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President's Council Minutes
. 1976 .

Folder 14

President's Council Meeting, January 5, 1976

Present: Messrs. McNamara, Knapp, Blaxall, van der Tak, Bell, Broches, Goodman, Chadenet, Chaufournier, Chenery, Clark, Damry, Husain, Lerdau, Blobel, Wapenhans, Weiner, von Hoffmann, Kearns

Mr. Knapp reported briefly on the December 30 Board Meeting. The paper on effectiveness and allocation of Third Window had been well received although the UK had been disappointed over the size of the allocation to countries with per capita incomes of less than $200. The US had made a somewhat odd statement on additionality. Mr. Knapp would send the transcript of Mr. Cooper's statement to Mr. McNamara.

Mr. Damry said that the Group of Nine had met on December 31 to discuss IBRD capital structure. They had favored a modified Case B with 30.82% of the votes going to oil importing LDCs and 13.12% to OPEC. Mr. McNamara said that such a proposal was unlikely to go through. Mr. Damry said that the Group of Nine would ask to meet with Mr. McNamara after Jamaica. Germany did not want to take any formal action on the capital increase until the end of February 1976. Mr. McNamara said that he had talked to Mr. Janssen about this and that it was possible to accommodate the Germans. Mr. von Hoffmann said that IFC originally had asked that the whole amount of the capital increase be appropriated and notes delivered for the unpaid amount. The US and Japan had responded that they would authorize the full amount but only appropriate for one year's subscription at a time. Mr. McNamara said that this was acceptable.

Mr. Damry said that all the papers for the Development Committee Meeting in Jamaica had been distributed, and that Mr. de Clerq would become Chairman of the Interim Committee.

Mr. Goodman said that Mr. Cargill would use part of his leave to go to Kuwait and Saudi Arabia to straighten out problems with respect to IDA V, capital increase and borrowing.

Mr. Chenery reported on the American Economic Association's meeting in Dallas. It became apparent at the meeting that inflation was virtually impossible to forecast. Predicting price increases after 1980 was like predicting the weather after 1980. A paper written by Mr. Waelbroeck in DPS on LDCs' balance of payments problems had been well received. Mr. Chcnery would distribute the paper to the PC.

SB
January 6, 1976

President's Council Meeting, January 12, 1976

Present: Messrs. McNamara, Baum, Bell, Broches, Chadenet, Chaufournier, Chenery, Clark, Damry, Husain, Wapenhans, Weiner, von Hoffmann, Kearns, Blaxall, Goodman, Lerdau, van der Meer

Mr. McNamara said that Mr. Husain would take one year's leave of absence from February 1, 1976, to go back to Pakistan and help the Government.

Mr. McNamara mentioned that Messrs. Knapp, von Hoffmann, Husain and he had talked to the shareholders of the Tenke Fungurume project in Zaire about possible IBRD and IFC involvement. The U.S. was vitally interested in the project, as an example of financing mineral resource development along the lines mentioned in Mr. Kissinger's statement to the Special General Assembly.

Mr. McNamara reported on his trip to Jamaica. The Interim Committee had made considerable progress. The IMF was now becoming a development agency. The Committee had not agreed to unconditional LDC access to IMF tranches, but an over-all increase of 45% had been agreed upon. The link had not been discussed. France and Belgium had mentioned that part of the profit from the restituted gold could be used for support of the Third Window. However, it might be in the Bank's interest to use this support for IDA5 instead. Mr. McNamara asked Mr. Clark to distribute the communique from the Interim Committee and urged PC members to study it carefully. Mr. Chenery said that Mr. Polak from the IMF would give a seminar in the Bank later in the month. Mr. McNamara asked to be informed about the seminar.

In the Development Committee the members had agreed that the Committee had not accomplished much and that its future should be studied by the Boards of the Bank and IMF. Mr. McNamara envisaged that the Bank would take the lead in this study and had asked Messrs. Stern and Kearns to prepare a draft by June 1976 for Board discussion in July. One alternative for the Committee was to have it work exclusively on Bank matters, i.e., as a twin to the Interim Committee. Another possibility was to disband it entirely. In private discussions members had given clear support for a selective capital increase for IBRD but the U.S. had insisted upon a reduction in the lending program as a condition for its support. Mr. McNamara said that he was totally opposed to a reduction in the lending program. The concept of additionality for the Third Window to which the Bank was committed would lose its meaning if cuts were made in the FY76 or FY77 program. It was hard to see how the investments in mineral resource development in which the U.S. was keenly interested could take place if the lending program were cut. Finally, the increase in IFC capital to $480 million could lead to potential IBRD lending to IFC of about $2 billion. This was also a matter of great interest to the U.S. However, with a constant or reduced lending program, this would divert resources from investments in LDCs which would not be undertaken with private funds. Again Mr. McNamara would be opposed to this. The problem with the U.S. was both difficult and serious and had to be dealt with promptly since it might surface in the January 20 discussion of IBRD Capital Structure. One way of handling the problem would be to deal on a year-to-year basis. Possible cuts in the FY78 lending program would be handled by a new U.S. Administration. The communique had been discussed at length with respect to its statement on IDA. The U.S. had opposed a drafted sentence saying "The committee supported a substantial increase in real terms for IDA5." Changing "the committee" to "most members" had been opposed by Japan. A compromise had finally been reached by using the statement "many members." Mr. McNamara asked Mr. Clark to distribute the communique to senior staff members. The members of the committee were also far apart on commodity issues. Hence it was difficult to see what the forthcoming meeting in Nairobi could accomplish. No OPEC ministers had been present at the meeting. Mr. Damry said that the budget for the Development Committee had not been increased.

SB
January 13, 1976

President's Council Meeting, January 19, 1976

Present: Messrs. McNamara, Knapp, Adler, Baum, Bell, Broches, Cargill, Chaufournier, Chenery, Clark, Damry, Husain, Wapenhans, Weiner, von Hoffmann, Kearns, Lerdau, van der Meer, Merriam

Mr. McNamara asked Mr. Adler to send his memorandum on Rate of Increase in Bank Lending, dated January 16, 1976, to PC members. The memorandum included proposed revised deflators for IBRD lending. Mr. McNamara said that there was a substantial change in the deflators and he asked Messrs. Chenery and Baum to examine this closely and establish an appropriate committee to scrutinize and understand the deflators. Changes in the deflators could not only hurt the Bank's credibility but they also, of course, led to changes in the estimates of real capital transfers.

Mr. McNamara also asked Mr. Adler to distribute the draft Board paper on FY76 Mid-Year Review to PC members and requested the PC to meet on January 21 at 11:45 a.m. to discuss the paper.

Mr. Damry reported on the views of EDs towards an IBRD capital increase. Mr. Hori evidently felt that the Bank had gone too far in its operations and should stop for stocktaking and for arranging "a proper supervisory organization." The Bank should also strive for some balance in lending in areas covered by regional banks, particularly the Asian Development Bank. Mr. McNamara said that the regional banks today were larger than they would have been without the World Bank. He asked Messrs. Damry, Adler and Kearns to talk to Mr. Hori. Messrs. Sigurdsson, Janssen and Popovic would strongly support the Selective Capital Increase. Mr. Wahl might not support an immediate increase if the LDC EDs would qualify their support by an insistence on maintaining the 30.82% voting power for oil-importing LDCs. Mr. McNamara said that this would make case A impossible and lead to strict parallelism with the IMF. Hence, contrary to their wishes, the LDC universe would end up with a smaller voting power. Mr. Al-Atrash envisaged that, since no decision would be taken on January 20, there would be time to negotiate the 30.82% voting power question between LDCs and Part I countries. Mr. McNamara said that he was unwilling to take the lead in such negotiations. Mr. McNamara said that the U.S. was unable to take a position on January 20. Hopefully the U.S. would not "throw dust in our eyes" by insisting on further studies. The U.S. might insist on a lending program which was constant in nominal terms. Mr. McNamara asked Mr. Adler to calculate what reduction this would imply in the FY80 lending program.

Mr. McNamara asked Messrs. Broches and Cargill to study the Board paper on an IFC Capital Increase immediately, particularly with respect to U.S. legislation required for voting on the capital increase and for taking up subscriptions. Personally, he did not feel that we should go ahead with an IFC capital increase before the IBRD capital increase had been agreed to. IFC lending was no substitute for IBRD lending.

Mr. McNamara reported that syndicated columnist Jack Anderson would probably publish an article on IMF and World Bank staff traveling first-class. This was a red-hot subject and could be very damaging to the Bank. Mr. McNamara hoped that this would not lead to mud-slinging between the World Bank and the U.S. Government but that the Bank, on the other hand, had every right to defend its position. No institution that he knew of was more cost-conscious than the Bank.

SB
January 20, 1976

President's Council Meeting, January 21, 1976

Present: Messrs. McNamara, Knapp, Adler, Baum, Bell, Broches, Cargill, Chaufournier, Chenery, Clark, Damry, Husain, Wapenhans, Weiner, von Hoffmann, Kearns, Goodman, Blaxall, Lerdau, Wood, van der Meer, Wood

The PC considered Mr. Adler's draft Board paper on FY76 Mid-Year Review.

Mr. McNamara said that he had eliminated the paragraph on unit average cost for project processing from an earlier draft. He said that an adequate analysis of cost of project processing had become particularly important since the Bank's efficiency was now under attack. He said that projects should be classified into appropriate categories. He asked Messrs. Baum and Adler to work further on this and address the issue in the budget paper for FY77.

Mr. McNamara referred to the statement in paragraph 15 that the acceleration in the pace of recruitment had not in fact materialized. He asked Mr. Clarke to prepare a note to the PC on why this had happened, distinguishing between English and non-English speaking staff.

A possible increase in the lending rate for IBRD was discussed. Mr. McNamara said that, when the lending rate had been increased to 8.5% in January 1975, the borrowing cost for FY76 was forecast as to be 8.25%. In May 1975 the estimated borrowing cost had been increased to 8.5% and it now looked like the borrowing cost for FY76 would in fact be 8.6%. However, the projected income for FY75, FY76 and FY77 would remain close to earlier projections. Income projections for later years still looked fairly good. It was very difficult to forecast future borrowing costs, particularly in view of the present volatility of the market. Our best estimate for FY77 was now 8.43%. An informal vote among PC members as to whether the lending rate should be increased under these circumstances showed that the PC was roughly equally divided on the issue.

SB
January 22, 1976

President's Council Meeting, January 26, 1976

Present: Messrs. McNamara, Knapp, Baum, Bell, Cargill, Chadenet, Chaufournier, Chenery, Clark, Damry, Husain, Krieger, Wapenhans, Weiner, von Hoffmann, Kearns, Nurick, Blaxall, van der Meer

Mr. Krieger reported on his trip to Brazil. He had spent two days in the northeast and two days in Brasilia where he had talked to the Minister of Finance, the Minister of Planning and the Director for the Central Bank. 1975 had been a difficult year for Brazil. The deficit on the trade account was $3.6 billion and approximately $7 billion on current account. On December 2, the Government had taken strong action to reduce the deficits. 360 days prior deposits for imports had been introduced. It was estimated that this would lead to a reduction of $2 billion in imports for 1976. The authorities were worried about growth prospects for 1976. The rate of growth might be as low as 4% which would mean no real growth in per capita income. The Brazilians had borrowed $4.7 billion privately in 1975 and foresaw no difficulties in continuing to obtain funds. A Bank economic mission would further examine the economic situation in February. Mr. Chenery would be in Brazil at the same time and would coordinate his work with Mr. Krieger. Mr. Husain referred to two articles in the New York Times and asked whether real wages had increased and whether the fruits of growth had been distributed. Mr. Krieger said that real wages had increased over the last three years. Mr. Chenery said that we should be careful to distinguish income distribution from raising the income of the poor. Income distribution was undoubtedly getting worse in Brazil but it was quite likely that the income of the poorest had been increased considerably. Mr. Krieger said that the political system was becoming more open in Brazil, that censorship had been partly lifted and that the change in the Government's economic policies would lead to an increase in wages of the poor and extension of social services.

