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Washington, D.C.

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President's Council Minutes,  
Apr. - June 1968

Folder 1

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Records of President Robert S. McNamara President's Council minutes - Minutes 01

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President's Council Meeting April 1

1. In response to Mr. McNamara's question, Mr. Knapp explained that nobody in the Bank was really responsible for monitoring IDA legislation. This is considered a U.S. Government responsibility. A small unit under Mr. Wm. Clark has provided the Treasury with background information. It was left that Mr. Clark would talk to Mr. Merchant and that finally Mr. McNamara would handle this.
2. Mr. McNamara asked the members of the President's Council to give thought to the idea of a five-year program and come up with suggestions.
3. Mr. Knapp mentioned two papers as pending before the Board:
  - a. Reduction in Outstanding Credits of the Association (dealing with the effect of Sterling devaluation on IDA--Attachment 1); and
  - b. Losses Due to Currency Devaluation (dealing with the effect of the Sterling devaluation on the Bank's financial position--Attachment 2).
4. Mr. Friedman welcomed the idea of a long-term planning and promised a paper on the Grand Assize (Attachment 3).
5. Mr. Clark touched on his ideas of an information program. Information should not be tailored too much to the American public. He felt the Grand Assize would be one of the foundation pieces of a new information program. His information program would reach not only the press but also writers, legislators and scholars. Mr. McNamara agreed and mentioned particularly Japan and Germany. Mr. McNamara suggested a regular flow of visitors under the auspices of the Information Department. Mr. McNamara concurred with Mr. Clark not to make any speech before the upcoming Annual Meeting. His, Mr. McNamara's, idea was about four speeches a year.
6. Mr. Rosen felt that four speeches might not be enough.

Mr. Rosen mentioned the Somima project in Mauritania (Attachment 4) as the one outstanding transaction which he would like to discuss with Mr. McNamara before sending it to the Board.

With respect to a five-year program, IFC would be in a slightly different position from the Bank as IFC does not expect to receive government contributions. However, private equity participation in IFC might be a possibility over the next five years.

7. Mr. Ripman had no comment.
8. Mr. Shoaib mentioned the sensitivity of the Board and suggested that Mr. McNamara see all Board Directors in groups of one or two starting with Directors representing the smallest shareholders.

On the Grand Assize, Mr. Shoaib suggested some participation of underdeveloped countries. DAC was suspected of being a rich man's group in the eyes of the developing countries and might not be the right forum for a Grand Assize.

9. Mr. Aldewereld advised that he had started projections of Bank finances covering a period of 12 years, including data on liquidity, the relationship of future lending to future borrowers' needs, etc. Mr. Aldewereld emphasized the importance of agricultural and education projects and promised a copy of the Mason Report (Attachments 5a and 5b) and a list of future projects (Attachments 6a, 6b, 6c, 6d).

10. Mr. Knapp mentioned two operations that were firmed up last Friday.
- a. Tarbela Dam involving a foreign exchange component of slightly under \$500 million with a contemplated ExImBank loan of \$50 million and a World Bank loan of \$25 million (loan documents will be out tonight); and
  - b. Memorandum of Understanding to finance the foreign exchange component of a railway and port facilities in Guinea for the Boke bauxite project (Attachments 7a and 7b).

He also mentioned the force majeure clause as of special interest.

R.B. Steckhan  
April 1, 1968

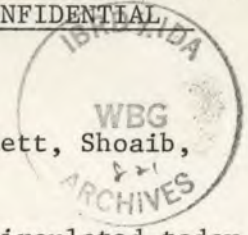
Present: Messrs. McNamara, Knapp, Aldewereld, Friedman, Shoaib, WClark, Ripman, Rosen

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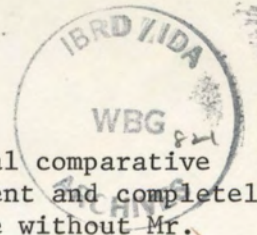
President's Council Meeting, April 8

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

1. Mr. Friedman advised that economic country reviews will be circulated today. These reviews are an outgrowth of IDA briefs but their coverage is broader. They contain expanded statistical data, a statement of the development problems of each country, clear definition and comparability of terms, an economic map of each country (only for President's Council), decisions of the Economic Committee and also relevant data of developed countries, such as budgetary figures.
2. Mr. Clark will discuss with Mr. Friedman the extent to which information contained in the country reviews can be used for public statements, etc.
3. Mr. Broches was asked to report to the Board tomorrow and also to the Senior Staff Wednesday on his attendance at the U.N. Conference on the Law of Treaties in Vienna.
4. Mr. McNamara has asked Mr. Aldewereld to supervise the work in connection with the five-year program. A tentative five-year program should be ready by June 15. Mr. McNamara invited the members of the Council to give thought to new ways of raising funds. However, this should be done without too much talk in order not to endanger the Bank's present credit standing.
5. With respect to the "grand assize," Mr. McNamara feels that Lord Franks is the best qualified man to direct a team of experts. This week, Mr. Clark will prepare a letter to Lord Franks, in consultation with Messrs. Knapp, Friedman and others interested, officially inviting Lord Franks to direct the "grand assize."
6. Mr. McNamara highly commended the Mason Report on education. He expressed concern at Professor Mason's statement that education projects do not receive the same attention among the staff as other types of projects. Mr. Knapp will continue to emphasize to area departments the importance of education projects. Mr. McNamara felt that the number of loans made per year for education projects should be substantially increased over the years.
7. Following Czechoslovakia's apparent intention to get back into the world community, the Bank may want to explore whether Czechoslovakia is willing to join IMF and the Bank. Sir Denis will be in charge and is to get in touch with Mr. Rist. Mr. McNamara outlined Sir Denis's functions as Vice President.
8. In Mr. McNamara's talks with EDs, the point was made that, unlike IMF and the U.S. Government, the Bank did not give across-the-board raises reflecting cost-of-living increases. There was a general feeling among the members of the President's Council that the present salary policy was not always clearly understood among the staff. Mr. McNamara wants to keep allowances for cost-of-living increases separated from salary raises based on merits. Salary increases, of course, ought to be based on merit rather than seniority. Mr. McNamara also suggested to review top-level salaries on a regular basis against the background of the rising cost of living and he found support for this idea among many EDs. Mr. McNamara wants Mr. Ripman to talk to him before the Fund considers a new cost-of-living increase.



