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President's Council Minutes,
Jan. - June 1970

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Records of President Robert S. McNamara President's Council minutes - Minutes 05

Folder 5

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821
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821/5/7

President's Council Meeting, January 5, 1970

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



Mr. Broches referred to the proposed special increases in the Bank's capital which would be discussed at Tuesday's Board Meeting. Mr. Jagannathan had suggested that the Bank undertake a study of the rules and regulations concerning changes in the voting structure. Mr. McNamara said he would only agree to this if explicitly requested to do so by the Board. Mr. Broches also mentioned that Mr. Suzuki had asked for an amendment in the draft resolution to the Governors. The Japanese Government wanted the Board's action to be considered effective before the June 30 deadline whenever enough affirmative votes had been received. Mr. Broches said that the Fund's Board of Governors would be requested to vote on their resolution by February 9. The Bank's deadline had been set at June 30 because the US Government would not be in a position to vote until authorized by new legislation. In the case of the Fund, new legislation was not needed. Mr. McNamara queried the restraints on the US Governor in regard to this voting matter. He asked Mr. Broches to check the US legislative history on this point. Mr. McNamara mentioned that a joint Bank and Fund bill would be submitted to the US Congress to obtain authorization for increases in the US share of the Fund quotas and the Bank's capital increases. In respect to the SDR allocations, it would be advantageous for the US to accept Fund quota increases before the end of calendar year 1970.

Mr. McNamara said he would see Mr. Kochman in the afternoon to discuss IDA replenishments and their impact on increased IDA lending to French Africa. He had asked Mr. Adler to supply revised tables on past and future IDA and Bank lending in French Africa.

Mr. Knapp mentioned that the US had failed to make its IDA replenishment payment which was due over the weekend. Mr. McNamara asked Mr. Broches to have one of his lawyers analyze the US legislation on what problems might be encountered on this point. No Board notice should be necessary if payments were forthcoming within the next two weeks.

Mr. McNamara noted that public opinion in the US differentiated between the World Bank and other multilateral institutions. He thought the Bank was in a favorable position relative to other multilateral agencies and thought that this would be reflected in the report of the Peterson Commission. He was, however, concerned about some statements made by US officials to the effect that the World Bank Group was limited in its capacity to process a much higher level of IDA lending. The Bank would have to reject such arguments vigorously.

Mr. Gaud mentioned that the new Coordination Committee on Industrialization had met for the first time. Two substantive points had emerged: first, there was some uncertainty within the Bank Group as to where capital market work should be undertaken, and second, a cement plant proposed for IFC financing in West Africa also appeared to be listed in the Bank program for that region. Mr. Gaud said that the Committee would generally meet at least once a month in the future.

Mr. Broches said that a difficult and very sensitive problem had arisen with respect to future elections of EDs. If the proposed special capital increases went into effect, some rearrangements of country groups might be necessary. Mr. Broches had contacted the Fund and a joint committee had been set up to study possible future combinations of country groupings represented by the EDs in the Fund and the Bank. Mr. Shoaib mentioned that several developing countries had once again brought up the proposal to increase the size of the Executive Board

President has seen

to 21. Mr. McNamara said he would prefer to keep the same number of EDs for both the Bank and the Fund.

Mr. McNamara asked Mr. Aldewereld to check the Information Department on the recent Japanese news story that less funds would be available in Japan for the World Bank Group than mentioned in earlier press releases.

Mr. Aldewereld said that he had been approached by Dutch bankers in regard to the proposed Euro-Guilder issue. It was now also likely that the proposed issue would be open to Dutch residents. Mr. McNamara said that the Bank would not be interested in this issue unless it was for at least 200 million guilders. He mentioned that the Ford Company would make a \$200 million medium-term bond issue in the US and asked Mr. Aldewereld to watch carefully its reception in the market.

Mr. McNamara also mentioned that debt negotiations between the UAR and the US were moving to a point where there were no substantive differences in the two proposals. He expected that the UAR IDA credit could go forward to the Board within the next few weeks. Mr. Shoaib thought it was extremely important for fund raising in Arab countries to have the UAR credit approved. Mr. McNamara commented that, in light of the latest UAR proposal, it would be extremely difficult to say that UAR now was not making reasonable efforts to settle this issue with the US Government.

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President's Council Meeting, January 26, 1970



Present: Messrs. McNamara, Broches, Demuth, Friedman, Shoaib, Chadenet, Cope, Gaud, Ripman, Clark and Mendels

Mr. McNamara asked Mr. Mendels to revise the draft schedule of Board Meetings for the period up to September 29. It could then be issued to the Board by Tuesday afternoon. He wished to limit the schedule to those agenda items which the Board most likely would be discussing in that period.

Mr. Demuth said that the Governing Council of the UNDP had met to discuss the Jackson Report. Varying views had been expressed at the meeting and among those who appeared strongly opposed to the report as a whole, or substantive portions of it, were the Indian, Chilean and French Delegations. Mr. McNamara asked Mr. Demuth to find out which arguments the French had put forward and report these details to him by the end of the day.

Mr. Demuth mentioned that the procedure established for the three "experimental" economic missions, whereby the UNDP Resident Representative in each country was included as a member of the Bank economic team, had been so well accepted by the UNDP that it already had proposed to apply the practice generally to all of the Bank's economic missions.

Mr. Demuth had sent the revised guidelines for pre-investment study programs, prepared by Mr. Chadenet's office, to the UNDP on Thursday. Mr. McNamara asked that Mr. Demuth brief him on UNDP's reaction before the end of the week. Mr. McNamara asked that the paper be circulated to the President's Council members, but not yet to the staff.

Mr. Demuth also mentioned that a meeting later in the week would discuss how the Bank could increase its cooperation with IMF. A paper would be prepared for circulation to the Council members shortly thereafter. The major objective of this exercise was to attempt to arrange as many joint or parallel field missions as possible. Mr. McNamara asked that Mr. Friedman and Mr. Demuth talk with him before they finalize the details.

Mr. Demuth had not yet received an agenda for the IACB meeting on the Jackson Report to be held in New York during February 3-5. Mr. McNamara asked Mr. Demuth to obtain the agenda for him as soon as possible.

Mr. McNamara asked that Mr. Demuth and Mr. Clark meet with him before the February meetings to determine what type of response the Bank should make to the Jackson Report. At the moment he was very much inclined to continue the rather passive attitude he had taken last Fall, since it was not clear how much initiative the parties concerned would wish the Bank to assume.

Mr. Demuth mentioned that the Tinbergen Committee had finished its draft report. A final report could be expected by the end of this year's General Assembly period. It appeared that the UN would use the Tinbergen Committee as a continuing evaluation machinery on development planning.

Mr. McNamara asked Mr. Ripman to review the possibility of opening up the old Executive Dining Room in order to improve the luncheon facilities for the staff. He asked that Mr. Ripman prepare an overall plan showing how he would propose to utilize the total area on the Second Floor in the new building as well as the space available on the Twelfth Floor of the "B" Building.

President has seen

Mr. Chadenet reported that his departments were considering more emphasis on training aspects under project appraisals. He had assigned a Training Advisor to the Front Office who would be in contact with consulting and management firms regarding services supplied under various project contracts and to advise in general about the role of training in our project work. Mr. McNamara asked that Mr. Demuth and Mr. Chadenet meet with him before they finalized these arrangements.