Mr. McNamara said that support for the Bank was eroding on both right and left. On the right complaints were heard that our salaries were too high and that we were wasteful in our operations. A group of LDC EDs would answer the article on Bank salaries in the Washington Star. The answer could be useful in our attempts to convince Congressmen of our efficiency. On the left both the Swedes and non-Government groups in the U.S. were strongly opposed to our lending policy towards Chile. Mr. McNamara briefly explained our involvement with both the Allende and Pinochet regimes. He said that the economic justification for lending to Chile in his opinion was weak but that the staff felt strongly that lending was fully justified on economic grounds. Mr. Chadenet said that, when attempting to explain our policies towards Chile to outsiders, he found it difficult to explain the technical details of the past history of lending. He felt that it was more persuasive to stress the fact that the only ones to be hurt by not lending to Chile would be the people of Chile. Mr. McNamara stressed that, in cases of marginal lending like Chile, we had to be fully convinced of the justification of the projects on economic grounds. He asked PC members to be sensitive to the criticism of our lending to Chile and to report to Mr. Clark on their findings and impressions.

Mr. Chadenet said that our comparative compensation studies this year would include all benefits. This was a major step forward. Among other this would lead to a reduction in the gap between the Bank and EEC. Mr. McNamara said that the salary negotiations would be very difficult in 1976.

Mr. Chenery said that Dr. Sen had been very insistent on having a study of the efficiency of public enterprises included in the Bank's Research Program. Mr. McNamara said that in Tuesday's Board discussion of the Bank's Research Program we should simply say that Dr. Sen's suggestion was under active consideration.

Mr. McNamara asked Mr. Bell to ensure that the Bank's representative to the Asian Development Bank meeting in April would contact the Australian Minister of Finance.

SB
January 27, 1976

President's Council Meeting, February 2, 1976

Present: Messrs. McNamara, Knapp, Adler, Baum, Bell, Chadenet, Chaufournier, Clark, Damry, Krieger, Please, Wapenhans, Weiner, von Hoffmann, Kearns, Goodman, Karaosmanoglu, Nurick, van der Meer

Mr. McNamara referred to the meeting that he and Messrs. Knapp and Cargill had with Secretary Simon on January 31. The U.S. was now concentrating its attention on the questions it had raised in relationship to the IBRD Selective Capital Increase, the underlying lending program and the Bank's financial policies. Bank staff was actively involved in data collection and presentation of alternatives to settle these questions. As examples of the issues raised by the Treasury, Mr. McNamara mentioned the Treasury's hesitancy towards Bank borrowing from central banks and lending at fixed rates while borrowing at flexible rates. Mr. Nurick said that the Treasury was reconsidering Mr. Sethness' memorandum of March 1, 1974, on the Bank's financial operations. Mr. McNamara said that the Treasury operated from the basic belief that private enterprise could solve the problems of the LDCs and that the Bank should be judged on conventional terms as applied to commercial banks and as illustrated by Mr. Sethness' memorandum. Mr. von Hoffmann said that the magazine "World Monetary Affairs", published by Morgan Guaranty, had an article on commercial bank lending to LDCs. Mr. McNamara asked Mr. Clark to send copies of the article to PC members. Mr. McNamara said that the IFC capital increase had also been mentioned in the conversation with Treasury. The U.S. was immensely interested in the IFC capital increase and anxious to move ahead with the required legislation. He hoped to bring both the IFC and IBRD capital increases to the Board within a short time.

Mr. Chadenet said that l'Express had dedicated an entire issue to Mr. Revel's book on socialism and communism, including three pages on Chile. Mr. Chadenet said that he would have the part on Chile translated and sent to PC members.

Mr. McNamara asked Mr. Clark to inform him who would represent the IBRD at the North/South Conference and with what instructions.

Mr. McNamara urged PC members to pay particular attention to the Arab boycott issue. Our basic policy was under no circumstances to adhere to the boycott. We should follow this policy and achieve its intent. If any PC members had questions, they should raise them promptly with Messrs. Nurick, Knapp and McNamara. Although the policy was simple, its implementation could be very complicated. He urged PC members to contact Mr. Damry if they felt that further discussion of the matter was required.

SB
February 3, 1976

President's Council Meeting, February 9, 1976

Present: Messrs. McNamara, Adler, Baum, Bell, Chadenet, Chaufournier, Clark, Damry, Krieger, Please, Stern, Wapenhans, Weiner, Kearns, Goodman, Karaosamonglu, Nurick, Qureshi, Sommers

Mr. McNamara said that approval of the loan to Chile last Tuesday would be costly to the Bank in the short-run, but not presenting the loan to the Board would have led to even greater costs in the longer-run, since we could be accused of lack of integrity. He asked PC members to be sensitive to the dissatisfaction and criticism among the staff where it was widely believed that the project was unsound and that it had been put forward for political reasons. PC members should take the trouble to explain to staff members that such was not the case. Mr. McNamara referred to the article by Mr. Maynes in the February 8 edition of the Washington Post on the UN and the lack of government support for multinational institutions, and said that we must be concerned about this erosion of support.

The revised Rules of Conduct were discussed. Mr. Chadenet said that it had taken a long time to propose changes in the rules since this involved delicate jurisdictional issues. He had been impressed by the professionalism of the Conduct Committee and the strictness with which it went about its task. It had been decided that he would be a non-voting participant in the Committee and that the President would have the right to overrule the Committee. Mr. McNamara said that the Chenery case had shown that there were major gaps in the old procedures which the Committee had failed to notice or act to eliminate. Management had therefore decided to revise the rules. Referring to paragraph 16 on dealings with the Bank Group upon termination of employment, Mr. Bell asked whether this restricted staff members who returned to work for their governments. Mr. Sommers said that it could have this effect, although this was not intended. In any event, former staff members were only restricted for two years. Mr. Adler wondered whether the paragraph would prevent former staff members from becoming Executive Directors and Mr. Wapenhans enquired about staff members who would work for other international organizations. Mr. McNamara said that in all such cases the paragraph should be reasonably interpreted. Mr. Clark referred to paragraph 9 on teaching, lecturing and writing and asked whether the Bank would pay travel expenditures when such an activity would be undertaken in a private capacity. Mr. McNamara said that the staff member could accept compensation in such a case but that the paragraph quite strictly prevented Bank payment of expenditures in this case. Mr. Damry wondered whether the cases before the Committee could be published after the Committee's rulings. Mr. McNamara asked Mr. Chadenet to examine this possibility and possibly send the findings to the PC to allow it to evaluate the types of problems that had come up. Mr. Qureshi referred to paragraph 17(c) on disclosure of financial interests by senior staff members and said that he was not quite clear what was meant by financial interests. Mr. McNamara said that this matter was of personal concern to all PC members and, since it could be embarrassing to discuss it publicly, he urged all PC members who had problems with the paragraph to contact Mr. Chadenet personally. If there were strong objection to the paragraph, Mr. McNamara was willing to see it discussed again. Mr. Baum referred to paragraph 10 on political activities and asked whether a staff member could support or advise a political candidate. Mr. Sommers said that such matters should be decided by a ruling of the Committee in each case. Mr. Nurick said that it could be embarrassing for the Bank to have staff members testify for Congressional committees and thought that it might be a good idea to have a prohibition to this effect included in the Rules. Mr. McNamara said that he was reluctant to put such a prohibition in the Rules. Mr. Kearns asked whether the Committee would take a passive or an active

attitude. Mr. Chadenet said that the Committee would be active in issuing guidelines and reminding supervisors of their obligations. Mr. Nurick referred to paragraph 8(c) on outside private employment and suggested that such employment should be disclosed not only to the supervisor but also to the Committee. Mr. McNamara agreed and asked Mr. Sommers to change the paragraph accordingly. Mr. Nurick also referred to paragraph 12(b) (iii) on personal investments in securities of recipients of Bank financing and suggested that such investments should be disclosed. Mr. Sommers said that ruling on such disclosures would be a major administrative task. Lists of suppliers to Bank-financed projects would have to be provided to staff members. Mr. McNamara said that the paragraph should be reconsidered in view of the experience a year from now. Mr. Baum referred to paragraph 14 on honors and asked whether past staff members could receive honors. Mr. Sommers said that they could. Mr. Wapenhans referred to paragraph 15 on dealings with former employers and said that this could present difficulties, particularly with LDC staff members. Mr. McNamara said that the paragraph was quite specific and that such issues should be easy to handle. He asked PC members who had further comments to give them to Mr. Chadenet.

Mr. McNamara said that he planned to be absent in the week of February 16 and possibly also to go to the UN on Thursday, February 12, to give a statement before the Ad Hoc Committee on Restructuring the UN.

cc: Mr. Knapp

SB
February 10, 1976

President's Council Meeting, February 23, 1976

Present: Messrs. McNamara, Knapp, Baum, Broches, Cargill, Chaufournier, Clark, Damry, Krieger, Please, Stern, Weiner, von Hoffmann, Kearns, Blaxall, Karaosmanoglu, Paijmans, Twining, Votaw

Mr. Clark said that the Passman Subcommittee had marked up $320 million for IDAIV on February 19. This was $55 million less than envisaged but the Administration was fully behind attempts to restore the full amount. Mr. McNamara said that we must prevent that this Bill modifies the U.S. obligation to put forward the full IDAIV contribution of $1,500 million over time. He asked Mr. Broches to look into this and send him a note on the matter. Mr. Clark said that IDA had done better than most institutions in the Passman Subcommittee. UNDP had been cut from $120 million to $85 million. Mr. McNamara asked Mr. Clark to send him a note on whether this would force the UNDP to further cut its program.

Mr. Clark reported on the North-South dialogue. The first committee meetings had ended on February 20 and the committees would meet again on March 21. The first meetings had taken place in a business-like atmosphere, characterized by good relations among the participants. Mr. McNamara asked Mr. Clark to send him the agenda for the Finance and Development committees, along with the names of the chairmen for the committees.

On UNCTAD IV, Mr. Clark reported that the Trade and Development Board would meet in Geneva on March 9. The OECD countries would be present and were now engaged in formulating their position. Mr. McNamara said that the suggestions made in the Special Session of the General Assembly had not moved forward. This was likely to create problems for the forthcoming UNCTAD meeting. He asked Mr. Clark to obtain a statement from Mr. Carriere on where the commodity discussions stand and what the likely outcome would be, both in the Trade and Development Board and in the North-South dialogues.

Mr. McNamara said that he had met with the Ad Hoc Committee on Restructuring the UN System on February 12 in New York. He said that PC members could get copies of his statement from Mr. Damry.

Mr. Stern said that the Trust Fund would go to the IMF Board this week. The Fund would give loans of 10 years' duration with five-year grace periods at 1% interest. The Fund expected to start its activities before the end of the fiscal year.

Mr. Broches said that he had met the new head of the UN Bureau for Investigation of Multinational Corporations. He was a Finnish civil servant and he wanted to establish close links with the Bank. Mr. McNamara said that he would be happy to meet him if he came to Washington.

SB
February 24, 1976

President's Council Meeting, March 1, 1976

Present: Messrs. McNamara, Knapp, Adler, Baum, Broches, Chadenet, Chenery, Clark, Damry, Krieger, Please, Stern, Weiner, von Hoffmann, Kearns, Goodman, Paijmans, Thalwitz, Votaw, Merriam

Mr. McNamara reported on his meeting with the LDC EDs and said that he would meet later in the day informally with all the EDs and suggest that the Selective Capital Increase and the IFC Capital Increase be taken off the Board agenda for March 2. Papers on the lending program, the lending rate and IDA transfers would be prepared in two weeks for Board discussion within four weeks. He thought that the U.S. would still be able to proceed on IFC even with this delay. The Bank's lending program would have to be consistent with Principle C but this would still leave room for several alternatives. Matters could be simplified by focusing on the application of Principle C over a planning period of one year. Such a planning period led to a problem with respect to hiring of staff for work on lending in future years but the amounts involved were relatively small and he hoped that the Board would leave it to management to decide on the appropriate number of staff. Mr. McNamara said that he would be going to Latin America from March 2-12 and, if PC members had further questions on the Selective Capital Increase during his absence, they should direct those to Mr. Knapp.