9. Mr. McNamara strongly supports the principle of international comparative bidding as the foundation stone of the Bank's reputation as an efficient and completely impartial organization. No exception to this principle should be made without Mr. McNamara's prior knowledge.

10. Mr. Rosen is to talk to Mr. McNamara about IFC's procurement policies which differ from those of the Bank.

11. It was agreed that the President's Council will meet each Monday routinely and on Fridays only if necessary.

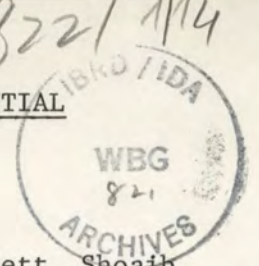
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R.B. Steckhan  
April 8, 1968

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President's Council Meeting, April 9

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

1. There was general consensus on the importance of communications between the Board and the staff.
2. It was agreed that Sir Denis and Mr. Shoaib would keep in close contact with the members of the Board in order to inform Mr. McNamara on the views of individual Directors on upcoming matters. Messrs. Knapp and Aldewereld and other members of the Council will cooperate with Sir Denis and Mr. Shoaib in this matter. Mr. Broches is to provide Sir Denis and Mr. Shoaib in advance with a list of matters intended to be submitted for Board consideration.
3. Board members should be encouraged, especially by Sir Denis and Mr. Shoaib, to contact staff members to obtain relevant information. To what extent Board members should be encouraged to contact working party members was left open. It was clear that it was not desirable to limit Board contacts with the staff to Department Heads. On the other hand, it was recognized that contacts between Board members and junior staff involve the risk of exposing the latter to undue pressure and that junior staff members might not always be able to give a full answer to policy questions.
4. Mr. Broches, in cooperation with Mr. Mendels, will docket all requests made by Executive Directors at Board Meetings for information and studies from the staff. Mr. Broches will follow up on all these requests.
5. Sir Denis and Mr. Shoaib will also advise Mr. McNamara about upcoming changes of Executive Directors as far ahead of time as possible.

*RBS*  
R.B. Steckhan  
April 10, 1968

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

1. Mr. McNamara advised that the Bank had made Lord Franks a formal offer to direct the "grand assize." Lord Franks is at present on an overseas visit and a reply is not expected for some time. Mr. McNamara reported mixed feelings among some governments concerning the "grand assize" and Lord Franks as its director. The basic concern is that the study might result in pressure for more money.
2. Mr. McNamara reported that IDA replenishment will face serious trouble in the U.S. Congress. Mr. Barr had reluctantly promised, subject to Secretary Fowler's concurrence, to put the bill in on April 24. The bill has the support of the White House. Congressman Reuss, the chairman of the relevant committee, was anxious to get the bill. Mr. McNamara will also talk to Senator Fulbright upon his return.
3. With respect to population control, Mr. Friedman will consider the extent of possible Bank involvement and set up a study group within the Bank.
4. A major effort should be made to assist Indonesia. Mr. McNamara feels that Indonesia needs especially technical assistance and the stamp of approval of its efforts by the Bank as a third power. The IMF is agreeable to have the Bank take the leadership in this effort. The Bank may even need a large resident mission (up to 10 people) in Indonesia for two or three years.
5. Mr. Aldewereld has suggested to sell a \$25 million bond issue in Saudi Arabia and expects to hear from Saudi Arabia today. Other sources for additional funds are Kuwait and possibly Libya.
6. Mr. McNamara asked Mr. Friedman to give his views on Kamarck's comments on Professor Ehrlich's prediction that famines are inevitable in the late 1970's.
7. Mr. Knapp referred to a statement by ExImBank President Linder on proposed legislation to authorize ExImBank to use \$500 million of its resources to finance exports to countries without reasonable assurance of repayment. Mr. Clark will note Linder's statement as background material for Mr. McNamara's address to the Board of Governors meeting.
8. In this context, Mr. McNamara invited the members of his Council to give thought to possible subjects for the President's address to the Board of Governors. Mr. McNamara's present inclination is to draw a realistic picture of the state of development in his address.
9. Mr. Friedman advised that the Fund has virtually completed discussions on Special Drawing Rights and the amendments to its Articles of Agreement.

R.B. <sup>RBS</sup> Steckhan



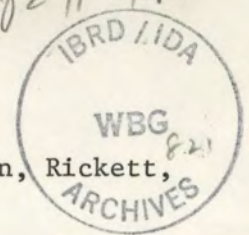
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President's Council Meeting, April 19

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

1. It was decided that Mr. Friedman should prepare a technical note on local currency financing to be circulated to the Board for information. This note was not intended to be put on any Agenda for discussion at a Board Meeting. Discussions could more usefully be held between members of the President's Council, especially Sir Denis, and individual Executive Directors.
2. The note on local currency financing should be short, technically correct, comprehensive, and worded the way The Economist would write it. Mr. Friedman will circulate his draft to the Members of the President's Council for comments.
3. Later it may be considered whether or not to change the present policy on local currency financing which is based on a Board decision of Summer 1964. Mr. McNamara's present inclination is to maintain this policy.
4. Mr. McNamara mentioned that he had asked Mr. Nurick to provide him with a weekly progress report concerning the second IDA replenishment. Executive Directors could be asked to help officials in their countries to focus on technical problems while Mr. McNamara would write to the appropriate ministers of Part I countries. Sir Denis will draft the letters to the ministers.

