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Washington, D.C.

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Loan Committee - Minutes - 1964

Loan Committee - Minutes

1964



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Loan Committee - Minutes - 1964

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## STAFF LOAN COMMITTEE

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SLC/M/64-1

JUN 13 2014

February 27, 1964

WBG ARCHIVES

Minutes of Meeting of Staff Loan Committee held on  
Tuesday, January 7, 1964, at 4:00 p.m. in the Board Room

1. Present:

Mr. J. Burke Knapp, Chairman	Mr. R. H. Demuth
Mr. S. R. Cope	Mr. J. H. Williams
Mr. I. P. M. Cargill	Mr. H. B. Ripman
Mr. E. Reid	Mr. E. E. Clark
Mr. O. A. Schmidt	Mr. K. A. Bohr
Mr. R. W. Cavanaugh	Mr. H. G. Hilken, Secretary

In attendance:

Mr. L. B. Rist	Mr. R. E. Grosvenor
Mr. A. Stevenson	Sir Kenelm Guinness
Mr. G. S. Mason	Mr. E. F. Lari
Mr. D. S. Ballantine	Mr. S. Sankaran
Mr. R. Diez-Hochleitner	Mr. G. C. Wishart

2. Pakistan

The Committee considered SLC/O/64-1, "Pakistan - Educational Projects,"  
and

AGREED that

- (a) whereas the foreign teachers to be employed at the technical teacher training colleges were to be hired for only three years for the purpose of building a core of Pakistani instructors for the teacher training colleges, it would be appropriate to treat the cost of employing such foreign teachers as a non-recurrent cost and as part of the capital investment program;
- (b) whereas the housing provided by the Universities for professional staff did not conform to the criterion of economy applied to the rest of the project, the Bank and IDA should not finance such

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housing; (at the same time it was recognized that the choice of housing standards was a difficult problem involving traditional practices in the Government service, the over-all system of remuneration, and incentives to attract a qualified teaching staff);

- (c) the proposed projects provided a suitable basis for two IDA credits totalling \$14.5 million, under the conditions stated in para. 124 of Appraisal Report T0-397.

3. The meeting adjourned at 4:35 p.m.

Addendum

After the meeting, a review of the appraisal figures showed that the total of the proposed IDA credits would be \$13 million instead of \$14.5 million, as stated in Appraisal Report T0-397.



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## STAFF LOAN COMMITTEE

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JUN 13 2014

SLC/M/64-2  
WBG ARCHIVES

March 5, 1964

Minutes of Meeting of Staff Loan Committee held on  
Friday, January 10, 1964, at 4:00 p.m. in the Board Room

### 1. Present:

Mr. J. Burke Knapp, Chairman  
Mr. S. R. Cope  
Mr. E. Reid  
Mr. O. A. Schmidt  
Mr. A. Broches  
Mr. R. W. Cavanaugh

Mr. J. H. Williams  
Mr. M. L. Lejeune  
Mr. A. D. Spottswood  
Mr. D. L. Gordon  
Mr. K. A. Bohr  
Mr. H. G. Hilken, Secretary

### In attendance:

Mr. L. B. Rist  
Mr. A. E. Matter  
Mr. C. Finne  
Mr. C. Fligler  
Mr. W. D. S. Fraser  
Mr. P. P. Kuczynski

Mr. S. Kuriyama  
Miss A. L. Maher  
Mr. J. H. Vignes  
Mr. R. N. Walsh  
Mr. G. C. Wishart

### 2. Central America - Telecommunications

The Committee considered Memorandum SLC/O/64-2, "Central America - Regional Telecommunications Corporation," and

AGREED that

- (a) the draft of the Convention establishing the Corporation was in general acceptable for the purpose of possible Bank lending to the Corporation, subject to the addition to the Convention of a satisfactory provision on the financial structure and management of the Corporation and provided that the Corporation's by-laws, when adopted, were satisfactory to the Bank; the amendment to the Convention proposed by some of the participating countries that the Contracting States should consult with the Corporation before granting new concessions or extending old concessions in the field of international telecommunications seemed advisable although the problem did not appear to be major;

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- (b) the Corporation's debt/equity ratio of 94 : 6, as contemplated in the draft Convention, was not attractive but would probably be acceptable to the Bank if the Corporation was assured (for example, as now contemplated, through a system of annual fixed rental contracts with the participating States) of income which would adequately cover its costs, including depreciation and interest, and if the principle of fixing income at such a level was specified in the by-laws of the Corporation and in the appropriate loan documents;
- (c) as a condition of a loan, the Corporation should be required, in a detailed clause, to consult with the Bank before appointments were made to the position of General Manager, and no loan should be signed until the first General Manager had been appointed;
- (d) the Bank's representatives should continue to work toward the formulation of a Convention which would be acceptable to the Bank and toward the establishment of a Corporation of the type envisaged in the draft Convention, with a view to the Bank's making a loan of \$6 - \$8 million to the Corporation, provided further examination of the regional telecommunications project confirms it to be satisfactory;
- (e) at the time such a loan is to be negotiated, the Bank would consider whether any of the following would be an obstacle:
  - (i) the constitutional status of the Guatemalan and Honduran Governments and the willingness of the Bank to accept their guarantees;
  - (ii) the problem of the sterling debt in Guatemala; and
  - (iii) the creditworthiness of the Contracting States.

3. The meeting adjourned at 5:30 p.m.



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## STAFF LOAN COMMITTEE

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JUN 13 2014

SLC/M/64-3

March 3, 1964

WBG ARCHIVES

Minutes of Meeting of Staff Loan Committee held on  
Friday, January 24, 1964 at 11:00 a.m. in the Board Room

### A. Present:

Mr. J. Burke Knapp, Chairman  
Mr. P. L. Moussa  
Mr. S. R. Cope  
Mr. I. P. M. Cargill  
Mr. E. Reid  
Mr. O. A. Schmidt

Mr. R. H. Demuth  
Mr. A. D. Spottswood  
Mr. L. Nurick  
Mr. F. R. Poore  
Mr. K. A. Bohr  
Mr. H. G. Hilken, Secretary

### In attendance:

Mr. L. B. Rist  
Mr. M. L. Lejeune  
Mr. W. J. Armstrong  
Mr. J. Bravo  
Mr. E. G. Broder  
Mr. N. A. Gibbs  
Mr. W. M. Gilmartin

Mr. D. G. Holland  
Mr. J. M. Malone  
Mr. G. B. H. Renger  
Mr. J. F. Rigby  
Mr. J. Sagne  
Mr. H. R. Shipman  
Mr. M. H. Wiehen

### B. Philippines

1. The Committee considered Memorandum SLC/O/64-3, "Philippines - Manila Water Supply Project," dated January 22, 1964, which recommended that the Bank now decide to invite negotiators for a loan of about \$20 million, with a maturity of up to 25 years, for the National Waterworks and Sewerage Authority (NWSA) expansion program (1964-1968), provided that:

- (a) a satisfactory financial plan could be worked out;
- (b) acceptable arrangements for procurement could be made; and
- (c) NWSA's organization and operations had improved sufficiently to make it a suitable borrower.

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2. The Committee AGREED that:

- (a) the project was a suitable basis for the proposed loan;
- (b) negotiations should not begin until a satisfactory financial plan had been arranged and the improvement in NWSA's management was sufficient to make NWSA a suitable borrower; and
- (c) the Bank should allow in international competitive bidding procedures under the loan a margin of preference of 15% for equipment and supplies of Philippine origin or offered by Philippine or U. S. bidders, on the grounds that:
  - (i) the Bank had allowed such a margin of preference for domestic producers in other cases; and
  - (ii) the margin of preference for U. S. bidders was required under Philippine law and was the product of the historic relationship between the two countries and their Treaty of 1954.

3. The Committee did not, however, reach a decision on whether negotiation of the loan should be delayed until the Philippine law that restricts the awarding of civil works contracts to Philippine and U. S. contractors was amended to permit such contracts to be awarded to contractors other than Philippine and U. S. where a project is financed from international sources. The discussion of this subject was continued at a Loan Meeting held at 5:00 p.m. on January 24, 1964.

4. The Minutes of this Loan Meeting, dated February 7, 1964, are attached. They report the decision of the Meeting to be, in summary, that the Bank should proceed with the proposed loan as recommended in Memorandum SLC/O/64-3, and that the amendment of the Philippine law pertaining to civil works contracts should be sought but its enactment would not be a prerequisite for negotiation of the loan in question or a loan for the Los Banos Agricultural College project. Enactment of the amendment would be a precondition for the Bank to consider any future projects where the amount of civil works contracts would be sufficient to attract foreign bidders.

C. The meeting adjourned at 12:45 p.m.



February 7, 1964

DEPARTMENT OF OPERATIONS

FAR EAST

Minutes of a Loan Meeting on a proposed loan to the Philippines for the Manila Water Supply Project, held on Friday, January 24, 1964 at 5:00 p.m. in Mr. Knapp's office

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1.        Present: Messrs. Knapp (Chairman), Cope, Aldewereld, Cargill, Nurick, Lejeune, Wiehen, and Sagne.
2.        The meeting followed the discussion in SLC held the same day on Memorandum SLC/O/64-3 "Philippines - Manila Water Supply Project." Its purpose was to consider further the restrictions imposed by Philippine law (Act 4239) on the award of civil works contracts.
3.        Act 4239 limits the award of civil works contracts to Philippine and U.S. contractors. It had therefore been recommended in the Area Department's Memorandum SLC/O/64-3 (paragraphs 12 and 13) and in the Appraisal Report (TOD 400 dated January 9, 1964, paragraph 105) that civil works contracts let without international competition be ineligible for financing by the Bank and that the procurement of equipment and supplies which might normally come within such contracts be separated out. In this way equipment and supplies could be procured on the basis of international competitive bidding and thus be eligible for Bank financing. The Philippine Government has indicated its willingness to introduce, at the next session of Congress from January to May 1964, legislation which would allow civil works contracts to be awarded to contractors other than Philippine or U.S. where a project is financed out of funds borrowed from international financial institutions. During the discussion in SLC some members felt that the Bank should inform the Philippine Government that the proposed loan for the Manila Water Supply Project would not be negotiated until Act 4239 had been so amended.
4.        During the Loan Meeting reference was made to a memorandum to Files dated September 5, 1963 (copy attached) recording a meeting held in Mr. Knapp's office on August 12, 1963 about restrictions on international competition in the Philippines where it had been agreed that despite the restrictions imposed by Philippine law on the award of civil works contracts, the Bank could proceed with the projects under consideration (namely the Manila Water Supply Project and the 5-Year Development Program of the College of Agriculture at Los Banos), provided they were found otherwise satisfactory, with the provision that the Bank would not include in the loan the cost of the civil works not open to international competition. The Bank loan would be used only for the procurement of equipment and supplies which have been subjected to international competition.
5.        The discussion centered on two main aspects of the problem under consideration:
  - (a) should the Bank require that all contracts for the project be subject to international competition, or only these contracts to be financed by the proposed Bank loan?
  - (b) is the present position that civil works contracts may be awarded only to Filipino or U.S. contractors acceptable?



6. With respect to the first point, it was mentioned that on the basis of the decision taken at the meeting held in Mr. Knapp's office on August 12, 1963 the Bank had already advised the agency in charge of the Manila Water Supply Project that in order to qualify for reimbursement from a possible loan the procurement of all items of supply and equipment should be separated from the civil works contracts and submitted to international competition. The agency is in the process of awarding contracts on this basis. It was noted that on many previous occasions neither the Bank nor IDA had required that contracts not being financed by them should be subject to international competition. This is particularly true of contracts unlikely to attract foreign contractors. It was also mentioned however that there have been cases where the Bank required that all major civil works contracts for the project, even not financed by the Bank loan, be subject to international competition. In general when the Bank or IDA helped to finance projects where civil works and procurement of equipment are involved, the criterion used to determine whether civil works should be subject to international competition is the amount of civil works involved and whether the civil works contracts would attract foreign bidders.

7. With respect to the second point, it was felt that whatever we might think about the exclusive position of Filipino contractors, the extension of this exclusive position to U.S. contractors was the result of a historical situation comparable to the one enjoyed by France and Britain in their relationship with some of their former dependent territories. It was explained that Act 4239 was enacted in 1935 long before Philippine independence. Its provisions regarding the U.S. contractors were cancelled in 1946 and then reestablished in the Philippine/U.S. Treaty of 1954 (the Laurel-Langley Agreement). It was noted that if Act 4239 were amended by the Philippine Government as proposed so as to enable international competitive bidding for civil works contracts financed from international sources, there would still be a 15% preference in favor of Philippine or U.S. contractors, based on Commonwealth Act 541 of 1940 and the Laurel-Langley Agreement. Since this preference is similar to the one on the procurement of equipment it should also be acceptable to the Bank.