Mr. Chadenet reported on the compensation talks in the IMF and the Bank among Boards, management and Staff Associations. He said that last week's discussion in the Fund among Staff Association, management and Board had gone well. Management in the two institutions would formulate broad tentative proposals by the end of this week. The changes suggested would be retroactive to March 1. Mr. McNamara suggested that Mr. Chadenet might report to the Department Directors Meeting on March 8 about today's COSCOM discussion.

Mr. Goodman reported on the IDAV Deputies meeting in London. There had been broad agreement on the replenishment formula. There had also been widespread support for a threshold level which would give full compensation for inflation. The Canadians had suggested that this threshold was $7.5 billion. The Netherlands and Norway had supported a $9 billion replenishment and Kuwait possibly an even higher level. France had said that the replenishment range could be wide. Germany was vague and the U.S. said that time and patience were required. The staff would prepare a paper on the threshold level and the alternatives for a real increase by March 31. The Deputies would meet again during the first two weeks of June somewhere in Europe and possibly also immediately before the Annual Meeting in Tokyo. Mr. McNamara said that it was a good sign that more and more countries accepted the replenishment formula, although the U.S. still had not done so. On the other hand, there was no evidence that the replenishment would be decided in time to avoid a major crisis. Mr. McNamara said that the IDAV planning figures had been consistently understated in the past to an annual amount of $2.15 billion. This would be changed to an average annual level of $2.5 billion in the June program and budget paper. The paper would also have to include a proposal on how to solve the bunching problem.

Mr. McNamara said that the coming months would be very difficult for the Bank. He asked PC members to deal professionally with the problems and avoid lashing out at the opponents.

SB
March 2, 1976

President's Council Meeting, March 15, 1976

Present: Messrs. McNamara, Knapp, Adler, Baum, Cargill, Chadenet, Chenery, Clark, Damry, Please, Stern, Wapenhans, Weiner, von Hoffmann, Kearns, Nurick, Thalwitz, Votaw, Weisse

Mr. McNamara said that he hoped that the paper on financial policies related to the IBRD Selective Capital Increase could go to the Board by March 19. He would then meet informally with the EDs during the coming week and schedule a formal Board meeting for either April 1 or April 6.

Mr. McNamara said that he was disgusted by the leak of the paper on possible Bank investment in oil production in LDCs to Mr. Paul Lewis of the Washington Post. He asked Mr. Baum to investigate the matter.

Mr. Clark reported that the Trade and Development Board of UNCTAD was presently meeting in Geneva. The Group of 77 was solidly behind an integrated approach to commodity stabilization. The EEC had prepared a paper trying to accommodate this approach with the U.S. preference for a case-by-case alternative. Mr. McNamara said that the U.S. was interested in the establishment of an international resources bank to be financed through IBRD. The problem of debt servicing for LDCs would also be raised at the UNCTAD meeting in Nairobi but would probably not get any further than the discussion of the SDR link in Santiago. Mr. Adler said that the Group of 77 would want a moratorium on debt-service obligations for most seriously affected countries, additional program lending from multilateral institutions to offset debt-service payments and the establishment of a new multilateral facility to refinance existing commercial debts. Mr. McNamara said that the background for the UNCTAD meeting at present was chaotic.

Mr. McNamara said that requests for establishment of resident missions should go through Messrs. Knapp, Chadenet, Kearns, Cargill and Adler. It was a positive sign that countries were so intensely interested in establishing Bank missions but such missions were costly and we had no policy with respect to their function nor had we evaluated our experience with resident missions so far. Mr. Chenery said that we should look at the benefits of resident missions and not concentrate exclusively on the cost. Mr. Adler said that the question of when to close down a resident mission should be addressed. Mr. McNamara asked Mr. Adler to send copies of the requests for resident missions in Brazil, Bolivia and Somalia to those involved in the new procedure.

Mr. Wapenhans reported on a seminar which he had attended in Switzerland to prepare for the Swiss Referendum on IDA4. The Bank had been viciously attacked by university professors from Norway, Germany and the Netherlands. In their opinion, the Bank was a pathfinder for multinational corporations, proletarized the small farmers through its rural development program so that their land could be taken over by multinational agrobusinesses, and held a monopoly on development information which should be broken. Mr. Adler said that his and Mr. Chaufournier's meetings in Switzerland had gone considerably better. Mr. McNamara asked Mr. Clark to have Mr. Carriere report on the attacks on the Bank, including a recent attack from Mr. Lipton at Sussex University.

Mr. Stern said that the Executive Secretary of the Development Committee had resigned. Mr. Ahmad would be acting Executive Secretary until a successor had been elected. Mr. Simon had written Mr. Bedie on this matter.

SB
March 16, 1976

822/1/11

President's Council Meeting, March 22, 1976

Present: Messrs. McNamara, Knapp, Alder, Baum, Bell, Cargill, Chadenet, Chaufournier, Chenery, Clark, Damry, Krieger, Please, Stern, Wapenhans, Weiner, von Hoffmann, Kearns, Nurick

Mr. Chadenet reported on compensation. He said that Mr. McNamara had met with the officers of the Staff Association to discuss with them the broad proposals of management. COSCOM would meet on March 22 to discuss the proposals, but no decision would be forthcoming at that COSCOM meeting. The Bank EDs wanted parallelism with the Fund but not all Fund EDs insisted on parallelism. Some EDs were pressing for an expatriate allowance, both in the IMF and the Bank. The formal recommendations of management would be sent to the Board on April 12 for a Board decision on April 22. Mr. McNamara said that it was too late to include an expatriate allowance this year but he would not exclude that this might become appropriate in future years. In a sense, the high-level of U.S. salaries in the past had served as an automatic expatriate allowance. This had now been eroded.

Mr. McNamara said that he would meet informally with the EDs on March 23 to discuss the most recent paper on the Selective Capital Increase which included discussions of the lending program, the lending rate and IDA transfers. The IBRD Selective Increase was scheduled for Board discussion on April 1 along with the IFC Capital Increase. Mr. McNamara said that the possible restriction on Bank lending would affect allocation to the Regions and their budgets. The recommended alternative for Bank lending in fact implied a reduction in FY78 lending of $300 million, compared with presently planned levels. This was equivalent to roughly 30 man-years of regional work and this would, of course, have to come out of the regional budgets. However, Mr. McNamara emphasized that the FY77 budget should be prepared along the present guidelines but some arbitrary changes might have to be made when the budget paper came forward. In any event, the FY77 budget would have to be tight. Mr. Cargill said that he would talk to regional staff in the coming weeks about the implications of the new financial situation of the Bank.

Mr. Clark said that no agreement had been reached between the Group of 77 and the OECD countries at the UNCTAD Trade and Development Board Meeting in Geneva last week. No communique had been issued from the meeting. Mr. Corea had given a press account at the end admitting that the meeting had been a serious failure. The Germans had worked for a compromise on commodities and debt but had been unsuccessful with the U.S. which did not seem ready to act on UNCTAD. With this result in Geneva, the North/South dialogue in Paris could become a confrontation or a deadlock. Mr. McNamara said that the U.S. was working on a proposal for the establishment of an international resource bank, possibly as a subsidiary to the World Bank. The basic rationale for the resource bank was that the world at present was forced to use high-cost sources of primary products because the political risk prevented investments in low-cost countries. If this were correct, he had nothing in principle against the establishment of such a resource bank. But the proposal had to be examined carefully before we privately communicated our reactions to the U.S. Government. He asked Mr. Stern to handle this with Messrs. Knapp, Cargill and von Hoffmann. The resource bank would be involved in buffer stock and commodity financing and might serve as a U.S. compromise at the UNCTAD meeting in Nairobi to be presented by Mr. Kissinger. Mr. Chenery said that the proposal at present involved both agricultural production and mineral resources. He felt that the two should be separated. Mr. McNamara agreed. Mr. Clark said that the proposal would never be accepted at UNCTAD. Mr. McNamara said that, if the North/South dialogue and the UNCTAD meeting ended as failures, the Bank would be in serious trouble in Manila. Personally, he was not willing to go through Manila without a confrontation on IDAV and the Capital Structure if necessary. He said that he was disinclined to speak at the UNCTAD meeting in Nairobi.

Mr. Chenery said that he would distribute the DPS paper on Analysis of Past Bank Group Lending during this week.

SB
March 24, 1976

President's Council Meeting, March 29, 1976

Present: Messrs. McNamara, Knapp, Adler, Baum, Bell, Cargill, Chadenet, Damry, Krieger, Please, Stern, Wapenhans, Weiner, Qureshi, Kearns, Karaosmanoglu, Nurick, Wright, Mrs. Boskey and Mrs. Seashore

Mr. Chadenet introduced Mrs. Seashore who spoke to the PC on problems for women in the Bank. She said that sexism is an international transcultural phenomenon. Women were brought up differently from men but were still judged on such male characteristics as assertiveness and articulateness. Women had to be exceptional to compete in such a world. In many ways the Bank was similar to other institutions. Men used the "buddy system" and women were unwilling to support other women. However, the Bank was unique in some aspects: its international staff; possibilities of racism along with sexism; and the general elitist attitude of the staff. She spoke of three levels of intervention to overcome the problem. The first two were individual and interpersonal levels where the problem could be solved through increased awareness and education. She mentioned the stereotypes of sex roles that both sexes often have. As an example, she mentioned the attitude that most people had towards female pilots and male stewardesses. On the interpersonal level, she said that men often feared criticizing women and this prevented women from getting an honest evaluation of their job performance and, hence, hampered their growth. Women cried more than men but usually out of frustration and anger and they were perfectly capable of talking while crying. The correct male attitude would be to let the woman cry and listen carefully to what she said. There were communication problems between the sexes as well. Men tended to concentrate on substance, women on the process. Men were immediate problem solvers, women tended to ask for data and ponder the question longer. This was a cultural phenomenon. Women had been trained to communicate differently. Sexuality was often a problem. Men regarded women as sex objects and had difficulty establishing a collegial relationship without sexual overtones. The third level of intervention was the institutional one where structures and traditions might have to be changed and programs for special in-house training of women established. The Bank was deficient in its recruitment and hiring practices and with respect to training and development for women. The Bank did pay attention to promotion and rewards. The current Bank program to help solve the problem included awareness workshops. Some of them had been successful, particularly the ones for secretaries. A workshop for Personnel officers had not been very satisfying. Mrs. Seashore finished her presentation by saying that PC members played a key role in solving these problems. How they handled their secretaries, for instance, was known throughout the Bank and, without active commitment from the PC, the problem could not be solved. She said that the consideration and understanding of the problem had increased in the last 18 months in the Bank.

Mr. McNamara thanked Mrs. Seashore for a very interesting presentation. He said that we had not made much progress, particularly not in quantitative terms. The Board had never discussed the issue. There was no constituency for an action program for women in the Bank. If the Bank had been a U.S. Government institution, we would probably have been taken to court. Mr. Qureshi said that there were not very many female applicants for professional jobs in spite of the fact that IFC was willing to apply minimum standards to females who wanted a job. Mrs. Seashore said that the Bank should use its professional women for recruitment and use training to fill the skill gap. She was very much against using different standards for women. If women were not qualified, the problem would become worse. Mr. Baum wondered whether introduction of part-time employment might not be appropriate. Mrs. Seashore said that there was an increasing trend for women to be able to work fulltime. Instead of using part-time employment, she suggested that there was a large pool of skills among the secretaries in the Bank which was not fully used. Male secretaries were treated differently from female secretaries. A male

supervisor would often say about a male secretary that "he made him move," whereas the standard expression for a good female secretary was "she stayed for 13 years." Mr. Kearns said that it was difficult to have women promoted since male managers tended to promote in their own image. Mrs. Seashore said that this was a serious problem but that women were changing their image. Mr. Knapp wondered whether women would have a "work-oriented priority." Mrs. Seashore said that this was not a problem for women in the Bank. Mr. Bell said that he had difficulty with Personnel because he wanted a woman professional to do part-time work. Mr. McNamara asked Mr. Chadenet to look into this problem. He also asked Messrs. Chadenet and Adler to have included in the FY77 program and budget a section on women including targets for recruitment.