*WBS*  
R.B. Steckhan  
April 19, 1968

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President's Council Meeting, April 22, 1968

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Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Demuth, Friedman, Rickett, Shoaib, Wm. Ciark, Ripman, Rosen

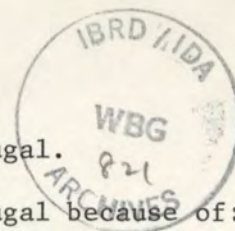
1. Sir Denis will call Mr. Merchant before the day is over to find out whether or not the IDA bill was sent to Congress. Mr. McNamara advises that hearings on the IDA bill are expected to start before the House Committee no later than May 5. Senate hearings may be scheduled earlier.
2. Mr. McNamara, at a dinner with Messrs. Woods and Aldewereld and bankers of First Boston Corporation and Morgan Stanley in New York, had advanced the idea of a standby line of credit by insurance companies for the Bank. The line of credit would be at a fixed formula rather than at a fixed price, with a fixed fee, say  $\frac{1}{2}$  of 1%, and in a fixed amount, say \$500 million from five insurance companies. There would be no underwriting commission but the Bank would hire Morgan Stanley and First Boston to negotiate the line of credit with the insurance companies. Morgan Stanley and First Boston will study this suggestion independently of each other and without consulting the insurance companies. They promised a reply in four weeks.
3. Mr. McNamara also reported that Morgan Stanley and First Boston felt that the New York market would carry \$400 million a year of new money for the World Bank at the present rate.
4. Mr. McNamara asked Mr. Aldewereld to use this \$400 million figure for his financial projections within the framework of the five-year plan irrespective of whether or not the U.S. Government was likely to give its formal approval.
5. Mr. McNamara informed his Council that Mr. Blaxall will pull together financial and other data for him. Copies of the final tables will be available to Council members on request.
6. Mr. Knapp advised of the final approval of IDA replenishment by Denmark.
7. Mr. Broches has scheduled three meetings of the Committee of the Whole on the Investment Insurance scheme for this week. He hopes to have the Committee's conclusions on the charter by summer so that the Bank can report to the Trade and Development Board thereafter.
8. Mr. Broches will attend a meeting of an international law group in Dijon to discuss the Convention on the Settlement of Investment Disputes.
9. Mr. McNamara asked the members of his Council to think about office space for additional staff to be hired over the five-year period in step with the expected increase in the Bank's activities. There was a possibility of reserving space on a temporary basis in a building which the Fund is expected to build for the two Development Institutes and about 1000 additional staff.

*ABS*  
 R.B. Steckhan  
 April 22, 1968

President has seen

Mr. McNamara:

April 26, 1968



1. I attended yesterday's Economic Committee meeting on Portugal.  
As you know, last year it was decided not to lend to Portugal because of:
  - (a) high reserves;
  - (b) access to outside finance; and especially
  - (c) absence of an acceptable development program.
  
2. The issues for yesterday's meeting were.
  - (a) Should the Bank go ahead and lend to Portugal since our recent economic mission finds Portugal's economic performance seems satisfactory?
  - (b) Even if Portugal's economic performance were not satisfactory, should the Bank make small loans as a lever for changes in the economic policies of Portugal?
  
3. The Committee found:
  - (a) Reserves as a percentage of imports have continuously gone down. They now amount to six months' imports. The amount of reserves alone is not a point against making loans to Portugal.
  - (b) Inability to raise money in foreign markets is a criterion which should be carefully documented in each case. The extent to which Portugal can borrow abroad was not made quite clear.
  
4. The conclusion of the chairman was that the Bank welcomed certain changes in Portugal's development program such as membership in EFTA. However, this was not enough to justify Bank lending at this time. Resource allocation was unsatisfactory with not enough emphasis on agriculture, unduly high investment in shipping, heavy defense outlay amounting to 40% of total public expenditures. The savings rate was not entirely satisfactory. As a next step the Bank will discuss the economic report with Portugal and engage in a dialogue specifying the policy changes required before the Bank can consider further lending.

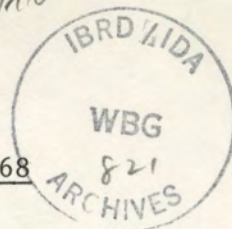
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R.B. Steckhan

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Mr. McNamara:

President's Council Meeting, April 29, 1968

Present: Messrs. Knapp, Aldewereld, Demuth, Friedman, Rickett, Wm. Clark, Ripman, Rosen

The only item of any importance was Mr. Friedman's report on the Economic Committee meeting on Portugal. You will see from my note dated April 26 the main conclusions of this meeting. Formal minutes will be issued later. One of the conclusions I did not record in my note was that the Bank, in the Economic Committee's view, should be willing to extend technical assistance to Portugal. In this context, Mr. Demuth reminded members of the Council that there was a resolution of the United Nations urging the Bank not to grant any technical assistance to Portugal. If the Bank were to grant technical assistance, this might precipitate a controversy within the United Nations.

*RBS*  
R.B. Steckhan

President has seen

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President's Council Meeting, May 6, 1968

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

1. Mr. McNamara mentioned his visit to MIT and Harvard and especially his talks with Professor Ed Mason. Some of the points raised during these talks will be incorporated in the five-year plan at some later stage. Mr. McNamara also expressed the view that population programs should be included in the five-year plan.