8. In conclusion, it was agreed that as regards the Manila Water Supply Project the Bank should go ahead on the basis recommended in the Area Department's Memorandum and that an amendment to Act 4239 should be sought but its enactment would not be a prerequisite for negotiations. For the proposed financing by the Bank of a part of the 5-Year Development Program of the College of Agriculture at Los Banos it was also agreed that since the amount of civil works involved in the project does not appear important enough to attract foreign bidders, we should adopt the same position. However, it was felt that increased pressure should be put on the Philippine Government to take every action necessary to amend Act 4239 as already envisaged. Without this amendment future projects where the amount of civil works contracts would be sufficient to attract foreign bidders (roads, irrigation) could not be considered for financing by the Bank.

J. Sagne

Attachments.

Cleared with Messrs. Knapp, Cope, Aldewereld, Nurick, Lejeune, and Wiehen.



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September 5, 1963

Nicholas A. Gibbs

PHILIPPINES - Restrictions on International Competitive Bidding

At a meeting in Mr. Knapp's office on Monday, August 12, 1963, Mr. Cargill's memorandum dated August 9, 1963, on the above subject was discussed.

The following were present: Messrs. Cargill, Aldewereld, Armstrong, Arnold, Broder and Gibbs.

With reference to the 15% preference afforded to goods of Philippine origin, it was pointed out that the Bank had already agreed in other cases that it could finance the procurement of local products which enjoyed some preference over imported products. It was agreed that in this instance the 15% preference was acceptable and that this percentage was in line with Bank practice.

It was further explained that this preference could be neutralized if imported products were offered through Philippine or US agents which also enjoyed a 15% preference. Mr. Arnold said that all imported equipment and supplies used for the Ringa and Angat projects had been brought into the Philippines in this way, thus equalizing the 15% preference given to products of Philippine origin.

The provisions of Act 912 which makes the use of Philippine-made products compulsory in all Government financed projects would prohibit the use of a possible Bank loan for the procurement of these products unless the legal opinion which had been requested interpreted the Act to mean that such preference was only to be given when local products were offered at a price no higher than those of foreign origin. It was agreed that if such was the case, then it would be possible for a Bank loan to be used to finance local procurement after international competitive bidding.

In reference to the restrictions on the award of civil works contracts in the Philippines, Mr. Armstrong explained that the two biggest contracts in this project probably amounted to about \$5 million each, of which about half would be in foreign exchange. He did not think that these would be of sufficient size to attract foreign contractors in the face of competition from several qualified local contractors.

In conclusion it was agreed that the Bank could go ahead on the basis recommended in the memorandum and that the Bank would not include in a possible loan the cost of the civil works in its narrowest sense, namely labor, services and overhead. It was thought that the depreciation charges for the use of the contractors' earth-moving equipment would not be significant and need not be included in the loan.

The Bank would insist that NWASA which is exempt from the payment of import duties would procure all other supplies and materials needed in the project.

In view of the possibility of future Bank loans in the Philippines, such as roads, highways and irrigation projects which would have relatively large civil works contracts, the Philippine Government should be asked to give serious consideration to amending the legislation to remove the present restrictions. However, a Bank loan to NWASA should not be made contingent on the Government agreeing to do so.

Cleared with Messrs. Knapp, Cargill, Aldewereld, Armstrong, Arnold, Broder

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Mr. J. Burke Knapp

August 9, 1963

I. P. M. Cargill

PHILIPPINES - Restrictions on International Competitive Bidding

1. The Bank has recently completed the appraisal of the National Waterworks and Sewerage Authority (NWSA) project to expand and improve the supply of water to Manila and its suburbs and a mission is currently appraising the 5-Year Development Program of the College of Agriculture at Los Banos.
2. The NWSA appraisal has shown that Philippine law imposes certain restrictions on international competitive bidding which would apply to NWSA, Los Banos and future projects.
3. Specifically, Philippine law:
  - a) gives a 15% preference to equipment and supplies of Filipino origin and to Filipino and US owned or controlled entities offering such equipment and supplies;
  - b) makes compulsory the use of Philippine-made materials and products in all government construction or repair work when domestic materials and products are available, practicable and useable and as serviceable as foreign-made products;
  - c) in effect restricts the award of civil works contracts by the Government or semi-Government entities to citizens of the Philippines and the United States and to associations or corporations, incorporated in the Philippines and owned or controlled (at least 70%) by Philippine or US citizens.
4. I am not concerned about the 15% preference because the Bank has already found this an acceptable margin in other countries. Besides, further discrimination against non-Filipino goods through import duties can be avoided by direct procurement by NWSA which enjoys exemption from such duties. The TOD mission presently in the Philippines is investigating whether procurement for the Los Banos project would be tax exempt.
5. As regards the compulsory use of Philippine-made products, NWSA has requested from the Secretary of Justice an opinion on the conditions which local products would have to be used. The Congressional debate of the relevant bill suggests that this would only be the case if local products are offered at a price no higher than those of foreign origin. Provided this interpretation is supported by the legal opinion, this provision should not be a problem for us.
6. The restrictions on the award of civil works contracts, however, constitute a more difficult problem. It would clearly be preferable if they could be removed by amendatory legislation. But Congress is now in recess until February 1964, and experience suggests that amending legislation is unlikely to be passed, if at all, before May or June next year, while both



the NWSA and Los Banos projects are urgently needed and should be ready for negotiations before the end of 1963.

7. In these circumstances I believe the Bank would be justified in accepting the existing restrictions in the case of the two projects. The appraisal of the NWSA project has shown that the magnitude of the civil works contracts will not be such as to create wide interest from contractors outside the country, and, furthermore, the mission is satisfied that a sufficient number of qualified contractors exist in the Philippines to ensure active competitive bidding. The same is expected to be the case with the Los Banos project. Thus the restrictions are unlikely to have any appreciable effect on the total cost of the project. Moreover, in order to minimize the scope of the restrictions, the contractors' bids for the civil works contracts should be limited to labor, services, the use of earth-moving equipment and overhead.

8. Therefore, I recommend that despite these restrictions, the Bank should proceed with these projects and, provided they are found otherwise satisfactory, agree to consider financing part of their cost, with the provision that (a) of the civil works contracts, the Bank would finance only the depreciation of imported tools and equipment, so that with this exception proceeds of the Bank loan would only be used for the procurement of equipment and supplies which have been subject to competitive international bidding; (b) the Government undertakes to introduce appropriate legislation to Congress removing these restrictions (at least for Bank-financed projects) at the earliest opportunity.



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# STAFF LOAN COMMITTEE JUN 13 2014

WBG ARCHIVES  
SLC/M/64-4

February 14, 1964

Minutes of Meeting of Staff Loan Committee held on  
Monday, January 27, 1964, at 11:00 a.m. in the Board Room

## 1. Present:

Mr. J. Burke Knapp, Chairman  
Mr. P. L. Moussa  
Mr. S. R. Cope  
Mr. E. Reid  
Mr. O. A. Schmidt  
Mr. S. Aldewereld

Mr. R. H. Demuth  
Mr. M. L. Lejeune  
Mr. L. Nurick  
Mr. F. R. Poore  
Mr. K. A. Bohr  
Mr. H. G. Hilken, Secretary

## In attendance:

Mr. L. B. Rist  
Mr. H. N. Graves  
Mr. J. H. Williams  
Mr. R. A. Clarke  
Mr. R. A. Hornstein  
Mr. N. Horsley

Mr. A. M. Kamarek  
Mr. S. N. McIvor  
Mr. F. F. Meiwald (IFC)  
Mr. J. D. Metherate  
Sir Penderel Moon  
Mr. G. C. Wishart

## 2. Nigeria

The Committee considered Report AF-17, "Current Economic Position and Prospects of Nigeria," Vol. I and III, particularly in view of the Bank and IDA operations in Nigeria that are impending in the coming year; and

AGREED that

- (a) the present plan for the Bank to make a loan for the Niger Dam of about \$100 million, on a bankable basis, and for IDA to extend development credits of about \$40 million for schools, roads and agriculture appeared on the whole to be justified by Nigeria's debt servicing capacity, and her economic performance, development effort and low per capita income;
- (b) when the proposed IDA credits were ready for Committee consideration the Area Department should also submit an up-to-date study of Nigeria's creditworthiness and external debt position.

## 3. The meeting adjourned at 12:20 p.m.

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## STAFF LOAN COMMITTEE

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JUN 13 2014

WBG ARCHIVES  
SLC/M/64-5

April 29, 1964

Minutes of Staff Loan Committee Meeting held on  
Wednesday, January 29, 1964, at 10:30 a.m. in the Board Room

### 1. Present:

Mr. J. Burke Knapp, Chairman  
Mr. P. L. Moussa  
Mr. S. R. Cope  
Mr. E. Reid  
Mr. O. A. Schmidt  
Mr. S. Aldewereld

Mr. R. H. Demuth  
Mr. L. Nurick  
Mr. F. R. Poore  
Mr. W. M. Gilmartin  
Mr. K. A. Bohr  
Mr. H. G. Hilken, Secretary

### In attendance:

Mr. L. B. Rist  
Mr. W. M. Keltie  
Miss A. M. Maher

Mr. L. V. Perez  
Mr. J. D. Roulet  
Mr. G. K. Wiese

### 2. Ecuador

(a) The Committee considered an oral presentation by Mr. Nurick, Assistant General Counsel, on issues involved in lending to countries with de facto governments, with particular reference to the proposed Bank loan and IDA credit to Ecuador for a highway program.

(b) The Committee was told that the Bank in its early years had wanted all loan agreements to be ratified by parliament, regardless of the status of the government in power and constitutional requirements in the borrowing country, and accordingly, in cases like Peru and Venezuela, it had refused to enter into agreements because of the de facto nature of the governments. After the early period the Bank's overriding policy in dealing with de facto governments had been to avoid the issue to the extent possible. When, however, the issue could not be avoided, the Bank had followed different courses, depending on the circumstances of each particular case.

In certain cases like Iran, where the Constitution required parliamentary approval of a foreign loan, the Bank had refused to lend in view of

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the fact that the constitution had remained in effect but the constitutional processes would not have been observed. The refusal to lend to Cuba was explained as due, not to the existence of a de facto regime, but to the opinion of the Bank that the Cuban Constitution required Congressional approval of a loan, which the Government refused to obtain.

In cases where the Bank has entered into loan agreements with de facto governments, it has sometimes laid down special conditions of effectiveness or events of default. In the cases of El Salvador and Honduras, where the constitution had been abrogated and suspended, respectively, the Bank required, as additional conditions of effectiveness, that the agreements be ratified by the Constituent Assembly, which happened to be sitting to write a new constitution for El Salvador and by a special Advisory Council in the Honduras case. Special events of default were provided, because of special constitutional reasons: (i) in the 1959 loan agreement with the United Arab Republic, namely, if Parliament at a later date disapproved certain legislation and the presidential decision granting legislative approval to the Guarantee Agreements; and (ii) in two loan agreements with Colombia, namely, if Congressional authorization or ratification were necessary and were not obtained after the end of the state of siege which was in effect at the time the agreements were signed. It was pointed out that in Colombia the Constitution specifically contemplates the existence of a state of siege and provides that at the end of the state of siege, there must be ratification of certain obligations, but not all, undertaken during the state of siege.

In other cases no special conditions of effectiveness or events of default have been stated in the agreements with de facto governments. In the cases of Korea and Syria, where the previous constitutions had been abrogated, IDA entered into credit agreements without any special conditions. Also in loans to Pakistan and Sudan, the Bank did not specify any special conditions. It was pointed out, however, with respect to these countries, that under the terms of the constitutions then suspended or abrogated, authorization or ratification of a foreign loan by parliament was not required.

In summary, it appeared that in deciding whether to make a loan to a de facto government, the Bank took into account the constitutional questions, and in addition, various factors such as the nature and stability of the de facto government, the length of time it had been in power, the existence of popular support or opposition to the project or the loan, the history of the project and the past debt service record of the country concerned.

(c) The Committee was told that the Military Junta which took power in Ecuador in July 1963 has assumed by decree all executive and legislative powers but has maintained the Constitution in force except where it conflicts with the purposes of the political change or with the decrees of the Junta. The new Government regards itself as a liberal reform government which wants to revise the Constitution and restore constitutional government. Under the Constitution all foreign borrowing must be authorized by Congress and the agreements entered into pursuant to such authorizations must subsequently be ratified by Congress. It was noted that the de facto Government has been recognized by most foreign governments and that AID and IDB have made loans to Ecuador under the new Government, such loans having been authorized and subsequently ratified by the Junta instead of Congress.

