had suggested to the Prime Minister that he talk to Mr. Avramovic about his preliminary impressions of Iran's industrialization process.

Mr. Shoaib intended to meet with the Deputy Ruler of Qatar in London on July 9. He mentioned that a Libyan delegation would arrive in Washington either at the end of this week or early next week. He informed Mr. McNamara that he had not yet received the reactions of EDs to the proposed transfer of Bank profits to IDA but that he would check this and let Mr. McNamara know.

Mr. McNamara mentioned that he intended to increase the Bank's lending rate to 7%. In this connection, he pointed out that there was some uncertainty as to whether or not the definition of the interest spread referred both to negative and positive magnitudes. He was of the opinion that it was the Board's prerogative to determine the spread but that within that margin it was left to the President to set the level of the interest rate. He requested that Mr. Broches advise him on these matters and that Mr. Knapp check the wording of the draft memorandum to be submitted for Board consideration on July 22.

Mr. McNamara also referred to the Board's endorsement of Bank involvement in the financing of agricultural research. It was not clear whether the EDs had meant this to relate to grant financing or for lending projects. In his own opinion, he would rather proceed very cautiously and finance agricultural research through a loan or an IDA credit. He mentioned the possibility of an international consortium to finance agricultural research. The Rockefeller Foundation, Ford Foundation, UNDP and Swedish and Canadian foreign aid agencies were apparently prepared to finance such research as a joint venture. He thought the Bank might consider cooperation with these agencies. Perhaps the Bank could finance the capital costs and the other members of the consortium the current costs of the projects. He thought East Africa might be a useful area to consider a first project.

Mr. McNamara then mentioned that he was very much interested in setting up the economic missions on a more regular basis, particularly to the more important member countries. He asked Messrs. Knapp and Aldewereld to see to it that John Adler get involved in this work and that Area Department Directors be informed of this request. He was particularly interested in setting up a regular cycle of economic reports which would be forthcoming on an annual basis.

Leif E. Christoffersen

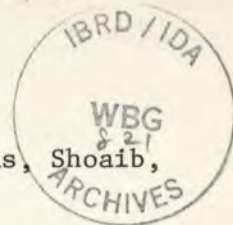
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CONFIDENTIAL

821/4/2

President's Council Meeting, July 14, 1969

Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Demuth, Sir Denis, Clark, Ripman, Rosen, Shoaib,

Mr. Knapp mentioned that Mr. Herrera, President of the IDB, was visiting Tel Aviv to discuss with Mr. Horowitz the possibility of subsidizing interest rates for IDB lending in Latin America. He also pointed out that discussions were under way regarding the possibility of establishing an IFC-like subsidiary under IDB. Mr. Rosen explained that the latter proposal, which had emerged on several earlier occasions, reappeared again because of a paper written by Dr. Prebisch. The major purpose of this proposal was to set up a financial intermediary which could assist countries in an orderly process of nationalizing foreign private investments. Since the capital markets in the ldc's are generally inadequate for purposes of helping the country to acquire major interests in new industries, a new agency, financed from abroad, would be needed to help transfer ownership into domestic hands. A similar issue had also risen in Africa during the Congo crisis and again recently in the case of Zambia. Mr. McNamara requested that Mr. Rosen give him a copy of the Prebisch paper dealing with this proposal.

Mr. Demuth reported on his recent visit to Europe. The ACC had agreed to include in its report a strong statement on the population issue. His talks with the international agencies revealed wide support for the Bank's proposal to expand the role of Bank country economic reports. Mr. Hoffman, on the other hand, still had problems with the proposal since he wanted the UNDP Resident Representatives to have more authority in assessing country programs and policies. Mr. McNamara asked Mr. Demuth to prepare his notes on this very important topic as soon as possible, and to circulate these notes to the members of the President's Council. At the same time, he requested a copy of the Bank's paper previously submitted to Mr. Hoffman and Sir Robert Jackson on this subject matter.

Mr. Ripman mentioned that most EDs had been contacted on the salary administration issue, except for Messrs. Plescoff and Stone. Mr. McNamara requested that he also get in touch with these two Directors as soon as possible. He mentioned that the U.S. Executive Director had been asked by his Government not to approve the paper until the U.S. had had more time to evaluate the salary comparisons, while, in fact, no Board approval had been requested.

Sir Denis reported on a meeting held by the deputies to the Group of Ten countries. The reaction to the Colombo proposal was negative.

Mr. Shoaib reported on his trip to London last week. Qatar may invest in two-year Bank bonds. IFC help had been requested in finding suitable private foreign firms which could assist its industrialization program.

Mr. Aldewereld reported on recent offers from Germany to refinance Bank bonds. Mr. McNamara suggested that Mr. Broches request Board approval for the authority to borrow at the July 22 Board Meeting.

Mr. Aldewereld also reported on his trip to New York. Merrill Lynch informed him that small investors have recently become very important in the long-term bond markets. These markets seem ready to absorb large amounts of long-term Bank bonds. Mr. McNamara requested that, since borrowing costs had increased significantly lately, the Bank's earlier estimates for profits for FY1970 be re-evaluated. Mr. Aldewereld

President has seen

mentioned that Mr. Rotberg had reviewed the holdings of U.S. securities maturing in 1970 and recommended that these be liquidated and put on a longer-term basis. The same was proposed for various U.K. papers held by the Bank.

Mr. McNamara mentioned that he was very anxious to get detailed information on the capital markets of the developed countries in order to ascertain where important sources of savings were available, since, in a few years time, new sources of funds would be required for the Bank. He referred to a document issued by Bankers Trust giving very detailed information as to how savings are mobilized in the U.S. and where these savings are being channeled. He would like to develop similar information for the other major developed countries.

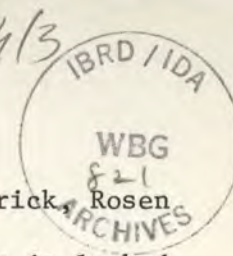
Mr. McNamara asked Mr. Clark to check on the timing of the signing of the second IDA replenishment bill. He informed the Council members that he and Mr. Knapp had decided to invite UAR to negotiate the IDA credit. He also mentioned that China was interested in sponsoring projects for agricultural research in Taiwan. He was cool to this proposal, although he was convinced that the Bank generally should become more involved in financing of agricultural research.

L.E. Christoffersen

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821/4/3
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President's Council Meeting, Monday, July 28, 1969

Present: Messrs. McNamara, Demuth, Shoaib, Clark, Cope, Ripman, Baum, Nurick, Rosen

Mr. Demuth referred to Sir Robert Jackson's visit last week and thought it looked like the Jackson Report would recommend that the coordination of development efforts by international agencies be centralized through the UNDP. Mr. McNamara mentioned that his recommendation to include a section on pre-investment studies in the Bank's country economic reports had been received with keen interest by Mr. Rohrbacher, staff consultant to Sir Robert. The final report was expected to be ready in early November.

Mr. McNamara referred to Sir John Crawford's idea of Bank involvement in the financing of an international livestock research center. He had long felt that more cooperation was needed among agencies interested in financing agricultural research. So far four international research centers (in Mexico, the Philippines, Colombia and Nigeria) had been established and plans are under way to establish another four centers. The Ford and the Rockefeller Foundations might not be able to continue supporting research institutions on this scale in the future. Under a consortium arrangement with UNDP, FAO, IDB or the Canadian, Swedish and U.S. aid agencies, the World Bank could perhaps finance the capital costs of the project, but the possibility of grant financing should not be precluded. Mr. McNamara mentioned that he had suggested to Mr. Paul Hoffman that he assign a man to examine this proposal. He also thought he would use the next international population conference in Bellagio, at the end of October, as an occasion to pursue this idea further with the interested parties.

Mr. Cope mentioned that the UAR Credit was ready for negotiations. The U.S. Government had made it known that it did not support the Credit at this point in time because of "inadequate efforts" to settle UAR's foreign debt obligations. Mr. McNamara asked Mr. Nurick to review the history of the U.S.-UAR debt negotiations. If in our judgment UAR is making "reasonable efforts," as was our opinion last January, Mr. McNamara thought IDA should proceed with the Credit.

Mr. Clark reported that the Pearson Commission was considering publishing its report as a commercial document. In any case special editions would come out in Spanish, German and Italian but no firm arrangement has yet been made for publication in Japanese. Mr. McNamara also suggested other language editions, such as Portuguese and Swedish. It was extremely important that all editions come out simultaneously in order to have an immediate worldwide impact.

Mr. Baum mentioned that four different study groups had been initiated to look at problems related to domestic preference for local suppliers. Their final reports should be ready by the end of September or early October. Mr. Cope mentioned that a transportation loan to Morocco would be discussed in the Loan Committee on July 30 and that this project had raised important problems regarding our usual practice of relating protection to the gross value of production. Mr. Nurick said the European Common Market already had adopted the value added concept in this respect and suggested that from an administrative point of view the problems involved might perhaps not be serious.

According to Mr. Shoaib the Libyan delegation would arrive on July 31. They had agreed to purchase about \$28 million worth of World Bank bonds.

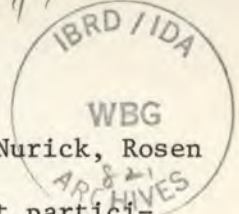
Mr. McNamara then referred to the staff salary issues. He asked to be kept informed about the implementation of the salary classification system throughout the various Departments. He also asked Mr. Shoaib and Sir Denis to check with the EDs on their reactions to the proposed general increase in salaries which would be on the agenda for the Board Meeting on August 5.