2. Mr. Clark summarized the Tidewater Inn meeting. Everyone present at that meeting strongly supported the "grand assize" and agreed it was not wise to have it started by action of government. It was significant in this context that France, Italy and Germany, although invited had not sent representatives.

At the same meeting, Sir Robert Jackson gave some informal views on his review of the UNDP organization.

According to Mr. Clark, DAC and UNDP representatives had advanced the idea that the Bank should establish overseas resident missions to advise governments on planning and policy formulation in as many countries as possible. Mr. McNamara felt that this is clearly beyond the scope of the Bank. He added, however, that the Bank should play a much greater role in this respect and should initiate the setting up of resident missions in a limited number of countries.

3. Mr. McNamara asked Mr. Demuth for a one to two page listing of UNDP expenditures over the past two years broken down by types of expenditure, such as headquarter cost, field cost, project cost, etc. This would help him to obtain a better view of the scope of UNDP's activities.

4. Mr. McNamara had advised Mr. Schweitzer that the Bank would consider participating, ~~or~~ renting space, in the new building, the site for which the Fund had acquired. Mr. Ripman will discuss this with the Fund in detail.

5. Mr. Shoaib reported that a few Executive Directors had made the suggestion to submit to the Committee of the Whole, for discussion, the conflicting points raised by the Directors when meeting individually with Mr. McNamara. Mr. McNamara was against such a discussion. However, Mr. McNamara will consider extracting these points and submitting them to the President's Council for consideration.

6. It was agreed that Mr. Clark will talk to Mr. Shoaib with a view to using Mr. Shoaib's contacts on Capitol Hill in connection with the IDA bill. In his talks with his friends on "The Hill," Mr. Shoaib will put particular emphasis on visits with Congressmen.

RBS

R.B. Steckhan  
May 6, 1968

President has seen

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Minutes President's Council Meeting, May 13, 1968

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

1. Mr. Friedman advised that the IMF Board will discuss the outline of the commodity study. It was agreed that the Bank would not schedule a discussion of the outline unless Board members requested it.
2. Mr. Demuth summarized the talks which he and Mr. Cargill had with Paul Hoffman in New York as follows: UNDP was willing to cooperate with the Bank in Indonesia, the Special Fund part of UNDP had a considerable amount of money to invest in Indonesia, and the Technical Assistance part of UNDP had 75 positions programmed for Indonesia out of which only 20 were filled.
3. Mr. Demuth drew attention to the first chapter of the U.N. World Economic Survey which he considered one of the best reviews of the problems of developing countries.
4. Mr. Broches advised that legal documents pertaining to the IDA technical assistance credit to Indonesia were being prepared in his Department.
5. The Committee of the Whole had been meeting two or three times a week to discuss the Investment Insurance Scheme and he, Mr. Broches, expected to have a new draft by the end of the summer.
6. Mr. Aldewereld had heard from Sir Denis that the German Ministry of Economics would have no objection to the World Bank borrowing DM 300 million from Rheinische Girozentrale. The Ministry felt that Girozentrale was a very good bank.
7. Mr. Aldewereld had also heard from Sir Denis that Dr. Emminger of the Deutsche Bundesbank had agreed to a rollover of the upcoming maturities. Dr. Emminger prefers Deutschemark for the rollover so that all of the Bank's borrowings from the Bundesbank will ultimately be in DM.
8. Mr. McNamara expects representatives from First Boston and Morgan Stanley to come to the Bank next week to discuss the idea of a standby credit from the U.S. insurance companies. Mr. Aldewereld will attend the meeting.
9. Mr. McNamara would like to have a five-year plan ready by June 30. Such plan would contain all policy decisions on the issues raised by the first draft of the plan.
10. In preparation for a request to the U.S. Government to approve two bond issues and one standby credit from the insurance companies, Mr. Friedman will prepare a paper, due May 23, on the justification for these borrowings. This paper would cover, among other things, the needs of the Bank for more funds, the balance of payments effect of the contemplated borrowings and their compatibility with the limitations imposed on U.S. investments in less developed countries.
11. Mr. Knapp will assume responsibility for a paper to be prepared by Area Department suggesting our future posture vis-a-vis the UAR. This paper is due May 17. Mr. McNamara's preliminary impression is that the Bank should be very tough on new loans to the UAR but very lenient on resuming relations and in providing technical assistance.

President has seen

RBS  
R.B. Steckhan  
May 13, 1968

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83-117  
CONFIDENTIALPresident's Council Meeting, May 14

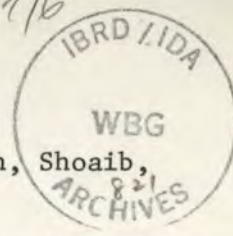
Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Demuth, Friedman, Shoab, Wm. Clark, Mendels

1. Mr. McNamara called this meeting principally to consider how to schedule discussion of policy issues by the Board.
2. Mr. McNamara reiterated his intention to hold to the principle of one meeting a week on Tuesday.
3. Mr. McNamara also expressed his desire to reduce the time spent by the Board on the discussion of projects. He would leave it to the Administration Committee of the Board to establish some ground rules and asked Mr. Mendels to follow up on this.
4. Mr. McNamara asked Mr. Broches to schedule, in cooperation with Mr. Mendels, outstanding policy issues for discussion by the Board. To this effect, Mr. Broches will prepare by Friday, May 17
  - (a) a listing of outstanding issues
  - (b) a rough time schedule of Board Meetings between July 1 and January of next year allowing for time to discuss policy issues and allocating one hour of discussion for 50 loans and credits.
  - (c) Later Mr. Broches will prepare a rough work schedule assigning papers on outstanding policy issues to individual staff members. Such schedule will provide for adequate time to discuss these papers with individual Executive Directors prior to circulation to the Board.
5. Mr. Knapp will see to it that the staff members making an oral presentation of a project to the Board will not speak for more than a total of 10 minutes. The speakers should use notes rather than read a prepared statement and their remarks should be consistent with the documents before the Board.
6. Mr. Knapp raised the question of whether or not staff presentations should be eliminated altogether. This question was not decided at today's meeting. However, it was suggested that good staff presentations tend to unify and focus the subsequent discussion of the Board and that this was a desirable feature.
7. Mr. Knapp also raised the question of a presentation of country programs. It was agreed that this issue does not have to be faced now. It is bound to come up within the next year or so.