(d) The Legal Department informed the Committee that under a general but not unqualified principle of international law, a successor government is bound by the obligations incurred by a de facto government, and that



this rule has been fairly consistently followed, but not always, by Latin American countries in general and Ecuador in particular. It was pointed out that there were two different classes of risks involved in going ahead with this loan and credit to the de facto government. The first was the obligation of the Ecuadorian Government to repay the loan and the second was the obligation of the Government to carry out the remainder of the covenants of the loan, particularly those dealing with the implementation of the project, the maintenance of a new tax on gasoline, the continuation of restrictions on the building of additional new highways, and the maintenance of various funds. The main area of risk probably involved the second class of obligations rather than the first. As far as repayment was concerned, the doctrine of "unjust enrichment" would provide comfort to a lender should a successor government be inclined to repudiate debts incurred by its predecessor. As far as the other covenants were concerned, it was pointed out that some of these covenants might become unpopular in the future and might be attacked in Ecuador. It seemed to the Legal Department therefore that the principal question, primarily a policy question, was whether the Bank was prepared to take the risks mentioned under the second class of obligations referred to above. An independent local counsel had been consulted who advised that in his opinion, agreements entered into by the present Military Junta would be valid and binding on successor Governments in Ecuador provided the Junta itself followed certain necessary formalities.

(e) The desirability of a covenant in the Loan and Credit Agreements requiring ratification of the Agreements by a successor government was discussed. The Legal Department advised against such a requirement with respect to either the obligation to repay or the covenants dealing with the fiscal, administrative and regulatory measures needed to implement the highway program. It was the consensus of the Committee that such a requirement would probably weaken the strength of the contractual obligation of the agreements and that in any event repayment of the loan and continued implementation of the other covenants would depend on more than an act of ratification by a successor government.

(f) The Committee also discussed the suggestion to include in the Loan and Credit Agreements a covenant providing for a special event of default in case the compliance with the obligations set forth in the Loan and Credit Agreements would necessitate particular action on the part of a successor government and such action would not be forthcoming. The Committee felt that it would not be necessary to specify such an event of default since non-compliance with any covenants of the Loan and Credit Agreements is already considered an event of default pursuant to the Loan and Credit Regulations.

(g) The Committee was in general agreement:

- (i) that although additional risks were necessarily involved, they did not appear to be unduly large in the circumstances of this case and accordingly the Bank and IDA should be prepared to negotiate with the de facto Government of Ecuador the proposed Bank loan and IDA credit for the highway program;
- (ii) that any important requirements for the implementation of the highway program by the Government should be stated in the Loan and Credit Agreements rather than in supplementary letters; and



- (iii) that otherwise, no special provisions need be included in the agreements as a consequence of the de facto nature of the Government.

3. Adjournment

The meeting adjourned at 11:15 a.m.



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## STAFF LOAN COMMITTEE

JUN 13 2014

WBG ARCHIVES  
SLC/M/64-6

June 3, 1964

Minutes of Meeting of Staff Loan Committee held on  
Tuesday, March 24, 1964, at 3:30 p.m. in the Board Room

### 1. Present:

Mr. J. Burke Knapp, Chairman  
Mr. P. L. Moussa  
Mr. S. R. Cope  
Mr. E. Reid  
Mr. O. A. Schmidt  
Mr. S. Aldewereld

Mr. A. Broches  
Mr. R. W. Cavanaugh  
Mr. R. H. Demuth  
Mr. M. L. Lejeune  
Mr. K. A. Bohr  
Mr. H. G. Hilken, Secretary

### In attendance:

Mr. J. H. Williams 2/  
Mr. A. Stevenson 1/  
Mr. J. Baneth 1/  
Mr. J. Bataillard (IFC) 2/  
Mr. W. Brakel 1/  
Mr. L. Cancio 2/  
Mr. J. De Weille 2/  
Mr. J. Jentgen 2/

Mr. A. LeClerc 2/  
Miss A. L. Maher  
Mr. S. N. McIvor 2/  
Mr. T. K. Mitchell 1/  
Mr. F. Povey 2/  
Mr. P. A. Reid 1/  
Mr. G. Ronday 2/  
Mr. W. Schaefer-Kehnert 2/

1/ For Afghanistan only.  
2/ For Niger only.

### 2. Afghanistan

The Committee considered Memorandum SLC/O/64-10, "Afghanistan - Kunduz-Khanabad Irrigation Project," and

NOTING that

- (a) the Bank had offered to provide technical assistance to Afghanistan to develop an irrigation project in the Kunduz-Khanabad river basin and, with the consent of the Government, had made preliminary arrangements for consultants to carry out a reconnaissance review and feasibility study;

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- (b) the Government had then, with the support of representatives of the UN Special Fund, proposed a different project for study, about the feasibility of which the Bank was skeptical; and
- (c) if the Bank dropped the entire project or refused to consider it unless Afghanistan would obtain the basic data needed to enable the Bank to reach a decision on the newly proposed project, the Bank's already strained relations with Afghanistan would be seriously impaired;

AGREED that

- (a) it would be preferable for the Bank to offer to carry out an expanded reconnaissance review of the river basin, covering its original proposals and the Government's new proposal, despite the risk that the Government might not cooperate with the Bank if the findings of the new study ruled out the Government's proposed project; and
- (b) when the new technical assistance proposal was presented to the Executive Directors, all the circumstances should be explained frankly.

### 3. Niger

The Committee considered Memorandum SIC/O/64-9 on "Niger" and Appraisal Report TO-407, "Niger - Appraisal of Road Project," which recommended an IDA credit of \$1.5 million to finance the total cost of the project.

- (a) The Committee noted that Niger was a very poor country, with a per capita income of about \$70 and that, while public and private savings were minimal, the Government had been making a serious effort to increase current revenues, check the rise in current expenditures and balance the current budget without foreign subsidy. It was suggested that a country so lacking in viability and developmental prospects as Niger should not receive any of IDA's very scarce resources. In response it was argued that even if Niger did not exist as a sovereign entity the area and its people would still be there and would need and benefit economically from the proposed project. The relatively high returns expected from this particular project were noted.
- (b) The Committee discussed the question of IDA financing the total cost of the project. It was stated that developmental investment in Niger has been financed almost entirely by grant aid from abroad and that Niger was unable to contribute to the project without stinting another need or seeking additional foreign grants. It was pointed out that the Bank/IDA policy of asking a country to share in the cost of a project was for the purpose of inducing the country to make a maximum financial effort for its own development and of ensuring that the country had a sense of participation in and some responsibility for the project. The answer was made



that Niger, like several other newly independent African countries, simply could not make a greater financial effort and that in any event, the Bank/IDA principle of financing only a part of a project had on occasion, as described in paragraphs 7 to 9 of the Memorandum, been maintained only in appearance.

(c) The Committee agreed that:

- (i) IDA should enter into negotiations with the Government of Niger for a credit of \$1.5 million, to finance the total cost of the proposed road project, subject to receiving assurances along the lines suggested in paragraph 97 of Appraisal Report TO-407;
- (ii) before negotiations information should be obtained from the Government on the steps it was taking to assure adequate maintenance of the country's road system; and
- (iii) in presenting the proposed credit to the Executive Directors, it should be stated that financing the total cost of the project was a special exception to IDA's policy and that all development projects in Niger financed from foreign sources were financed on a total cost basis.

4. The meeting adjourned at 4:35 p.m.



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## STAFF LOAN COMMITTEE

JUN 13 2014

WBG ARCHIVES

SLC/M/64-6

June 3, 1964

Minutes of Meeting of Staff Loan Committee held on  
Tuesday, March 24, 1964, at 3:30 p.m. in the Board Room

### 1. Present:

Mr. J. Burke Knapp, Chairman  
Mr. P. L. Moussa  
Mr. S. R. Cope  
Mr. E. Reid  
Mr. O. A. Schmidt  
Mr. S. Aldewereld

Mr. A. Broches  
Mr. R. W. Cavanaugh  
Mr. R. H. Demuth  
Mr. M. L. Lejeune  
Mr. K. A. Bohr  
Mr. H. G. Hilken, Secretary

### In attendance:

Mr. J. H. Williams 2/  
Mr. A. Stevenson 1/  
Mr. J. Baneth 1/  
Mr. J. Bataillard (IFC) 2/  
Mr. W. Brakel 1/  
Mr. L. Cancio 2/  
Mr. J. De Weille 2/  
Mr. J. Jentgen 2/

Mr. A. LeClerc 2/  
Miss A. L. Maher  
Mr. S. N. McIvor 2/  
Mr. T. K. Mitchell 1/  
Mr. F. Povey 2/  
Mr. P. A. Reid 1/  
Mr. G. Ronday 2/  
Mr. W. Schaefer-Kehnert 2/

1/ For Afghanistan only.  
2/ For Niger only.

### 2. Afghanistan

The Committee considered Memorandum SLC/O/64-10, "Afghanistan - Kunduz-Khanabad Irrigation Project," and

NOTING that

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- (b) the Government had then, with the support of representatives of the UN Special Fund, proposed a different project for study, about the feasibility of which the Bank was skeptical; and
- (c) if the Bank dropped the entire project or refused to consider it unless Afghanistan would obtain the basic data needed to enable the Bank to reach a decision on the newly proposed project, the Bank's already strained relations with Afghanistan would be seriously impaired;

AGREED that

- (a) it would be preferable for the Bank to offer to carry out an expanded reconnaissance review of the river basin, covering its original proposals and the Government's new proposal, despite the risk that the Government might not cooperate with the Bank if the findings of the new study ruled out the Government's proposed project; and
- (b) when the new technical assistance proposal was presented to the Executive Directors, all the circumstances should be explained frankly.

### 3. Niger

The Committee considered Memorandum SLC/O/64-9 on "Niger" and Appraisal Report TO-407, "Niger - Appraisal of Road Project," which recommended an IDA credit of \$1.5 million to finance the total cost of the project.

- (a) The Committee noted that Niger was a very poor country, with a per capita income of about \$70 and that, while public and private savings were minimal, the Government had been making a serious effort to increase current revenues, check the rise in current expenditures and balance the current budget without foreign subsidy. It was suggested that a country so lacking in viability and developmental prospects as Niger should not receive any of IDA's very scarce resources. In response it was argued that even if Niger did not exist as a sovereign entity the area and its people would still be there and would need and benefit economically from the proposed project. The relatively high returns expected from this particular project were noted.
- (b) The Committee discussed the question of IDA financing the total cost of the project. It was stated that developmental investment in Niger has been financed almost entirely by grant aid from abroad and that Niger was unable to contribute to the project without stinting another need or seeking additional foreign grants. It was pointed out that the Bank/IDA policy of asking a country to share in the cost of a project was for the purpose of inducing the country to make a maximum financial effort for its own development and of ensuring that the country had a sense of participation in and some responsibility for the project. The answer was made



that Niger, like several other newly independent African countries, simply could not make a greater financial effort and that in any event, the Bank/IDA principle of financing only a part of a project had on occasion, as described in paragraphs 7 to 9 of the Memorandum, been maintained only in appearance.

(c) The Committee agreed that:

- (i) IDA should enter into negotiations with the Government of Niger for a credit of \$1.5 million, to finance the total cost of the proposed road project, subject to receiving assurances along the lines suggested in paragraph 97 of Appraisal Report TO-407;
- (ii) before negotiations information should be obtained from the Government on the steps it was taking to assure adequate maintenance of the country's road system; and
- (iii) in presenting the proposed credit to the Executive Directors, it should be stated that financing the total cost of the project was a special exception to IDA's policy and that all development projects in Niger financed from foreign sources were financed on a total cost basis.

4. The meeting adjourned at 4:35 p.m.



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## STAFF LOAN COMMITTEE

JUN 13 2014

WBG ARCHIVES  
SLC/M/64-7

May 28, 1964

Minutes of Meeting of Staff Loan Committee held on  
Monday, April 6, 1964, at 3:00 p.m. in Room 974

A. Present:

Mr. J. Burke Knapp, Chairman  
Mr. P. L. Moussa  
Mr. S. R. Cope  
Mr. I. P. M. Cargill  
Mr. E. Reid  
Mr. O. A. Schmidt

Mr. A. Broches  
Mr. R. H. Demuth  
Mr. H. B. Ripman  
Mr. F. R. Poore  
Mr. H. W. Larsen  
Mr. H. G. Hilken, Secretary

In attendance:

Mr. G. M. Wilson  
Mr. A. Stevenson  
Mr. G. M. Alter  
Mr. W. J. Armstrong  
Mr. A. A. Casson  
Mr. N. H. Bayard  
Mr. B. H. Decaux  
Mr. B. A. de Vries  
Mr. R. H. Elms (IFC)  
Mr. F. S. Eloffson  
Mr. H. Fuchs  
Mr. W. M. Gilmartin  
Mr. D. W. Jeffries

Mr. A. M. Kamarck  
Mr. W. Kaupisch  
Miss A. L. Maher  
Mr. O. J. McDiarmid  
Mr. F. F. Meiwald (IFC)  
Mr. M. Piccagli  
Mrs. C. A. Ryshpan  
Mr. H. Vergin  
Mr. G. B. Votaw  
Mr. R. N. Walsh  
Mr. M. Wiehen  
Mr. G. C. Wishart  
Mr. E. P. Wright

B. India - Industrial Imports Project

1. The Committee considered Memorandum SLC/O/64-14, entitled "India - Industrial Maintenance Import Credit," and Appraisal Report TO-414 on the same subject, which recommended an IDA credit to India of \$90 million to finance the import of components, materials and spare parts for three sectors of industry, commercial vehicles, machine tools and heavy electrical equipment, and construction equipment.