Mr. Cargill said that he had talked to Messrs. Yeo and Bushnell last Wednesday. It appeared that the U.S. would go along with a $5.8 billion lending program for FY77. There had been some problem about the Bank using $10 billion as the amount of the capital increase, instead of either $8.3 billion or $9.2 billion according to whether the IMF formula or Case A was implemented. Mr. Cargill had explained that we could make up for the short-fall through financial policies. The U.S. had apparently accepted this argument. The U.S. was still interested in a flexible cost-covering formula for the Bank lending rate which eventually would lead to a return on capital equivalent to the lending rate. The level of Bank salaries was still a major problem for the U.S. Administration. Germany would go along with an 8.75% lending rate, although it had wanted a higher rate. Japan still wanted a tapered increase in the lending program over the coming years. The Group of 9 felt that management had sold out to the U.S. and had obtained no assurance of general U.S. support for the Bank in spite of this. Mr. McNamara was puzzled by the G-9 attitude. We were forced to link financial policies to the capital increase if we were ever to obtain 75% of the votes in favor of the increase.

Mr. Chadenet reported on compensation discussions in the Bank and the Fund. In the Bank the EDs had, with three exceptions, accepted full coverage of cost-of-living increase; so the discussion had concentrated on a real income increase. There had only been lukewarm support for an increase in the spouse allowance and several EDs had urged a compromise between the Bank and the IMF proposals. There had been strong pressure for parallelism with the Fund and general agreement on a study of a possible expatriation allowance. In the IMF four Directors had been against full coverage of cost-of-living, parallelism had been supported, and there was almost universal support for an expatriation allowance study. Although the comparison study showed that only increases in professional salaries were justified, several Directors insisted on the same increase for professional and non-professional staff, thereby decreasing the spread in income among staff. Mr. McNamara said that, although this was a socially laudable objective in many European countries, he was worried about its implication for the Bank. The Fund proposal, for instance, would lead to non-professionals being paid 15% higher than U.S. Government employees. This could lead us into serious trouble. The U.S. Congress was increasingly focusing on the level of salaries of the Bank. A Senate subcommittee report had stated "If the Bank mismanages IDA as it mismanages its salaries, we should be thinking about withdrawing from IDA." Personally, he felt that no action on salaries could save us from trouble with the U.S. Congress. Even no increase at all in salaries would not reduce the criticism. We had to get the facts across to the U.S. and we also had to create a better understanding among EDs and staff of the political implications of our salary policies. Messrs. Knapp, Cargill, Baum and Adler urged Mr. McNamara to drop parallelism with the Fund and go for a straight cost-of-living increase. Mr. Bell added that the IMF staff was not interested in parallelism. Mr. McNamara said that he would not tolerate non-parallelism and that pursuing this course would lead to strikes in the Bank. The Bank's salary policy was then discussed at length by PC members.

Mr. Chadenet said that the problem with the U.S. Congress was that it thought that what was good for the U.S. Civil Service necessarily had to be excellent for foreigners. Mr. Stern argued that a straight cost-of-living increase was defendable, whereas real income growth was not. He admitted, however, that even sticking to a straight cost-of-living increase would not change the minds of key people in Congress. Mr. McNamara asked PC members to think further about the salary policy and let Mr. Chadenet and himself know their thoughts on the subject.

SB
March 30, 1976

President's Council Meeting, April 5, 1976

Present: Messrs. McNamara, Knapp, Adler, Baum, Bell, Broches, Cargill, Chadenet, Chaufournier, Chenery, Damry, Krieger, Stern, Wapenhans, von Hoffmann, Kearns, HAdler, Merriam

Mr. Chadenet said that Mr. Simon had sent a cable to his colleagues in five European countries arguing for only cost-of-living increases in the Bank and Fund, tapered down to 75% of cost-of-living at the N Level, and freezing salaries above $38,500. Mr. Witteveen had not accepted Mr. Simon's suggestion and had outlined his own position in a memorandum to the European EDs in the IMF. The next step would be for the Bank and Fund again to attempt to find common ground. Mr. McNamara asked Mr. Chadenet to investigate what had happened to compensation in OECD and NATO.

Mr. Cargill reported on the IBRD selective capital increase. He would produce the "simple formula" as suggested by Mr. Janssen, in the hope that it would be agreed upon quickly and quietly so that we could move ahead on the selective increase. The draft resolutions would be circulated for Board discussion on April 20. In the meantime, work would start on the "complicated formula" suggested by the U.S. The U.S. was unwilling to put its suggestion in writing and had asked the Bank to work on the basis of Mr. Yeo's unsigned memorandum of February 27 and Mr. Cooper's statement on April 1 in the Board. Mr. Cargill's best guess was that we would get a lending program of $5.8 billion for FY77, a capital increase based on parallelism with the IMF, and a lending rate somewhere between 8.75% and 9%. Mr. McNamara said that lending rates should be comparable in IBRD and IFC and applying the U.S. philosophy would lead to an increase in the IFC lending rate. He said that he would not put the IFC capital increase up for discussion at the Board until after an agreement had been reached on IBRD. It was not certain that the U.S. would agree on the "simple formula." The basic U.S. principle was to avoid subsidization of IBRD lending. He asked Mr. Broches to take a look at the draft resolutions.

Mr. Chaufournier had attended three meetings in Dakar. At the Tidewater meeting, Mr. Clark had spoken on mobilization of public support for development assistance. The meeting had been handicapped by the absence of the Germans, an illustration of the fact that the meeting was somewhat untimely. The meeting feared a confrontation at UNCTAD and CIEC. There had been attempts to reach a common ground on commodities somewhere in between the integrated and the case-by-case approach. There was no agreement on debt moratorium except that a majority favored debt forgiveness for the poorest. At the meeting of the Club of Friends of Sahel, the Director-General from FAO had suggested a new fund to be managed by FAO; but there had been a clear majority for channeling funds through the Bank. A working group of African Ministers had been established to work out concrete proposals. The Club would meet every year. Finally, the resolution of the meeting of the Ministers of the Franc Zone had mentioned the future development role of the IMF, but Mr. Fourcade from France had insisted on the development role being reserved for the Bank and the resolution had been changed. Several Ministers had approached Mr. Chaufournier to ask for Bank staff to help them out with their own development programs. They had mentioned that the FED had 700 staff working on Africa which was more than twice the total staff of the West African and East African Regions in the Bank. Mr. McNamara said that he was sympathetic towards African demands for technical assistance, particularly since the tightness of the forthcoming FY77 budget probably would leave us with some excess recruitment capacity.

Mr. McNamara said that he had received a thoughtfully prepared outline for a possible speech at UNCTAD. In the present situation of IBRD and IDA problems, he

was not persuaded, however, that the Bank should make a statement at UNCTAD.

Mr. Cargill mentioned his talks to staff meetings about problems of financing IBRD and IDA. He stressed at these meetings that we had no difficulties with our borrowing and could reach as much as $5 billion in FY76. He was therefore dismayed to read Mr. Janeway's article in the April 4 edition of the Washington Star "World Bank's Debt Needs a Hard Look." Mr. Janeway's source was probably from within the U.S. Government but there was also quite a bit of loose talk among staff about the Bank having borrowing problems. He urged PC members to tell staff that they should not discuss matters that they were misinformed about. Mr. McNamara said that he was tempted to borrow more than the $3.8 billion in the FY76 borrowing program but that he would wait with a decision until the situation on IBRD had become more settled.

Mr. McNamara mentioned the procurement problems with respect to the Trinidad & Tobago telecommunications project. The issue had now gone unsettled for 15 months and he had asked Mr. Sommers to look into it. The easiest solution would be to either have Trinidad & Tobago finance the contract out of its own funds or call for outside arbitration.

Mr. Bell asked why we had all these problems with the U.S. Government. Mr. McNamara said that the U.S. Government at present was divided. Looked at in its historical perspective, this was an outcome of the three political assassinations, the Vietnam War, Watergate and the recession. There was no question, however, that the U.S. sincerely felt that the staff of the IMF and the Bank was overpaid. On ideological grounds, the U.S. was reluctant to see subsidization of loans, an attitude which was similar to the one which had been taken on New York City. The cut in the IDA appropriation on April 2 in the House and Senate Conference had been caused by our salary policies and the recent $200 million import credit to India. It was important to realize that development assistance had never been supported by more than a small majority and all the above issues could easily erode such a small margin. Mr. Merriam said that there was a gap between the Treasury and the White House and that we had received excellent support from the White House on IDA4. However, the approach the White House had taken had been less than professional. The White House was now preparing the include the $55 million deficiency on IDA4 in the extra budget quarter supplement for FY76. Mr. McNamara said that he was most worried for IDAV. He said that the year would be a very difficult one and the only way to approach this was day-by-day and step-by-step.

SB
April 6, 1976

President's Council Meeting, April 12, 1976

Present: Messrs. McNamara, Knapp, Adler, Baum, Bell, Broches, Cargill, Chadenet, Chaufournier, Chenery, Clark, Damry, Krieger, Stern, Wapenhans, Weiner, von Hoffmann, HAdler

Mr. Chadenet explained the compensation proposals. All staff would receive a 5.8% cost-of-living increase effective March 1, 1976, and the spouse allowance would be increased to $500 plus 3% of salary above $10,000. Professional staff would receive an automatic 1.5% real income increase in Grades J-M and a real increase based on merit in Grades N-Q. There would be no real income growth for non-professionals. The Bank would increase its contribution to medical insurance from 50% to two-thirds. Special Leave for religious purposes would be abolished and leave for all staff increased to 26 days. After five years of service, leave would be increased to 28 days and to 30 days after ten years of service. The merits of an expatriation allowance would be studied. Our ideas of treatment of non-professionals were different from the IMF. There was presently no agreement with the IMF on the comparative figures for compensation of non-professionals. Our figures showed that non-professionals were paid 10%-20% more than U.S. Government employees in the same grades, whereas the IMF figures showed a gap of only 5%. However, the IMF figures were not weighted; the two lowest grades were not included and the Social Security benefits for U.S. nationals had not been considered. Mr. McNamara said that real income growth for non-professionals could not be justified. It would be irresponsible to give such an increase and could easily lead to erosion of support for the Bank. However, the IMF felt strongly on real income growth for all staff, an idea which had apparently been initiated and endorsed by the IMF Board with the intention of closing the gap between the IMF and its main competitors within three years. Mr. Baum wondered whether the international financial institutions were not engaged in a salary competition with each other which had led to a ratchet effect. Mr. McNamara said that this was the main argument presented by the U.S. Treasury and that there was some truth in it. Mr. Stern said that the 1.5% real income growth would amount to roughly $375 for the average professional staff member. He did not feel it was worth risking erosion of support for the Bank for such a small amount and he was convinced that most staff members would think the same way. A vote was taken on real income growth for professionals. Six PC members were in favor; 11 opposed. A show of hands indicated that the PC was divided in roughly the same proportion on an increase in annual leave.

Mr. Clark reported on the staff compensation problems in the UN Geneva-based organizations. The UN administration had accepted in advance the report of the Battelle Institute on pay for general service staff in Geneva and were dumbfounded when it came up with a recommendation of a 23% increase. The strike which followed was a protest against the administration's decision to renege on its stated promise to accept the report. A compromise was required before April 15. Mr. McNamara asked Mr. Chadenet to follow the UN compensation closely.

Mr. McNamara said that the selective capital increase for IBRD and the IFC capital increase would probably be accepted by the Board on April 20. The lending rate for IBRD would most likely be increased at the same time.

For obscure reasons there was resistance to change in the structure and procedures of the Development Committee from both the U.S. and the LDCs. Messrs. McNamara and Stern had met with Messrs. Cooper, Drake and Ryrie on the matter without results. No successor had yet been found for Mr. Costanzo.