*RBS*  
R.B. Steckhan

President has seen

President's Council Meeting Monday, May 20, 9:30 a.m.



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

1. Mr. Demuth mentioned that EDI which had, in the past, conducted field trips to southern Italy or Spain for its Project courses, was considering Yugoslavia as a possible alternative. It was agreed that Italy, Spain and Yugoslavia were not proper countries for a field trip and that Mr. Krishnaswamy is to suggest more suitable countries (for instance: Colombia, northeast Brazil, possibly Tunisia).

2. Mr. Friedman promised to circulate to Council members the economic part of the Annual Report by Monday, May 27. The full draft Report would later be circulated to the Board inviting suggestions for editorial changes. As a second step, a seminar of interested Directors would be convoked to review the Report and any suggestions for editorial changes with Messrs. Friedman and Wm. Clark. After this reievew, the Report would be sent to the Board for formal action.

3. Mr. McNamara reported that Mr. Plescoff had expressed the keen interest of his Government in an early completion of the study on stabilization of prices of primary products.

It was recognized that it was impossible to finish the study and make proposals in time for the 1968 Annual Meeting and that the Bank and IMF were under no legal obligation to do so. Mr. Friedman warned that the IMF, under Board pressure, might be rushed into formulating some tentative proposals such as accepting the financing of national commodity schemes and buffer stocks as a valid reason for use of the Fund's resources. To assure coordination with the IMF on the study, Messrs. Demuth and Friedman will talk to the top management in the IMF in the absence of Mr. Schweitzer. Mr. Friedman will also talk to Mr. Plescoff to obtain additional information on the views of the French Government with respect to the commodity study.

4. Messrs. Knapp and Broches will decide on what kind of a communication should be sent to the Tunisian Government on the terms of the Conciliation Agreement.

5. Mr. Aldewereld reported that Sir Denis will see Professor Lipfert tomorrow (Tuesday) to discuss plans for a \$300 million private placement with the Rheinische Girozentrale in Germany.

6. Mr. McNamara reported on his talk with Secretary Fowler last Saturday who informed him that, in his view, 15 members of the House Banking and Currency Committee would have supported the IDA replenishment bill, 15 would have opposed it and 2 were undecided.

7. Mr. McNamara outlined the three stages for the completion of a tentative five-year program:

(a) a preliminary draft will be ready by the latter part of this week and sent to all Council members who will personally review it and give their comments to Mr. Aldewereld;

(b) on the basis of these comments, a first draft will be prepared and sent to the staff for thorough review; and

(c) Mr. McNamara expects a tentative program ready by July 1.

Mr. McNamara emphasized the confidential nature of the program.

President has seen

R.B. Steckhan



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President's Council Meetings Monday, May 20, 2:30 p.m.

Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Demuth, Friedman, Shoaf, Wm. Clark

1. The meeting discussed a tentative schedule for Board Meetings until August 16.
2. It was decided that all IDA projects scheduled for this period, except for India (Industrial Imports), Pakistan (Highways) and Tunisia (Port), would be scheduled for discussion and unconditional approval by the Board.
3. With respect to the contemplated three credits to India, Pakistan and Tunisia, it was agreed that the following courses of action should be considered:
  - (a) presentation to the Board without discussion and approval by the Board but with the understanding that these credits would be counted as commitments for fiscal 1968;
  - (b) presentation to the Board for discussion but without approval by the Board and with the same understanding as under (a); and
  - (c) presentation to the Board for discussion by the Board and approval subject to second IDA replenishment (and possibly subject to the results of the discussion on IDA policy).
4. It was noted that the discussion of IDA operational policies by the Board would start on Tuesday, July 23.
5. It was also noted that discussion of Bank transfers to IDA and the Bank's lending rate is scheduled for July 30. This is tentative and may be rescheduled as the date draws nearer.

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R.B. Steckhan

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REVIEW OF 5-YEAR COUNTRY PROGRAMS

Mr. McNamara reemphasized two basic assumptions for projecting lending operations over the program period:

That there is no constraint arising from shortage of funds in the Bank;

That the amount of lending operations reflects an optimal level and that "slippage" will be taken into account later in the course of the continuous review of the program.

WESTERN HEMISPHERE May 29, 1968

BRAZIL

It was agreed to add the following items to the country paper on Brazil: A statement on the development of the Northeast of Brazil as a key problem. A special meeting will be devoted to this issue;

A note explaining to what extent the Bank's financing of livestock projects in Brazil contributes towards solving the problem of expanding meat exports;

A reference to Brazil's need for substantial advice from the Bank (possibly through establishing a regional office);

A reference to the possibility of establishing a Consultative Group for Brazil including a consideration of the debt problem;

An expression of serious doubts as to the adequacy of the agricultural program for the last two years of the 5-Year Program;

An examination of Brazil's eligibility for IDA funds (in particular for the Northeast.)