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2. The Committee noted that:

- (a) although the proposed credit was a new kind of Bank/IDA operation in that it financed directly the import of sub-assemblies, materials and spare parts to continue or increase production of capital goods in several specified domestic industries, the Bank had in the past financed the import of such goods indirectly as part of the investment program of a particular industry or by financing local currency expenditures;
- (b) the Bank's economic mission had emphasized that India was in great need of this non-project type of financial assistance in order to increase output from existing capacity;
- (c) whereas, in theory, a country's need for this kind of financial assistance might be the result of earlier misallocation of foreign exchange or of overinvestment in the sectors of industry which now required additional imported goods simply to maintain production, this did not appear to be so in the present case;
- (d) the industrial sectors to be assisted seemed to be reasonably efficient and internationally competitive with moderate tariff protection; accordingly, it did not seem likely that the proposed credit would result in supporting or developing inefficient industries;
- (e) the arrangements contemplated for administering the proposed credit included procedures which would improve administration of the Indian system of import licensing, and which were expected to be beneficial to the whole economy; and
- (f) the proposed credit to assist imports in 1964/65 would probably lead to requests for similar assistance in succeeding years.

3. The Committee had no objections to the recommendations and agreed that:

- (a) IDA enter into negotiations for a credit of \$90 million to India to cover those portions of the industrial import requirements which are identified in Appraisal Report TO-414;
- (b) before lending, IDA should obtain satisfactory assurances along the lines indicated in the Appraisal Report with regard to:
  - (i) the over-all level of import licensing contemplated by the Government for 1964/65,
  - (ii) improvements in import licensing procedures,
  - (iii) the scope and timing of future investment in facilities to manufacture commercial vehicles, and the distribution of spare parts for construction equipment.



C. India - Telecommunications Project

1. The Committee also considered Appraisal Report TO-416, "Appraisal of the 1961-66 Indian Telecommunications Expansion and Modernization Program," which recommended a loan of \$35 million to cover mainly the indirect foreign currency requirements of the program. These were to pay for the import of raw materials and components to be used in the manufacture of telecommunications equipment by three Indian manufacturers for the Posts and Telegraphs Department.

2. The Committee noted that whereas the proposed loan was similar to the proposed credit for the industrial imports project, it more closely resembled earlier Bank loans which had financed the purchase of locally produced capital goods for an approved investment program of a particular industry and hence, indirectly, the purchase of the imported components of such goods. The possibility was raised of making the proposed loan as a straight foreign exchange component loan without precise allocations to domestic manufacturers.

3. The Committee was disturbed that:

- (a) the calculation of the foreign exchange content of the locally manufactured telecommunications equipment included a hypothetical allowance for depreciation of foreign-made machinery of the manufacturers and of foreign know-how;
- (b) the proposed loan included an amount for the maintenance needs of the Posts and Telegraphs Department, a type of expenditure which the Bank did not normally finance; and
- (c) the Indian Posts and Telegraphs Department had not yet carried out its representation, made in connection with an earlier credit, to hire consultants for the reform of its accounting system.

4. The Committee expressed no serious objections to the proposed loan but agreed to postpone a final decision until the questions noted in sub-para. 2 and 3 above could be considered further.

5. A Loan Meeting was held on April 7 to consider these questions. The decisions reached at that meeting are recorded in the minutes of the meeting, dated April 16, which are attached hereto.

D. The meeting adjourned at 5:00 p.m.



April 16, 1964

DEPARTMENT OF OPERATIONS

SOUTH ASIA AND MIDDLE EAST

Minutes of a Loan Meeting held in Mr. Knapp's office on Tuesday, April 7, to deal with questions and comments raised during SLC's consideration of TO-416 on a proposed loan to India for a telecommunications project on the previous day.

---

1. Present: Messrs. Knapp (Chairman), Cope, Reid, Stevenson, Piccagli, Jeffries, Walsh, Elofson and Kaupisch.
2. A number of editorial changes were made in the report and the following decisions were taken:

(i) Size of Loan

The maintenance needs of the Posts and Telegraphs Department (P&T) were found unsuitable for lending and the US\$ 2 million requested for them will be taken out. The loan amount would be thereby reduced to US\$ 33 million, consisting of \$30.4 million of "indirect" foreign exchange costs and US\$ 2.6 million for raw materials, components and testing equipment for P&T's work shop.

(vii) of the Summary, paras 2, 67, 68, 91(e), 92, 110 and Annex 7 of the Appraisal Report would have to be amended accordingly.

(ii) Disbursement

Bills presented to P&T either by the three indigenous manufacturers or by foreign suppliers after January 1, 1964 will be eligible for reimbursement.

(iii) Obligation of P&T to Employ Accounting Consultants

The Indian proposal to obtain assistance from the British Post Office was received favorably, provided that the new British system meets our requirements. In a subsequent meeting between Piccagli, Elofson and Kaupisch, it was agreed that Mr. Walsh and Elofson might briefly go to London to look at the British accounting system and, if it were found suitable, to brief the officers selected to assist P&T on our requirements. The loan will be presented to the Board only after the Indian Government has contracted for accounting assistance.



(iv) Loan or Credit

Mr. Knapp raised the question whether the project could still be transferred from the Bank to IDA. Mr. Reid mentioned that the parties involved did not seem too much concerned either way, but that a transfer would always be possible up to the last moment.

(v) Annex 3

Mr. Cope suggested either to eliminate Annex 3, describing in some detail the organization and operations of the Government-owned factories, or to restrict the substance to evidence necessary to prove their competitiveness. The latter suggestion was accepted.

3. Mr. Knapp agreed to have negotiators invited.

Wolfgang Kaupisch

Cleared with: Mr. Knapp  
Mr. Cope  
Mr. Stevenson  
Mr. Piccagli  
Mr. Walsh  
Mr. Elofson

Distribution:

Staff Loan Committee  
Participants



Iron

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## STAFF LOAN COMMITTEE

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JUN 13 2014

WBG ARCHIVES  
SLC/M/64-8

June 3, 1964

Minutes of Meeting of Staff Loan Committee held on  
Tuesday, April 7, 1964, at 10:30 a.m., in Room 974

### A. Present:

Mr. J. Burke Knapp, Chairman  
Mr. P. L. Moussa  
Mr. I. P. M. Cargill  
Mr. E. Reid  
Mr. O. A. Schmidt  
Mr. A. Broches

Mr. R. H. Demuth  
Mr. D. Fontein  
Mr. A. D. Spottswood 1/  
Mr. F. R. Poore  
Mr. H. W. Larsen  
Mr. H. G. Hilken, Secretary

### In attendance:

Mr. L. B. Rist  
Mr. J. H. Williams  
Mr. M. A. Burney  
Mr. R. A. Clarke 1/  
Mr. J. L. Gabriel 1/  
Mr. R. A. Hornstein 1/  
Mr. N. Horsley 1/  
Mr. T. M. Jones  
Mr. A. M. Kamarck 2/  
Mr. A. Kruithof

Mr. S. N. McIvor 1/  
Mr. T. K. Mitchell 1/  
Mr. M. Piccagli  
Mr. J. F. Rigby 2/  
Mr. C. B. Samii 1/  
Mr. J. P. Uhrig 1/  
Mr. C. White  
Mr. A. R. Whyte  
Mr. H. Ziegler

1/ For Nigeria only.  
2/ For Ethiopia only.

### B. Nigeria

The Committee considered Memorandum SLC/O/64-13, "Nigeria - Technical Assistance for Highway Studies," and agreed that

1. The Regional and Federal Governments of Nigeria should be informed that:

(a) subject to the approval of the Executive Directors, the Bank would be prepared to make a grant to cover the foreign exchange

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Executive Vice President (IFC)



costs, to a maximum of \$1,400,000, of the technical assistance studies proposed in the Memorandum. The studies would include, as specified for different governments, reconnaissance studies, reviews of design standards, reviews of the organization and operation of certain Ministries of Work's Road Divisions, and feasibility studies including economic justification and preliminary surveys and designs, but would not include final engineering;

- (b) the Bank would expect such studies to be used as a basis for seeking long-term financial assistance from the Bank or IDA and from other members of the Consultative Group and would urge that in the meantime the Government discontinue the costly system of contractor financing of road projects;
- (c) the UN Special Fund should be willing to consider financing the proposed technical assistance studies and, if the Nigerian Governments accepted the Bank's proposals, the Federal Government should as soon as possible request the Special Fund to consider the matter; and
- (d) in order to avoid delay, the Bank would initiate the technical assistance program, if approved by the Executive Directors, in advance of a decision by the Special Fund, on the assumption that if the Special Fund accepted the project it would reimburse the Bank for any expenses incurred, or if the Special Fund did not approve, the Bank would continue with the program.

2. If accepted by the Nigerian Governments, the proposed technical assistance program should be presented to the Executive Directors in some detail, including the best available estimates of the probable costs, with a request for broad authority to proceed with the entire program and a request for financial authorization in an amount sufficient to cover only those parts of the program for which the costs were reliably determined.

3. A decision on ways of financing the final engineering of the Nigerian road projects should be postponed until completion of the staff study of Bank technical assistance which would include the subject. In its discussion of the point the Committee noted that:

- (a) the Bank's experience with road projects indicated that early completion of the final engineering was desirable in order to avoid mistakes in the description of the project, delay in execution and errors in the cost estimates;
- (b) the most efficient system was probably to proceed with final engineering directly from preliminary surveys and designs; and
- (c) borrowers at present were frequently unable or unwilling to undertake the expense of final engineering without being assured of receiving financial assistance for the project itself.



C. Ethiopia

The Committee considered Memorandum SLC/O/64-15, "Ethiopia - Electric Power Project," and agreed that:

1. Ethiopia, although a "blend country," was creditworthy at this time for a Bank loan of \$23.5 million as proposed; and

2. The project would be suitable for a loan of \$23.5 million for a period of up to 30 years, including a grace period of four years, provided that during negotiations assurances were obtained along the lines specified in paragraph 97 of Appraisal Report TO-413. (A term of 25 years was recommended in the Appraisal Report, but the Committee, noting that hydroelectric installations made up a substantial part of the project, agreed that a term of up to 30 years would be acceptable to the Bank, if it were determined that the longer term would be helpful to the Borrower).

D. The meeting adjourned at 11:55 a.m.



## STAFF LOAN COMMITTEE

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JUN 13 2014

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SLC/M/64-9

June 12, 1964

Minutes of Meeting of Staff Loan Committee held on  
Monday, April 20, 1964, at 3:00 p.m. in the Board Room

### 1. Present:

Mr. S. R. Cope, Chairman  
Mr. I. P. M. Cargill  
Mr. E. Reid  
Mr. O. A. Schmidt  
Mr. R. W. Cavanaugh  
Mr. H. B. Ripman

Mr. E. E. Clark  
Mr. D. L. Gordon  
Mr. A. M. Kamarck  
Mr. H. W. Larsen  
Mr. H. G. Hilken, Secretary

### In attendance:

Mr. G. M. Wilson  
Mr. L. B. Rist  
Mr. A. G. El Emery (IFC)  
Mr. A. Stevenson  
Mr. K. D. Hartwich

Mr. C. J. Martin  
Mr. G. S. Mason  
Mr. O. J. McDiarmid  
Mr. D. J. Pryor  
Mr. G. C. Wishart

### 2. Pakistan

The Committee considered Memorandum SLC/O/64-20, "Economic Development Program of Pakistan", and Economic Report AS-106 with the same title, and noting in particular:

- (a) the encouraging performance of the Pakistan economy in excess of expectations; and
- (b) the Report's criticisms and related policy recommendations with respect to exchange rates, import controls, industrial investment controls, taxation of industry and large landowners, and government administration of planning;

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Executive Vice President (IFC)



Agreed that:

- (a) in view of the interest of the International Monetary Fund in Pakistan's exchange rate problems, the Report should deal lightly with this subject;
- (b) the Report's criticisms and related policy recommendations would be presented more clearly and effectively if they were brought together in a revised "Summary and Conclusions" section in a form that included the philosophy of the criticisms;
- (c) after being revised satisfactorily along the lines suggested above, the Economic Report (AS-106) should be distributed to the Executive Directors and to the members of the Consortium; and
- (d) at the meeting of the Consortium in May, the Bank and IDA should be prepared to pledge for 1964/65, \$30 million from the Bank and \$50 million from IDA, subject to the replenishment of IDA funds.