President has seen

Mr. McNamara mentioned that USAID had approached the Bank very informally and requested its reaction to a possible additional supplement to IDA of \$100 million to \$125 million, but which would have some restrictive conditions as to its use. Mr. McNamara said that he had told Mr. Adler that the Bank always would be interested in discussing additional funds for IDA and that we should not discourage AID from exploring this possibility in general terms. He also mentioned that perhaps the Bank should increase its capital simultaneous with the forthcoming increases in Fund quotas. Parallel action between the Bank and the Fund on this point had historical precedents and both proposals would require legislative action by member countries. Sir Denis had been asked to include a discussion of this issue in his paper on IDA replenishments.

Finally, Mr. McNamara referred to Mr. Shoaib's suggestion that perhaps the Bank should consider using the American Express or some other travel agency for servicing Bank staff travel. Mr. McNamara wished Mr. Poore to examine this proposal and he suggested that Messrs. Shoaib and Ripman consider the alternatives in some detail.

L.E. Christoffersen

AUG 12 2013
WBG ARCHIVESPresident's Council Meeting, August 4, 1969

Present: Messrs. McNamara, Knapp, Demuth, Rickett, Clark, Ripman, Baum, Nurick, Rosen

Mr. Rosen reported that IFC was finalizing what may be its first participation in a public share offering in Brazil's capital markets. The new issue would finance the expansion of a cement plant. It would also increase Brazilian ownership in the firm and might perhaps help bring about a general strengthening of the capital markets in Brazil.

Mr. Rosen also mentioned that Senator Javits had approached him on the Tunisian arrangement for the tourism project. The Senator had noted IFC's conclusion that in both Greece and Turkey investment potentials existed in the field of tourism. In view of the Senator's interest in promoting cooperative efforts between the two countries, he was anxious to find out whether tourism projects would be useful in this regard.

Mr. Clark reported that the Pearson Commission was hopeful that it would be able to adhere to the September 15 deadline set for the draft report to be submitted to printers and translators. Mr. Pearson would send his final draft to the Commissioners next week and subsequently would meet with them in Geneva September 1-6. Among the American publishers, Praeger seemed to be the one most interested. They had promised a paperback edition ready by October 1. For orders above 10,000 copies, the firm would charge 83¢ each. Mr. Clark had in mind an initial order of 25,000 to be widely distributed at the time of the Annual Meeting. In the U.K., the Penguin Company seemed to be the most likely prospect. Definite offers for publication had arrived both from Mexico and Germany. Arrangements for the French edition were almost firm.

Mr. McNamara repeated his plea for a quick distribution of the report. Both Prime Minister Trudeau and Barbara Ward had in mind using the report for international conferences soon after the Annual Meeting. Mr. McNamara was particularly anxious that the report reach the highest levels of government officials in the developed countries, particularly heads of states and foreign ministers.

Mr. Baum reported on problems facing the Japanese contractors for the Nam Gum project, caused by the civil war in Laos. He also mentioned that a \$70 million contract award for the Boke Project in Guinea was being delayed due to a dispute between two Italian contractors. One of the objections by the Government of Guinea was that the contractor with the lowest bid (\$5 million below the other) had proposed to transfer personnel and equipment from the Ivory Coast into Guinea, a proposal which was not acceptable to Guinea on political grounds.

An easy majority was expected in the Board on the salary issue on the agenda for tomorrow. The EDs salary increase had passed the Fund's Board of Governors last week, while it had been rejected by the Governors for the Bank. This was largely due to the difference in the voting powers of the U.S. within the two institutions. It had raised concern about the principles of weighted voting in the Bank.

Sir Denis reported that he had sent the first part of the IDA replenishment paper to Mr. McNamara. In that connection, Mr. McNamara mentioned that Congressman Reuss was very interested in the possibility of linking the SDRs to IDA replenishments in the future. Mr. McNamara said that he would favor such a proposal in principle but that both he and Sir Denis had felt that in practical terms it could not be expected that a direct link would be acceptable to all Part I countries in the next few years. He was pleased to note that Mr. Reuss believed the U.S. contribution to IDA should be doubled. Mr. McNamara asked Sir Denis to invite Professor Mason and Mr. McGibbon to his office to discuss the drafts for the IDA replenishment paper.

President has seen

Mr. McNamara noted that negotiations with the Libyan delegation had resulted in a \$28 million bond issue at 7½% with an amortization of 10 years. He planned to ask for Board approval at the meeting on August 12. He also mentioned that the German bond issue might be delayed at least for a month as a result of advice given by the German Government. Last week he had met briefly with the Foreign Minister of Peru who wanted an endorsement by the Bank of Peru's economic policies. He noted that this morning's wire service had mentioned that both the IDB and the Bank were planning to grant new loans to Peru. He asked Mr. Knapp to check with the IDB on this and told Mr. Clark to let it be known that, as far as the Bank was concerned, the statement was not true.

Finally, Mr. McNamara mentioned that invitations had been sent to the UAR for negotiations on the IDA credit.

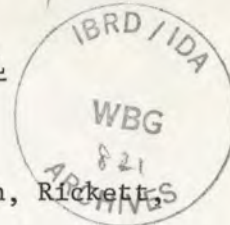
L.E. Christoffersen

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821/4/5
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President's Council Meeting, September 8, 1969

Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Demuth, Friedman, Ricketts, Clark, Ripman and Rosen

Sir Denis mentioned that the IDA replenishment papers would be circulated within the Bank before the end of the day. They consisted of 23 different topical papers and an over-all summary paper. In addition, work was being done to produce a popular version of the McGibbon paper on the need for concessional aid. This might be useful for promotional purposes and for press statements and speeches. Two major questions needed the attention of the management. First, whether a policy of direct subsidies on Bank loans should be proposed; and second, whether an increase in the Bank's authorized capital should be requested this year. In addition Sir Denis asked whether a Governors' resolution on IDA replenishments ought to be presented to the 1969 Annual Meeting. On the latter point, Mr. McNamara responded that he did not favor such a resolution this year.

In regard to a possible increase in the Bank's capital, Mr. Broches mentioned that a paper on the history of the expansion of the Bank's capital would be available in the afternoon. Mr. McNamara asked for a comprehensive briefing paper --to be prepared prior to the Annual Meeting--on the tactics and procedures which should be adopted if a further capital increase was considered to be in the Bank's interest. Mr. Knapp mentioned that he would wish to have more information on how the proposed "special" increases in Fund quotas would affect capital subscriptions to the Bank. Mr. McNamara agreed and asked that Mr. Broches, in consultation with Mr. Mendels, prepare a note on this point.

Mr. McNamara mentioned that he would meet with Congressman Reuss and other legislators on Wednesday evening. Prior to that occasion, he would wish to meet with the Council members and discuss the IDA replenishment papers prepared by Sir Denis. He requested a careful study of these papers and asked for the Council's advice on the strategy which the Bank should now assume in regard to IDA replenishments. Furthermore, he wished them to identify areas in which additional work ought to be undertaken. Mr. McNamara suggested that the Council meet on Wednesday at 3:00 p.m. in his office to discuss the IDA replenishment papers.

Mr. Clark mentioned that Mr. Pearson appeared to be able to have his report ready for the agreed deadline (September 15).

Mr. Ripman reported that the salary classification procedures were well underway and that "staff morale" had not been a problem so far. Mr. McNamara again reiterated his interest in being informed about problems which might arise within the Departments when these salary classifications are being implemented.

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September 9, 1969

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821/4/6



CONFIDENTIAL

President's Council Meeting, September 10, 1969

DISCUSSION OF DRAFT IDA REPLENISHMENT PAPERS

Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Demuth, Friedman, Rickett, Rotberg and Clark

Mr. McNamara suggested that the participants at the meeting help him identify areas where further work would be needed.

Increases in the Bank's Capital

Mr. McNamara mentioned that Mr. Broches had written a memo in which he had strongly recommended that the Bank refrain from proposing any increases in its authorized capital at this point in time. Only in the case that parallel increases were effected for paid-in capital, would Mr. Broches concede that a case could be made in favor of such a proposal. Mr. McNamara felt that additional paid-in capital would indeed in principle be desirable. He asked Mr. Broches to draft a memo to the Board on an assumption that the management had already decided to recommend such an action. This draft should be circulated to PC members by Tuesday afternoon (Sept. 16).

Third IDA Replenishment Resolution

Initially Mr. McNamara had not favored a proposal to push for a Governors' resolution on the Third IDA Replenishment at this year's Annual Meeting. He now had "second thoughts" on this matter, since a resolution might produce formal dead-lines for the preparatory discussions with Part I countries and for formal approvals by their governments--with the possible effect of speeding up these procedures. He had been amazed to learn that there was very little active interest or creative thinking on this subject matter among government officials in Part I countries.

Mr. Friedman thought a Governors' resolution was indeed important in order to speed up the preparatory work and also in order to bring these policy matters quickly to the attention of those at the ministerial level in the countries concerned.

Mr. Broches pointed out that such a Governors' resolution would not necessarily have to be submitted during the Annual Meeting, but could be sent by the Governors through mail some time thereafter. However, he also pointed out that it might in any case be useful to have a draft resolution prepared prior to the Annual Meeting, since, should a "last minute" proposal be presented to the Meeting, the management would be in a stronger position if it had had a chance to consider a draft prior to that time.