A justification for the Bank's heavy involvement in the development of Brazil's power resources;

A recognition of the fact that the Bank's role in Brazil's industrialization is still an unresolved issue.

It was decided to eliminate the Sao Paulo Sewerage Project.

COLOMBIA

It was agreed to include the following items in the country paper on Colombia:

A discussion of Colombia's eligibility for IDA funds for the first two years of the program.

A recognition of the excessive population growth as the key development problem (including the possibility of using Colombia as a "laboratory for population analysis").

A reference to the possibility of setting up a resident office;

A justification, if any, for the decreasing level of lending operations in the last three years of the 5-Year Program;

A recognition of the problem of creating an environment conducive to sound industrialization.

MEXICO

It was agreed to make a study of the cost and benefits of converting the whole power sector to 60 cycles;

to Consider using Mexico as another "laboratory for population analysis."

ARGENTINA

It was agreed to include the following items in the country paper on Argentina:

The Bank's views on measures to improve the transportation sector including the reduction of the total labor force of the railroad from 160,000 to 120,000 and the closing down of 50% of the 40,000 kilometer railroad network;

Increased emphasis to lending for agriculture (especially for livestock).

Reference to the desirability of the Bank's supporting regional development projects such as El Chocon;

Reference to the questionable plan of financing tariff protected telecommunications industry in Argentina.

CHILE

The country paper on Chile should include:

A statement to the effect that the proposed financing program is subject to modification because of the potentially bad performance and its consequence for Chile's creditworthiness;

An inclination to support Chile rather than abandon it because of short-term performance deficiencies, including the Bank's willingness to go ahead with the presently contemplated highway loan;

A statement that the downward trend of Bank financing over the next 5 years is subject to later review.

CHAPTER 7

Chapter 7 of the present 5-Year Program should include:

Reference to desirability of softer loan terms, such as extended grace periods and maturities (e.g., Brazil);

Reference to whether or not the Bank should take a lead in future debt rescheduling exercises;

Attempts to reduce the lead time in project preparation by increasing staff; special attention to problems of education;

Statement on cost advantages and desirability of a world fertilizer production plan.

## AFRICA

### General

The following items should be mentioned in the next draft of the Five-Year Program for Africa: the selection of one African country as a laboratory for population analysis; an appraisal of the pay-off of primary versus secondary and other schools; techniques of expanding education and the role of the Bank in this field; the requirements for extensive management assistance; the desirability to change the role, geographical responsibility and, to some extent, the staff of the Nairobi Office; the absence of statistical data in most African countries; an attempt to tailor World Bank operations to the impossibility of supervising small projects in Africa from Washington; the insufficiency of Bank assistance to African agriculture; the selection of one or two countries in Africa as laboratories for the reaction of the population to a change in investment policies and other stimuli in the field of agriculture; the desirability of emphasizing projects sponsoring regional integration.

## EAST AFRICA

### General

The country paper on East Africa should include the selection of one or two countries (possibly Kenya) as laboratories for development strategy, education, agriculture, population analysis, and possibly tourism; the possibility of setting up an East African Community advisory service to give technical assistance and economic advice to the countries of the Community; consideration to offer to help the East African Development Bank; the inadequate attention being given to lending for tourism in Tanzania and Kenya; ways and means to help Tanzania develop its ability to prepare projects; an explanation why the housing shortage constitutes a bottleneck for development in Uganda and in what way the Bank could help overcome this obstacle.

Nigeria

The country paper on Nigeria should mention that Nigeria carries the prospect of major expansion once a political settlement has been worked out; that the Bank is willing to go ahead with a second loan for the Niger Dam and a small amount for the Nigerian Development Bank; that the present hostility should not stand in the way of the Bank Group doing business in Nigeria providing a political settlement can be worked out.

Ethiopia

The country paper on Ethiopia should include the following items: the inadequacy of the lending program considering the size of the population and the per capita income; a statement on the agriculture sector and our contribution to it, on the percentage of the population in subsistence agriculture, the feudal land tenure system, and our desire to test the willingness of the government to make changes; consideration of setting up a regional mission in Ethiopia.

## ASIA

### The Philippines

The following problems should be identified in the country paper on the Philippines: economic justification of road transportation through a UNDP survey; assurance that the results of UNDP study will guide the government in its future planning; separation of the road administration from the politically influenced public works department; the absence of a government-sponsored population control program.

### Ceylon

In connection with the power loan planned for 1969, the country paper on Ceylon should include a reference to the requirement of legislation (for the setting up of a Power Authority) which had not yet been passed and the absence of which might delay the loan.

### Thailand

The country paper on Thailand should include: a statement referring to development plans, if any, for the Northeast and to a study prepared by AID in this region; a paragraph on the problem of the Mekong River Development, in particular on two priority projects in Cambodia, a non-member country, and other projects of a low economic priority, which are pushed for political reasons.

### India

The country paper on India should highlight the following problems: the dichotomy between rich and poor (10 acres and less) farmers and the advance of urbanization; the economic benefits of substituting fertilizer imports by local production; a statement on the unknown causes of slow progress of private fertilizer projects; desirability of concentrating on investments in well-managed fertilizer companies (irrespective of ownership); absence of systems

approach in agriculture due to the decentralization of responsibility in the field of agriculture; India's unwillingness to take advice on agriculture and to accept a systems approach in the field of agriculture; absence of proper national fertilizer plan; import liberalization, exchange rate and the inefficiency of the Indian industry; the Ganges-Brahmaputra River Basin.

#### China

Mr. McNamara wants to be informed if the Chinese Government has not made up its mind on the upcoming power projects by the end of June. China might be a good country for a laboratory for population analysis, in particular regarding the still unknown causes of a successful reduction of the birth rate.