Mr. McNamara referred to the budget preparation for FY1971. He asked that the Department Heads view the next fiscal year as a period when consolidation of staff be emphasized, in contrast to the more liberal attitude he had taken with respect to earlier budget periods. He hoped that the Department Heads, except for the Projects Departments and IFC, would carefully re-examine any need for budget increases. Mr. McNamara also mentioned that upon Mr. Knapp's return he would wish to discuss two papers with the Council: one concerning the Supplementary Financing System and the other regarding International Programs for Major Commodities.

Mr. McNamara also mentioned that the Bank in its project work ought to evaluate the ecological effects of such projects. He had been confronted with this issue re the Murchison Falls project in Uganda and he wished to discuss this point further when Mr. Knapp and Mr. Aldewereld returned. The Bank should be organized in such a way that it could undertake systematic reviews of projects where ecological problems were likely to arise.

Mr. Broches pointed out that apparently India would be the only country to insist on making use of its pre-emptive rights in connection with the special increase in the Bank's capital. He was awaiting clarification from two other countries and would circulate a note when their respective positions were clear. Mr. McNamara said that he thought the proposed general increase in the Bank's capital would have to be postponed at least until the time when the amount of the IDA Replenishment had been established.

L. E. Christoffersen
January 26, 1970



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

Mr. McNamara had been told that the next economic mission to Colombia would have 25 mission members. He asked Messrs. Knapp and Friedman to examine what ought to be done in the Bank to coordinate the staffing needs of economic missions. He suggested that the President always be notified of any mission above 10 members.

Mr. Demuth said that at the UNDP Governing Council meeting most of the developed countries had expressed support for reforms in the UN machinery for development assistance. The details of the U.S. position on this was not yet known, but apparently they would wish to see the UNDP have a stronger role in dealing with the specialized agencies. The LDCs opposed such a transfer of power since they had more control over the specialized agencies than over the UNDP. The French, however, opposed this power shift largely on the grounds that it would delegate more authority to the UNDP Administrator, and, therefore, outside the more direct control which governments now had through the Governing Council.

Mr. McNamara thought the Bank could accept the explicit role given to the UNDP in the Jackson Report. He feared that public opinion in developed countries might react negatively to the criticism expressed in the Jackson Report towards the multilateral system. Such a reaction had already been noticed in both Sweden and the U.S.

Mr. McNamara said that Mr. Demuth had helped draft a memorandum of understanding between Mr. Schweitzer and himself regarding further cooperation between the Fund and the Bank. It would eventually be distributed to the staff in the two institutions and perhaps also to some outside groups. The present draft would be circulated to the PC members who were asked to examine carefully whether it ensured effective cooperation. Comments should be submitted to Mr. Demuth by the end of the week.

Mr. Demuth mentioned that he would be attending a meeting in New York on joint international financing of an agricultural research institute.

Sir Denis reported briefly on his Strasbourg meeting of the Council of Europe. He also mentioned that Sir Geoffrey Wilson had informed him that the Bank could make use of Lancaster House on March 9-10 for IDA replenishment meetings.

Mr. McNamara said that Minister Eppler's visit to the Bank last week revealed a split of opinion within the German Government on IDA replenishments. Professor Schiller would not be ready to address himself to this issue until later in the spring and certainly not by the March meeting of the deputies. Mr. McNamara had been invited to go to Paris on March 16 to meet with the French Government. The Peterson Commission Report, which apparently was very favorable to the Bank and IDA, would not be ready by early March. The major developed countries, therefore, did not appear to be in a position to take substantive decisions on a new IDA replenishment by the time of the March 9 meeting. In light of these developments the Bank ought to examine what new approach it should take at the meeting and what further action was required.

The Japanese would wish to see harder terms for IDA lending. They were also anxious to establish a Bank office in Tokyo. Mr. McNamara did not wish to announce a definite time schedule for this action, but expected the office would be opened by the end of the calendar year. The Bank of Japan had informed the Bank that they were eager to negotiate a financing arrangement and Messrs. Broches and Rotberg had left for a meeting in Tokyo on this matter.

President has seen

Mr. Aldewereld reported on his trip to Germany. Mr. Hankel had said that the German Government realized it had miscalculated the effects of the recent revaluation. In view of the economic problems now facing the German Government, Professor Schiller wished to postpone a meeting with Mr. McNamara until some time in April. Mr. McNamara said he would agree to go to Bonn at that time.

Mr. Aldewereld also said that the monthly meeting on the Bank's lending program indicated that the list of "highly probable" projects seemed to assure a lending volume of at least \$1,570 million for the current fiscal year.

Mr. McNamara asked Mr. Knapp to talk to Mr. Benjenk about recent developments relating to the IDA credit to UAR.

Mr. McNamara also asked that the Bank examine how it could best organize analyses of ecological factors within the project work. Dr. Max Nicholson had written a note on that matter in December 1968. The note would be circulated to the PC members and a discussion would be scheduled in a few weeks' time.

LEChristoffersen
February 5, 1970

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President's Council Meeting, February 9, 1970

Present: Messrs. McNamara, Knapp, Aldewereld, Friedman, Rickett, Gaud, Clark, Ripman, Nurick, Rotberg

Mr. Rotberg reported on the meetings which he and Mr. Broches had had in Tokyo with the Bank of Japan in connection with the proposed bond issue of 36 billion yen. The Bank of Japan had agreed to give the Bank the benefit of a price equivalent to the existing controlled rate of 7.14% for government-guaranteed issues, even though this rate was expected to move to 7.4% within the next few weeks. The Japanese had suggested that further possibilities for fund raising might very well soon arise again in Japan. Sir Denis noted that there was a difference between the Japanese situation, where the Government was anxious to appear to reduce its foreign exchange reserves by purchasing IBRD bonds, and other cases when central banks were encouraged to subscribe to Bank bonds and hold them as part of their reserves. For this reason one should be careful not to state in general terms that we expected central banks to roll-over their Bank bond holdings. Mr. McNamara asked the Treasurer's Department to provide him with historical data on Japan's foreign exchange reserves. In addition he would also like to be provided with up-to-date data on these reserves on a monthly basis.

Mr. McNamara asked Mr. Clark, together with Mr. Nurick and Mr. Rotberg, to prepare a press announcement for the bond issue signing in Tokyo on Thursday.

Mr. McNamara referred to the proposed Bank office in Tokyo. There seemed to be general agreement that a resident office should be established with about 3-4 staff members and with a Japanese national to head it. Mr. Kashiwagi had urged the Bank to accept his aide, Mr. Soejima, for the job. Mr. McNamara asked Mr. Ripman to ensure that the man was fully qualified and in particular that he was a man of sufficient stature to deal effectively with the Japanese Government. Mr. Ripman was also asked to work out the full budget implications for the proposed office. Mr. Suzuki ought to be consulted on the question of an appropriate salary level and on whether it was expected to include income tax exemptions.

Mr. McNamara reported on his meetings with the IACB in New York. The Jackson Report received intense criticism from the heads of the specialized agencies. They felt that it overstated the weaknesses of the UN system and that this criticism had helped to destroy public support for their development programs. A draft report had been agreed upon at the end of the meeting. It incorporated certain of these criticisms but at the same time accepted those recommendations which relate to the need to strengthen the country approach for pre-investment work and technical assistance and which asked the UNDP Resident Representative to play a more central role in the coordination of these activities. The IACB report would soon be distributed to the PC members. Mr. McNamara mentioned that the UNDP had been very pleased with the Bank's cooperation in connection with the Colombia economic mission.