Sir Denis mentioned that the same "deadline" effect assumed to be achieved with the Governors' resolution could probably be brought about by Mr. McNamara's talks with Governors of Part I countries during the Annual Meeting. An oral agreement might be reached as to a possible deadline for preparatory work by the middle of next year.

Mr. McNamara asked Mr. Broches to draft a Governors' resolution which then would be discussed next week.

President has seen

Report to the Board

Mr. McNamara pointed out that during the Second Replenishment exercise a commitment had been made to report to the Board at some later date on two topics: first, possible alternative methods of replenishing IDA; and, second, changes in voting practices in IDA.

Mr. Knapp proposed that at this point in time the Board should not be approached on the matter, but that the management instead concentrate on discussions with Part I countries in the period before and during the Annual Meeting.

Mr. McNamara suggested that as a minimum a paper should be prepared for the Board some time after the Annual Meeting. In this report he would state which results had been achieved during the Annual Meeting and what he would plan to do from there on. He would then propose a specific time schedule for which he would ask Board approval. Sir Denis was asked to draft such a paper.

Voting Power

Mr. McNamara wanted a more detailed analysis of the distribution of voting power within the Bank and IDA. Two issues were involved: (a) the redistribution of voting power among Part I countries, and (b) how this redistribution would affect the over-all voting strength of the Part I relative to the Part II country groups. Mr. Broches was asked to provide this information and specific details on the dilution of voting power of certain countries in both the Bank and IDA, particularly those resulting from the "special" increases in Fund quotas. Mr. McNamara asked Mr. Broches to rewrite working paper #17⁶ for distribution in draft form on Sept. 23.

The Magnitude of IDA Replenishments

Mr. McNamara requested a note explaining why new IDA replenishment ought to be at a higher volume than those of the Second Replenishment. He asked Sir Denis to prepare a concise note for next Tuesday on the various reasons why such a larger magnitude was desirable. Mr. Aldewereld suggested that this paper also include a discussion of "absorptive capacity" in developing countries. Mr. McNamara agreed. He said that he envisaged the paper as a "professional" version of working paper #1--written in a very brief and concise form.

Mr. Clark mentioned that the Pearson report would also contain references to these issues.

Supplementary Financing

Mr. Knapp queried whether issues relating to the supplementary financing scheme should be included in the draft. Mr. McNamara responded that he did not wish to see any such reference.

The Mechanics of IDA Replenishments

Mr. McNamara said that he hoped that IDA could get the point across to the Part I countries that a much larger commitment level was necessary than what was required in terms of actual disbursements during the same period. Sir Denis was asked to draft two alternative proposals: (a) one which would be similar to that of the Second Replenishment; and (b) a commitment level which was much higher but where the disbursement effect was spread out over a larger number of years. At the same

time he suggested that we would not assume any balance of payments safeguards and program lending in the draft, and that transfers of Bank profits be utilized first under IDA disbursements. Mr. McNamara requested that the Treasurer's Department assist Sir Denis on this note, giving details on what disbursement schedule was necessary from Part I countries under the various assumptions.

Check List

Sir Denis was asked to prepare a short note listing all questions that the management should address itself to during the next few months on the matter of IDA replenishments.

Statistical Tables

Mr. McNamara requested more comprehensive information on the following:

- past and future aid flows;
- past and future debts outstanding and debt-service obligations;
- past and future IDA disbursements and sources of funds;
- Part I country contributions under past fundings of IDA;
- balance of payments effects of procurements under Bank and IDA operations.

Mr. McNamara requested that Sir Denis in cooperation with Mr. Christoffersen prepare this for distribution on Tuesday, September 16.

* * * * *

At the end of the meeting Mr. McNamara mentioned that during his dinner with Congressman Reuss he would inform him that the proposed SDR linkage with the Third IDA Replenishment was not a practical possibility since no Part I country believed it feasible that the linkage could be developed in time for the completion of this exercise.

Mr. Knapp also suggested that the question of an interest subsidy should be discussed separately some time during the month of October.

It was decided that another meeting be convened on Wednesday, Sept. 17, at 3:00 p.m. to continue the discussion of the IDA replenishment papers.

L.E. Christoffersen
September 12, 1969

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President's Council Meeting, September 15, 1969

Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Demuth, Friedman, Rickett, Shoaib, Raj, Clark and Twining



Mr. Aldewereld reported on his trip to Germany during the previous week. About two months ago, the German Economic Ministry had given the Bank permission to raise DM 300 million in Germany. Since interest rates in Germany had increased during last week to a level higher than at any other time since the Korean War, the Bank had been advised not to issue any new bonds in Germany at this time. Mr. McNamara commented that, as the German capital markets now appeared to be less available to the Bank than in the past, it was unfortunate that there was nothing to suggest that capital markets in other "surplus" countries would "open up" and thus compensate for the more restricted use by the Bank of the German markets. Mr. McNamara mentioned that a new forecast for the Bank's FY1970 profits would be available within the next few days. Taking into account the effects of the French devaluation, about \$196 millions were estimated for this fiscal year. This indicated the strength of the Bank's profitability and showed that in the short run the Bank would be able to afford to pay higher interest costs on borrowings. Mr. Aldewereld expressed his opinion that the Bank should continue to explore any opportunity to borrow in the capital markets at this point in time. However, Mr. McNamara warned that, in the future, difficulties would arise if the same pattern of interest costs prevailed, and that the Bank may have to assume that such a situation might prevail for perhaps decades ahead. To a large measure the higher interest rate levels were due to two simultaneous economic forces: first, a rapid expansion of new technology requiring increasingly larger volumes of capital; and, second, a growing demand for more infrastructure and public services in the developed countries.

Mr. Aldewereld mentioned that all central banks, except Israel, had surrendered their two-year Bank bonds for renewals rather than paying cash for new issues of our central bank bonds. This indicated that monetary authorities generally considered these as "untouchable" securities which were held in portfolio until maturity. He also mentioned that within the last six months Japan had achieved the second highest GNP in the world, a point to keep in mind when future efforts were made to mobilize funds in Japan.

Mr. McNamara mentioned that the Liberian bond issue was in difficulties. He asked Mr. Shoaib to examine carefully its status and to monitor the Bank's relationship with the new government in Libya.

Mr. McNamara also mentioned that considerable progress seemed to have been achieved in regard to the UAR debt negotiations. He anticipated a final settlement very soon.

Mr. Aldewereld mentioned that Mr. Sadove would head the new Special Projects Department, Mr. Knox the Transportation Projects Department, and that Mr. Weiner would be appointed Director of the Public Utilities Projects Department. Mr. McNamara mentioned that he would like to see all appointments for the position of a Deputy Director being filled by people who potentially would be able to become Department heads at a later stage.

He also asked the PC members to read carefully the IDA replenishment papers for the special PC meeting on Wednesday, September 17.

L.E. Christoffersen
September 17, 1969

President has seen

AUG 12 2013

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Special President's Council Meeting, September 17, 1969

821/4/7



Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Demuth, Friedman, Rickett, 821
Shoaib, Clark and Rotberg

The Council continued last week's discussion on the draft IDA replenishment papers.

Increases in the Bank's Capital

Mr. McNamara said the drafting of the memo had been very timely in view of Dr. Lieftinck's comments at the last Board Meeting. While expressing his satisfaction with the general form and content of the paper prepared by Mr. Broches, Mr. McNamara suggested that the new draft go into more detail. He asked that Mr. Cope be assigned to assist Mr. Broches in this exercise, and that Messrs. Aldewereld and Rotberg be consulted. Sir Denis suggested, as an alternative proposal to that of Mr. Broches, a 10%-50% formula which would bring about a similar increase in paid-in capital, i.e., \$1 billion, but at the same time would also increase the U.S. guarantee limit to a very much higher level than under the other proposal. Such an increase in the Bank's capital should take care of the Bank's needs over the next 10 years. It was decided that Mr. Broches and Mr. Cope would prepare a new draft by September 26. (Subsequent to the meeting, it was agreed that Mr. Adler rather than Mr. Cope would undertake this task.)

Report to the EDs

Mr. McNamara asked the Council's opinion on whether the report should be submitted before the Annual Meeting, thus giving the Governors the advantage of being briefed on a point which might be raised when they met with the President here, or whether the report should be submitted to the EDs subsequent to the Annual Meeting. Mr. Shoaib mentioned that many Governors had already left their home countries and, therefore, any report now distributed to the EDs might not be very useful, since without proper time to consider carefully the implications of the report, it could lead to ill-conceived reactions by the Governors. Mr. McNamara agreed that this was an important point to consider but suggested that sending a memo prior to the Annual Meeting would bring out two important points that he wished the Governors to support: first, commitments under the second replenishment should be committed by June 30, 1971; and, second, the level of annual IDA commitments after 1971 should be at a higher level than what is now planned for FY70 and FY71. Mr. McNamara requested Sir Denis to delete from his draft memo all other points not directly related to these two principal issues. Sir Denis would complete this, for distribution on Tuesday, September 23.

Governors Resolutions

It was once again agreed that no such resolution should be introduced by the management during the Annual Meeting.

The Magnitude of Future IDA Replenishments

Mr. McNamara thought a draft memo prepared by Sir Denis needed careful attention and he requested each PC member to contribute ideas for the next version of the paper. In particular, he encouraged Mr. Friedman to concentrate attention on this issue. The main purpose of the memo was to use it as a briefing paper. It should be in a form which would allow him to show it to Part I country Governors during the Annual Meeting, if so desired. A new draft would be prepared for Monday, September 22.