Mr. McNamara said that the budget proposals for FY77 from the individual departments in the Bank amounted to $228 million. It would be impossible to increase the budget from $186 million in FY76 to $228 million in FY77, so cuts would have to be made. One possibility was to eliminate the margin between the regional lending programs and the World Bank program. The margin had ensured high quality of the

World Bank program over the years but had probably cost us something on the order of $40 million over the last eight years. Mr. Weiner suggested that the margin was more an investment in inventory than a waste. Mr. McNamara disagreed and said that projects in the margin tended to evaporate. He asked Mr. Adler to distribute his two memoranda of April 6 and April 9 to all PC members who should then give their opinion individually to Mr. Cargill.

Mr. Knapp said that the Mexican CPP had been leaked to UPI's Spanish wire service in Washington. The Mexicans were rightly upset about this. Mr. McNamara again asked the PC members to talk to their staff about the leaks and make it clear to staff that these recurrent leaks could destroy the organization.

SB
April 13, 1976

President's Council Meeting, April 19, 1976

Present: Messrs. McNamara, Knapp, Adler, Baum, Broches, Cargill, Chadenet, Clark, Chaufournier, Chenery, Damry, Please, Stern, Wapenhans, Weiner, von Hoffmann, Kearns, Kirmani, Lerdau

Mr. McNamara said that the Board discussion of the selective capital increase had been deferred along with discussion of the IFC capital increase. The U.S. continued to press for changes in the lending rate and we were still a long way from agreement with the U.S., particularly with respect to the spread. The U.S. might insist on a 75 basic point spread which, under the present circumstances, could lead to a lending rate as high as 9.35% which was entirely unreasonable.

Mr. McNamara referred to Mr. Knapp's memorandum to the Regional Vice Presidents dated April 16, 1976, on the FY77 operating program and budget. He explained that the IDA allocations for FY78 through FY80 were based on an assumed IDAV replenishment which would take full account of price inflation and add $100 million in real transfer per year. He asked the Regional Vice Presidents to study the memorandum carefully and let Mr. Adler know if they had any disagreements. More than ever before, the RVPs should make sure that they had high quality projects for high performing countries, with complete assurance of using all available funds and, at the same time, minimizing over-budgetting for personnel. This was a complicated problem and should be examined with care. However, it was a normal evolutionary step that we should attempt to reduce the insurance of performance entailed in the overprogramming since we were not expanding as much as before and since we were getting more sophisticated. Mr. McNamara was not certain that we would have the budget ready for Board discussion by the planned date of June 24, but he insisted that it was more important that the budget was right and that every Vice President felt responsible for his part of the budget. Mr. Chaufournier asked about the non-lending parts of the budget. Mr. McNamara said that supervision would have first priority once we had agreed on the appropriate amount. Sector and economic work must continue. Mr. Baum expressed fear that the lending work might feed on the rest of the Bank's work. He said that planning and designing was as important as lending work. Mr. McNamara said that we must know what we are doing before we increase sector and evaluation work. The Board would particularly scrutinize the non-lending parts of the budget. Mr. Chaufournier said that the method to ensure high performance was to review the program every quarter. Mr. Baum wondered whether the new narrow safety margin should be planned on a regional or a Bank-wide basis. One could imagine starting the planning process with the desired safety margin. Mr. McNamara said that the regional programs at present entailed a FY77 budget of $228 million. This would have to be cut to $212 million. Mr. Chenery wondered how high performance could be explicitly recognized in our country allocations. Mr. McNamara said that DPS should review the country allocations made by the Regions and make its own allocations which should then be discussed by Messrs. McNamara, Knapp, Chenery and Baum.

Mr. McNamara said that the Mexican CPP had been given to the Mexican Government in violation of our procedures. Such violations would have to be penalized. Either we stopped the leaks or the governments would no longer give us the information required for evaluating the governments' policies.

Mr. McNamara said that Mr. Kochman would be leaving the Bank to become Mauritania's Ambassador to the U.S. Mr. Kochman had been an extremely effective ED and Mr. McNamara was sorry to see him leave.

Mr. Clark said that he and Mr. McNamara had seen Mr. Correa on April 16 and Mr. McNamara had said that he would not be able to go to UNCTAD IV.

cc: Mr. Knapp

SB
April 20, 1976

President's Council Meeting, April 26, 1976

Present: Messrs. McNamara, Knapp, Adler, Baum, Broches, Cargill, Chadenet, Chaufournier, Chenery, Clark, Damry, Krieger, Please, Wapenhans, Weiner, von Hoffmann, Kearns, Kirmani, Picciotto

Mr. McNamara asked Mr. Clark to give him a daily report on the ADB meeting the North-South Dialogue, and the forthcoming UNCTAD4 Meeting. He asked Mr. Broches to prepare a note on the Vietnamese representation at the Djakarta meeting of the ADB and on how we and the Vietnamese would consider their role in the World Bank.

Mr. Chadenet reported that about 700 staff members from the IMF had decided to call for a one-day work stoppage on Wednesday, April 28. This was a political act, partly anti-U.S. and partly in misunderstood support of Mr. Witteveen who had characterized the treatment of his compensation proposals in the IMF Board as "impermissible politization." The Bank Delegate Assembly would meet at noon to discuss similar action in the Bank and possible call for a work stoppage on Friday, April 30. After some discussion, Mr. McNamara said that a work stoppage would incur serious cost to the institution. He said that the PC might meet later in the day if required. Mr. Broches said that a similar situation had arisen a couple of years ago in OECD where the staff had gone on strike to support the views of the Secretary-General on the pension plan. He said he would get the text of the OECD staff resolution and send it to Mr. McNamara.

Mr. Adler enquired about the U.S. proposal for an international resources bank. Mr. McNamara explained that the U.S. proposal was based on the belief that low-cost resources of minerals were not being exploited because of political risk to private investors in the low-cost countries and no availability of public funds. The international resources bank would establish an umbrella to channel both private and public funds for mineral exploitation. Capital subscriptions of $1 billion, half of which from OPEC and the other half from OECD countries, were envisaged. On this capital basis, it was believed that about $9 billion could be raised. The resources bank might be set up through the World Bank. Mr. Kissinger might present the U.S. proposal at the UNCTAD conference in Nairobi but it would probably only be discussed in substance in the North-South Dialogue for a possible decision by mid-year 1977. Mr. von Hoffmann said that the proposal had not been thought through financially and that the U.S. had asked for German and Japanese support. Mr. McNamara said that the proposal was worth considering and that the Bank might have a role in this field.

SB
April 27, 1976

President's Council Meeting, May 3, 1976

Present: Messrs. McNamara, Adler, Baum, Broches, Cargill, Chadenet, Chenery, Clark, Damry, Krieger, Please, Wapenhans, Weiner, von Hoffmann, Kearns, Blobel, de la Renaudiere, Votaw

Mr. McNamara said that we had stopped disbursement on loans to the East African Community and delayed processing of six FY76 projects for the East African countries. He had been reluctant to see the projects deferred since this would be a penalty for the East African countries. On the other hand, it would leave slots open for other regions within the FY76 program. Since the lending rate might be increased after July 1, 1976, it would be advantageous for other regions to use these slots. The problem with the East African Community had to be settled before July 1. If not, our certified statements would show a default and this could have an adverse influence on our borrowing program.

Mr. McNamara said that it was difficult to predict the outcome of the Board Meeting on IBRD selective capital increase and IFC capital increase on May 4, but that he hoped that both matters could be settled on that day.

Mr. Chadenet said that 1400 staff members had voted in favor of the Staff Association sending a memorandum of discontent on the manner in which the Executive Directors' decision on staff compensation was reached to the Executive Directors and Governors of the Bank. The Executive Committee was drafting the memorandum and it would go to the EDs within five to ten days. Mr. Chadenet said that he was worried about the anti-U.S. mood among staff members. After all it was The Netherlands, Canada and France which had caved in to U.S. demands, whereas the U.S. had been consistent by applying the same kind of pressure earlier in the Bank and elsewhere. Mr. McNamara said that the episode provided a good illustration of why such situations should be avoided. Nobody in the IMF had called Mr. Simon the "beast of the day" but journalists had provoked Mr. Simon by reporting this to him. The IMF was now strongly criticized and this would also reflect upon the Bank. We should anticipate these problems in the future and act to protect the institution. It was important that qualified and dedicated staff members participated in the work of the Staff Association. Mr. McNamara asked PC members to urge good staff members to run for Delegate in the forthcoming Staff Association elections. When the present situation had settled, he would wish to talk to Mr. Chadenet about how to handle compensation procedures in the future.

Mr. McNamara reported that he had met with the LDC EDs in an informal meeton April 30. He had stressed to them that, while we were facing short-run problems for the next year, it was important to lay the foundation for the Bank's future by mobilizing support of the LDC governments for the World Bank Group in all available fora to strengthen the Bank Group in the interest of the LDCs.

Mr. Chadenet said that the Tarbela Dam again was facing trouble. He would go to Pakistan soon to check on the problem.

cc: Mr. Knapp

SB
May 4, 1976

President's Council Meeting, May 10, 1976

Present: Messrs. McNamara, Adler, Baum, Bell, Broches, Cargill, Chaufournier, Chenery, Damry, Krieger, Please, Stern, Wapenhans, Weiner, Qureshi, Kearns, Boskey, Clarke, Votaw, Dyck

Mr. McNamara asked Mrs. Boskey to prepare an explanatory note on the relationship of the aid bill vetoed by President Ford to the bills affecting IDA.

Mr. McNamara said that, with the selective capital increase, chances were good that we would get an IBRD lending program for FY77 of $5.8 billion. One of the main results of the discussion of the selective capital increase was that the lending program had become unhooked from the issue of the capital increase itself and, hence, could be agreed upon by a simple majority of the Board.

Mrs. Boskey quoted from the UNCTAD paper Cosmos,"The International Resources Bank is little better than the World Bank which is not exactly popular in the Third World." Mr. McNamara said that such lack of support from the Third World was damaging to the Bank and that we should strive to build support among Third World countries.

Mr. Clarke introduced the policy statement on reassignment. He said that the statement should be seen as part of a series of papers from the Personnel Department on evaluation, reassignment and promotion. The intention of the statement was to lay down the rules of the game but the administration of the rules would be flexible. Mr. Wapenhans said that some of the country programs divisions created at the reorganization in 1972 would now have up to five or six of their loan officers eligible for reassignment. This could prevent Division Chiefs from building strong teams. Mr. McNamara said that the policy must be operated in a way which protects the interests of the institution. Five or six people in one division should certainly not be reassigned in one step, since this would seriously and adversely affect the working units. Mr. Adler said that, as presently drafted, the statement left the initiative with the individual but should not the Personnel Department be able to act in the interests of the institution? Mr. Clarke said that the statement was flexible enough to allow initiative to come from the Personnel Department. Mr. Stern felt that the statement was too rigid. The immediate supervisor should be able to say whether in his view the reassignment was desirable. This role was not left open to the supervisor in the statement. If the supervisor disagreed with the individual, the reassignment panel could make the decision. Mr. McNamara said that supervisors should never stand in the way of the advancement of individuals, either within or outside the Bank, but lateral transfers should only take place when proper replacements could be found. Mr. Baum said that this would lead to complete inactivity. The informal system which we had at present never worked. The immediate supervisor might not know what was in the interest of the institution. Mr. McNamara said that the rules should be flexible and that we should proceed cautiously to change what was now a disorderly procedure. He asked PC members to send their comments to Mr. Clarke and gave his own revised version of the statement to Mr. Clarke. It was decided that the new procedure would be revised if necessary after a trial period of one year.

Mr. Cargill said that we were behind on preparation of the budget. It would not be ready for distribution until the first week of June for Board discussion in early July. Mr. McNamara said that the delay was nobody's fault since the FY78 lending program could not be settled until the selective capital increase had been agreed upon. He wanted each RVP to have a budget which would give him high confidence that he could accomplish the lending program at the same time eliminating any overbudgeting. He urged RVPs to make sure that they had adequate identified standby projects. The FY77 budget would show a real increase of 8.5% over FY76. However, the output in terms of projects would only increase by 5.5%. In a sense it should be the other way around and Mr. McNamara said that it left him uneasy that we might not have any productivity gains.

cc: Mr. Knapp

SB
May 11, 1976

President's Council Meeting, May 17, 1976

Present: Messrs. McNamara, Knapp, Adler, Baum, Broches, Chadenet, Please, Stern, Wapenhans, Weiner, Qureshi, Goodman, Kearns, Karaosmanoglu, de la Renaudiere, Votaw, Wiese, Mrs. Boskey, Miss Han

Mr. Knapp reported on his trip to Yugoslavia and Romania. Yugoslavia might be the country where one could see the highest impact of the World Bank of any country in the world. They strongly supported our quest for an increase in resources, including the capital increase, but they had some difficulty with accepting the recent increase in the lending rate. Romania was a much more closed society than Yugoslavia. One of our difficulties with the country was its reluctance to give us economic data. Mr. Knapp had stressed the importance of such data for our economic work but felt that we would still have difficulties, both in this area and with respect to project implementation.