Mr. McNamara said that at the meeting in New York no reference had been made to the Pearson recommendation which asked the Bank to convene an international development conference in 1970. The Bank's position at present was to take no initiative on this request unless specifically asked to do so by member governments or by the UN Secretary General.

LEChristoffersen
February 12, 1970

President has seen

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President's Council Meeting, February 16, 1970

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

Mr. Gaud mentioned that IFC had made a review of hotel projects which it had financed. Some uncertainty seemed to exist in the Board with respect to such financing and the question had been raised within IFC whether it should continue to support such projects. Mr. McNamara thought IFC ought to finance good hotel projects. However, Board documents should give a clearer presentation of the financial arrangement involved. In a recent case, the proposed Holiday Inns project in Panama, he had had to request further data--on a consolidated basis--before it was possible to understand the financial arrangement.

Sir Denis reported that representatives of Part I countries had met twice during the past week to discuss IDA voting rights. A report on the results of these discussions had been prepared. It would not be a very conclusive document. However, so far it appeared that no changes would be needed in the Articles of Agreement. A general preference had been expressed for Scheme A, which would adjust votes retroactively for past IDA contributions. No agreement had yet been reached on the form in which Part II country contributions would be made. If Part II countries were not asked to put up funds, their total IDA voting power would be reduced from 33% to 16%. Mr. McNamara said that such a reduction was totally unacceptable. Final agreement on this point must ensure that Part II countries would not significantly lose their relative voting strength.

Mr. Broches said that, during his visit in Tokyo, the Japanese authorities had held out the possibility of further Bank borrowing in Japan in March or April. Mr. McNamara thought the Bank would respond promptly to such a suggestion.

Mr. Aldewereld reported on recent improvements in the fixed income security market.

Mr. Knapp mentioned that Mr. Wieczorowski's proposal to visit various Asian countries had posed a difficult problem for the EDs. Their Administrative Committee had rejected the proposal to allow the Bank to cover his travel expenses and instead the U.S. Government had undertaken to do so. While the Bank, therefore, would not arrange Mr. Wieczorowski's trip, it had provided him with briefing materials and it had also been agreed that Mr. Wieczorowski would join Mr. Knapp during a two-day field trip to project areas in Indonesia.

Mr. McNamara mentioned that Mr. Adler had prepared a schedule for the preparatory work for the next year's budget. PC members were urged to send any suggested changes to Mr. Adler. IFC was expected to follow the same time schedule.

Mr. McNamara pointed to apparent disparities in the size of economic missions and in the use of various experts and urged that this be reviewed by Mr. Friedman, together with Messrs. Knapp, Cope, Adler and Willoughby. He asked to be reminded of this matter when Mr. Friedman returned to the Bank on Thursday.

During upcoming IDA replenishment discussions, it was likely that further questions might arise on the supplementary finance scheme. Mr. McNamara was anxious to avoid any delay in IDA replenishments because of this and he also wished to avoid any discussion on the supplementary finance scheme itself at this time. Sir Denis suggested that the Bank's posture should be to await the level of IDA replenishments before it decided whether any IDA funds could be used for the scheme. Mr. McNamara said that at the same time it was most important to make clear to Part I countries that in the next few years the Bank would certainly not ask for subsequent funding for the supplementary finance scheme if the present IDA replenishment was not adequate enough to do so.

Sir Denis said that certain U.S. Government officials had expressed the hope that the Bank would not have to give assurances to the French Government that it would not request any general capital increases during the period of the Third IDA replenishment. Mr. McNamara hoped that the U.S. would take more initiative on the need for such an increase.

Mr. McNamara thought there was general agreement that the data processing unit in the Bank was inadequately managed. He had asked Mr. Ripman to call in an outside consultant to advise on this matter. The new manager would most likely be recruited from outside the Bank. After the unit had been reorganized, it was imperative to ensure that its work was closely coordinated with the work of similar units in other international agencies.

LEC
February 17, 1970

821/5/6
President's Council Meeting Wednesday, February 25, 1970

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



Mr. McNamara said that the preparatory work for the Third IDA Replenishment had reached a critical stage. He asked the PC members to inform Sir Denis of all matters which may have a bearing on the Replenishment. Mr. McNamara mentioned that Mr. Hanemann had expressed concern about President Nixon's recent foreign policy speech since it indicated U.S. support for a high level of IDA Replenishments. Germany might not be able to oppose a high replenishment level if U.S. support was forthcoming.

Mr. McNamara also mentioned that it was important to organize the March 9 meetings of the Deputies in such a way as to prevent the "negative views" from dominating the meeting. He had told Mr. Strong on the phone that it would be extremely useful if Canada and some of the smaller nations could come out with support for a high level of IDA replenishments at that time. He had also told Mr. Wieczorowski that more initiative was needed to consolidate support within the U.S. Government. At this stage it was important to avoid problems of balance of payments safeguards, the determination of Part I country shares of the next replenishment, as well as policy matters such as program lending and local currency financing. The essential thing now was to get a real commitment to a higher level of replenishments.

Mr. McNamara also noted that further doubts had been raised in respect to the Bank Group's capacity to process IDA projects efficiently. Mr. Lieftinck had apparently indicated to U.S. officials that project identification and supervision work had fallen below the standards which the Bank Group had upheld in the past. Some other EDs also seemed to share this view. He asked the PC members to be sensitive to this point and to report to Sir Denis any further references which may arise. Mr. McNamara had met with Mr. Wieczorowski on Tuesday and tried to impress upon him the fact that our operational standards had not been lowered. Mr. Aldewereld said he would ask Mr. Wieczorowski for lunch and talk to him further on this point.

LEChristoffersen
February 26, 1970

President has seen

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President's Council Meeting, March 2, 1970

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

Mr. Aldewereld mentioned that \$174.5 million had been subscribed to the two-year bond issue, that Japan once again had indicated that another bond issue was likely in April or May, and that the U.S. capital market had eased up to about 8-3/8% for high quality long-term bonds. Mr. McNamara thought it difficult to convince the Board of the need for a U.S. bond issue at the moment, and suggested it might be opportune to delay it until after the next Japanese issue had been completed. He wanted to review the situation in early May.

Mr. Aldewereld referred to the possibility of a small bond issue in Austria. Due to the relatively low interest rate there, he would recommend that the Bank go ahead.

Bank profits in the current fiscal year were now forecast at about \$213 million, compared with original budget estimate of \$201 million. The latest monthly meeting on the FY70 lending program indicated that there was a good chance that Bank loans would total \$1.6 billion and IDA credits about \$590 million this year.

Mr. McNamara pointed out that the project pipeline as of July 1 this year would be about 100, compared with 67 projects a year earlier. While this indicated a substantial increase in the Bank's operational capacity, it was still necessary to ensure that the Area Departments avoided "overscheduling" and that the FY71 lending program be reduced to a level appropriate to our current staff levels. While slippages were expected for the IDA program in both Africa and Latin America, he planned to accelerate credits to India and Indonesia in order not to reduce the over-all IDA lending this year. In so doing, however, he wished to point out that the additional projects to India and Indonesia were offsets against next year's lending program and he wanted the staff to realize that, while India's and Pakistan's share of total IDA lending would be above the levels previously agreed for FY70, this did not in any way mean a change in principle regarding country allocations under IDA. It was in this connection particularly important to impress upon both staff and others that there had been no lowering of project standards.