President has seen

Statistical Tables

Sir Denis, in cooperation with Mr. Christoffersen, was requested to prepare statistical tables on the following topics:

1. The U.S. balance of payments effects of Bank and IDA operations;
2. Aid programs of principal donor countries; and
3. IDA disbursements by year through the Second Replenishment with an analysis of alternative methods of funding IDA during the Third Replenishment (i.e., whether or not Bank profits would be used first, and which combination of balance of payments restrictions and program lending should be assumed).

Sir Denis and Mr. Friedman were asked to decide the assumptions which should be tested in this respect. The objective of the exercise would be to arrive at a formula which would show governments that their initial annual contributions might be smaller relative to commitment levels than what had been past practice under IDA.

Additional Studies

Mr. Friedman reported that he had been approached by the German Alternate ED as to whether a resolution on the Supplementary Financing Scheme would be introduced at the Annual Meeting. He had responded that it was highly unlikely that the Bank would wish to introduce or encourage such a resolution. Since also other governments were likely to raise this issue he would suggest that perhaps an internal report should be prepared on what response the Bank should take to the Supplementary Finance Scheme.

Mr. McNamara thought perhaps such a study might adversely influence Part I countries' willingness to initiate immediate preparatory talks on the Third Replenishment. Instead they might then wish to prefer a postponement of decisions regarding the funding of IDA, until the role of the Supplementary Financing Scheme had been worked out within the Bank. Mr. Friedman thought contributions to the Supplementary Financing Scheme should be thought of as being additional resources to development, over and above those that the governments would be willing to contribute to IDA. He agreed to prepare a report on this topic by October 15.

Mr. Shoaib suggested two general studies which the Bank might wish to undertake in response to repeated demands from developing countries:

1. historical analysis of capital outflows from developing countries to the developed countries during the last 150-200 years; and
2. a study of over-all aid requirements starting with an assumption of a certain minimum level of per capita income in developing countries which should be achieved by a certain future date and then deriving the growth rates and the volume of development assistance necessary to reach this objective.

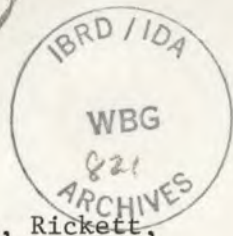
L.E. Christoffersen
September 22, 1969

DECLASSIFIED

AUG 12 2013

WBG ARCHIVES

821/4/8



President's Council Meeting, September 22, 1969

Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Demuth, Friedman, Rickett, Shoaib, Clark, Ripman, Raj

Mr. McNamara mentioned that the GAO appeared to have taken a new interest in the Bank. Since this was a national agency and one which is under the control of Congress, he thought that any Bank submission to GAO would be disastrous. He queried how requests of this kind had been handled in the past and asked for suggestions as to how the present situation should be handled.

Mr. Knapp said that GAO had not directly requested the Bank to submit to its audit. It had asked for information from Treasury as to how the U.S. ED received his instructions and had requested documents relating to certain loans and credits. Mr. Broches mentioned that a few years ago, when Congress had queried projects under the IDB's Social Progress Trust Fund, which is wholly financed by the U.S., strong demands had been made in Congress to have GAO audit these operations. After considerable discussions both with the IDB Board of Directors and its management, they had finally agreed to establish a special three-member committee which would report directly to the IDB Board on both the Trust Fund and IDB's regular operations. The committee, which had been set up in mid-1968, had agreed to use auditing guidelines suggested to them by GAO. Under the law, the U.S. ED in the Bank had been required to request a similar arrangement for the Bank and IDA. However, the Bank's management had argued that the Bank was "different" from IDB and nothing further was heard on this matter. Mr. McNamara suggested that there was a certain similarity between IDB's Fund and IDA in that the U.S. Government contributed substantial amounts to both. With delicate IDA replenishment negotiations ahead, he feared that some support for our operations could be jeopardized by Congressmen who might demand auditing rights of this kind. He requested Mr. Broches to report on how the IDB committee operated and asked him to take up this matter with Mr. Petty on behalf of the Bank. Mr. Broches mentioned that no individuals or countries had any legal rights to audit Bank and IDA operations.

Mr. McNamara commented on the new draft of the report to the EDs on IDA replenishments and suggested that, with a few minor modifications, it be sent to Mr. Mendels and distributed to the Board on Tuesday, September 23, after the Board meeting.

Mr. Demuth mentioned that he had received a draft of Mr. Hoffman's letter to Mr. McNamara commenting on the Bank's proposal to expand the coverage of our economic reports. He said that he would circulate this draft to PC members.

Sir Denis mentioned that, in regard to the paper making the case for a higher level of IDA replenishments, he had received comments by Mr. Demuth and that a complete redraft had been suggested by Mr. Friedman.

L.E. Christoffersen
September 25, 1969

President has seen

DECLASSIFIED

AUG 12 2013
WBG ARCHIVES

821/419



President's Special Council Meeting, September 26, 1969

Present: Messrs. McNamara, Knapp, Aldewereld, Rickett, Shoaib, Broches, Demuth and Friedman

Mr. McNamara said he had called the meeting mainly to be briefed on points which might be useful to review before he meets with the Governors and country delegations during the Annual Meeting. He mentioned the possibility that some of the African countries might propose a Resolution on commodity stabilization measures. Mr. Broches was asked to be prepared for such a possibility and to watch out for efforts which could lead to a proposal of this kind "from the floor" during the meetings. Mr. McNamara also mentioned that so far he had been disappointed to learn that the US and UK did not appear ready to play an active role in canvassing support for further IDA replenishment.

Sir Denis thought perhaps Mr. McNamara would be interested in seeing John Diamond, Chief Secretary to the UK Treasury, at the end of the week of the Annual Meeting. This had been suggested by Mr. Jenkins. Since Mr. Diamond controls the UK budget presentation, he could be influential in aiding IDA replenishments. Sir Denis also reported that he had understood from talking to Japanese Government officials that they had found it difficult to increase Japanese holdings of two-year IBRD bonds due to an alleged scarcity of medium- and long-term savings. He had suggested the possibility of placing some of Japan's reserves -- currently more than \$3 billion -- in IBRD bonds. They had said they would consider this possibility. Mr. Aldewereld mentioned that Mr. Suzuki had been given the maturity schedule of Japan's holdings of Bank bonds. Mr. McNamara asked for a copy of this schedule.

Sir Denis suggested that Mr. McNamara might wish to see Mr. Colombo sometime the following week. Mr. McNamara said he did not wish to initiate such a meeting.

Mr. McNamara asked Mr. Broches to find out why Baron de Spirlet and Governor Ndele wish to meet with him on Friday, October 3.

It was decided that the Council would meet again at 9:00 AM on Wednesday, October 1, at the Sheraton-Park Hotel.

L. E. Christoffersen

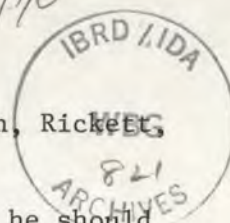
President has seen

AUG 12 2013

WBG ARCHIVES

President's Council Meeting, October 1, 1969

Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Demuth, Friedman, Rickett, Shoaib, Clark



Mr. McNamara asked Council members for suggestions as to what he should include in his speech to the Board of Governors on Friday. Comments should be submitted by 6:30 p.m. (Wednesday), when he would meet with Mr. Demuth to prepare his speech.

In regard to further IDA replenishments, Mr. McNamara said he was now convinced that the replenishment exercise must be directly linked with a proposal to increase the Bank's capital. He noted that several of the Governors had pointed out that the Bank and IDA operations should be viewed within the same over-all framework. Part I countries would not need to assume immediately a larger burden under the next replenishment, since recent disbursement projections showed that Part I contributions required to finance IDA could be stretched out over a larger number of years than had been the case under past IDA replenishments. It was now important to ensure good staff work on the practical aspects of the Third Replenishment and on the negotiating points which could be anticipated during the coming discussions with Part I countries. He had, for example, noted that several large countries had strongly urged changes in IDA allocations between the various regions. The U.S. had asked for more funds for Latin America, France had strongly urged more credits for Africa and Japan wished to see a larger IDA portion to Asia.

Mr. Shoaib mentioned that Mr. Stone had expressed some misgivings about the fact that the September 23 report to the ED's regarding the Third IDA Replenishment had come so close before the Annual Meeting.

Mr. Knapp said that he had heard that the demagogic speech delivered by Chairman Negre at the African Caucus Meeting was mainly the result of criticism which Mr. Negre had received regarding the alleged "weak" joint memorandum prepared by the Caucus for submission to Messrs. McNamara and Schweitzer.

Mr. McNamara mentioned that Mr. Jamal, Finance Minister of Tanzania, had been very critical of the Kenyan Government's attitude towards the East African Community.

Mr. Aldewereld reported that he had been approached by certain Swiss bankers who wished to encourage the Bank to consider a new bond issue in Switzerland in early 1970. They wanted Mr. McNamara to know that, while the last bond issue had not been successful in Switzerland, it had under no circumstances lowered the Bank's credit standing in the Swiss capital market.