Mr. Weiner reported on his trip to France and The Netherlands. He was somewhat dismayed that the people he talked to in the two countries had not received the evaluation reports from the Bank. This had now been corrected. The Caisse Centrale was just beginning to do evaluation work and in The Netherlands the Auditor General was examining the structure but not the impact of the aid program. In both countries there was an intense interest in the evaluation work of the World Bank and particularly in our intention to set up evaluation units within the LDCs. Mr. Weiner said that he would go to several LDCs after the Annual Meeting in October and Mr. McNamara said that he hoped that at least two LDCs would start establishing evaluation units this calendar year. Mr. Weiner said that he had been surprised by the great sensitivity of aid policies in France and The Netherlands. In both countries the direction of World Bank policies was influencing the national aid programs; but there was also some skepticism against the Bank in both countries. Some people considered conventional "western-style" projects as suspect and as an indication that the Bank failed to do what it said it would do. Mr. McNamara asked Mrs. Boskey to have Mr. Carriere examine this skepticism against the Bank and send a note on the subject.

Mr. Baum said that population projects were disappearing from the pipeline. The Regions apparently were reluctant to schedule uncertain projects like population in a time when rigid planning had become necessary in the Bank. When projects in uncertain fields were scheduled, it was particularly in rural and urban development which the Regions wrongly perceived to have higher priority than, say, population. Mr. McNamara said that he had been shocked to see the semiannual report on population projects and stressed to the PC that sound population projects would have first priority.

Mr. Adler said that the pipeline at present was thin for all projects. There would not be as many projects appraised by July 1 this year as there had been in previous years. Mr. McNamara emphasized that no bunching would be allowed in the future. The program would be planned by quarter and the Regions would lose budget and people correspondingly if they did not perform. Mr. McNamara asked Mr. Wiese to submit the program for LAC to Mr. Adler immediately. Any changes in projects and amounts would take place after the Bank-wide budget and program had been established.

Mrs. Boskey reported on UNCTAD. She said that the conference was now moving into the negotiating stages and that agreements should be reached in the several committees by the end of this week if the conference were to stick to its time schedule. It might be necessary to prolong the conference through the weekend of May 29 and 30. There was now a more favorable attitude towards the International Resources Bank proposed by the U.S. and Mr. McNamara said that the IRB might have a chance of being adopted.

Mr. McNamara said that he would go to Saudi Arabia and Kuwait from May 20 to 25 to discuss the aid program of the two countries for Egypt; IDAV; and general financial matters, particularly Bank borrowing in the two countries.

Mr. Wiese said that Trinidad and Tobago had accepted Mr. Krieger's visit to resolve the TELCO dispute. Mr. Wiese would go to Trinidad and Tobago next week and Mr. Krieger would follow three weeks later.

SB
May 18, 1976

President's Council Meeting, June 7, 1976

Present: Messrs. McNamara, Knapp, Baum, Broches, Chadenet, Chaufournier, Clark, Damry, Krieger, Please, Stern, Weiner, Qureshi, Clarke, Goodman, Karaosmanoglu, Kearns, Paijmans, Votaw

Mr. McNamara asked Mr. Chadenet to chair the Department Directors Meeting on June 7.

Mr. McNamara said that recent procurement troubles had led to the "most miserable set of problems" for himself and Mr. Knapp. In the Colombia case, we had made foolish mistakes. The consultant had recommended 12-meter rails but the bidding documents said 18 meters. Furthermore, we had insisted on changing the bidding documents 18 days before the bids were to be opened. Colombia had now insisted on a Board committee investigating the case. This was totally unacceptable as an interference from the Board in the operational work of the Bank and Mr. McNamara hoped that it could be avoided. He had in fact threatened to resign on the issue and the Colombians had now apparently changed their mind and only wanted an outside review of the matter. Mr. McNamara urged the RVPs to set up an early warning system on procurement problems and to handle such problems expeditiously.

Mr. Clarke's memorandum on Annual Meeting travel arrangements, dated May 11, 1976, was discussed. Mr. Chadenet said that a major problem was that our recommendation for staff going economy was not parallel with the IMF. Mr. McNamara said that this would create a problem for us with the Bank staff, whereas the IMF would have a problem with the public when trying to defend first-class travel for so many people. Personally, he felt that sending 500 people first-class to Manila would ruin the image of the two institutions. Mr. Clark agreed with Mr. McNamara on not using first-class travel but said that it was important to have a large number of World Bank staff attend these meetings outside Washington, particularly since the meeting would take place in the Third World. The PC voted on the matter. Fifteen members were in favor of economy class, 2 in favor of first-class. Mr. McNamara said that the decision on economy travel for the Annual Meeting would have no influence on our general travel policy.

Mr. McNamara said that the budget memorandum would be distributed to the EDs on June 10 for discussion on June 29. The budget showed an increase in expenditures of 7.2% in real terms over FY76. Mr. McNamara was uneasy about this increase, even though output in terms of projects would go up by 7.5% and supervision by 9.3%. Mr. Knapp said that the increase in real terms over the FY76 budget, instead of expenditures, was only 4%. The FY76 program had been accomplished through overtime work and we did not budget for any overtime in FY77. Mr. Knapp also referred to the draft OED report on 50 projects which concluded that too much time was spent on high-quality borrowers, and said that we should not use this argument to decrease our supervision effort. Mr. McNamara agreed and Mr. Weiner said that this was not the intention of the report. Mr. McNamara said that the budget would probably be discussed at length at the Board and he asked PC members to read their parts of the budget carefully and be prepared for questions. He still hoped to present some projects to the Board on June 29.

Mr. McNamara said that he wanted to discuss Mr. Goodman's paper on application of lending rate formula with appropriate staff members the next day.

SB
June 8, 1976

President's Council Meeting, June 21, 1976

Present: Messrs. Knapp, Adler, Baum, Bell, Nurick, Cargill, Chadenet, Chaufournier, Clark, Damry, Krieger, Please, Stern, Wapenhans, von Hoffmann, Kearns, Yudelman

Mr. Cargill said that we would go ahead with a $750 million combined bond issue in the United States. The issue would be presented to the Board on June 22 for preliminary approval and the pricing would be negotiated with the Underwriters at 4 p.m. on June 23.

Mr. McNamara said that application of changes in Bank lending rates and amortization schedules would be discussed at the Board Meeting on June 22.

Mr. Damry briefly reported on his second visit to East Africa. He said that the members of the East African Community seemed in the mood to comply with the Arusha Agreement on payment of debt to the Bank from The East African Corporations. Mr. McNamara asked Mr. Please to inform him and Messrs. Knapp, Cargill and Damry in case problems on repayment of debt arose.

Mr. McNamara said that we have faced several procurement problems over the last few months. He asked Messrs. Knapp and Baum to arrange for an informal Board Meeting to discuss the subject and possibly prepare a paper for the meeting.

Mr. Yudelman reported on the IFAD and The World Food Council meetings in Rome. The agreement on IFAD had not been signed since pledges totaling $1 billion were necessary before the agreement could be established. Pledges now stood at $930 million with $530 million from OECD countries and $400 million from OPEC. Somewhat surprisingly France had pledged $25 million and so had Italy. Iran pledged $103 million and Saudi Arabia $100 million. The Secretary-General of the United Nations had been asked to raise the remaining $70 million by September 1976. He had passed on this task to Mr. Hannah. The people most influential in establishing IFAD on a professional basis were Mr. Shihate from the Kuwait Development Fund, Mr. Wille from the German Aid Program and Mr. Birnbaum, the Assistant Coordinator for Programs and Policy at U. S. AID. Mr. Yriat from FAO had suggested to the Preparatory Commission for IFAD that all services to IFAD should be provided by FAO. The Chairman of the Commission had ruled him out of order. Mr. Shihate had strongly urged that the Bank should play a role in disbursing IFAD funds. Israel and South Africa had been two very time-consuming but nonsubstantive issues at the meeting. Mr. McNamara said that he and Messrs. Knapp, Baum and Yudelman should follow the establishment of IFAD very closely. Mr. Yudelman said that the World Food Council meeting had been hampered by a flood of resolutions from "the Group of 77". The future work program for the Council would include production estimates to close the food gap; nutrition; food and trade; and implications of a program to eradicate hunger by 1985. Mr. Tanko, the Secretary of Agriculture from The Philippines would succeed Mr. Hannah. The CGFPI had been mentioned a couple of times and its continued existence had received support from the U. S.. Mr. McNamara said that he and Messrs. Knapp, Knox, Baum and Yudelman should discuss the future of CGFPI after Mr. Yudelman had talked to the U. S. AID and the U. S. State Department about it. A minimum objective should be to

keep the CGFPI in business for another six months. Mr. McNamara asked Mr. Yudelman to report briefly to the Board on June 22 on the two meetings in Rome.

Mr. Chenery reported on the Symposium on International Allocation of Economic Activity at the Nobel Institute in Stockholm. It had been disappointing that only two of the papers had dealt with development issues. He had met with Mr. Klackenberg whose support by other aid officials in Sweden seemed to be fading and he had given a public speech on Bank policy.

Mr. McNamara said that he had prepared a first rough draft of the Governors speech over the week end. He would send copies to Messrs. Chenery and W. Clark to ask for their comments and of the Bank section to Mr. Cargill. He did not find it appropriate to inform the Board of the general outline.

Mr. McNamara said he would like to meet in the afternoon of June 25 with Messrs. Knapp and Cargill to discuss the Board discussion of the Program and Budget. He asked Mr. Knapp to Chair the President's Council Meetings of June 28 and July 6.

SB
June 22, 1976

President's Council Meeting, July 12, 1976

Present: Messrs. McNamara, Knapp, Baum, Bell, Broches, Cargill, Chadenet, Chaufournier, Chenery, Clark, Damry, Krieger, Please, Stern, Weiner, von Hoffmann, Blaxall, Lari, Sommers

Mr. McNamara reported on his trip to Belgium and the U.K. In both countries he had stressed three matters: (a) a need for replenishment of IDA above the $7.2 billion threshhold level; (b) the need for a bridge between the end of IDA4 and the entering into force of IDA5; and (c) the need for a bridge to avoid a ceiling on IBRD lending. In Belgium members of the Government and Parliament, and in particular the King, had been quite supportive of the Bank. The King had expressed a wish to visit the Bank. At the EEC he had met with Mr. Cheysson and also found a cooperative attitude towards the Bank. He had been surprised to learn that Mr. Jenkins was now openly discussed as the next President of the Commission. In the U.K. he had met with Messrs. Healey, Prentice, Mitchell and King. Mr. Healey had enquired how it would be possible to increase the lending program for FY78 above $5.8 billion without a second capital increase. Mr. McNamara had explained that this could be done through a further hardening of terms. Mr. McNamara also met with Mr. Ramphal, the Secretary-General of the Commonwealth Secretariat. Mr. Ramphal had agreed to inscribe the three matters of importance to the Bank on the agenda for the Commonwealth meeting in Hong Kong immediately prior to the Bank's Annual Meeting in Manila. Mr. McNamara said that he would probably travel to Canada to seek Canadian support on the same three issues. It had been somewhat disquieting to observe in Europe that the attitude towards aid was increasingly turning negative. The British would cut their aid budget for the first time and no one anywhere seemed to have formulated a positive program for the North/South dialogue. It was encouraging, however, that Mr. Healey specifically had stated that the U.K. would maintain its share in IDA, assuming that there would be no U.S. cut.