Mr. Broches thought the Bank suffered from inadequate communications between management and staff. He felt there was considerable confusion and uncertainty at the lower levels with respect to our project standards. Mr. McNamara urged senior staff to let Mr. Adler or Mr. Aldewereld know of any doubts expressed as to the Bank Group's capacity to increase its level of lending.

Mr. McNamara asked Mr. Friedman, together with Messrs. Cope and Willoughby, to review the workload of the future economic missions, particularly with respect to the mission size and the timing of field visits. Specific attention should be paid to the FY71 schedule.

Mr. McNamara asked Mr. Broches to examine carefully the problem of possible future changes in the composition of the Executive Board. The Latin Americans were concerned about their ability to maintain three EDs. Mr. McNamara thought it might be desirable to maintain this number without having to increase the over-all size of the Board.

Mr. McNamara mentioned that several EDs had asked for a Board discussion on the principles of joint financing. Mr. Knapp said that this issue would arise again in the near future in connection with Board presentations regarding loans to Brazil and Colombia. Mr. McNamara asked Mr. Cope to examine the Bank's reaction to the

President has seen

Pearson recommendation on this issue, and to study the transcripts from the last Board meeting, in order to find out whether Mr. Demuth's memorandum could be used in its present form as a paper for Board discussion.

Mr. McNamara pointed to the increasing number of consultative groups and felt that Area Department Directors needed to be relieved of some of their duties as chairmen of these meetings. Mr. Chaufournier had suggested that Mr. El Emary take the chair for some of the consultative group meetings for West African countries. Mr. McNamara also suggested that other senior staff in the Bank might be used for similar jobs. He asked Mr. Demuth to prepare a schedule of consultative group meetings in FY70 and FY71.

Mr. McNamara asked Mr. Broches whether the establishment of a Japanese office would need Board approval. Mr. Broches said that, since it would come up prior to the discussion of the FY71 budget, he would recommend a paper to the Board for information but without asking for a formal resolution. Mr. McNamara asked Mr. Ripman to prepare the draft paper.

Mr. McNamara pointed to the critical shortage of secretarial staff in the Bank. He asked Mr. Ripman to make a special effort to recruit secretaries both in the U.S. and abroad to overcome bottlenecks now existing in several Departments. The Bank should not hesitate to pay travel expenses from abroad and it should also ensure that all secretaries be hired at a salary level geared to their level of competency, and not, as at present, at the lowest point in their respective salary classification.

Mr. McNamara mentioned that he had asked Mr. Demuth to study the Bank's relationship with regional development banks both with respect to parallel financing of projects, as well as the purposes served by the Bank's country economic missions.

Mr. McNamara asked Mr. Gaud to inform him about IFC's relations with ADELA.

Mr. Friedman mentioned that his study on export credit facilities in developing countries would be ready by the first week of April.

Mr. Clark mentioned that Mr. Wieczorowski had been under Congressman Passman's scrutiny last week. It had been particularly depressing to hear that "IDA was the worst form of foreign aid". Mr. McNamara had told Mr. Wieczorowski that the Bank's basic rule was to make available any information about the Bank Group requested by proper representatives of member governments. More generally, he felt there was a need for more "success stories" about development assistance and asked Mr. Clark to prepare a list of possible stories which would reveal the effectiveness of the Bank Group's work. This might include write-ups about our sector involvements as well as wider topics such as the world production of electric power.

Mr. Aldewereld mentioned that the Pension Committee had hired the computer services of a U.S. firm which would enable it to compare its performance with about 300 other pension funds in the U.S. The Committee had also recommended an additional investment fund manager.

President's Council Meeting, March 9, 1970



Present: Messrs. McNamara, Aldewereld, Broches, Demuth, Friedman, Gaud, Cope, Clark, Mendels, Ripman

Mr. Mendels distributed a list of proposed staff attendance at the Annual Meeting in Copenhagen. Mr. McNamara wished to limit participation to no more than 80 staff members. Perhaps even some reduction below that level would be desirable. PC members were asked to submit their comments on the list for later discussion in the President's Council.

Mr. McNamara summarized the findings of the Peterson Report which had come out with strong support for the World Bank. He also mentioned that at least five countries would speak in favor of the \$1 billion figure at Tuesday's IDA meeting in London.

Mr. Gaud said that, while the Peterson Report was favorable to multilateral aid, it would fragment the organizational structure of the U.S. bilateral aid program and eliminate most of AID's field staff. The latter implied a sharp reduction of U.S. technical assistance abroad.

Mr. McNamara said he would visit Paris next weekend and would have meetings with President Pompidou and other Government officials on March 16. He mentioned that Mr. Pompidou's speech in San Francisco had indicated French support for multilateral aid.

Mr. Friedman referred to the proposed external debt study for Latin America and said CIAP planned to ask for both Fund and Bank cooperation. The details were still unclear. Mr. McNamara asked Mr. Friedman to send him a copy of the Venezuelan Resolution in which the study had been requested. He also asked Mr. Cope to suggest how the Bank should be organized to deal effectively with future debt rescheduling requests. The proposal should also designate staff who would work on this matter.

Mr. Demuth referred to discussions in the U.N. regarding the proposed overall review machinery of development efforts. At the moment, it was unclear what action would be forthcoming. So far the only concrete proposal with wide support was that the Secretary General should prepare annual reports on this matter. Mr. McNamara also mentioned that the joint report prepared by the U.N. panel of consultants reviewing the Capacity Study had made no reference to the work of the World Bank Group and that the Russian and Hungarian consultants had in separate briefs expressed highly critical comments on the Bank's role in development.

Mr. Gaud asked whether the Bank had considered asking the regional development banks to participate in country economic missions. Mr. McNamara said that Mr. Demuth was in the process of studying this and other related matters. He had for some time queried the proper division of labor between the regional banks and the World Bank Group.

Mr. Cope reported that Mr. Chaufourrier was returning from Nigeria after very useful meetings with the Government.

Mr. McNamara asked about the status of the report on the Bank's dining room facilities. Mr. Ripman said that it was almost completed and would soon be submitted.

Mr. McNamara thought the Bank's Young Professional Program was generally considered successful. Perhaps the Bank should expand this Program. He asked Mr. Ripman to examine future Bank requirements with respect to YPs, how many should be

President's Council Meeting

recruited each year, and what budget allocation should be made for this purpose in the FY71 budget. Mr. Gaud said IFC was now more interested in the YP Program than in the past, but essentially with respect to those with a business orientation. Mr. McNamara said he was inclined to favor enough specialization of YPs so that they could also be used in the functional units of the Bank and IFC. Mr. Friedman asked that the study also attempt to evaluate the training experience considered most useful within the Bank. He thought it was a mistake to exclude YPs from the Economics Department.

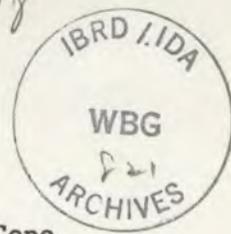
Mr. McNamara asked the PC members to suggest a theme for his Annual Meeting speech in September.

In regard to the proposed Tokyo office, Mr. McNamara mentioned that he planned to brief the Board orally at Tuesday's meeting.

Mr. McNamara had been surprised at the high level of non-salary costs at overseas resident missions. He asked Mr. Ripman to compare the Bank's field office costs with those of large business corporations, as well as the U.N. agencies and USAID. He suggested that, if necessary to reduce field office costs, the Bank should not hesitate to purchase housing for use by the staff.