Mr. McNamara mentioned that his talks with the Japanese officials during the Annual Meeting had revealed that Japan would be willing to increase its bond purchases by another \$100 million a year beyond what it already had indicated it would do. However, he noted that in general Japan would rely substantially on bilateral aid and that their multilateral aid would almost exclusively be channeled through the Asian Development Bank. Mr. McNamara queried whether the ADB could absorb a rapid increase in lending volume. In order to counter such proposals more effectively, it would be necessary to show that a substantial expansion of multilateral aid could best be facilitated through IDA. For this purpose it would be important to prepare an over-all program for development assistance, integrating both the programs of multilateral agencies as well as bilateral aid programs. In regard to the Third Replenishment, Mr. McNamara said that he was quite convinced that transfers of Bank profits to IDA should only be used after Part I country contributions, and that U.S. balance of payments safeguards must be avoided. He noted that U.S. Government officials had indicated a reduction of the U.S. share of future IDA contributions to below 40%.

President has seen

At the end of the meeting Mr. Friedman mentioned that the Malaysian delegates had talked to him about their growing foreign exchange reserves. Mr. Friedman had suggested that they invest some of these reserves in IBRD bonds. Mr. McNamara asked Mr. Aldewereld to follow up this point with the Malaysian authorities.

L.E. Christoffersen
October 7, 1969

AUG 12 2013

WBG ARCHIVES

President's Council Meeting, October 6, 1969

Present: Messrs. McNamara, Knapp, Aldewereld, Demuth, Friedman, Rickett, Shoaib, Clark, Ripman, Nurick and Gaud

Mr. McNamara said he had asked Mr. Demuth to assume responsibility for an evaluation of those of the Pearson Commission recommendations which relate to the Bank. He asked Mr. Demuth to prepare a paper to the Board in which he would list the various recommendations in the report, state how the Bank intended to approach the proposals and outline a timetable for this work. Mr. Demuth thought the proposal that the Bank should take the initiative in organizing an international aid meeting, as recommended in the Pearson Report, was likely to be considered a controversial issue by the donor countries. Mr. McNamara said he had talked to Mr. van Lennep, the new Secretary General of OECD, whom he found very dynamic. He had tentatively agreed to come to the next DAC meeting in Paris in November when the Pearson Report would be discussed.

Mr. McNamara mentioned that Messrs. Aldewereld and Broches were working on a study of possible increases in the Bank's capital. Sir Denis had been asked to assume responsibility for the next stage of work on the Third Replenishment. Mr. Adler would supervise the staff work needed for this purpose. Meanwhile, Mr. Blaxall would take charge of the Programming and Budgeting Department.

Mr. McNamara mentioned that, during the Annual Meeting, his talks with various Ministers had brought up several important points regarding Bank and IDA operations. Japan had indicated that they would increase their purchases of Bank bonds, probably to the extent of \$100 million annually above what they had previously indicated they would do. Libya, according to Mr. Shoaib, would go ahead with the IBRD bond issue and further funds, perhaps another \$40 million, should be forthcoming from Kuwait. Mr. McNamara mentioned that recent Bank efforts to assist the countries in the Arab world had indeed been very impressive. There were also good hopes for further capital additions from Germany. A substantial bond issue was expected before the end of the year. Mr. Aldewereld thought the German market would be revalued by 6%-8%. The Bundesbank would probably reduce its interest rates and adopt a queue system for capital market issues. In that case the Germans had assured him that IBRD would get priority treatment. He also mentioned that the Bank had been **encouraged to float another bond issue** in Switzerland. This would perhaps take place some time in early 1970. The interest rate might be around 6½%.

Mr. McNamara mentioned that the Congolese Government had settled the Union Miniere dispute with the Belgian interests. He had agreed to conciliate if future disputes arose between the parties and he might also be called upon to appoint a third arbitrator. Mr. McNamara applauded the present agreement and thought it was advantageous to both parties.

Mr. McNamara said he had had an unpleasant meeting with the New Zealand delegation. In view of the high per capita income in New Zealand, Mr. McNamara had not wished to see further Bank lending to that country, particularly when it had recently turned down two possibilities to raise funds in the European markets. The Finance Minister had said he had been misled by Mr. McNamara since he had not been aware of the emphasis that the Bank would place upon New Zealand making use of other capital market opportunities. However, the minutes from last year's meeting with the New Zealand delegation had quite clearly showed that this was indeed a precondition for further lending to New Zealand. Mr. McNamara thought both Finland and Ireland could present better cases for Bank lending than New Zealand, although it appeared that the U. S. Government had some trouble with this position.

President has seen

Mr. McNamara mentioned that earlier this year the Projects and Area Departments had been subjected to reductions in both projects and staff when the Third Replenishment still was uncertain. Since this situation had changed, Mr. McNamara had encouraged them to expand their project lists and, if necessary, also to increase their staff. He had let this be known to the Departments at a meeting prior to the Annual Meeting.

Mr. Knapp thought the Pearson Report was generally very good. However, one particular point had concerned him, namely, that IDA credits should be allocated to countries where bilateral aid was considered inadequate. Mr. Knapp said that this would be very objectionable to many of the EDs. Mr. McNamara agreed with Mr. Knapp but said there was no doubt that the present system of allocating IDA credits would have to change.

Mr. Friedman pointed out that much of the analysis in the Report was not based on currently accepted principles in the Bank. He suggested an informal seminar on this topic for Bank staff. He also said that those EDs who had persuaded the African countries to hold back any resolutions on commodity price stabilization at the Annual Meeting would have to be given some assurances that this topic would receive further attention within the Bank. He also said that conversations with officials of the Asian Development Bank had revealed deep frustrations with their working conditions in Manila. Mr. McNamara asked Mr. Friedman to prepare a memorandum on these points for circulation to the Council members.

Mr. McNamara revealed that he had asked Mr. Demuth to coordinate the Bank's efforts to stimulate international financing ventures in support of agricultural research. Mr. Demuth mentioned that Mr. Evans and Sir John Crawford had recently visited the Rockefeller Foundation in New York. It appeared that Australia was interested in accepting management responsibilities for one of the new agricultural research institutes. Mr. McNamara thought this an excellent idea and looked forward to receiving close cooperation from Mr. Stone in respect to agricultural research projects in developing countries.

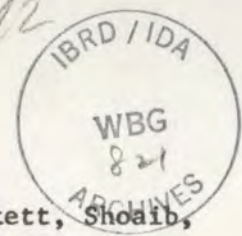
Sir Denis said he had talked to some of the smaller developed countries during the Annual Meeting. Because of recent failures with the fishing industry, Iceland would find it very difficult to join IDA now. The Irish officials had said that the matter was currently under consideration in Dublin.

Mr. McNamara said the salary classification had been completed, except for a few individual cases. He asked Mr. Ripman to announce the results of this exercise, even though final agreement on the remaining cases had not yet been reached.

In regard to the German political situation, Mr. Aldewereld said the Cabinet positions were not yet firm. Mr. McNamara said he wished to ensure Mr. Schiller's continued support for the Bank. The Council members were asked to watch for situations where the Bank might be of help to the German authorities.

L.E. Christoffersen
October 9, 1969

821/4/12



President's Council Meeting, October 13, 1969

Present: Messrs. McNamara, Knapp, Aldewereld, Demuth, Friedman, Rickett, Shoaib, Ripman, Nurick and Gaud

Mr. Gaud said his staff was trying to ascertain what action the Government of Uganda had taken under the so-called nationalization measure. It was not yet clear what had actually taken place.

Mr. Shoaib referred to the Annual Meeting and suggested that perhaps a time limit should be put on the Governors' speeches. Otherwise, it was apparent that those scheduled for the latter part of the week were at a relative disadvantage. He also suggested that thought should be given to abolishing the practice of separate days for the Fund and the Bank. Mr. McNamara asked Mr. Shoaib to bring these matters to Mr. Mendels' attention and to report on them before the next Annual Meeting schedule is finalized.

Mr. Friedman mentioned that when the IMF Board of Directors recently spent a good deal of time on the development program of Jamaica, it had recognized that this was perhaps more an IBRD matter. Mr. Schweitzer had then said that both the Fund and the Bank should cooperate more closely since it was apparent that both institutions had common interests in a number of fields. Mr. McNamara mentioned that Mr. Demuth would include an assessment of the Bank's relationship with the Fund in his work on the recommendations in the Pearson Report.

Mr. Knapp thought that one way the Annual Meeting could be improved would be to select an issue on which all Governors would speak. As an example, he suggested that an appropriate topic might be efforts to increase domestic savings and to improve capital markets in their respective countries. Mr. McNamara thought this a useful suggestion and asked Mr. Shoaib to give the matter further consideration. While it was clear that the Governors should not be encouraged to regard the Annual Meeting as another UNCTAD-type forum, we could undoubtedly improve the effectiveness of these gatherings. He suggested that thought should be given to a spacing of the speeches of Governors of general interest to all delegations, and perhaps place the regional caucuses on a biannual rather than an annual basis.

Mr. Aldewereld reported on recent developments in international capital markets. It appeared that the U.S. markets were firming up. A medium-term bond issue by the Federal Land Bank had been oversubscribed beyond expectations. Mr. McNamara suggested that the Bank should consider increasing its holdings of deposit certificates, whose interest rates had presently reached about 10-1/2% per annum.

Mr. Aldewereld mentioned that interest rates in Germany had fallen in the last few weeks. Yields on 7-10 year bonds had dropped from 7.92% to about 7.50% and quotations showed an upward trend. Both the Swiss and Dutch markets were also stronger. The Eurodollar market could perhaps be tapped for substantial amounts at an interest rate of about 8-1/2%. Mr. Aldewereld wished to ask Mr. McNamara whether these developments should be considered a temporary rather than a long-term trend.