3. The meeting adjourned at 4:00 p.m.



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## STAFF LOAN COMMITTEE

JUN 13 2014

WBG ARCHIVES  
SLC/M/64-10

June 11, 1964

Minutes of Staff Loan Committee Meeting held on  
Friday, May 1, 1964, at 11:00 a.m. in the Board Room

A. Present:

Mr. J. Burke Knapp, Chairman	Mr. R. H. Demuth
Mr. S. R. Cope	Mr. D. Avramovic
Mr. I. P. M. Cargill	Mr. J. H. Williams
Mr. E. Reid	Mr. H. B. Ripman
Mr. O. A. Schmidt	Mr. E. E. Clark
Mr. R. W. Cavanaugh	Mr. H. G. Hilken, Secretary

In attendance:

Mr. G. M. Wilson	Miss D. E. Crompton
Mr. A. G. El Emary (IFC)	Mr. W. M. Gilmartin
Mr. R. J. Goodman	Mr. D. G. Holland
Mr. D. L. Gordon	Mr. D. W. Jeffries
Mr. L. B. Rist	Mr. H. W. Larsen
Mr. A. Stevenson	Mr. D. J. Pryor
Mr. von Hoffmann (IFC)	Mr. C. H. Thompson
Mr. J. H. Adler	Mr. G. B. Votaw
Mr. G. M. Alter	Mr. M. Wiehen
Mr. W. J. Armstrong	Mr. G. C. Wishart
Mr. K. A. Bohr	Mr. E. P. Wright
Mr. A. A. Casson	

B. India

1. The Committee considered Memorandum SLC/O/64-24, "Bank Policies Toward India," which recommended that the Bank undertake promptly a special program of studies of the Indian economy. The Committee also had before it (i) Minutes of the Meeting of Economic Advisers, held on April 17, 1964, on the Economic Problems of India, (ii) Report of the Working Party on Indian Studies, dated April 27, 1964, and (iii) Report AS-105, "Current Economic Position and Prospects of India."

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2. The Committee noted that:

- (a) India's Fourth Five-Year Plan would begin on April 1, 1966, and that an outline of the Plan would probably be available later this year;
- (b) the performance of the Indian economy in the past few years had been unsatisfactory, and that, among other reasons for concern, India's debt service payments during the Fourth Plan period would probably average about \$600 million a year, which would be more than half of the amount India is now receiving in aid commitments from the Consortium;
- (c) the Bank had the responsibility of appraising the Fourth Plan for the Consortium and for itself as a creditor and to this end would need to be accurately informed on the workings of the Indian economy and be in a position to make independent judgments on Indian policies, planning and performance; and
- (d) in spite of the considerable amount of time devoted to the study of India in the Bank, there were still important gaps in the Bank's knowledge of the economy, and that therefore there appeared to be a good case for further enlarging the scope of our economic work on India.

3. The Committee agreed that:

- (a) the Bank should organize immediately a program of studies of the Indian economy, in principle along the lines suggested in the Report of the Working Party; and
- (b) no absolute deadline for completion of the program should be set, but a preliminary report to the President should be ready in time to be used as a basis for appraising the outline of the Fourth Five-Year Plan.

C. The meeting adjourned at 12:30 p.m.



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## STAFF LOAN COMMITTEE

JUN 13 2014

WBG ARCHIVES

SLC/M/64-11

June 11, 1964

Minutes of Meeting of Staff Loan Committee held on  
Tuesday, April 28, 1964, at 11:00 a.m. in the Board Room

### 1. Present:

Mr. S. R. Cope, Chairman  
Mr. E. Reid  
Mr. R. W. Cavanaugh  
Mr. D. Avramovic  
Mr. J. H. Williams  
Mr. D. Fontein

Mr. M. L. Lejeune  
Mr. H. B. Ripman  
Mr. E. E. Clark  
Mr. D. L. Gordon  
Mr. G. Alter  
Mr. H. G. Hilken, Secretary

### In attendance:

Mr. L. B. Rist  
Mr. J. H. Adler  
Mr. W. J. Armstrong  
Mr. W. H. Black  
Mr. R. A. Chaufournier  
Mr. B. H. Decaux  
Mr. H. E. Dyer  
Mr. W. M. Gilmartin

Mr. P. Leon  
Mr. F. Povey  
Mr. E. F. Schaad  
Mr. G. E. Sciolli  
Mr. C. H. Thompson  
Mr. W. A. Wapenhans  
Mr. G. C. Wishart

### 2. Italy

- (a) The Committee had before it Memorandum SLC/O/64-22, "Italy - Further Bank Lending" and, at the suggestion of the European Department, addressed itself primarily to part II of the Memorandum on the terms of reference of the forthcoming mission to Italy. These called upon the mission:
- (i) to make a general review of the Italian economy, to assess Italy's need for additional external capital and to determine in what form and to what extent it should be supplied by the Bank; and

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(ii) to study the development program of the Cassa and its relation to Italy's overall development plan, and to examine the organization, operations, and planning and administrative techniques of the Cassa.

(b) The Committee had no objections to the economic side of the terms of reference, but several members questioned the desirability of the study of the Cassa. It was argued that the study might occupy the mission in appraising individual projects, past and future, which would be irrelevant to the mission's basic questions, which concerned the Italian economy, and secondly that the Bank should not run the risk of having to conclude, on the basis of the study, that the Cassa program and operations were unacceptable to the Bank. It was also suggested that Bank lending to Italy, particularly disbursements, would be easier if not tied to the Cassa program. In reply it was stated that no decision had been made to lend to the Cassa and that the mission would have a free hand to explore alternatives. It was pointed out, however, that the Government has asked the Bank to make the study of the Cassa, that the Cassa was a substantial and politically significant part of Italy's development organization and public investment program, that it was a convenient vehicle for Bank lending and that the mission would examine individual projects only to the extent necessary to reach judgments on the larger issues concerning the Cassa.

(c) The Committee agreed that the terms of reference were satisfactory.

3. The meeting adjourned at 12:20 p.m.



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## STAFF LOAN COMMITTEE

JUN 13 2014

WBG ARCHIVES

SLC/M/64-12

May 26, 1964

Minutes of Meeting of Staff Loan Committee held on  
Wednesday, April 29, 1964, at 4:00 p.m. in the Board Room

### 1. Present:

Mr. J. Burke Knapp, Chairman  
Mr. S. R. Cope  
Mr. E. Reid  
Mr. O. A. Schmidt  
Mr. R. H. Demuth  
Mr. D. Avramovic

Mr. M. L. Lejeune  
Mr. H. B. Ripman  
Mr. E. E. Clark  
Mr. F. R. Poore  
Mr. H. G. Hilken, Secretary

### In attendance:

Mr. D. Fontein  
Mr. L. B. Rist  
Mr. J. H. Adler  
Mr. A. H. Adler  
Mr. W. C. Baum

Mr. B. M. Cheek  
Mr. R. J. Gavin  
Mr. R. A. Loven  
Mr. G. C. Wishart

### 2. Spain

(a) The Committee considered Memorandum SLC/O/64-23, "Spain - Proposed Railway Loan" dated April 24, 1964, and Appraisal Report TO-420, "Appraisal of the 1964-73 Modernization Program of the Spanish Railway (RENFE)."

(b) The Committee was impressed with the determination shown by the Spanish Government and RENFE to rehabilitate the railway system and with the preliminary agreement that had been reached with the Bank on the comprehensive Plan of Action, summarized in Annex A of the Appraisal Report, covering the principal steps to be taken under the modernization program.

(c) The Committee noted that the proposed Bank loan would finance about one-third of the investment program for 1964 and 1965, and that goods financed by the loan would be purchased through international competitive bidding, with manufacturers in Spain permitted a preference of 15% in lieu

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of customs duties. It was recognized, however, that the goods to be financed by the Bank loan had been selected in part to facilitate adoption of this procurement procedure by RENFE, and that international competitive bidding would not apply to purchases under the investment program made with funds from other sources.

(d) The Committee agreed that:

- (i) subject to agreement with the Government and RENFE on all the measures in the Plan of Action listed in Annex A of Appraisal Report TO-420, the project would provide a suitable basis for a Bank loan to RENFE of \$65 million for a term of 20 years including a four-year period of grace;
- (ii) the conditions for signing the loan and for its effectiveness as listed in paragraph 84 of the Appraisal Report were appropriate and necessary, with the possible exception of condition (c), but suggested that these and the other measures of the Plan of Action should be incorporated in, or otherwise related to, the loan documents with care, in order to avoid restrictive and embarrassing situations in the future in the event a measure was not performed promptly and was found to be not essential in the circumstances then prevailing; and
- (iii) before recommending the proposed loan to the Executive Directors, the Bank be satisfied with the progress made towards settlement of the Porto Pi question.

3. The meeting adjourned at 5:00 p.m.



## STAFF LOAN COMMITTEE

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JUN 13 2014

WBG ARCHIVES  
SLC/M/64-13

May 27, 1964

Minutes of Meeting of Staff Loan Committee held on  
Friday, May 8, 1964, at 11:00 a.m. in the Board Room

### 1. Present:

Mr. J. Burke Knapp, Chairman  
Mr. S. R. Cope  
Mr. E. Reid  
Mr. R. W. Cavanaugh  
Mr. D. Avramovic  
Mr. J. H. Williams

Mr. M. L. Lejeune  
Mr. H. B. Ripman  
Mr. L. Nurick  
Mr. D. L. Gordon  
Mr. B. A. de Vries  
Mr. H. G. Hilken, Secretary

### In attendance:

Mr. D. Fontein  
Mr. J. H. Collier  
Mr. W. Diamond (IFC)  
Mr. R. J. Gavin  
Mr. T. M. Jones

Mr. J. D. Miller  
Mr. M. Piccagli  
Mr. Y. Rovani  
Mr. E. F. Schaad  
Mr. E. E. Scoll (IFC)

### 2. Turkey

(a) The Committee considered Memorandum SLC/O/64-23 "Turkey-Proposed IDA credits for Industrial Development Bank and the Cukurova Electric Company Projects," dated May 4, 1964.

(b) The Committee was told that Turkey continued to have a substantial balance of payments deficit that was likely to continue for at least ten years and a heavy external debt the service on which equalled about one-third of export earnings. It was also reported that Turkey's GNP was about \$230 per capita and her rate of savings about ten percent and that in recent years her economic policies and performance had improved satisfactorily, though somewhat slowly. Nevertheless, in terms of natural resources and population growth, an adequate long term growth rate would not be easy to achieve.

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In these circumstances the Committee concluded that:

(i) Turkey was not creditworthy for any Bank loans, including loans with extended maturities or long grace periods; and

(ii) Turkey continued to be eligible for IDA credits.

(c) The recommendations of the Memorandum that, subject to the replenishment of IDA funds, IDA lend Turkey \$5 million for the Industrial Development Bank (IDB) and \$27.5 million for the Cukurova Electric Company were then examined. It was recognized that, even if IDA funds were replenished, credits of this total amount to Turkey would be a relatively large part of the scarce supply of IDA funds available to all countries other than India and Pakistan. The Committee believed that the OECD-sponsored Consortium for Turkey would probably favor substantial IDA assistance to Turkey, and noted that the two recommended credits were the only operations contemplated by IDA for Turkey in the period 1963/65. It was also noted that the IDB and Cukurova projects were excellent projects, that the amount needed by IDB was flexible while the amount needed for the Cukurova project was fixed, and that financial assistance from other lenders was limited in the case of IDB and not available at all in the case of Cukurova. In this connection, however, the point was made that about \$4 million of the estimated costs of the Cukurova project represented customs duties on imported goods and that the Government could and should provide assistance by waiving or postponing the payment of such duties.

(d) The Committee agreed that:

(i) in order to avoid interruption of the close working relations with IDB, IDA should inform IDB and the Government that, subject to IDA replenishment, it was prepared to begin negotiations for a credit of \$5 million; and

(ii) a decision on negotiating a credit for the Cukurova Company should be postponed pending further examination of the competing demands for IDA funds from other countries.

3. The meeting adjourned at 12:30 p.m.

#### Addendum

Mr. Knapp subsequently reported that it had been decided that:

(a) IDA would consider a credit of up to \$23.5 million for the Cukurova Electric Company project, subject to the conditions in para. 67 of the Appraisal Report (TO-417); and

(b) the Government should be asked to waive, or postpone collection of, the customs duties that would otherwise be payable by the Cukurova Company.