LEChristoffersen
March 11, 1970

8 27/5/8



President's Council Meeting, March 23, 1970

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

Mr. Demuth mentioned that the UNDP Governing Council had had further discussions on the Jackson report. It appeared that Mr. Hoffman might agree to specific target figures for UNDP assistance to each recipient country. Mr. McNamara thought it was inevitable that the UN would move in this direction. The Bank should now encourage the UNDP to emphasize sound project selections within these target figures.

Mr. Aldewereld thought he noticed a slight improvement in the U.S. capital market. He mentioned that a cable had been received from Dr. Guth encouraging the Bank to consider a new German bond issue. Mr. McNamara asked Mr. Aldewereld to check with Mr. Hanemann whether the German Government would agree.

Mr. McNamara asked Mr. Aldewereld and Mr. Broches to ensure that this year's audit report would be ready for proper Board presentation. The present auditing arrangement ought to be strengthened. He wished the firm to know that the Bank desired a thorough in-depth audit, which should be presented directly to the Board at a meeting when the Bank's management was not present. The Bank deserved better protection under its auditing arrangement and should not hesitate to move to another auditing firm, if necessary, to strengthen these services.

Mr. McNamara pointed out that the present status report on the FY '70 lending program indicated that another 81 projects were scheduled for Board presentation before the end of June. He thought it would be a mistake to try to get all these projects to the Board within this period and suggested that several of these be removed from this year's program and, instead, carried over into FY '71. The Council members agreed with this proposal and Mr. McNamara asked Mr. Aldewereld and Mr. Cope to meet with him after the President's Council meeting to decide which projects should be removed.

Mr. McNamara asked about the status of the proposed ecological unit in the Projects Department. He mentioned that it had been agreed that the Bank employ a competent ecologist on a fulltime basis to work directly under Mr. Chadenet. The Bank would also use the services of an outside consultant of international stature. Mr. Demuth mentioned that Mr. Baum was currently trying to recruit the fulltime ecologist.

Mr. McNamara pointed out that since January 1968 only one German had been admitted to the Young Professional program. He also pointed out that the French Government, through Mr. Plescoff, had accused the Bank of refusing to hire French professionals who had no UK or US university education. While the latter was not true generally for the French staff in the Bank, it was a fact that of eight French Young Professionals recruited since January 1968, seven had degrees from Anglo-Saxon universities. Mr. McNamara asked Mr. Demuth and Mr. Ripman to work out a proposal which would ensure that more Germans were recruited into the program, that recruitments were intensified in the non-Anglo-Saxon universities, and that the Bank avoid giving preference to candidates with PhD degrees.

President has seen

In regard to the proposed CIAP external debt study, Mr. McNamara had asked Mr. Cope and Mr. Kamarck to supervise the Bank's part of that study. Mr. Cope said that he would next prepare a list of countries for which individual debt studies should be made.

Mr. McNamara referred to the proposed new standard table for the Country Program Papers, which had been prepared by Mr. Adler. He asked Mr. Cope to find out from Area Departments whether the new table format would adequately take care of their own requirements. He also asked that the Programming and Budgeting Department take steps to ensure that the Bank avoid inconsistencies with respect to debt service figures. He had noticed that a recent speech by Sir Denis had referred to different global debt service figures than those used in the Pearson report or in recent "IDA replenishment" documents.

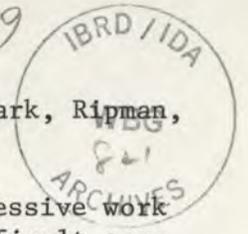
Mr. Broches reported on a recent meeting on the proposed International Investment Insurance Agency. It had indicated further support for this scheme but he was not yet convinced that the majority of countries would in the end go along with the proposal. The next step was to clarify which substantive points the reluctant countries would or would not agree to. Once this has been ascertained, it would be easier to work out the details of the scheme.

Mr. McNamara reported briefly on his recent visit to Paris.

LEChristoffersen
March 27, 1970

President's Council Meeting March 30, 1970

821/5/9



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

Mr. Knapp reported on his visits to Indonesia and India. Impressive work is being done by the Bank's mission in Djakarta in face of extremely difficult economic conditions. A forthcoming problem would be the recruitment of replacements, since the tours of duty of many of the present staff members in the Resident Mission were about to expire. In India he had been somewhat reassured by general progress in the economy but had been disturbed about the poor relations which existed between the Bank and the Government.

Mr. Kamarck mentioned that, during discussions of the commodity stabilization study last year, the EDs had asked the Bank to help developing countries identify barriers to their export potentials. Through a cooperative agreement with GATT, the Bank would now be obtaining information on a regular basis about both tariff and non-tariff barriers to such exports.

ILO had expressed considerable interest in providing on a regular basis employment specialists to Bank economic missions. If such an arrangement proved satisfactory to the Bank, ILO would plan to expand its staff in this field.

Mr. Kamarck also said that during the upcoming Annual Meeting of the Asian Development Bank representatives of the Economics Departments of the Bank and the regional development banks would meet to discuss matters of common interest. Three points were of particular interest in this respect: external debt reporting, the Bank's system of comprehensive country economic missions, and improvements in statistics in developing countries. On the last point Mr. Kamarck hoped to get the regional development banks to become much more actively involved. On his way to Korea, he planned to stop in Japan and visit the Asian Statistical Institute. The UN Statistical Office is presently not very effective.

Mr. McNamara asked Mr. Kamarck to obtain information on the number of economists employed by the various regional development banks and their plans for future expansion of economic staff. He also asked Mr. Kamarck to explore how useful the Bank's country economic reports were to these institutions.

Mr. McNamara asked Mr. Kamarck to work with Mr. Cope to ensure that the timetable and the size of the Bank's economic missions became more uniform.

Mr. Gaud mentioned that he had been approached by Portuguese entrepreneurs on possible IFC support of a DFC in the private sector in Portugal. Mr. McNamara asked Mr. Gaud to inform him of further approaches. There was no reason for Mr. Gaud to brush off this request, but he was advised to proceed carefully.

Mr. Gaud also mentioned that the ADELA mission had just returned with a generally favorable reaction to an IFC participation.

Mr. Gaud mentioned that representatives for the Onassis group would be meeting with IFC to discuss further financing needs. Mr. McNamara said he was concerned about the economic situation in Greece and thought that there was a considerable risk involved in further Bank or IFC involvement there.

Mr. Gaud also mentioned that he planned to attend the Annual Meeting of PICA in Honolulu.

President has seen

Mr. Clark mentioned that the draft outline of Part II of the 1970 Annual Report would be discussed in an informal meeting after Tuesday's Board Meeting. He mentioned that the Annual Report would include some mention of IFC activities under the chapters on industrialization and tourism. Mr. McNamara also asked that the Report include summary data on IFC.

Mr. Ripman referred to his proposal for re-establishing the 12th floor Executive Dining Room. It was generally agreed that it would be unwise to differentiate in terms of staff rank between the two facilities. Using the price mechanism would seem generally more acceptable. Mr. McNamara asked Mr. Ripman whether the Bank's food services were under a single management. Mr. Ripman pointed out that this was under Mr. Jones; with a submanager for the cafeteria. An outside contractor provided certain personnel services. Mr. McNamara urged that Administration Department review the food management services in total and perhaps coordinate their expansion plans with those of the IMF. Mr. McNamara urged Administration Department to provide prompt action on the opening of the new dining room. Mr. Ripman should also make efforts to reduce the financial losses of the Bank's food services. He wanted detailed information on operating expenditures during the last years, including an analysis of the cost per meal served as well as the cost per staff member. It would be useful to compare these with those of the IMF.