President has seen

Mr. McNamara asked whether progress had been achieved with respect to the Libyan bond issue. Mr. Shoaib said he had still nothing further to report. Mr. McNamara asked him to speak to him on this matter before Mr. Shoaib leaves Washington around October 22. Mr. Nurick wondered whether it would be appropriate for him to write directly to the new Prime Minister of Libya, a personal friend of his, on this matter. Mr. McNamara encouraged him to do so.

Mr. McNamara mentioned that several EDs had commented to him about the relationship between the Bank's capital structure and the IDA replenishment. Dr. Lieftinck had reviewed the Pearson Report and had said that recommendations with reference to the Bank itself could be put into two groups; those relating to its banking function, and those relating to its development function. He suggested that the relationship between these two functions should be carefully considered. Mr. Knapp warned against a discussion of this issue in the abstract at the Board level. Mr. McNamara agreed and said that the Board ought to consider specifically each recommendation on its own merits.

Mr. Nurick was asked to take responsibility for a report on Bank and IFC conflict of interest procedures. Mr. Nurick mentioned that the newly designated U.S. ED had asked for advice regarding purchases of IBRD bonds for his own portfolio, and also how he should handle his financial transactions generally when he joined the Bank. Mr. Nurick mentioned that there were no specific guidelines in this respect. Several years ago, the Board had proposed a resolution stating that an ED who had financial interest in a particular firm or project should report this matter to the Secretary prior to any meeting on such a project. However, no guidance was given as to how EDs should vote when such situations arose. Mr. McNamara was particularly concerned with IFC staff who generally dealt with private firms and thus would have considerable "inside knowledge" about the financial conditions and prospects of these enterprises. It was the use of inside knowledge which was the basic issue to tackle when the need for specific guidelines for Bank and IFC staff was examined.

Mr. McNamara mentioned that the new Special Projects Department had been assigned to deal with such matters as the Mekong Basin Development, nuclear power projects, and the Water and Agricultural Development Program in East Pakistan. He asked the Council members to suggest other activities which the Department might undertake.

Mr. McNamara said he had been extremely impressed with the Avramovic report on industrialization in Iran. He wished to establish a proper relationship between the Economics of the Industrialization Division and the Industrial Projects Department. Messrs. Demuth and Ripman were asked to study the coordination of these two units. The coordination between IFC and the Development Finance Companies Department should also be examined.

In regard to the ECOSOC meeting in New York, Mr. McNamara said that, after further talks with Mr. Demuth, he would ask specifically those members of the Council whom he wished to accompany him.

Mr. Nurick mentioned that U.S. Treasury officials had approached him on the proposed increase in the Bank's capital. Mr. McNamara mentioned that Secretary Kennedy had not personally given much thought to this issue, but at least had not opposed this proposal at the time of the Annual Meeting. He asked Mr. Nurick to tabulate the questions posed by the Treasury officials and then submit them to his attention.

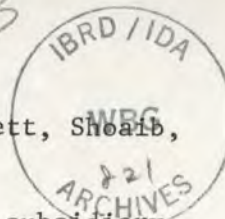
L. E. Christoffersen
October 15, 1969

AUG 12 2013

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President's Council Meeting, October 20, 1969

821/6/13



Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Friedman, Rickett, Shoaib, Gaud, Clark, Ripman

Mr. McNamara referred to the nationalization of the Gulf Oil subsidiary in Bolivia. Mr. Knapp said it was not yet clear what had actually taken place. He had been informed of the text of the cable referred to by the Bolivian Government. He would study this matter further and report to Mr. McNamara when the facts became clear.

Mr. McNamara mentioned that when he talked to Mr. Maude about SDR linkages to IDA replenishments, Mr. Maude thought the possibility of a linkage of IMF reserves to IDA replenishments should be carefully examined. Mr. Friedman was asked to prepare a note on this point.

Mr. McNamara commended the paper prepared by Sir Denis on the amount needed for IDA replenishments. He had discussed it with Mr. Adler last Saturday and had suggested some changes on two points: (1) the discussions of SDR linkages and (2) the relationship between the need for funds and the disbursements under IDA credits. He again repeated the point that the IDA replenishment exercise had to be closely coordinated with proposals to increase the Bank's capital. In this respect it was clear that capital market studies would be required.

Mr. Gaud asked when the paper would be sent to the Board. He thought IFC might not be able to wait until June 1971 for further equity funds. Mr. McNamara said that under no circumstance would he present it to the EDs before there was a reasonable chance of obtaining their consent. However, he was aware of the need to provide IFC with additional capital.

Mr. McNamara mentioned that Mr. Plescoff said that he did not see a need for an increase in the Bank's capital. However, if an increase in the paid-in capital was called for, he would propose a change in the Bank's Articles of Agreement in order to accommodate increases in both authorized and paid-in capital. He had understood that, in order to continue lending at concessionary rates, the Bank would need additional free capital. Mr. McNamara asked Mr. Aldewereld to prepare a note on the high-debt equity ratios which existed in various French mortgage corporations, a point which Mr. Plescoff had made when he met with Mr. McNamara.

Mr. Broches thought that, if the Bank's Articles were changed, the EDs would undoubtedly ask whether the IFC Charter should also be amended, as proposed at numerous Annual Meetings, to enable it to invest in public enterprises.

Mr. McNamara said that Dr. Machado would favor an increase in the Bank's capital and that he thought he could move the two other Latin American EDs in the same direction. Mr. Jagannathan was opposed because of the disadvantage to India on the voting issue. Mr. Shoaib was asked to check with the other EDs to find out their reactions to the proposal. Mr. McNamara reminded him to tell the EDs that, unless additional free capital was obtained, it would be exceedingly difficult for the Bank to continue granting loans at the present concessionary rate.

Mr. Knapp pointed out that it should not be thought necessary to follow the Fund in both the general and the special increases. Mr. McNamara agreed but said the problem arose because certain of the developed countries, for example Germany and Japan, would insist on large special increases. The result would be to erode India's percentage. Even if the Bank decided to increase its "permanent" EDs to six in order to ensure LDCs representation, he had pointed out to the Indian delegation at the Annual Meeting that in such a case it was highly unlikely that other LDCs would elect India as their representative.

President has seen

Mr. Aldewereld mentioned that Japan had so far arranged for total prepayments of \$40 million on their outstanding Bank debt. Mr. McNamara mentioned that Mr. Suzuki had conveyed to him the Japanese Government's wish that this matter not be discussed in the Board. However, he did not see how he could avoid referring to it since all the major wire services had already reported in considerable detail on this matter. He asked Mr. Aldewereld to call Mr. Suzuki and inform him of this dilemma. Mr. Aldewereld thought that the Japanese would provide about \$100 million to \$120 million next year. Mr. McNamara said the objective would be for the Bank to acquire about \$100 million more each year than they would otherwise pay under Japan's debt obligations.

Mr. McNamara asked the Council members to review carefully the latest draft on the increase in the Bank's capital, in light of his own comments. They were asked to convey their reactions to Mr. Aldewereld who should ensure that the main principles were clarified. Mr. McNamara was particularly anxious to see the paper stress two points: (1) that there had been no increase in the Bank's paid-in capital in its 25 years of existence, and (2) since most developed countries wished to see greater emphasis on private capital participation in their aid efforts, increases in the Bank's capital should indeed be considered appropriate.

Mr. Aldewereld mentioned that he was in the process of liquidating about \$300 million worth of current assets, most of which would be maturing within the next three-four months, in order to take advantage of the higher interest rates prevailing currently in the markets. By last Friday he had liquidated about \$125 million worth of assets and they had been placed in new holdings with about 2-3/4 year maturity and at an average interest rate of 8.32%.

Mr. McNamara mentioned that the Bank's Pension Fund had now grown to about \$45 million and that it would be double within the next three-four years. He said he had asked Mr. Aldewereld to provide more professional management for the Fund.

Mr. Ripman referred to the fact that this year Christmas and New Year would fall on a Thursday and asked whether Special Leave should be granted to staff in this period. Mr. McNamara favored granting all staff a "holiday" on both Fridays. He asked Mr. Ripman to prepare an announcement to this effect and to check with the Fund how they proposed to deal with this matter. He said he favored doing so because of the heavy operational burden which the staff had carried during 1969 and also because of the increased burden associated with the higher level of lending next year.

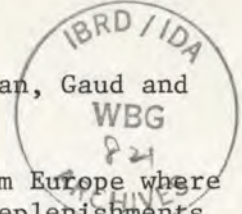
L.E. Christoffersen
October 23, 1969

AUG 12 2013

WBG ARCHIVES

President's Council Meeting, November 3, 1969

821/4/14



Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Demuth, Friedman, Gaud and Ripman

Mr. Aldewereld reported that Mr. Adler had just returned from Europe where he and Sir Denis had discussed the Bank's financial position and IDA replenishments with government officials. In general the climate for IDA replenishments was not discouraging. The Germans had indicated that they might propose loans rather than grant contributions to IDA in the future. However, in regard to the proposal to increase the Bank's capital, it was evident that significant efforts would have to be made to convince European governments of the justification for this action.

Mr. McNamara referred to the draft Board paper on preferences for domestic suppliers. Mr. Knapp said he had been disappointed with the draft which he considered different from what had been agreed to at the earlier meeting. One problem he had with it was that he thought the issues had been presented in a much too complicated manner. Mr. McNamara thought it was quite a good paper and said that the subject matter itself was complex. He asked Messrs. Knapp, Aldewereld, Friedman, Cope, Baum and Votaw to meet in his office at 4 p.m. to discuss the draft Board paper.