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## STAFF LOAN COMMITTEE

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JUN 13 2014

SLC/M/64-14

WBG ARCHIVES

June 11, 1964

Minutes of Meeting of Staff Loan Committee held on  
Monday, May 18, 1964, at 3:30 p.m., in Board Room

A. Present:

Mr. J. Burke Knapp, Chairman	Mr. R. H. Demuth
Mr. P. L. Moussa	Mr. D. Avramovic
Mr. E. Reid	Mr. D. Fontein
Mr. O. A. Schmidt	Mr. M. L. Lejeune
Mr. A. Broches	Mr. H. B. Ripman
Mr. R. W. Cavanaugh	Mr. H. G. Hilken, Secretary

In attendance:

Mr. A. E. Matter	Mr. F. H. Howell
Mr. G. Alter	Mr. R. S. Nelson
Mr. B. A. de Vries	Mr. M. Piccagli
Mr. C. Fligler	Mr. R. H. Springuel
Mr. R. Frost	Mr. G. K. Wiese
Mr. A. Gue	Mr. G. C. Wishart
Mr. E. K. Hawkins	

B. Colombia

1. The Committee considered Memorandum SLC/O/64-26, "Colombia - Consultative Group and Prospective Lending".
2. The Committee noted that:
  - (a) Colombia's development program showed a capacity and need for external borrowing in the next two years of about \$400 million, an amount which would raise her debt service ratio to 16% of prospective export earnings in 1965 and 10% in 1970;
  - (b) Bank lending of about \$150 million through 1965 as proposed, would result in the Bank's total commitment in Colombia by 1966 being about \$460 million, or over 5% of the Bank's total portfolio; and

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- (c) Colombia's creditworthiness for such an amount of additional borrowing was supported by her economic performance and prospects; and

Agreed that:

- (a) the Bank should be prepared to lend Colombia about \$150 million over the next two years, provided no developments occur which seriously reduce Colombia's creditworthiness;
- (b) and to this end should proceed with a review of the projects included in the lending program proposed in the Memorandum, or suitable alternatives.

3. The Committee also agreed that in order to facilitate increased participation in loans to Colombia by others, particularly European countries, the Bank should propose at the meeting of the Consultative Group that arrangements be worked out, along the lines suggested in paragraph 17 of the Memorandum, whereby members of the Consultative Group would participate jointly with the Bank in financing some of the projects for which an important part of the capital goods were procured in their countries. Goods would be purchased under international competitive bidding and advance commitments would be sought from countries to finance orders placed with their suppliers on terms of at least 15 years with reasonable interest rates and grace periods, but the Bank would be prepared to finance the entire project, if necessary. It was noted that foreign lenders might prefer to lend to Colombia on a "tied aid" basis rather than participate in Bank projects and that the scheme had an inherent weakness in that a country's producers could win an order with a low bid even if he or his country declined to participate in the financing. It was recognized however that the Bank could not make the eligibility of suppliers dependent on a country's or a supplier's agreement to provide finance. Other difficulties were foreseen, such as making the terms and interest rates of different lenders comparable and reasonably even, determining mutually acceptable periods of grace, and establishing an amortization schedule that met the needs of the borrower and of the different lenders. The Committee concluded that the problems involved in the proposed arrangement should be left to the working party for Colombia for resolution.

4. The Committee discussed at length the recommendation in the Memorandum that certain loans to Colombia for power, agriculture, roads and education should provide extended periods of amortization and of grace. Proponents argued on a country basis that Colombia's immediate export prospects were not very bright, that over the intermediate term her debt service was heavy and that her long run prospects for income growth were substantial and, accordingly, that the Bank would incur no undue risk, - in other words, that Colombia was essentially strong economically and could make most effective use of long term money. On the other hand it was contended that this argument and those in the Memorandum would be applicable to a large number of the Bank's borrowers and that the practice of longer terms



(especially, longer grace periods) would put the Bank more and more into the position of borrowing short and lending long. Several members took the position that a program of continuous lending to a country had the same financial effect as longer amortization and grace periods and, accordingly, in the case of Colombia the question of extended periods was not important. It was also argued that longer terms would reduce the incentive for domestic savings and that experience indicated that Colombia performed best when under pressure. In conclusion, the Committee agreed that:

- (a) the Bank should not provide longer terms of amortization for all loans to Colombia as a matter of general policy, but should be prepared to consider amortization of up to 35 years in individual cases for appropriate projects; and
- (b) the Bank should not give longer periods of grace for all loans to Colombia as a matter of general policy, but should lean in the direction of liberal grace periods on loans for individual projects which by their nature lend themselves to flexibility in this respect.

C. The meeting adjourned at 5:15 p.m.



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## STAFF LOAN COMMITTEE

JUN 13 2014

WBG ARCHIVES

SLC/M/64-15

June 11, 1964

Minutes of Meeting of Staff Loan Committee held on  
Wednesday, June 3, 1964, at 4:00 p.m. in the Board Room

### A. Present:

Mr. J. Burke Knapp, Chairman  
Mr. G. Alter  
Mr. A. Broches  
Mr. R. H. Demuth  
Mr. D. Avramovic  
Mr. D. Fontein

Mr. M. L. Lejeune  
Mr. A. Stevenson  
Mr. H. B. Ripman  
Mr. F. R. Poore  
Mr. C. H. Davies, Secretary

### In attendance:

Mr. A. E. Matter  
Mr. J. H. Adler  
Mr. J. Bravo  
Mr. J. H. Collier  
Mr. F. Consolo  
Mr. C. Finne  
Mr. A. M. Kamarck

Mr. W. M. Keltie  
Mr. B. G. Sandberg  
Mr. D. M. Sassoon  
Mr. R. V. Sear  
Mr. P. Sella  
Mr. M. Weiner

### B. Bolivia - Power Program

1. The Committee considered the Memorandum from the Western Hemisphere Department (SLC/O/64-30) and the accompanying TOD Report (TO-426), and

Agreed that:

IDA should proceed to negotiate credits on the terms and conditions proposed in paragraph 105 of the TOD Report.

2. The Committee also considered the Memorandum from the Legal Department (SLC/O/64-32) entitled "IDA's Remedies in the Financing of Private Enterprises" and,

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Noting that:

- (a) Although to premature a credit on account of a default on the part of a private beneficiary for which the borrowing government was not responsible would impose a foreign exchange burden on the economy of the borrower which would conflict with the balance of payments justification of the credit, yet:
  - (i) Responsibility for the default might not be clearly identifiable, and
  - (ii) the exercise of the right to premature was discretionary;
- (b) it was arguable whether the right to premature against the borrowing government gave, as was suggested, a stronger motive to the latter to interfere in the beneficiary's affairs than the proposed alternative of requiring the borrower, at IDA's request, to use every available right and remedy to make the beneficiary carry out the Project Agreement or, indeed, than governments normally had in the case of public utilities, especially when foreign-owned; and
- (c) Bolivia had not asked IDA to forego the right to premature the proposed credit for the Bolivia Power Company project.

Concluded, upon the proposal of the Chairman, that:

The first IDA credits to Bolivia, which might be expected to present problems from time to time, did not present the most propitious occasion for IDA, for the first time, to surrender voluntarily the powerful sanction of prematuring against the borrower, and the alternative proposed by the Legal Department should be reserved for consideration in some subsequent case in which the borrower had objected to the remedy of prematuring and in which fewer misgivings would be aroused by the proposal to forego it.

C. The meeting adjourned at 4:55 p.m.



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## STAFF LOAN COMMITTEE

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JUN 13 2014

WBG ARCHIVES

SLC/M/64-16

June 8, 1964

Minutes of Meeting of Staff Loan Committee held on  
Friday, June 5, 1964, at 10:00 a.m. in the Board Room

A. Present:

Mr. J. Burke Knapp, Chairman  
Mr. P. L. Moussa  
Mr. D. Fontein  
Mr. A. Stevenson  
Mr. G. Alter  
Mr. H. B. Ripman

Mr. L. Nurick  
Mr. F. R. Poore  
Mr. R. H. Demuth  
Mr. H. Larsen  
Mr. H. G. Hilken, Secretary

In attendance:

Mr. J. H. Adler  
Mr. X. de la Renaudiere  
Mrs. G. Fleming  
Mr. J. L. Gabriel  
Mr. R. Jones  
Mr. A. M. Kamarck

Mr. H. Kordik  
Mr. G. Morra  
Mr. F. Povey  
Mr. J. D. Roulet  
Mr. G. C. Wishart

B. Gabon

1. The Committee considered Memorandum SLC/O/64-31, and

Noting that:

- (a) Gabon had strong export prospects;
- (b) the principal risk in lending to Gabon was in the continuation of peaceful cooperation between the foreign enclave and the nationals of Gabon; and
- (c) the proposed road project was of high priority,

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Agreed that:

- (a) Gabon was creditworthy for a Bank loan in the amount contemplated;
- (b) the proposed road project was a suitable basis for a loan to Gabon of \$12 million, provided that during negotiations satisfactory assurances were obtained that the Government would:
  - (i) establish a training program that would improve the skill of the local laborers;
  - (ii) allocate adequate funds for maintenance of the project roads after completion of construction;
  - (iii) provide sufficient funds to meet the local currency cost of the project; and
  - (iv) proceed with its reforestation policy; and
- (c) in order to provide a grace period of somewhat more than four years, the first amortization payment under the loan should be scheduled at the end of calendar year, 1968.

2. The Committee discussed whether the amount (about \$440,000) that was included in the proposed loan for the foreign exchange costs of feasibility studies and preliminary engineering for possible future projects should instead be provided by a technical assistance grant. It was contended that such a grant would have received serious attention if Gabon had requested it independently of a loan, as in the case of Nigeria, or if the proposed financing were to be an IDA credit, and that the Bank was being inconsistent as between borrowers in similar economic situations. In response it was argued that making technical assistance grants to countries that were highly creditworthy raised difficult questions in certain cases. It was also stated that the unmapped jungle conditions of Gabon would make the feasibility studies peculiarly complicated and expensive and would make it difficult and uneconomic to draw a line between work on such studies and work on final engineering. The Committee was also reminded that in view of the procedure involved in making a technical assistance grant, including prior submission to the UN Special Fund, a change now in the proposal for Gabon would delay the feasibility studies considerably. The Committee concluded by agreeing that the foreign exchange costs of the proposed feasibility studies should continue to be included in the loan but that the Bank should be prepared to consider the question further if during negotiations the representatives of Gabon requested a technical assistance grant for this purpose.

C. The meeting adjourned at 10:35 a.m.



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# STAFF LOAN COMMITTEE

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JUN 13 2014

WBG ARCHIVES

SLC/M/64-17

July 6, 1964

Minutes of Meeting of Staff Loan Committee held on  
Wednesday, July 1, 1964, at 3:30 p.m. in the Board Room

1. Present:

Mr. J. Burke Knapp, Chairman  
Mr. P. L. Moussa  
Mr. S. R. Cope  
Mr. E. Reid  
Mr. G. Alter  
Mr. S. Aldewereld

Mr. A. Broches  
Mr. R. W. Cavanaugh  
Mr. M. L. Lejeune  
Mr. D. L. Gordon  
Mr. H. Larsen  
Mr. H. G. Hilken, Secretary

In attendance:

Mr. A. E. Matter  
Mr. F. R. Poore  
Mr. J. H. Adler  
Mr. W. J. Armstrong  
Mr. J. Bravo  
Mr. M. A. Burney  
Mr. L. Cancio  
Mr. F. Consolo  
Mr. T. C. Creyke

Mr. P. Duvieusart (IFC)  
Mr. L. J. Evans  
Mr. W. M. Keltie  
Mr. R. S. Nelson  
Mr. L. Perienbam  
Mr. M. Piccagli  
Mr. R. H. Sheehan  
Mr. M. L. Weiner

2. Mexico

The Committee considered the Western Hemisphere Department's Memorandum SLC/O/64-36, "Mexico - A Bank Lending Program for 1964-65", and the accompanying Report (WH-137), "An Appraisal of the Development Program of Mexico", and

AGREED that:

- (a) Mexico appeared to be creditworthy for the full amount of the additional Bank loans proposed through June 1966;

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- 2 -

- (b) the Bank should not adopt as a general principle for loans to Mexico, a 50 - 50 formula for determining the amount of the cost of a project that the Bank would finance. (Such a formula to be applied across the board was regarded as arbitrary, likely to be used as a precedent, and too restrictive on the Bank in determining the amount of a loan that would be appropriate for any individual project);
- (c) the Bank should be prepared, however, to finance one half the cost of the proposed program for electric power (up to \$150 million), toll roads (up to \$30 million), and federal highways (up to \$20 million);
- (d) the Bank should take under active consideration the proposed projects in irrigation and agricultural credit, but while the Bank should not feel bound to finance only the foreign exchange component of such projects, the amount of the loans should be determined later;
- (e) a decision on giving further consideration to the proposed Mexico City Water Supply and Sewerage project should be postponed for a later meeting; and
- (f) the Bank's readiness to assist in financing the projects in paragraphs (c) and (d) above should remain dependent on the performance of the Mexican Government in substantially increasing public savings.