Mr. Broches reported that the details of a new auditing arrangement were being worked out with Mr. Aldewereld. It would soon be submitted to the auditing firm.

Mr. McNamara said that both Mr. Pompidou and the French Prime Minister had pointed out that they considered multilateral organizations generally inefficient. For example, their calculations showed that a UNESCO mission appeared twice as costly as a comparable FAC mission. Mr. McNamara urged that the Bank carefully watch inefficiencies. In this context it was particularly important to ensure that country economic missions did not become too large and that the Bank ensured as low staff representation as possible at the Annual Meeting in Copenhagen.

Mr. McNamara mentioned that the Bank was currently negotiating with the American Express about a new travel service arrangement within the Bank.

Mr. McNamara also urged Mr. Kamarck and Mr. Cope to review the timetables for economic missions and to ensure that these became more uniform. He was particularly anxious to reduce the differences between the return of missions and the completion of the green cover reports.

Mr. Kashiwagi had visited Mr. McNamara last Tuesday. The proposed Bank office in Tokyo had been discussed and it was agreed that upon the return of Sir Denis a Bank staff member would go to Tokyo and finalize these details. Mr. McNamara mentioned that Mr. Kashiwagi had expressed his Government's interest in establishing a third interest rate category for lending from the World Bank Group. Mr. McNamara had said that he basically favored such a proposal but that, under the present circumstances, it would not be possible to implement it. Mr. Knapp thought the intermediate lending rate proposal largely resulted from Japan's desire to have more countries in Southeast Asia and the Far East participate in IDA financing.

LEChristoffersen
April 3, 1970

821 / 5/10
April 9, 1970

President's Council Meeting, April 6, 1970



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

Mr. Knapp mentioned that Mr. McNamara would like to have the operating Departments complete a "project log sheet" of loans and credits approved by the Board since July 1, 1968. A sample had been distributed to the PC members the previous week. Mr. Christoffersen said Mr. McNamara had suggested that, in order to complete this work within the next week or so, perhaps both the Area and the Projects Departments could split up this work among them. Mr. Knapp suggested that he and Mr. Aldewereld meet after the meeting and decide how to proceed on this matter. (It was then decided that it would be best to coordinate this task through the Area Departments only, and the Area Directors agreed to have the job completed on Wednesday, April 15.)

Mr. Demuth reported that discussions in New York on the UNDP and the Jackson Report had proved to be very unproductive and confused. There were indications that the U.S. Government would insist on keeping Mr. Hoffman in office until the end of the next appropriations period.

Mr. Demuth asked Mr. Ripman to review the current Bank staff travel policy. On his return from Europe, he had traveled together with a Young Professional on first class, while a Division Chief in his Department had to travel tourist class on the same plane. Mr. Demuth thought this differentiation was bad for staff morale.

Mr. Friedman reported on his visit to Pakistan. In his opinion a split between East and West Pakistan could be avoided. It was also clear that the East Pakistan Government seemed extremely eager to have the Bank Group become more deeply involved in East Pakistan. An advisory role similar to that of the Bank's Resident Mission in Indonesia had been suggested. He also thought a devaluation of the rupee was likely, but perhaps not by as much as the Fund and the Bank would wish.

Mr. Ripman mentioned that he was discussing with the Fund the possibility of a general salary increase for both professional and non-professional staff effective as of April 1. Apparently the Fund did not agree to apply this for professional staff and he understood Mr. Schweitzer would be calling Mr. McNamara in Bellagio on this matter.

LEChristoffersen

President has seen

821/5/11
April 17, 1970



President's Council Meeting, April 13, 1970

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

Mr. Knapp reported on last week's visit by Mr. Moeller, German Minister of Finance. Discussions had centered around the next IDA replenishment. The Minister had initially taken a rather stiff and defensive posture and had indicated that both France and the U.S. exerted pressure on Germany to increase its bilateral aid programs. However, at the end of the meeting, the Minister did say that he personally was favorable towards IDA and had expressed that Germany would not stand in the way of the U.S. Government's desire to reach the \$1 billion annual level.

Mr. McNamara said that his own meetings in Europe last week had also indicated that Germany now would be prepared to support a higher IDA figure. A major problem was that the aid program was used as a tool of Germany's foreign policies to ensure that the Hahlstein Doctrine was effective. As a result Germany now had bilateral aid programs with 90 different nations. The Germans had also said that an increase in multilateral aid would be difficult since increases in the bilateral aid program were called for. At the same time they thought perhaps the Bank was too much a "rich man's club."

Mr. McNamara pointed out that this attitude indicated the existence of a more general problem which the Bank was experiencing in several other countries. While we usually had reasonably good contacts with the ministries of finance and the economic planning units in various countries, the Bank made few efforts to keep in touch with the foreign ministries in those countries. These were the ministries which usually gave instructions to country delegations on which positions to take at international meetings.

In general he was very much concerned about the Bank's relationship with its member countries, particularly at a time when aid programs were in a flux and when several reports had called for changes in present aid policies and practices. There were likely to be demands for new institutions in the development field under these circumstances. He asked Messrs. Demuth and Shoaib to watch out for any problem which might arise in this respect and suggested that any matter of importance be brought promptly to his attention. The Bank's EDs should become more acquainted with difficulties of this kind.

Mr. McNamara had also noticed that the Soviet Bloc was particularly critical of the Bank Group at present. Another major difficulty ahead was to define the proper role of regional development banks.

The Bank should also be sensitive to changes in relationships between international agencies. Whenever possible the Bank should seize the opportunity to gain support among the developing countries for important policy decisions on development issues. As donor countries were increasing aid programs, they were becoming more concerned about the supervision of their aid efforts. This was particularly true for the small- and medium-size donor countries but also applied to such countries as Germany. The Bank should make sure that it also tried to assist these countries' bilateral programs. It could sponsor more parallel financing with bilateral aid agencies. It might also help these countries more actively within the framework of the Bank's Consultative Group arrangement. Furthermore it could assist in supervising international competitive bidding procedures under bilateral programs.

President has seen

Mr. Clark said that, during his recent trip to Scandinavia, he had met with the heads of the Nordic aid agencies. They seemed anxious to work closely with the Bank, but public opinion in these countries sometimes created a problem for them since the Bank was thought to be controlled by the rich countries. However, Mr. McNamara's Columbia University speech had been received well. It was being reprinted in three different Scandinavian languages.

Mr. McNamara mentioned that similar concern had prevented the establishment of new population research programs at the Karolinska Institute and at the proposed new research institute, ACORD.

Mr. McNamara said that Mr. Michanek of SIDA, apparently influenced by criticism against the Bank at the UN, now thought the Bank should be relegated a more narrow role in development, while UNDP should be asked to take a more central role. Mr. McNamara suggested that there were two ways the Bank could impress world opinion of its wider interests and concern: special news features might be prepared on loans to countries where Bank projects were having a particularly interesting developmental impact, and the Bank could also provide more help to bilateral aid programs. He had been approached by a SIDA official at Bellagio on a project in Ethiopia which appeared to be jeopardized by Bank recruitment of the project manager SIDA intended to use for this project. He had asked Area Department to see whether the Bank could help SIDA on this matter.