Mr. Knapp referred to the capital increase paper and noted that it did not address itself to a very vulnerable point. If there was a need to build up free capital, member governments might ask why Bank profit transfers to IDA were not suspended. Mr. McNamara agreed that this was a critical point. He said he would have no objection to such a proposal if IDA was to be properly funded. With reference to issues arising from discussions on IDA replenishments, Mr. McNamara said that the debt service problems of individual debtor countries had still not been adequately examined within the Bank. He had noted in his briefings on Iran that this oil-rich country had a surprisingly high debt service ratio--about 25%. This percentage might be drastically increased if oil revenues were reduced below expected levels.

Mr. Friedman said that he wished to send a note to Mr. McNamara on the status of external debt projections of individual borrowing countries.

Mr. Demuth thought certain governments might query the priority between an increase in the Bank's capital and the Third IDA Replenishment. Mr. McNamara said that, partly because of the smaller amount involved, he would definitely give the Bank capital increase first priority.

Mr. Gaud said that IFC would need more equity capital in about two years' time. He wondered whether IFC contributions could be included in the proposal to increase the Bank's capital. Mr. McNamara said that he did not favor this suggestion. He did not think IFC would have a problem in this respect. The amounts needed, about \$20 million to \$50 million a year, were comparatively small, and governments in developed countries were very favorably disposed to IFC's emphasis on private enterprises.

Mr. McNamara mentioned that during the weekend he had met with Mr. Wiczorowski, the new U.S. Executive Director. He asked Mr. Knapp to arrange a luncheon so that the new ED could meet with members of the President's Council. He had been pleased with Mr. Wiczorowski's active interest in the Bank's work. Mr. McNamara had urged him to ensure that he represented the over-all policy position of the U.S. Government rather than the views of a smaller group of government officials.

Mr. McNamara mentioned that it was not certain whether the DAC meeting on November 27 would include a substantive discussion on the Pearson Report. For this reason Mr. McNamara's personal attendance might not be required.

President has seen

Mr. Aldewereld reported on the latest development in the international capital markets and mentioned that he was going to Europe on Thursday. Mr. McNamara urged him to ensure that the German Government was in favor of an increase in the Bank's capital, a measure which decidedly should be in Germany's interest. He also said that, in light of the larger requirements in gross borrowings over the next five to ten years, he would wish to raise as much capital as possible this year --even if it would mean a higher interest cost.

Mr. McNamara asked Mr. Knapp to talk to Mr. Votaw and make sure he was prepared for a detailed discussion on the program lending paper to India at Tuesday's Board Meeting. Mr. McNamara also mentioned that the UAR credit was in trouble. The U.S. Government had at the moment allowed political considerations to dominate their bargaining position.

Mr. McNamara urged Mr. Ripman to bring to his attention any unfavorable reactions to the new salary classification system. He also urged the PC members to assist Mr. Ripman in this effort. Mr. Broches said a difficulty with the new system was that it only allowed a staff member to be moved upwards into the beginning salary level in each group. He thought that a more equitable system would result if it was possible to place each individual more freely within the new salary range.

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President's Council Meeting, November 17, 1969

Present: Messrs. McNamara, Knapp, Broches, Demuth, Friedman, Rickett, Shoaib, Gaud, Ripman and Baum

Mr. McNamara reported on his recent visit to Iran and Morocco. Both countries had serious problems with population growth. He had been impressed with Iran's general development efforts and the dynamism of its private sector. A major problem appeared to be the uncertainty of a higher level of oil revenues and its implications on the over-all financing of its development program. Mr. McNamara asked Mr. Chadenet to ensure that the project pipeline was adequate enough for the lending program envisaged in Iran over the next five years.

In Morocco the private sector appeared stagnant. A major problem was the lack of entrepreneurs, caused by large emigration of Europeans and evidenced by an inactive development bank. Mr. McNamara had, although initially reluctant, agreed to undertake a study of industrialization in Morocco. He encouraged IFC to take a careful look at investment opportunities in the country.

Mr. McNamara had also stopped in London, where he met with the Prime Minister, The Chancellor, the Foreign Secretary and officials at the Ministry of Overseas Development. Britain appeared ready to support a higher level of IDA replenishments and increased development assistance. His talk with Mr. Heath had indicated that both political parties agreed on this point.

Mr. McNamara said that the UAR Government had not responded properly to the latest U.S. debt rescheduling proposal. For this reason, he saw no other alternative but to remove it from the agenda of Tuesday's Board Meeting.

Mr. McNamara asked Mr. Friedman to have Mr. de Vries prepare a note on the Rockefeller Report on Latin America by the end of the week. He wished to be informed of the details of debt rescheduling proposals and obtain a clearer picture of private and public external debts in Latin America and their debt service obligations. He was particularly anxious to know which part of U.S.-held debts would be involved in the proposals in the Rockefeller Report. Mr. McNamara also asked Mr. Friedman to prepare a short note on the implications of the proposal to untie U.S. aid to Latin America.

Mr. Demuth mentioned that the first eight memoranda on the Pearson Report recommendations would be submitted to Mr. McNamara within the next day or so. He also mentioned that Professor Mason had written an excellent paper on program lending.

Mr. Gaud mentioned that by the end of the current calendar year IFC would have committed most of its available funds. It would, therefore, be necessary to ask the Bank for another \$100 million loan around February or March next year. The present estimate for total FY1970 investments were between \$130 million to \$140 million

Sir Denis mentioned that most countries had nominated deputies to the working meetings on IDA replenishments. The major problem appeared to be the French, who had said that they would not nominate a deputy until they knew the specific proposals for increases in the Bank's capital.

Mr. Ripman mentioned that he would submit a note to Mr. McNamara on the results of the salary classification system within the next few days.

L.E. Christoffersen
November 19, 1969

President has seen

821/4/16



President's Council Meeting, November 24, 1969

Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Friedman, Rickett, Shoaid, Clark, Ripman

Mr. McNamara agreed that the policy paper on increases in the Bank's capital should be released for distribution to the Board. He also agreed that copies of the paper could be sent to the Deputies participating in the Third Replenishment discussions.

Mr. McNamara said that Mr. Demuth and his staff had completed eight papers on various recommendations in the Pearson Report. He had approved six of these and asked that they be circulated immediately to the members of the President's Council. Comments should be submitted to Mr. Demuth's Department by the end of the week.

Mr. Gaud suggested that the various Bank papers on the Pearson Report eventually be brought together in a single volume which might be made generally available both inside and outside the Bank. Mr. McNamara agreed.

Mr. McNamara referred to a recent meeting he and Mr. Knapp had had with Mr. Peterson and his staff director, Mr. Fried. It had been a most interesting meeting and the preliminary conclusions of the Committee seemed to be quite acceptable to the Bank.

Mr. McNamara also mentioned that he had met with the Japanese Prime Minister, Mr. Sato, during his visit to Washington last week. He had encouraged the Prime Minister to increase his Government's contributions to the multilateral agencies, such as the Asian Development Bank and the World Bank Group. He had also pointed out that by such an undertaking Japan might help bring about a better climate for aid efforts in the U.S. Mr. Sato appeared responsive to these ideas and asked Mr. McNamara to write to Mr. Fukuda, the Minister of Finance, about their conversation. He had done so. Mr. McNamara also mentioned that the Bank anticipated a larger volume of prepayments on its outstanding loans to Japan. About \$200 million were expected before the end of the fiscal year. The Bank would soon seriously consider a bond issue in Japan.

Mr. Gaud reported that the status of the U.S. Aid Bill was still uncertain. The Administration would press for passage for the bill rather than agree to a continuing resolution.


Mr. Gaud also mentioned that the IDB was contemplating setting up an IFC-type organization for Latin America. It was apparent that the proposal was still in a very preliminary stage. No decision had been made on sources of funds for this purpose. Mr. Herrera had asked Mr. Gaud to advise him on the matter. Mr. Gaud had indicated that IFC might consider taking part in the financing of the new institution, if it were to be established. Mr. McNamara concurred with Mr. Gaud's proposal that in general IFC should be prepared to make equity participations in regional investment banks and corporations in order to provide it with direct participation in their management.

Mr. Aldewereld reported that Mr. Guth had advised the Bank to avoid any issue in the Euro dollar market at this time. On the other hand, a German issue of DM150 million was contemplated for December 22. Mr. McNamara asked Mr. Aldewereld to mention this at the Board Meeting on Tuesday.

L.E. Christoffersen
November 25, 1969

President has seen

829/4/17



President's Council Meeting, December 1, 1969

Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Demuth, Friedman, Shoaib, Gaud, Clark, Ripman

Mr. McNamara asked Mr. Demuth to review comments received from the Council members last week on the six memos reviewing certain recommendations in the Pearson Report. He would then meet with Mr. Demuth and finalize them for distribution to the Board.

Mr. McNamara expressed disappointment with the attitudes expressed by several Board members on Tuesday's discussion of the domestic preference paper. Two points seemed particularly significant: first, the Board might oppose special consideration for higher preferences for India, particularly when they were based on references to an overvalued exchange rate; second, Mr. Stone had requested that whenever special considerations would apply, each case should be presented to the Board for pre-approval.