3. The meeting adjourned at 5:30 p.m.



# STAFF LOAN COMMITTEE

DECLASSIFIED

JUN 13 2014

WBG ARCHIVES

SLC/M/64-19

August 13, 1964

Minutes of Meeting of Staff Loan Committee held on  
Monday, July 20, 1964 at 11:00 a.m. in the Board Room

A. Present:

Mr. S. R. Cope, Chairman  
Mr. P. L. Moussa  
Mr. I. P. M. Cargill  
Mr. E. Reid  
Mr. G. Alter

Mr. B. Chadenet  
Mr. R. W. Cavanaugh  
Mr. D. L. Gordon  
Mr. H. Larsen  
Mr. H. G. Hilken, Secretary

In attendance:

Mr. L. B. Rist  
Mr. J. Adler  
Mr. R. L. Bloor \*  
Mr. M. A. Burney  
Mr. C. S. Hardy  
Mr. J. M. Jentgen  
Mr. A. Kruithof

Mr. G. Morra  
Mr. M. Piccagli \*  
Mr. S. R. F. Plasschaert \*  
Mr. F. Povey  
Mr. V. J. Riley \*  
Mr. P. Sella  
Mr. J. A. Simmons \*

\* For Turkey only

B. General Business

The Chairman reminded members of the Committee that:

- (a) the Bank's practice in writing numbers was to use commas to set off thousands and a period to set off decimals; and
- (b) in connection with future Bank loans references to "commission" should be omitted and the commitment fee should be stated as 3/8 of 1 percent.

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### C. Turkey

The Committee considered Memorandum SLC/O/64-41, "Turkey - Technical Assistance for the Reorganization of the Electric Power Industry", and

AGREED that

1. In view of reports from the UN Special Fund that the various Turkish authorities were not agreed on the need for the proposed technical assistance project, the Bank should send a staff member to Turkey to find out the position of the Government and the officials especially concerned on the desirability of the project. It should be explained to the Turks that they should be prepared to request the UN Special Fund to undertake the project and that if they were not prepared to make such a request, the Bank would need to have a full explanation.

2. If the Bank was assured that Turkey desired the technical assistance and would cooperate fully in carrying out the project and was prepared to ask for the UN Special Fund's assistance, the Bank should offer, subject to the approval of the Executive Directors, to finance the foreign exchange cost of the first phase of the project, consisting of the preparation of a detailed program of work and the first few months of the work itself, on condition that:

- (a) the Turkish Government provided the Bank with a written request for the project;
- (b) the Turkish Government agreed to submit a request to the Special Fund for the subsequent phases of the project. The Bank should inform the Turkish Government that, if the Special Fund accepts the project, the Bank would act as Executing Agency of the Special Fund. If it does not, the Bank itself would consider further financial assistance;
- (c) the Turkish Government agreed to finance the local costs of the project.

3. If the provisions of paragraph 2 above are met, then, in view of the long experience of Ebasco in working with the power industry in Turkey and the speed with which it could begin work, the Bank should arrange for Ebasco to undertake the first phase of the project.

### D. Somalia

The Committee considered Memorandum SLC/O/64-40, "Somalia", and Report TO-431, "Appraisal of a Highway Project - Somalia", and

NOTING that

1. Somalia had a very low income per capita (about \$40), that her economic and financial performance was not very good but probably adequate by African standards; and that her developmental prospects appeared to be limited;



2. the proposed road project (comprising construction of the Afgoi-Baidoa road, management consultants' services and highway maintenance equipment, and studies and technical training) was important for Somalia's future development and would probably produce measurable economic benefits adequate to justify the expenditure; and

3. the UN Special Fund might be prepared to assist in financing the foreign exchange costs of management consultants' services and that FEDOM had expressed a willingness to contribute about \$4 million to financing the project;

AGREED that

- (a) in principle, Somalia and the project were suitable for an IDA credit, but not in excess of \$7.5 million (which would be about \$3.50 per capita);
- (b) IDA should explore with others, including the Somali Government, the possibilities of joint financing, including particularly the possibility of FEDOM contributing more than \$4 million to the financing of the project; and
- (c) after the results of paragraph (b) above are known, a definite proposal for an IDA operation should be submitted to the Committee.

E. The meeting adjourned at 1:05 p.m.



# STAFF LOAN COMMITTEE

DECLASSIFIED

JUN 13 2014

WBG ARCHIVES  
SLC/M/64-20

November 6, 1964

Minutes of Meeting of Staff Loan Committee held on  
Tuesday, August 11, 1964, at 10:30 a.m., in Room 1038

A. Present:

Mr. J. Burke Knapp, Chairman  
Mr. P. L. Moussa  
Mr. S. R. Cope  
Mr. I. P. M. Cargill  
Mr. B. Chadenet

Mr. A. Broches  
Mr. A. E. Matter  
Mr. F. R. Poore  
Mr. H. Larsen  
Mr. H. G. Hilken, Secretary

In attendance:

Mr. D. S. Ballantine  
Mr. M. G. Blobel 2/  
Mr. S. J. G. Burt 1/  
Miss D. E. Crompton 1/  
Mr. L. A. De Monte  
Mr. N. A. Gibbs 2/  
Mr. R. A. Hornstein 1/  
Mr. N. Horsley 1/

Mr. S. N. McIvor 1/  
Mr. S. Kadleigh 1/  
Mr. G. Naleppa  
Mr. J. F. Rigby  
Mr. J. Sagne 2/  
Mr. J. P. Uhrig 1/  
Miss F. Villafuerte  
Mr. M. H. Wiehen

- 1/ For Nigeria only.  
2/ For Philippines only.

B. Nigeria

1. The Committee considered the Africa Department's Memorandum SLC/O/64-46, "Nigeria - Education Project" and the accompanying Appraisal Report (TO-434).

2. The Committee noted that:

- (a) although Nigeria's economic performance was not entirely satisfactory in that, recently, recurrent expenditures in the budget tended to be too high and there had been an increased reliance on supplier's credits, performance was adequate and, in comparison with other African countries, good;

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- (b) the project was composed of many individual sub-projects in the fields of secondary schooling, technical training, and teacher training, which had been selected largely from the recommendations of the 1963 Unesco mission on the basis of high priority and on the general principle of supporting and expanding the existing educational system rather than assisting new institutions, and that thereby the project had been limited to a total cost of \$30 million;
  - (c) supervision of the project would be difficult because of the variety and geographical distribution of the sub-projects and that it was proposed
    - (i) to require the employment of a single firm of consultants for all the regions to propose policy and criteria for economical school construction, to coordinate school planning and design and to oversee procurement procedures in detail, and
    - (ii) to require employment of private professional architects to prepare and supervise construction where the consultants indicated the Ministries of Works were not able to meet the demands of the project.
3. The Committee agreed that:
- (a) although Nigeria was creditworthy for additional Bank loans and although some concern was warranted about Nigeria's recent economic performance, Nigeria should be regarded as a blend country and eligible for IDA credits of about \$40 million, as previously agreed at its meeting on January 27, 1964 (see SLC/M/64-4);
  - (b) \$20 million (66 2/3% of the total cost of the project) was a sufficient amount for IDA to lend at this time for an education project in Nigeria, rather than \$22.5 million (75% of total cost) as recommended by the Africa Department; and
  - (c) the proposed education project was a suitable project for an IDA credit, subject to the conditions described in paragraph 107 of the Appraisal Report (TO-434).

C. Philippines

1. The Committee considered briefly the Far East Department's Memorandum SLC/O/64-47, "Philippines - College of Agriculture, Los Banos," and

2. AGREED that:

the Bank should enter into negotiations for a loan of \$6 million to the Republic of the Philippines, with a maturity of up to 30 years including a grace period of 10 years, for the construction and equipment program of the College of Agriculture of the University of the Philippines.

D. The meeting adjourned at 12:20 p.m.



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## STAFF LOAN COMMITTEE

DECLASSIFIED

JUN 13 2014

SLC/M/64-21  
WBG ARCHIVES

November 4, 1964

Minutes of Meeting of Staff Loan Committee held on  
Friday, August 21, 1964, at 10:30 a.m., in Room 1047

### A. Present:

Mr. J. Burke Knapp, Chairman  
Mr. P. L. Moussa  
Mr. S. R. Cope  
Mr. I. P. M. Cargill  
Mr. G. Alter  
Mr. S. Aldewereld

Mr. A. Broches  
Mr. R. H. Demuth  
Mr. D. Avramovic  
Mr. F. R. Poore  
Mr. H. G. Hilken, Secretary

### In attendance:

Mr. B. Chadenet  
Mr. J. H. Williams  
Mr. G. C. Billington  
Mr. G. R. Delaume  
Mr. J. L. Gabriel

Mr. V. W. Hogg  
Mr. F. Lutolf  
Mr. R. Petretti  
Mr. E. Schaefer  
Mr. A. Volait

### B. Mauritania

1. The Committee considered the Africa Department's Memorandum SLC/O/64-52, "Mauritania Application for IDA Road Credit," the accompanying Appraisal Report (TO-442), the report on "The Economy of Mauritania" (AF-28) and the minutes of a meeting of the Staff Economic Committee on July 14, 1964, which considered the latter report.

2. The Committee noted that at present Mauritania was extremely poor and, like such countries as Niger and Somalia, had a primitive economy with very low productivity, but that her mineral resources provided a basis for some confidence in her developmental prospects. Some doubt was expressed that scarce IDA resources should be allocated to such low productivity countries but the broad consensus was that it would not be acceptable to IDA members to concentrate IDA resources in high productivity countries and that, having been accepted as a member of IDA, Mauritania should be regarded as eligible for IDA credits provided her economic performance was satisfactory. On this

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score it was concluded that, although her performance was not outstanding and too large an amount was allocated in the budget for security services, Mauritania was aware of the need to keep current expenditures under control and her performance, viewed tolerantly, was satisfactory within the limitations of her historical background and capacity.

3. The documents before the Committee indicated that an IDA credit of \$7 million might be needed to help finance the proposed Nouakchott-Rosso road project (total cost \$10 million). The Committee noted that such a credit would amount to \$8 per capita but was informed that a smaller project was not in prospect and that the cost of the road project could not be reduced without increasing annual road maintenance charges substantially. It was also argued that although the project was probably marginal at this time on economic considerations, it was of high priority from the point of view of unifying the new nation and the long run development of its infrastructure.

4. In summary, the Committee concluded that:

- (a) Mauritania should be regarded as eligible for an IDA credit;
- (b) the proposed road project was in principle a suitable project; and
- (c) in view of the probability that the Fonds Europeen de Developpement d'Outre-Mer (FEDOM) would participate with IDA in financing the project, IDA should be prepared to lend up to \$7 million of the estimated total cost of \$10 million, and every effort should be made to obtain as large a participation as possible from FEDOM and possibly other lending institutions.

C. The meeting adjourned at 11:45 p.m.



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# STAFF LOAN COMMITTEE

JUN 13 2014

WBG ARCHIVES

SLC/M/64-22

November 4, 1964

Minutes of Staff Loan Committee Meeting held on  
Wednesday, August 26, 1964, at 11:00 a.m. in Room 1038

## A. Present:

Mr. J. Burke Knapp, Chairman  
Mr. P. L. Moussa  
Mr. S. R. Cope  
Mr. G. Alter  
Mr. S. Aldewereld  
Mr. R. H. Demuth

Mr. M. L. Lejeune  
Mr. G. S. Mason  
Mr. E. E. Clark  
Mr. F. R. Poore  
Mr. K. A. Bohr  
Mr. H. G. Hilken, Secretary

## In attendance:

Mr. B. Chadenet  
Mr. O. A. Schmidt  
Mr. A. E. Matter  
Mr. J. H. Williams  
Mr. A. Alexander 1/  
Mr. M. T. Baig  
Mr. M. A. Burney  
Mr. C. Duran-Ballen 1/  
Mr. A. F. Geolot  
Mr. U. K. Ghoshal

Mr. R. A. Hornstein 1/  
Mr. T. M. Jones  
Mr. W. M. Keltie 1/  
Mr. J. Loftus 1/  
Mr. G. Lubbeke  
Mr. F. Povey 2/  
Mr. D. J. Pryor  
Mr. G. B. H. Renger 1/  
Mr. M. Ross 1/

- 1/ Paraguay only.
- 2/ Sudan only.

## B. Paraguay

1. The Committee considered the Western Hemisphere Department's Memorandum SLC/O/64-56, "Paraguay - IDA Credit for Highways (12 PA) - Request for Additional Financing."
2. The Committee was informed that the construction costs of the road and bridge part of the project for which IDA credit No. 12 PA was extended would, on the basis of new specifications and contracts entered into after international competitive bidding, exceed the original cost estimates by about

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\$2.2 million, that Paraguay's foreign financial position would not permit Paraguay to make the increased foreign expenditures involved without additional external borrowing, and that Paraguay had requested a supplementary IDA credit, or as a last resort a Bank loan, of \$2 million.