#### Korea

The country paper on Korea should include: an examination of the present division between IDA and the Bank for the years 1969/1970, in particular, and of the possibility of increased Bank lending; recognition of the inadequate attention given by Korea to agriculture and the desirability for the Bank to press for policy changes.

#### Pakistan

The country paper on Pakistan should include: reference to the fact that very economic use of Pakistan could be made by transporting it to India (particularly to East Punjab); Pakistan had made such an offer but India had turned it down; the absence of a plan for East Pakistan.



## MIDDLE EAST AND NORTH AFRICA

### Middle East

It was agreed to refer in the Five-Year Program to the necessity of organizing and planning in detail the work of the Middle East task force.

### Morocco

It was agreed to: separate tourism from the item "development Finance Companies" and work out an agreed-upon approach to financing tourism through an appropriate organization (BNDE or CIH); to review in two months the problem of the agricultural "problem" projects in Morocco and, if necessary, to send a senior official to resolve the problems on the spot; to point out in the country paper that the contemplated industrial loan (\$30 million) does not stand any reasonable chance of being approved during fiscal 1969.

### Sudan

It was agreed to include in the country paper on Sudan that the Rahad Irrigation project is a project with a marginal rate of return and that doubts were raised as to the advisability of committing large funds to it even if soft money was available.

### Iran

It was agreed that the Middle East and North Africa Department/country <sup>would prepare a</sup> paper on Iran. It was agreed that Iran would need financial Bank assistance for the years ahead.

## EUROPE

### Greece

It was decided to look at the Crete project which is alleged to have a high return and great potential for tourism and agriculture. It was agreed to accelerate plans for an economic mission originally scheduled for Fall 1968.

Spain

It was agreed to go on lending as a leverage for structural reforms in priority sectors.

Turkey

It was agreed to list tourism as an item in the country paper recognizing this sector as a major potential earner for foreign exchange. It was recognized that one of the problems is the Consortium management, which is soft and dominated by suppliers.

Yugoslavia

The country paper should include: the identification of a sector for lending (possibly power); a statement to the effect that our present lending practice in the field of industry is burdensome to us and to Yugoslavia and that the reason for the failure to find a more appropriate channel, say a Development Finance Company, is the Bank's present policy of insisting on lending to privately-owned companies only.

821/1/4

PRESIDENT'S COUNCIL MEETING, MONDAY MAY 27, 9:30 A.M.



Present: Messrs. Knapp, Aldewereld, Broches, Demuth, Friedman, Rickett, Clark, Ripman, Rosen and Williams (for discussion of budget only).

With respect to the 1969 draft budget, Mr. McNamara feels the projected personnel requirements for fiscal 1969 may be too high. Mr. Ripman was asked to take a look at the extremely high cost of the Bank/IMF data processing unit and also to justify the Bank's share of the total cost. Mr. McNamara will discuss individually budgets on Tuesday, May 28 with Mr. Knapp at 2:40, Mr. Aldewereld at 3:00, Mr. Ripman at 3:20, Mr. Rosen at 3:40, and Mr. Friedman at 5:00 p.m.

On the (King) report of the Working Group on IDA Policies, the members of the Council were asked to give thought to the "Questions to be Discussed on Memoranda to the Board Reviewing IDA Policies" as formulated by Mr. McNamara. These "Questions" will be the subject of a further discussion and, thereafter, somebody in the Bank (possibly Mr. Cope) will prepare a tightly reasoned, condensed white paper in response to these questions.

With respect to the very preliminary draft of the 5-Year Program Fiscal Years 1969 to 1973, the members of the Council were invited to study the draft carefully and give suggestions for changes particularly on Chapter 7, to John Adler by a week from tonight.

Country schedules will be reviewed by Messrs. McNamara, Knapp, Aldewereld, and Friedman starting Wednesday next.

The Council reviewed the data charts prepared by Mr. Blaxall. Mr. McNamara asked the members of the Council to start using them and convey any suggestions for changes to Mr. Blaxall direct who will function as data co-ordinator for the time being. The purpose of this exercise is to develop a set of data for Mr. McNamara's guidance in making decisions and for universal use within the Bank.

Mr. Friedman will circulate a unified set of economic data for all countries later this week. Comments should be sent to Mr. Blaxall.

Mr. McNamara invited comments on Mr. Friedman's draft of a white paper on Bank borrowings to be sent to the Secretary of the Treasury.

Mr. Demuth reported that Mr. Karasz intends to come to Washington. Mr. Demuth will use his judgement on whether or not Mr. Karasz should come here prior to mid-August.

Mr. Clark said that announcements on Mr. McNamara's visit to Indonesia will be released on Friday, May 31 to come out on Monday.

With respect to the commodity stabilization study, Mr. Friedman expects to complete Part I in time for the 1968 Annual Meeting in Washington. It was agreed to schedule a draft Part I for discussion by the Board. The President's Council will discuss next Monday how to proceed with this study.