Mr. Broches pointed out that another small country, Switzerland, was becoming more active in the development field, particularly through participations in regional development banks. Mr. McNamara said his major concern was to maximize the efficiency of the world's development effort. He was convinced the Bank had an important role to play in that context. He hoped more of the Bank's member countries, both the rich and the poor, would speak up about the effectiveness of the Bank's work.

Mr. Friedman thought some developing countries had felt "let down" on such issues as the commodity study and program lending. Mr. McNamara acknowledged that the Bank in the past had not always helped achieve broad support for certain policies advocated by developing countries. However, he was quite prepared to stand up more vigorously for sound policy changes whenever the Bank believed these were right for development. If in that process the Bank did not receive adequate support to carry out such action, he would make it clear to the world which countries had stopped the Bank from doing so.

Mr. Knapp mentioned that the Columbia University speech had caused some concern within CIAP, both because CIAP considered Mr. McNamara's speech an intrusion into their affairs and because it appeared somewhat "interventionistic" to Latin American countries.

Mr. Ripman said that the draft Board paper on a general salary increase would be submitted to Mr. McNamara at the end of the day.

Sir Denis mentioned that a cable had been sent to Mr. Soejema with an offer to appoint him as head of the new Tokyo Office. Mr. McNamara mentioned in that connection that the Interamerican Development Bank would open an office in Paris soon.

Mr. McNamara asked Sir Denis to follow up his discussions with the Belgian Minister of Development Aid. The Minister had mentioned to Mr. McNamara last week in Europe that a law had been passed in Belgium aimed at achieving the Pearson recommendation regarding the level of official aid (0.7% of GNP). Belgium appeared ready to support a high level of IDA replenishments. Sir Denis was advised to get in touch with the Belgians prior to the Vienna meeting of the Deputies.

Mr. McNamara mentioned that during the Bellagio Conference he had read four excellent papers on the population problem. These would be circulated to Senior Staff within the next week.

Mr. McNamara said that he had seen a reference to a UNDP study on the high cost of consultant services for World Bank studies. He asked Mr. Demuth to look into this and prepare a note to him on this question.

Mr. Broches mentioned that Mr. Mendels had prepared a memo on nominees for the Executive Board's Audit Committee. Mr. McNamara agreed to his suggestion that the Board paper should be first discussed in the Board, before the President submitted the nominees for their approval. Mr. McNamara said that he would prefer to exclude Alternate EDs from that Committee.

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821/5/72

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President's Council Meeting, April 20, 1970

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

Mr. Knapp recommended that Bank staff be encouraged to read Ambassador Martin's introduction to the 1969 OECD/DAC Report. Mr. Demuth agreed to circulate it to the staff. Mr. Knapp also complemented the paper prepared by Mr. de Vries on the creditworthiness problem. Mr. Friedman mentioned that Mr. de Vries had been asked to publish this article in an economic journal. Mr. McNamara urged Mr. Friedman to have the draft study carefully examined by PC members as to its suitability for publication.

Mr. McNamara referred to the draft Board paper on Bank employment of expatriate project managers. He thought 25 positions were too much to ask the Board to approve. In particular the problem of managerial capabilities within government agencies was a delicate issue which directly involved the question of UNDP's jurisdiction in technical assistance affairs. He would favor a more gradual approach. It was agreed that the Board paper would propose 15 project managers over a period of one year. Development Services Department would be responsible for monitoring this arrangement. Mr. McNamara asked Sir Denis and Mr. Shoaib to test the Board's reaction to this proposal before the paper was formally submitted.

Mr. Ripman referred to the proposed general increase in staff salaries. The Fund seemed now willing to accept a general increase for both professional and non-professional staff. He planned to meet again with Fund officials on Tuesday.

Sir Denis mentioned that Mr. Suzuki had been informed that Mr. Soejima had in principle accepted the job as head of the Tokyo Office. Mr. Soejima would be in Washington for the week of May 4-10. He would not take up his duties until after the Annual Meeting. November 1 had tentatively been set as the opening day. Sir Denis also said that Mr. Suzuki had informed him of Japan's intentions to support a \$1 billion replenishment level for IDA, provided other nations also agreed.

Mr. McNamara thought the major bottlenecks remaining were the positions of Germany and France. He planned to call Minister Eppler on the telephone later in the day.

Mr. Aldewereld discussed progress made on the FY70 program and the latest estimates for FY71. It was agreed that the Pakistan Education credit should be processed in FY70. A decision on whether the signing would take place in June or July could be postponed until June. Mr. McNamara thought two basic weaknesses of the FY71 program arose from creditworthiness uncertainties, and the conceptual framework in which to determine proper net capital flows. Comprehensive discussions on these two issues would be held in late summer or in the fall.

Mr. McNamara said Mr. Kochman had invited him to meet informally with the Board's Administrative Committee. Perhaps they might wish to discuss with him the present system of processing loan documents through the Board. Mr. Knapp recommended that, prior to that meeting, Mr. McNamara review the Escobar report of June 1968 which discussed this subject matter.

Mr. Aldewereld outlined the Bank's financial needs in the years ahead and said that, while little net new borrowing was needed in the first few years, substantial volumes would be needed beginning in FY74 and FY75.

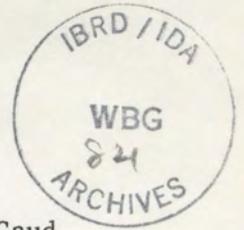
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April 24, 1970

President has seen

821/5/13

April 29, 1970



President's Council Meeting, April 27, 1970

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

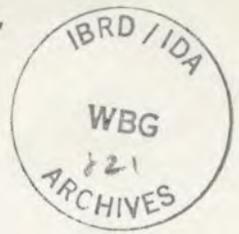
Mr. McNamara said that an English-speaking Greek newspaper in New York had printed a news story in which Mr. Knapp, at the recent signing ceremony for the Greek loan, had allegedly expressed support for the political activities of the present Greek Government. Mr. McNamara mentioned that he and Mr. Knapp, together with Mr. Clark, had decided to respond directly to these charges and a rebuttal would be sent to the newspaper.

Mr. McNamara referred to the Jack Anderson article in Sunday's Washington Post which had blasted the Bank for supposedly investing U.S. taxpayers' money in interest-bearing U.S. securities. Mr. McNamara said that Mr. Clark would prepare a reply to these charges, pointing out the factual differences between IDA and World Bank operations. It would be cleared with Messrs. Broches, Aldewereld and Rotberg.

President has seen

821/5/74

May 15, 1970



President's Council Meeting, May 4, 1970

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

Mr. McNamara referred to the table prepared by the Controller's Department on the time profile of undisbursed loan commitments in recent years. It had shown that there were significant changes from year to year. Mr. Aldewereld mentioned that Mr. Rovani in the Project Department's front office had conducted a similar exercise specifically for power projects. Mr. McNamara asked that a staff member in the Controller's Department be assigned full-time responsibility for monitoring these undisbursed amounts.

Mr. Knapp said that the appraisal reports tended to show "a most ideal" disbursement schedule rather than the actual time schedule expected by the project staff. The purpose of this was to encourage the borrower to draw down the loan as quickly as possible. However, it created problems for a possible Board paper on this subject matter since the lag between anticipated and actual disbursements would therefore be somewhat larger than what the staff considered having occurred. Mr. McNamara suggested that this difficulty could be avoided by imposing a slip-page factor. Information of this kind ought to be made available to the Board on a regular basis. The press was becoming increasingly more interested in this issue.