Mr. McNamara suggested that the Indian cases be presented on the basis of infant industry arguments rather than with reference to the overvalued exchange rate. He suggested that a staff member be assigned full time to work on the specific details of the protection issue as it related to Indian industries and as it affects exports to India from developed countries. Mr. McNamara said he wished to avoid having to seek Board approval prior to negotiations. He asked Messrs. Knapp and Aldewereld to assign a senior staff member, for example, Mr. Cope or Mr. Baum, to prepare a brief note on why the management should not have to be put in such a position. The note should point out why it was impossible to outline the facts and details of such a consideration before negotiations had been completed. It was during negotiations that these issues would emerge most clearly. He urged the Area Departments to select the best possible case when they wished the Board to consider the first case under the "special consideration" principle.

Mr. Knapp had discussed this issue last Friday with Mr. Votaw. They had already agreed that the Bank should not present arguments in favor of a higher preference for India on the basis of exchange rate consideration but rather on the macro-economic conditions under which Indian industries operate. Mr. McNamara suggested that, while Indian industries could be considered inefficient relative to those of developed countries, the significant point to show the Board was that Indian firms were nonetheless gradually becoming more efficient. Mr. Aldewereld noted that India had lately been able to present a strong competitive position when it came to bidding for Bank procurements under loans to other countries.

Mr. Demuth reported on the DAC high-level meeting he had attended in Paris. Mr. van Lennep appeared to be an able administrator and eager to make OECD more development oriented. There appeared to be general agreement in principle on the need to have a separate target for official development assistance, as recommended in the Pearson Report. Most countries had responded favorably to that Report, except France, who also had urged as small as possible Part I contributions to IDA. The German representative had promised that German capital markets would remain open to the Bank. U.S. and German authorities might agree on how to mobilize debt repayments from developing countries for relending purposes. Mr. Demuth noted, however, that there was less willingness to accept the 20% target for multilateral aid. On this point most representatives had said they would wait for a final decision until after they had studied the Jackson Report. Mr. McNamara asked Mr. Clark to send the PC members copies of Chancellor Brandt's statement on foreign development assistance and also of a recent letter from Mr. Ed Hamilton.


Mr. McNamara said that Sir Robert Jackson had met with him last week. There appeared to be some uncertainty as to what specific actions Sir Robert would wish to

President has seen

see undertaken. He asked Messrs. Knapp, Aldewereld and Friedman to read the Jackson Report carefully. Upon his return from Venezuela and Mexico, the Bank's response to the Report could be determined. Mr. McNamara agreed with Mr. Demuth's suggestion that the Bank should avoid criticizing the Jackson Report and for the time being adopt a passive general attitude towards it.

L.E. Christoffersen
December 2, 1969

821/4/18



President's Council Meeting, December 15, 1969

Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Demuth, Friedman, Shoaib, Gaud, Clark, Ripman

Mr. Gaud mentioned that during his visit to Tunisia last week the Government had expressed the hope that Mr. McNamara would visit Tunisia soon.

Mr. Clark referred to the Greek Government's resignation from the Council of Europe and wondered what significance this action could have for Board consideration of future loans to Greece. Mr. McNamara said that he was not worried about its political significance, but he had been concerned with the more fundamental question about Greece's creditworthiness. The long-term economic prospects would have to be carefully examined before further lending to Greece was undertaken.

Mr. Broches reported that he had met with Mr. Petty in Mr. Wieczorowski's office. Mr. Petty had first enquired about the status of the proposed International Investment Insurance Agency in light of Mr. Kennedy's recent letter to Mr. McNamara. Mr. Broches had said he would now sound out other potentially interested countries. Mr. Petty also brought up the question of possible GAO auditing of IBRD operations and said this issue might be raised during the discussions on the IDA Replenishment. The three-member committee which had been set up in IDB as a result of GAO pressures apparently did not work well and the U.S. member had resigned from the committee. Mr. McNamara said that the Bank's most immediate action would have to be to improve its own auditing system. He asked Mr. Aldewereld to propose and supervise improvements in internal auditing within the Bank. Mr. Broches was asked to reactivate the external audit arrangement.

Mr. Aldewereld mentioned that the German bond issue would be postponed and that there was a likely possibility of a Japanese bond issue soon.

Mr. McNamara referred to the interest rate paper to be discussed at Tuesday's Board Meeting. He asked Messrs. Shoaib and Aldewereld to ascertain the ED's reactions to the paper. He also mentioned he had met with Mr. Hoffman and other U.N. officials in New York over the weekend. Mr. Hoffman had been particularly upset about the Jackson Report. He was disturbed about the uncertainty with respect to the future role of UNDP Resident Representatives and he had difficulties with the linkages contemplated between pre-investment and investment programs. Mr. McNamara had said that the Bank would follow a practical and pragmatic approach to this matter. He asked Mr. Hoffman to express in writing which steps he wished to see undertaken with respect to pre-investment activities and their coordination. Mr. McNamara also mentioned that at the meeting in New York a brief mention had been made of certain country meetings on pre-investment needs held under the aegis of UNDP. In order to avoid pressures to set up a parallel system of international meetings on country programs of this kind, the Bank should consider expanding its consultative group arrangements.

Mr. McNamara said the Bank would sponsor a reception in Paris in May 1970 to celebrate the opening of its new offices in Paris. This might also coincide with an OECD ministerial meeting there. He also wished to review with PC members in a few weeks' time: (a) the proposal to establish a resident office in Japan and (b) measures which may improve cooperation between IMF and the Bank. He asked to be reminded of these two points.

The tariff protection issue had recently arisen in connection with two IFC projects (Kenya and the Philippines). Both of them would require new or existing tariffs at high levels. He had asked Mr. Gaud to discuss with him prior to negotiations any IFC project which would depend on tariff protection, or other import restrictions, equivalent to an amount of 25% above comparable c.i.f. prices. Mr. Knapp added that the tariff

President has said

issue had recently come up in a development bank project to Yugoslavia. He suggested, and Mr. McNamara agreed, that DFC policies with respect to the tariff protection issue should be reviewed in the new Coordination Committee on Industrialization. Mr. McNamara also asked Mr. Knapp to request Area Departments in the Bank to express, before the project is finalized, a judgment on the economic impact of tariff protection measures affecting IFC-financed projects.

L.E. Christoffersen
December 16, 1969

821/6/19
President's Council Meeting, December 22, 1969

Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Demuth, Friedman, Rickett, Shoab, Gaud, Clark, Ripman



Mr. McNamara said that two important items would be brought up at Tuesday's Board Meeting, the proposed Bank loan to IFC, and the special increases in the Bank's capital subscriptions. Sir Denis and Mr. Shoab were asked to check the reactions of the EDs on these two matters. Since the Board would apparently need more than one meeting to discuss special capital increases, Mr. McNamara was in favor of bringing it up for Tuesday's Board Meeting in order to get final action on this issue by January 6. The PC was asked to meet again at 4:30 p.m. to discuss the two issues in more detail. (At that meeting Sir Denis and Mr. Shoab reported that most EDs could be expected to approve these matters.)

Mr. McNamara thought that there was little scope for further action on the domestic preference issue. He would now have to decide how to summarize the discussion in the Board. There was evidently little opportunity to do anything more than what the Bank presently had authority to do. The Bank would, however, be prepared to make more liberal use of the special exception clause authorized earlier. It would also undertake to make shadow calculations on a value-added basis.

Mr. McNamara asked Sir Denis to report on the Third IDA Replenishment meetings in Paris at Tuesday's Senior Staff Meeting, Mr. Demuth on cooperation with the Fund, and Mr. Aldewereld on the lending rate issue and our relationship with Japan. Sir Denis would perhaps also include a discussion of our work in regard to the Mekong Committee.

Mr. McNamara mentioned that the Iranian offer to purchase the Bank's Paris Office had met with difficulties. Originally appraised at \$1.3 million less than a year ago, the Iranian representative had offered the Bank \$2 million. This was above market values and the Iranian Government had subsequently voiced concern about the publicity which had arisen on this point. Mr. McNamara said he would ask the Board to soften terms of the deal either through a reduction in the cash price or through extended payments on the agreed amount.

Mr. McNamara said he would wish to have a paper prepared on land reforms in developing countries. He had been struck by the scope of this problem in Iran and asked whether someone on the staff could review the experience of the various countries which had undertaken land reforms. Mr. Friedman agreed to have an economist do so and to submit it to Mr. McNamara in about three weeks.

Mr. Friedman mentioned that he would submit a draft Board paper to Mr. McNamara next day or so on the supplementary financing scheme. Sir Denis commented that surprisingly there had been no reference to the supplementary financing scheme during the IDA meetings in Paris.

Mr. Aldewereld said that Dutch bankers appeared to be interested in a Bank bond issue in the Euro-Guilder market. The cost would be almost 8½% and close cooperation with the Swiss, German and Belgian capital markets would be required. Mr. McNamara said that he would wish to compare this proposal with those in other countries in Europe and Japan before he decided to go ahead. He also reminded Sir Denis that in the future the Part I countries would have to be pressured to prepay their debts to the Bank. When the IDA replenishment negotiations were over, he and Sir Denis might wish to take some action on this point, for example, with the Italian Government.

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Mr. Aldewereld reported that the internal auditing unit would be increased from two full-time staff members to about five or six. He also mentioned that a recent study undertaken by Mr. Willoughby had indicated that it took as much as 135 days to complete yellow cover appraisal reports in the Education Projects Department from the time of the return of the mission. Mr. McNamara said it was important to overcome such bottlenecks, particularly because a recent AID study had indicated that the Bank Group would have capacity constraints with a much higher level of IDA replenishments.

LEChristoffersen
January 6, 1970