Mr. Clark said that he had met with Ambassador Jolles in Paris. It would be very difficult indeed to get the $80 million for IDA4 from the Swiss, but Mr. Leutweiler from the National Bank of Switzerland might be able to work out a solution.

Mr. Knapp said that the Board Meeting on July 6 had been uneventful. There were no projects scheduled for July 20 and only one or two for July 27. Mr. McNamara asked the Regional Vice Presidents to watch the FY77 program carefully and not let the first quarter slip.

Mr. Broches said that he had favorable reactions from EDs to his paper on valuation of the Bank's capital. Mr. McNamara said that an informal meeting with the Board should take place when Mr. Cargill returned from leave.

The PC discussed the draft Personnel Manual Statement dealing with appeals and grievances. Mr. Chadenet said that he found the procedures inevitable and useful. About five serious cases came up every year. An ombudsman had been considered but, although ILO, UNDP and other UN organizations had both an ombudsman and appeals procedures, this had not been found useful for the Bank. In the following discussion, the PC was divided on the need for appeals procedures as presented in the paper. Mr. McNamara concluded the discussion by saying that two alternative drafts should be prepared and rediscussed by the PC. In the meantime, Messrs. Chadenet and Lari should talk to the Staff Association and enquire whether appeals procedures would be the best way to protect the staff.

SB
July 13, 1976

President's Council Meeting, September 13, 1976

Present: Messrs. McNamara, Knapp, Adler, Baum, Benjenk, Broches, Cargill, Chadenet, Chaufournier, Damry, Stern, Wapenhans, Weiner, von Hoffmann, Karaosmanoglu, Kearns, Lari, Lerdau, Merriam, Votaw

Mr. McNamara said that it might be necessary to have a President's Council on September 17 instead of September 20, since many PC members might be traveling by September 20. He asked Mr. Burmester to check on the attendance for September 20 and discuss the matter with him on September 16.

Mr. McNamara said that all PC members should be informed of the content of the Governors' Speech before Manila. He was going to make four points with respect to the Bank Group: (a) the need for an IBRD general increase; (b) required action to prevent IBRD lending for FY78 to decline in real terms; (c) the need for an early completion of IDAV negotiations, possibly by April 1, 1977, and a reasonable level for IDAV; and (d) the need for a bridging operation between IDAIV and IDAV, since commitment authority for IDAV could not be obtained by July 1, 1977.

Mr. McNamara was worried about the number of travels with the Concorde; 192 staff members had used the Concorde since June, which amounted to about 2% of the passengers on supersonic flights. He asked Mr. Chadenet to examine our travel policy with respect to the Concorde and urged PC members to watch requests for Concorde travel.

Mr. McNamara said that the FY77 program had started to slip. The planned projects for October had been reduced from 17 to 11. He asked Mr. Adler to prepare a memorandum on the problem and required action by September 16, and the RVPs to prepare memoranda for Mr. Knapp with copy to Mr. McNamara on their work programs through October 1976, also by the end of this week.

Mr. Chadenet urged PC members to pay attention to how staff members were dressed. There had been an unfortunate incident in the Board Room last week where a staff member had shown up without coat or tie. Mr. McNamara agreed.

The meeting discussed the revised draft statement on appeals procedures. Mr. Chadenet said that he would change the title of the statement and eliminate paragraph 19. Mr. Baum suggested that abolition of positions should be an acceptable cause for appeals. Mr. McNamara disagreed. Mr. von Hoffmann wondered whether the underlying theory of the statement was lifelong tenure in the Bank. Mr. McNamara denied this and said that the underlying assumption was the right to fair and equitable treatment. Mr. Knapp said that he was still fearful of the Bank approaching lifelong tenure but that the statement improved our position. Messrs. Lerdau, von Hoffmann and Stern said that it would be very difficult for the Appeals Committee to avoid discussing the substantive merits of a decision to terminate, and Mr. von Hoffmann suggested that the statement on termination be issued before the appeals procedure statement. Mr. Chadenet disagreed and said that we were in fact fairly tough on termination. 10% to 20% of staff on probation was not confirmed and we terminated between 25 and 30 staff per year. Mr. Kearns said that termination often was complicated because annual evaluations were not effective and honest. Mr. Knapp agreed with Mr. Kearns and urged PC members to ensure that annual performance evaluations would be honest and effective.

Mr. Cargill asked about debt rescheduling for Zaire. Mr. Wapenhans said that a new meeting was scheduled for September 22 in London and that he would send Mr. Cargill a copy of the memorandum he had prepared on the subject.

The meeting was adjourned at 9:55 a.m. Mr. McNamara left the meeting at 9:20 a.m.

SB
September 14, 1976

Record Removal Notice

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File Title	Barcode No.
Records of President Robert S. McNamara President's Council minutes - Minutes 14	1770827

Document Date	Document Type
October 3, 1976	Minutes

Correspondents / Participants

Subject / Title
Memorandum for the Record - President's Council October 2, 1976

Exception(s)
Prerogative to Restrict

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.

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Shiri Alon	27-Feb-17

822/1/26

MEMORANDUM FOR THE RECORD

President's Council
October 6, 1976

Present: Messrs. McNamara, Knapp, Adler, Baum, Bell, Benjenk, Broches, Cargill, Chadenet, Chaufournier, Chenery, Clark, Damry, Krieger, Stern, Wapenhans, Weiner, von Hoffmann and Maddux

The meeting discussed Mr. McNamara's closing remarks. It was decided that a draft would be sent to Messrs. Chenery, Stern and Cargill for comment by 12:30 P.M. on Thursday, and that the comments would be returned by 3:00 P.M. Thursday afternoon.

Mr. McNamara was concerned about the press comments on the Tondo foreshore project. He asked Messrs. Bell, Baum and Merriam to analyze the problem and if required, present the facts to the international press.

Mr. Damry said that the election of Executive Directors would have to be reopened since one delegation had been absent and another had cast an illegal ballot. The Joint Procedures Committee would handle the matter.

Mr. Bell said that Messrs. Witte and Cooper were outraged about the walkout during the Israel speech. Mr. McNamara said that it would be wisest to downplay the incident and avoid direct Bank involvement in the matter.

SB

October 7, 1976

President's Council Meeting, October 26, 1976

Present: Messrs. McNamara, Adler, Baum, Benjenk, Broches, Cargill, Chadenet, Chaufournier, Chenery, Krieger, Stern, Wapenhans, Weiner, von Hoffmann, Kearns, Kirmani, Merriam, and Miss Han

Mr. McNamara said that he would travel to South Asia in the period from October 29 through November 14. He asked Mr. Cargill to be in charge of the Bank on Friday, October 29, when both he and Mr. Knapp would be absent.

Mr. Merriam reported that some western journalists might be deported from the Philippines because of their writings on the expenditures made in preparation for the Annual Meeting. He found it very unfortunate that the Bank would be used politically for such a purpose. Mr. McNamara agreed and asked Mr. Merriam to work with Mr. Bell to solve the problem. Mr. McNamara also felt that we had not fully explained the problems in relation to the Tondo project in Manila and asked Mr. Merriam to talk to Mr. Knapp about this. Finally, Mr. McNamara referred to Warren Unna's story in The Statesman on possible Bank involvement in the water dispute between Bangladesh and India. He said that the article might have destroyed the tactics and strategy that he intended to use for his forthcoming negotiations in South Asia. He asked the Public Affairs Department to be more careful in such matters and to talk to the Region concerned before releasing any sensitive material.

Mr. McNamara said that IDAV negotiations now were well underway. A major step forward had been taken in Kyoto, where Mr. Cooper had been particularly positive. The next meeting would take place in mid-January 1977 in Kuwait.

Mr. McNamara said that work was proceeding on the IBRD Capital Increase and that he planned to have a paper ready for distribution to the Board by the beginning of 1977.

Mr. Chenery mentioned the Leontief study on the World economy recently published by the UN. He said that the data in the study were valuable but that the model had been designed for another purpose. In fact the model had been used to fit foregone conclusions. Mr. McNamara said that the study was useful in any event, since the conclusions complemented those arrived at in the Bank's studies. He urged PC members to read the Leontief study and the article on energy in the October 1976 issue of Foreign Affairs. He also said that he had met with Mr. Chenery and others to establish a work program for DPS on problems and progress of the UN development system to be discussed at the ACC meeting in the Spring of 1977.

cc: Mr. Knapp
Mr. Cargill

SB
October 27, 1976

President's Council Meeting, November 22, 1976

Present: Messrs. McNamara, Baum, Bell, Broches, Cargill, Chadenet, Chaufour, Chenery, Clark, Krieger, Stern, Weiner, von Hoffmann, Kearns, Blaxall, Paijmans, Wiehen, Miss Han

Mr. Chadenet said that tentative agreement had been reached with George Washington University for construction of a Bank building on the corner of 19th and G Streets. Since the "appearance" of some 18th Century houses on the lot had to be preserved, the building would take the form of a T. It would cost about $40 million and would have room for 1600 staff members. The agreement still had to be approved by several commissions. Mr. Chadenet estimated that chances were 55-45 that we would go ahead with the project. Mr. Broches said that in view of esthetics, cost and time he would have preferred to move into another building. Mr. McNamara said that the alternative, with respect to the lot on 19th and G, was either to have a Bank building or some other building. Irrespective of our attitude, a building would be constructed on the lot.

Mr. Cargill reported on IDA5 negotiations. He said that Japan was only willing to pay a 9% share compared with 11% in the Nairobi agreement. Japan's attitude was based on the conviction that its share in IDA should conform to its quota in IMF. It would be impossible to convince other donors to make up for the shortfall in Japan's share. Mr. Cargill had talked to several European governments about the problem and they would make presentations to the Foreign Office in Tokyo. France had only allocated $340 million for IDA5, whereas its Nairobi share corresponded to $413 million. Mr. Cargill had talked to Mr. de Larosiere about this, who had hinted that a solution was possible. The U.S. would support $7.2 billion for IDA5 from OECD countries and would maintain its Nairobi share if at least $800 million would be forthcoming from OPEC. The U.S. budget request stated that "authorization will be subject to appropriation." This was worrisome since such a clause would not be acceptable to the other contributors. Mr. McNamara asked Mr. Vibert to write a short paper on what had been done about this problem on previous IDA replenishments. Mr. Cargill said that Mr. Reuss had written the Treasury urging that no letter of intent or other commitment be made on behalf of the United States at the Kuwait meeting which would bind the hands of the Carter Administration. However, it was impossible to postpone the Kuwait meeting which was presently scheduled for January 9, 1977, since this could lead to a reduction in the UK share because of intense budget pressures in Great Britain. Mr. McNamara asked Mr. Cargill to talk to Mr. Parsky and urge him to persuade Mr. Reuss to drop his request. If Mr. Parsky were unwilling to do this, Mr. McNamara would personally speak to Mr. Reuss. Mr. Cargill said that it was still a big question what the share of Saudi Arabia and Abu Dhabi would be. He would visit the two countries in the beginning of December 1976 to discuss the matter. It did not seem likely that Venezuela would enter the IDA5 agreement. Mr. McNamara said that Venezuela should be approached after Saudi Arabia;with the role that Venezuela was playing in the North/South dialogue, it was unthinkable that it should not contribute to IDA. Mr. Chenery asked about the EEC initiative in CIEC to increase contributions to IDA instead of allocating funds for debt rescheduling for the least developed countries. Mr. Cargill said that he had talked to Mr. Looijen but that he was afraid that raising the possibility of extra EEC contributions now could prevent the success of the negotiations. Mr. McNamara said that we should be willing to listen to and constructively act on suggestions such as the one from Mr. Looijen but we should not allow such considerations to defer IDA5.

Mr. McNamara asked Mr. Baum to report on actions taken on the conclusions of the operations evaluation reports at the next PC meeting on November 29.