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*Encls* Check List of Projects to Refer to in Chapter 7



1. Re-examine the consortia and consultative group structure to determine whether additional groups are required for other LDCs.
2. Include a list of regional and other large projects requiring special study, for example, the Ganges-Brahmaputra water development program and the "worldwide fertilizer production" program.
3. Organize and plan for emphasis by the Bank on population control.
4. Develop a program for Bank financing of housing.
5. Re-examine IDA's lending policies, including the distribution of credits by country; the terms of the credits: maturity, interest rate, etc.; the extent to which the credit should finance local content; the policy to be followed on program credits vs. project credits, etc.
6. Design a set of management control reports to measure progress against the plan.
7. Develop a plan for a limited number of resident advisory and technical assistance missions similar to the one now contemplated for Indonesia.
8. Establish a policy and develop a program for "conditional" joint financing.
9. Re-examine the pros and cons of project vs. program lending.
10. Consider adding to the Bank's loans and credit operations the financing of housing, health, and urbanization.
11. Determine what role the Bank should play in population control.
12. Consider whether the Bank should accede to requests from donor countries (e.g., Canada) for assistance in appraising projects.
13. Determine whether IDA should accede to the requests of Part I countries to transfer certain bilateral aid to IDA for administration.
14. Organize to expand the Bank's work in the field of sectoral analysis.
15. Consider whether IFC's operations should be expanded by accepting participation in loans as well as in equity investments.
16. Develop a plan to better integrate the operations of the UN agencies (UNESCO, FAO, UNDP, UNCTAD) and the World Bank as separate arms of a unified development strategy.
17. Examine the role which the Bank might play in advancing the process of industrialization in the less developed countries.

Mr. McNamara - to see, please.  
ABS 6/3

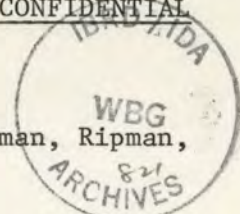
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President's Council Meeting, Monday, June 3, 1968



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

It was agreed that Mr. Knapp will explain to Part I Executive Directors the rationale for presenting the industrial imports credit to India and the specific formula for the counting of India's share in IDA resources for fiscal 1968.

Messrs. Knapp and Broches will prepare a paper for the Board on the contemplated industrial imports credit to India and will consider whether or not a formal resolution will be necessary at this stage.

With respect to the commodity study, Mr. Friedman expects the IMF to present to the Board by the end of June its Part I and its proposals as to Part II to the extent that they do not involve amendments to the IMF's Articles of Agreement. The IMF Board is expected to discuss this in August to have a position ready for the Annual Meeting. Mr. Friedman also expects to have a joint Bank/IMF draft of Part I by June 15 for circulation to the President's Council and by June 21 a draft of the Bank's Part II.

Mr. Rosen mentioned the visit of general managers of 10 Yugoslav commercial and investment banks to IFC. The purpose of this visit is to familiarize the managers with IFC's procedures and U.S. investment banking practices.

Mr. McNamara advised that William Clark had sent in a cable describing Lord Franks' worries about the expected workload in connection with the "grand assize."

Mr. McNamara informed his Council of his conversations with Secretary Fowler and Mr. Deming on the Bank's borrowing plans for fiscal 1969. Mr. Friedman will discuss his draft White Paper with Mr. Aldewereld and then informally with Mr. Deming. Ultimately, Mr. McNamara will submit a final version to Secretary Fowler.

Messrs. McNamara and Broches will discuss the draft budget today.

Mr. Broches will submit his draft on lending to government-owned development finance companies to Mr. McNamara by tomorrow, Tuesday night (Board discussion June 25).

Mr. Broches will prepare a schedule of the various steps in preparation for submitting the World Bank Group Annual Report to the Board for formal approval on July 16. Messrs. Broches, Demuth, Friedman and Rosen will get together to discuss the timing of these steps.

Mr. Cope will have a draft ready on IDA operational policies by June 21 to be discussed by the President's Council in Mr. McNamara's absence (Board discussion on July 23).

Mr. Friedman will be in charge of preparing papers on transfer of Bank projects to IDA and lending rates (Board discussion on July 30).

Responsibility for preparing a paper on financing of large industrial corporations and developing companies will be lodged with Messrs. Knapp and Rosen (Board discussion on August 6).

Mr. Friedman will be responsible for a paper on local currency financing (Board discussion on August 13).

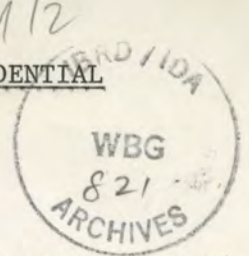
Mr. Rosen will submit to Mr. McNamara a paper on IFC's promotional activities on June 15.

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Mr. McNamara - see, please  
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AUG 09 2013  
President's Council Meeting, Monday, June 24  
WBG ARCHIVES

Present: Messrs. McNamara, Knapp, Demuth, Friedman, Rosen, Wm. Clark

The Council discussed the draft paper on the Bank's interest rate prepared by Mr. Friedman. It was agreed that Mr. Friedman would draft today a two-page paper from the President to the Board advising the Board that:

- (a) The President does not propose a change in the spread as determined by the Board last year.
- (b) The President proposes to fix the interest rate on all Bank loans at 6-3/4% starting August 1. Such interest rate would apply to all loans not approved by the Board prior to August 1. This interest rate is calculated within the limits of the average borrowing costs of the Bank and the spread as determined by the Board and takes into account the total financial position of the Bank.
- (c) The President will keep this interest rate under review and advise the Board of any changes in circumstances if necessary.

The Council discussed the draft paper on transfer of profits to IDA prepared by Mr. Friedman. It was decided to:

- (a) propose a transfer of 50% of the 1968 Bank profits to IDA on the assumption that the second replenishment occurs within a reasonable period of time;
- (b) inform the Board of the President's intention to transfer, as a matter of principle, 50% of net Bank profits also in future years. However, the Board will not be asked to validate this principle at this time.
- (c) to include in the paper on Bank transfers to IDA a rather complete argumentation; and
- (d) to conform this paper to the format of last year's memorandum.

It was decided to circulate the papers on the Bank's interest rate and Bank's transfer to IDA to the Board on July 16.

Mr. Demuth informs that a new draft of the Multilateral Investment Insurance Convention is being prepared and will be circulated to the Executive Directors for discussion after the Annual Meeting.

ABS  
Rainer B. Steckhan

President has seen