3. The Committee would not accept the principle that IDA had an obligation to extend a supplementary credit solely in order to lend an amount sufficient to maintain the original ratio between the estimated cost of the project and the amount of the foreign component. It was prepared, however, to consider the request in terms of whether to relieve Paraguay of her obligation (stated in the Credit Agreement) to finance any additional cost of the project. On this basis, in view of Paraguay's weak foreign exchange position and the high priority of the project, the Committee agreed that:

- (a) An additional amount of about \$2 million should be loaned to Paraguay to assist in financing the road and bridge;
- (b) In view of the small amount involved, the additional financing should preferably take the form of a supplementary IDA credit, but in view of the earlier understandings with Part I members on prospective IDA lending in 1964-65, a final decision should not be made until the proposed credit had been discussed with such members in Tokyo. 1/

4. The Committee also agreed that:

- (a) IDA should accede to the request of Paraguay to be permitted to continue until December 31, 1964 depositing local currency in a Special Account at the reduced rate of 5.25 million Guaranis per month, and, furthermore,
- (b) IDA should be prepared to reconsider the amount to be deposited in the Special Account after December 31, 1964, with the objective in mind that the amount on deposit need only be sufficient to cover the estimated local currency costs of the project and contingencies.

#### C. Sudan

The Committee considered the Africa Department's Memorandum SLC/O/64-54, "Sudan - Second Railway Project," and the accompanying Appraisal Report TO-443, and

NOTING that:

1. The Railways' present and future resources in local currency would be sufficient to cover the cost of the project but that the Government was not in a position to provide the Railways with the foreign exchange counterpart; and

---

1/ It was subsequently decided by the President that the additional financing should take the form of a Bank loan.



2. Under the present organization and accounting procedure, the Railways maintained large cash balances with the Government without interest while paying interest on the Government's investment;

AGREED that

1. The Bank should be prepared to lend the Government for the railways between \$27 and \$30.5 million (depending on the application of funds borrowed from the Kuwait Fund);

2. In view of the balance of payments aspect of the loan, the grace period should be increased to five years; and

3. During negotiations, the Bank should explore:

- (a) the feasibility of the Government's selling, rather than relending, to the Railways the foreign exchange proceeds of the loan, and
- (b) the feasibility of revising the Railways' financial relations with the Government, including the payment of interest on the Railways' balances with the Government and the establishment of an autonomous railway organization.

D. The meeting adjourned at 12:45 p.m.



# STAFF LOAN COMMITTEE

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JUN 13 2014

WBG ARCHIVES

SLC/M/64-23

October 14, 1964

Minutes of Meeting of Staff Loan Committee held on  
Tuesday, October 6, 1964, at 3:00 p.m., in Room 1038

1. Present:

Mr. S. R. Cope, Chairman  
Mr. P. L. Moussa  
Mr. G. Alter  
Mr. R. H. Demuth  
Mr. A. Stevenson

Mr. B. Chadenet  
Mr. E. E. Clark  
Mr. F. R. Poore  
Mr. H. Larsen  
Mr. K. Venkatraman, Secretary

In attendance:

Mr. J. H. Adler  
Mr. W. J. Armstrong  
Mr. A. A. Casson  
Mr. J. Charnugam  
Mr. L. Doucet  
Mr. R. H. Elms  
Mr. H. Fuchs

Mr. W. Kaupisch  
Mr. G. H. Kreuter  
Mr. F. H. Lamson-Scribner  
Mr. S. Sankaran  
Mr. H. N. Scott  
Mr. P. Wright

2. India

The Committee considered the South Asia and Middle East Department's Memorandum SLC/O/64-60, dated October 1, 1964, "India - Kothagudem Fertilizer Project," and the accompanying Report (TO-447), "Appraisal of the Hindustan Allied Chemicals, Ltd. - Kothagudem Fertilizer Project," and

AGREED that

- (a) the Bank should be prepared to commence negotiations for a loan of \$18 million to Hindustan Allied Chemicals Ltd., after
  - (i) the Bank had received evidence of approval by the Government of India of certain agreements listed in paragraph 1 of the Annex to Memorandum SLC/O/64-60, and

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- (ii) the Company, Hindustan Allied Chemicals Ltd., had been duly formed; and
  - (b) the Government of India and the sponsors of the Company be informed accordingly.
3. The meeting adjourned at 3:50 p.m.



# STAFF LOAN COMMITTEE DECLASSIFIED

JUN 13 2014

WBG ARCHIVES  
SLC/M/64-24

November 4, 1964

Minutes of Meeting of Staff Loan Committee held on  
Wednesday, October 21, 1964, at 3:00 p.m. in the Board Room

## A. Present:

Mr. J. Burke Knapp, Chairman  
Mr. P. L. Moussa  
Mr. S. R. Cope  
Mr. S. Aldewereld  
Mr. R. H. Demuth  
Mr. D. Avramovic

Mr. A. Stevenson  
Mr. A. E. Matter  
Mr. E. E. Clark  
Mr. G. M. Street  
Mr. H. G. Hilken, Secretary

## In attendance:

Mr. B. Chadenet  
Mr. W. Brakel  
Mr. W. C. Baum  
Mr. J. H. Collier

Mr. G. Lubbeke  
Miss A. L. Maher  
Mr. J. A. Simmons

## B. Yugoslavia

1. The Committee considered the European Department's Memorandum SLC/O/64-63, "Yugoslavia," the accompanying "Memorandum on the Economic Situation," and Appraisal Report TO-451, "Appraisal of Second Railway Project - Yugoslavia."

2. The Committee noted that the Bank's previous decision to limit loans to Yugoslavia to \$30 million per year was not based on creditworthiness considerations but on an arbitrary judgment as to an appropriate rate of lending for Yugoslavia; and that Yugoslavia's request for a single loan of \$70 million, covering two years, for the railway project was appropriate to the project and there was no strong reason to reduce the amount requested.

3. The Committee was informed that while Yugoslavia's total external debt was not unduly large, almost half the debt consisted of suppliers' credits and debt service was therefore high in relation to total debt.

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It was pointed out, however, that it would be very difficult for Yugoslavia to accept a limitation on the amount of suppliers' credits which it incurred since it had access to few, if any, sources of long-term credit outside the Bank.

4. The Committee noted that bids for equipment to be procured under international competitive bidding would be evaluated with customs duties included and was informed that the duties would probably average about 25%. The Committee was concerned that custom duties at this level in procurement for a Bank-financed project might cause some embarrassment. However, it was explained that the Yugoslav currency was still substantially overvalued and would probably be devalued, and that customs duties provided some adjustment for the overvaluation.

5. In conclusion, the Committee

AGREED that

- (a) The Bank should be prepared to make a loan to Yugoslavia of \$70 million for the railway project, which except for a possible loan for an aluminum project, would be the only Bank lending to Yugoslavia in the two years 1964/65 and 1965/66;
- (b) The Bank should continue for the time being its practice in loans to Yugoslavia of permitting the inclusion of customs duties in comparing bids submitted under international competitive bidding.
- (c) In the present circumstances, the grace period in a loan to Yugoslavia should be continued at 5 years rather than 7 years (as recommended in the Area Department's Memorandum); and
- (d) The Bank should inform the Yugoslav Government that if Yugoslavia wished to request Bank assistance in financing an aluminum complex, the Government should not assume any Bank assistance in excess of a figure in the range of \$50 million to \$75 million.

#### C. Suppliers' Credits

The Chairman stated that the Assistant General Counsel was reviewing the practice of the Bank in the past in attempting to limit resort to suppliers' credits and requested the Directors of Area Departments to inform the Assistant General Counsel of any cases where the Bank or IDA had imposed any condition on a borrower with respect to external debts generally or suppliers' credits in particular.

D. The Meeting adjourned at 4:00 p.m.



# STAFF LOAN COMMITTEE

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JUN 13 2014

WBG ARCHIVES  
SLC/M/64-25

October 27, 1964

Minutes of Meeting of Staff Loan Committee held on  
Monday, October 26, 1964, at 3:00 p.m., in the Board Room

1. Present:

Mr. J. Burke Knapp, Chairman  
Mr. S. R. Cope  
Mr. I. P. M. Cargill  
Mr. G. Alter  
Mr. J. H. Williams

Mr. A. Stevenson  
Mr. B. Chadenet  
Mr. E. E. Clark  
Mr. H. Larsen  
Mr. H. G. Hilken, Secretary

In attendance:

Mr. D. Fontein  
Mr. W. J. Armstrong  
Mr. R. A. Chauffournier  
Mr. B. M. Cheek  
Mr. R. A. Hornstein

Mr. D. King  
Mr. M. Piccagli  
Mr. G. C. Wishart  
Miss Zafirou

2. Iceland

The Committee considered the European Department's Memorandum  
SLC/O/64-66, "Iceland - Proposed Power Project," and

NOTING that:

- (a) Iceland was creditworthy for additional external debt in the amount necessary to carry out the project; and
- (b) Although the Burfell project appeared to be sound on the basis of preliminary data, its ultimate financial strength and economic return would depend largely on the terms under which power would be supplied to Alusuisse;

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AGREED that:

- (a) The Bank should inform the Icelandic authorities that the Bank is prepared, in principle, to consider a loan to help in financing the Burfell project, subject to a more detailed appraisal and to the arrangement of terms with Alusuisse and other parties satisfactory to the Bank.
- (b) In view of the Bank's vital interest in the arrangements to be negotiated between the Icelandic Government, the new power authority and Alusuisse and the necessity of the Bank's approving such arrangements, the Bank should be represented at the important stages of the negotiations;
- (c) In view of the complexity of the operation and the need for coordination between lenders, the Bank should explore the desirability of having a single financing operation in which the Bank would take the lead and other lenders participate.

3. The meeting adjourned at 3:40 p.m.



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# STAFF LOAN COMMITTEE

JUN 13 2014

WBG ARCHIVES

SLC/M/64-26

November 18, 1964

Minutes of Meeting of Staff Loan Committee held on  
Thursday, November 12, 1964, at 3:00 p.m., in the Board Room

## A. Present:

Mr. J. Burke Knapp, Chairman  
Mr. P. L. Moussa  
Mr. S. R. Cope  
Mr. I. P. M. Cargill  
Mr. G. Alter  
Mr. S. Aldewereld

Mr. A. Broches  
Mr. R. W. Cavanaugh  
Mr. R. H. Demuth  
Mr. D. Avramovic  
Mr. A. Stevenson  
Mr. H. G. Hilken, Secretary

## In attendance:

Mr. G. M. Wilson  
Mr. M. M. Mendels  
Mr. O. A. Schmidt  
Mr. B. Chadenet  
Mr. E. E. Clark  
Mr. R. J. Goodman

Mr. D. L. Gordon  
Mr. L. Lind  
Mr. L. Nurick  
Mr. H. B. Ripman  
Mr. G. C. Wishart  
Mr. W. D. S. Fraser

## B. Operational Memoranda

1. The Committee considered a draft dated November 9, 1964 of an Operational Memorandum on the "Staff Loan Committee," and proposed changes for incorporation in a revised draft of the Memorandum which would be distributed to the Committee for comment.

2. The Committee also considered a revised draft dated November 9, 1964, of Operational Memorandum No. 27, "Loan/Credit Preparation and Negotiation," and proposed changes for incorporation in a revised draft. In particular, agreement was reached on the following changes in present procedures:

(a) Country Economic Reports should be sent to the Executive Directors as separate documents as soon as they are approved by the Staff Loan Committee instead of being held for distribution as part of the volume

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Special Representative for UN Organizations  
Executive Vice President (IFC)



containing the President's Report and Recommendations on a proposed lending operation. Also, when the President's Report is distributed to the Executive Directors, the legal documents on the operation should be bound separately and one copy should be distributed to each Executive Director and Alternate Executive Director (additional copies would be available on request). These changes will mean that the President's Report will normally be bound with only an appraisal report and an up-dating economic memorandum if the latter is called for.

(b) The draft President's Report and Recommendations on a proposed operation and the accompanying documents should no longer be sent to the Staff Loan Committee for comment before they are distributed to the Executive Directors. Instead the Area Department concerned will send the draft report, with attachments (including the legal documents) and with any non-routine supplementary letters, after all papers have been cleared by the working party, only to the Chairman and Deputy Chairman of the Committee for approval. The package is to be accompanied by a memorandum from the Director of the Department to the Chairman describing any substantial changes in the proposed operation since it was last presented to the Staff Loan Committee, or stating that no such changes have occurred if that is the case. This memorandum is to be distributed to the Committee for information by the Secretary of the Committee.

C. The meeting adjourned at 5:00 p.m.