Mr. Chenery said that the Tinbergen report to the Club of Rome "Reshaping the International Order" had recently been published after a meeting in Algiers. Although the report had some good parts, it was all-in-all disappointing. For instance, the effect of the increase in oil prices was not even mentioned. The report was somewhat schizophrenic. On the one hand it mentioned the UNCTAD line of indexing and buffer stocks; on the other hand it urged more self-reliance. The recommendations of the report could only be carried through in a strongly socialist economy. In a sense Mr. Chenery found the ILO resolution on basic needs more sensible, although he preferred our approach which was to look at the needs for increase in productivity and redistribution of public services on a country-by-country basis. Mr. McNamara said that it was dangerous that documents like the Tinbergen report were floating around the world, giving recommendations which were based on very shallow analysis.

SB
November 23, 1976

President's Council Meeting, November 29, 1976

Present: Messrs. McNamara, Knapp, Adler, Baum, Bell, Broches, Cargill, Chadenet, Chaufournier, Chenery, Clark, Krieger, Stern, Wapenhans, Weiner, Qureshi, Kearns, Kapur, Paijmans and Miss Han

Mr. Baum talked about the influence of the Operations Evaluation Department on project work. He distinguished between two kinds of OED reports: namely, individual audit reports for projects and special reports. He talked about three different steps in the process: namely, preparation, review and discussion and follow-up. At the preparation stage for the audit reports, close cooperation took place between the project staff and the evaluation staff, based on the project completion reports. Review and discussion was particularly intensive for the special reports from OED. On an episodic basis, they had been reviewed by the PC and all of them had been discussed at the RVP's meetings with Mr. Knapp and in Mr. Baum's meetings with the Regions. OED findings were used at the Annual Problem Project Review and the minutes from this review included the principal recommendations of OED for comments by the Regions. The Annual Supervision Report from CPS used the OED recommendations. The review of individual audit reports was not so systematic and differed from sector to sector. The Education Department took the first nine audit reports for individual education projects and used them for a report of their own. In Agriculture Mr. Yudelman had talked to the assistant directors about OED findings. From now on all sectors would be required to make a written report on an annual basis for audits within their sector. Mr. McNamara asked Mr. Baum to send him a schedule of these sector reports. With respect to follow-up, Mr. Baum said that it was difficult to establish cause-effect relationships, since the findings of OED merged with others like supervision into a Bank-wide learning experience. However, the OED reports gave focus and perspective to the process and reinforced the consideration of problems. All in all he found that the process worked quite well. Mr. McNamara urged all Regional Vice Presidents, Project and Program Directors to at least scan all the audit reports for individual projects. All Project Division Chiefs should carefully read the reports related to their work and each RVP should discuss with Project staff how the recommendations of OED were treated within his Region. Mr. Knapp said that RVPs should distinguish between reports written on projects within their Regions, which should be carefully read, and those for other Regions which could be scanned. Mr. Wapenhans felt that the evaluation system was too elaborate and did not feel that a project completion report was required for every project. Mr. Baum said that each project completion report required about ten man-weeks and with 165 reports to be written a year this required about 40 man-years. Mr. McNamara asked Mr. Baum to review the PCR process but, until then, a PCR should be written for each project and we should reach full coverage by July 1, 1977. Mr. Clark said that OED results could be used as an indirect answer to Mr. Hori's claim that the quality of projects was declining. Mr. McNamara asked Mr. Clark to talk to Mr. Weiner about this, although he emphasized that our evaluation system still had a long way to go before we could present it in full to the public. Mr. Adler said that some Project staff was uncertain to which extent the OED recommendations should be implemented. Mr. McNamara said that they should not necessarily be implemented but all of them should be considered. Mr. Baum stressed that managers had the responsibility to disagree with recommendations and that they were doing this to an increasing extent, leading to a more heated but also a more fruitful dialogue. Mr. McNamara said that the audit reports offered a good possibility for communication with the staff.

Mr. Weiner briefly mentioned his work on borrowing countries adopting evaluation procedures for their own development programs. He had talked to 18 country delegations in Manila and 12 of them had shown an active and immediate interest. Three of them, namely, Malaysia, Malawi and Ecuador, had asked for Bank assistance in establishing evaluation units. Mr. McNamara said that our objective

should be to help set up such units in borrowing countries that wished us to do so.

Mr. McNamara said that, because of the uncertainty with respect to IDAV and the FY78 Bank program, we still did not have a firm basis for the FY78 budget. He asked Messrs. Cargill and Adler to look into this and possibly raise it for decision by January 15, 1977. A firm basis for the IFC budget was also required and he asked Mr. Qureshi to consider this.

Mr. Clark said that the Ministerial Meeting of the CIEC still might take place in December 1976 as scheduled but that he would send a note to Mr. McNamara about the matter.

Mr. McNamara said that he would visit Japan for the Tidewater Meeting from December 2 to 5.

Mr. Stern said that the political committee of the UN unanimously had adopted a declaration on the Farakka dispute between India and Bangladesh, indicating that a ministerial bilateral meeting would take place on December 6 in Dacca.

Immediately after the PC meeting, Mr. McNamara met with Messrs. Knapp, Cargill, Chadenet, Clark and Miss Han, and expressed the importance of keeping close contact with the EDs in the forthcoming period. He said that points of special interest which were learned in the discussions with the EDs should be given to Mr. Chadenet.

SB
November 30, 1976

Record Removal Notice

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File Title	Barcode No.
Records of President Robert S. McNamara President's Council minutes - Minutes 14	1770827

Document Date	Document Type
December 7, 1976	Minutes

Correspondents / Participants

Subject / Title
President's Council Meeting, December 6, 1976.

Exception(s)
Prerogative to Restrict

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.

Withdrawn by	Date
Shiri Alon	27-Feb-17

President's Council Meeting, December 13, 1976

Present: Messrs. McNamara, Knapp, Adler, Baum, Bell, Benjenk, Broches, Chadenet, Chaufournier, Chenery, Clark, Krieger, Stern, Wapenhans, Weiner, von Hoffmann, Goodman, Miss Han

Mr. Knapp said that the Nordic ED had requested postponement of the two Chile projects on the grounds that Sweden had not yet received the project documents. Mr. Clark said that he was getting many letters, cables and phone calls protesting our forthcoming lending to Chile. Mr. McNamara said that he hardly visited a country where there was not an article in the local newspapers about Chile and the World Bank. Such articles seldom mentioned IMF, IDB and lending from commercial sources. Mr. Krieger felt that this was due to Bank staff speaking too openly and critically about our lending to Chile. Mr. McNamara said that this was not the whole story but that it was unfortunate that staff members voiced their criticism publicly since this could hurt the Bank. Mr. Chadenet said that the best argument for supporting our lending to Chile was that political considerations would in the long run paralyze the Bank, since very few of our borrowing countries did not at some stage violate human rights. Mr. McNamara agreed and said that for the short run the following two arguments should be added: (a) withholding lending to Chile could not possibly achieve the aim of the countries which wished to see the present regime overthrown; and (b) withholding lending would penalize the poorest people in Chile. He asked Mr. Clark to get these three arguments across to the public.

Mr. von Hoffmann said that the Board discussion of the paper on IFC activities had been postponed until January 6 on the request of several EDs. He also said that the Japanese were upset that the U.S. had distributed a draft working paper prepared by Mr. Kuczynski on the International Investment Trust to one of the CIEC sessions in Paris. The paper had been given to Messrs. Cooper and Reynolds in confidence, urging them not to distribute it. Mr. McNamara said that in such cases we should request a written statement from the U.S. that it would not distribute papers which were not intended for distribution.

SB
December 14, 1976

President's Council Meeting, December 20, 1976

Present: Messrs. McNamara, Knapp, Adler, Baum, Bell, Benjenk, Broches, Chadenet, Chaufournier, Chenery, Clark, Krieger, Stern, Wapenhans, Weiner, von Hoffmann, Kearns, Goodman, Miss Han

Mr. Clark briefly reported on the changes which had taken place in the editorial staff of the New York Times, as reported in the Times on Saturday, December 18, 1976.

Mr. McNamara said that there was a tremendous amount of controversy around the two loans for Chile which would be presented to the Board on December 21, 1976. The newspaper articles were all critical of the Bank and did not give a balanced view either of the role of the Bank versus the role of other lenders to Chile or of the considerations which were leading us to present the loans for Chile. He had met informally with the EDs on December 14 to discuss "Chile-type problems." A great majority of the EDs had agreed that we should stick to the Articles of Agreement. However, the Nordic countries would insist on a formal vote when the loans were presented. He asked Mr. Clark to have press releases on the projects for December 21 ready for distribution on the same day.

Mr. McNamara said that Mr. von Hoffmann would be leaving the World Bank Group to take up a high position with the Hochschild Group. Mr. von Hoffmann had turned IFC into a well-organized institution which was the envy of many private bankers. Mr. von Hoffmann said that it had not been an easy decision for him. However, he felt that IFC would be in good hands with Mr. Qureshi who fully understood that IFC must be credible both as a development and as a financial institution. Mr. von Hoffmann said that he was looking forward to the challenge of an unstructured job with a great deal of resources to allocate and that he would keep in contact with the World Bank Group.

Mr. McNamara said that the work on the capital structure paper was proceeding and a first draft could be expected by January 15. It would be distributed to the PC and should be discussed by the PC before distribution to the Board about February 1, 1977. The problems related to a general capital increase were tremendous and there was a question whether we should bring this forward when many governments were preoccupied with national economic policies. The selective capital increase was moving ahead and he asked Mr. Goodman to give a status report in about two weeks. Mr. Krieger said that a general capital increase would be easier if we could put an image across as not only being an aid organization but also a very important financial intermediary. He was not certain, for instance, that the new Cabinet officers in the U.S. understood this role of the Bank. Mr. McNamara said that he had sent a memorandum on the role of the Bank to Mr. Blumenthal and that this had already been reflected in an interview given by Mr. Blumenthal as reported by the New York Times on December 19. Furthermore, the Linowitz Commission on Latin America had recommended a capital increase for the World Bank. Mr. Clark said that Mr. Rotberg's article on the Bank as a financial institution had been widely distributed and reprinted in Finance & Development.

Mr. McNamara said that he had lunch with a group of Ambassadors to the UN in New York on December 15. The Ambassadors represented countries within the Group of 77. He felt that it was important to keep in contact with the UN Ambassadors and urged the RVPs to do so for the countries within their Regions through Mr. Clark and Mr. Grenfell. During the lunch Mr. McNamara had stressed the weak intellectual foundation for the bargaining position of the LDCs in the North/South dialogue. He had suggested that a group of political and intellectual leaders from both North and South should make an analysis of the North/South problems. Such a group or commission could include people like Willy Brandt and Sir Arthur Lewis. Mr. McNamara had

talked to Messrs. Pronk and Hopper about financing such a commission and they had both been interested. He urged PC members to give names of potential commission members to Mr. Clark.

Mr. McNamara said that he would be away from the office from December 24 through January 2. However, he might come back to Washington for the Board Meeting on December 28.

Mr. Chenery said that he would meet with the press for the publication of the new World Bank Atlas.

Mr. Chaufournier urged that IFC give appropriate attention to its involvement in African countries. Mr. von Hoffmann said that he would do so.

Mr. von Hoffmann also briefly reported on the new Minister for Economic Development in Germany, Mrs. Schlei. Unfortunately, she was not known to be very competent and it seemed that Chancellor Schmidt had nominated her mainly to get her out of his own office.

SB
December 21, 1976

President's Council Meeting, December 27, 1976

Present: Messrs. Knapp, Baum, Benjenk, Cargill, Chadenet, Stern, von Hoffmann, Wapenhans, de la Renaudiere, Kearns, Lerdau, Votaw, Mrs. Boskey, Miss Han

Mrs. Boskey urged PC members to read Mr. Dale's article in the December 27 issue of the New York Times on Mr. Cooper's talk to the 5:30 Group.

Mr. Chadenet reported on the new building. It was now almost certain that we would go ahead with the construction after the project had been reviewed and accepted in various commissions. The building would be ready by the fall of 1980, would have room for 1600 people and would cost between $30 million and $40 million.

Mr. Cargill said that he would leave for the Kuwait meeting on IDAV on January 3, 1977.

The meeting adjourned at 9:50 a.m.

SB
January 3, 1977