Sir Denis reported on the Deputies meetings in Vienna. The next meeting would be held on May 19 in Paris.

Mr. Demuth reported that at the ACC meeting in Vienna it had been proposed that ACC agenda in the future perhaps focus attention on specific subject matters. As a first step, FAO had been asked to prepare an outline for a discussion on the "green revolution."

The Heads of Specialized Agencies expressed opposition to de Seynes' proposal that UNDP set up interdisciplinary country teams as a step to help improve coordination in the multilateral development system. Initially, it was expected that these teams would be sent to the small and most retarded of the developing countries, but it was also clear that this activity would eventually cover all countries under the UN system. Thus, it would duplicate the work of the Bank's economic reports.

Mr. McNamara said he planned to schedule Board discussion on the Pearson report recommendations during the month of July. Mr. Demuth was asked to consider how these meetings should be organized.

Mr. Demuth said the British Ministry of Overseas Development had supported the proposed scheme to finance international agricultural research institutions. In Germany, Minister Eppler had also been generally favorable, but seemed rather reluctant if it meant having to set up a separate fund for this purpose. Mr. Demuth had assured him there was no need to do so.

President has seen

Mr. McNamara thought the recent proposal to establish an international science foundation was partly based on the premise that it might help reduce the brain drain from LDCs to developed countries. Mr. Demuth should follow this proposal and consider whether the Bank might have a role to play.

Mr. McNamara referred to Mr. Demuth's note on the high cost of Bank-executed studies under UNDP projects. It appeared that Bank studies were indeed costlier than those of other agencies, perhaps because they were of better than average quality and were completed in a relatively shorter span of time. He asked Mr. Demuth to reexamine this point with Messrs. Aldewereld, Chadenet and Baum and propose what action the Bank should take.

Mr. Kamarck reported on recent CIAP meetings on the proposed external debt study. The IMF Board had been reluctant to cooperate with CIAP. He had repeated the position expressed earlier by Mr. Ross, that the Bank would participate to the extent that available staff and time permitted it to do. Further meetings during 1970 would explore the basic problems involved. Sometime in 1971 CIAP would attempt to arrive at solutions to these problems. The U.S. representative thought the study appeared to be too narrowly focused. Mr. McNamara disagreed that the Bank should take such a passive role as indicated by the phrase "as available staff and time permits." He asked Mr. Knapp to meet with Messrs. Demuth and Cope before tomorrow's meeting and organize a more positive Bank approach. He would thereafter meet with Mr. Knapp and Mr. Aldewereld to finalize the Bank's position.

Mr. Demuth mentioned that Mr. Sanz de Santamaria, during his meeting with Mr. McNamara in the afternoon, was likely to bring up the problem of aid coordination in Latin America and the usefulness of the Bank's country economic reports. CIAP had been unhappy about the Bank's active role in arranging the Honduras Consultative Group meeting, despite the fact that it was the Government itself which had requested such assistance from the Bank. Mr. Broches said that some criticism towards the use of the Bank's economic reports was based on the fear that these documents represented the same bias in favor of the Part I countries' viewpoints as the Bank's weighted voting system indicated. Mr. McNamara said the Bank would have to do something to convince the LDCs that their economic reports were products of independent staff work, and not of the Bank's Board of Executive Directors.

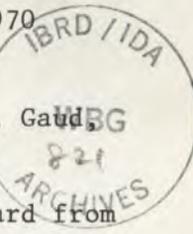
Mr. McNamara outlined the major points discussed at a Fiscal Year '71 budget meeting held the previous week.

L. E. Christoffersen

President's Council Meeting, May 25, 1970

821/5175
June 2, 1970

Present: Messrs. McNamara, Knapp, Demuth, Friedman, Rickett, Shoaib, Clark, Gaud, Chadenet, Nurick



Sir Denis reported that neither Australia nor Belgium had been heard from on the question of IDA replenishments, but both of them would apparently agree to the \$800 million figure. Among the smaller countries, Austria still supported only a \$600 million level, while nothing had been heard from South Africa and Kuwait. Mr. McNamara said it was important to cable Kuwait promptly on this matter. Mr. Shoaib undertook to do so. Sir Denis planned to distributed the relevant documents to the Deputies from the Part I countries no later than June 7. Mr. McNamara asked Sir Denis to prepare the voting rights paper on the assumption that South Africa would not contribute to the third IDA replenishment. A final meeting of the Deputies would be held in Washington on June 24. The replenishment Proposal would go to the Board in the middle of July.

Mr. Knapp strongly recommended that the official IDA replenishment level under the present circumstances not be set at a figure higher than \$800 million since it was important for subsequent replenishments to maintain the U.S. share of contributions by a percentage figure of no less than 40%.

Mr. McNamara said it was imperative to finalize the Third IDA Replenishment promptly, particularly since there was some opposition, for example in Western Europe, to certain operations by the World Bank Group. The Scandinavian countries had strongly objected to the Greek DFC loan. On this point, Mr. McNamara said that the Bank should under no circumstance appear to endorse the economic policies pursued by the Greek Government. Mr. Clark had written a stern rebuttal when a Greek language newspaper in New York made such a suggestion some weeks ago. Another critical comment had been made in an article in the (London) Guardian which attacked the Bank and the Fund for expensive and conspicuous Paris offices. The DFC loan to Israel was another project which had aroused opposition in several member countries.

Mr. Friedman reported on his meetings with CIAP on the external debt study. He planned to inform CIAP about the Bank's own study and to suggest that CIAP await further action until this study was finalized some time in the fall. The Brazilian Government had voiced opposition both to the external debt study and to the suggestion that the Bank would attempt to devise an "early warning system" on external indebtedness. Mr. Knapp mentioned that Mr. Kafka, ED for Brazil in the Fund, had voiced similar objections.

Mr. Demuth reported that CIAP had now agreed to include Bank economic reports in its documentation for consultation meetings. Mr. McNamara said it was therefore particularly important that the Bank see to it that country economic reports were issued with a minimum of delay after the mission's return.

Mr. Demuth mentioned that Paul Hoffman had produced a report on the UNDP country programming work which clearly spelled out that this exercise would relate only to the pre-investment work and the technical assistance supplied by UNDP itself.

Mr. Clark said that the draft Annual Report would be circulated to the PC for comments within the next few days.

Mr. Nurick outlined the problems of the IDA voting issue. It had been agreed that the Bank would undertake to do a study on the need to amend the IDA Articles of Agreement. It would be ready in about a year's time.

President has seen

Mr. Chadenet mentioned that Mr. Plescoff had queried the absence of an arbitration clause in the legal documents for the recent Colombian power project. Mr. Nurick said that the Bank usually would only insist on the inclusion of such a clause if its absence restricted international competitive bidding procedures. Mr. McNamara thought that this was precisely Mr. Plescoff's point and requested that the Bank examine its general procedures of this matter and report to the Board within a few months.

Mr. McNamara mentioned that the deterioration in the German capital market had caused a postponement in the proposed bond issue in Germany. However, Japan had indicated that it would be interested in providing another \$200 million before the end of the calendar year. Perhaps \$100 million could be obtained before the end of June.

Mr. McNamara reported on the OECD meetings in Paris. He suggested that Mr. Demuth obtain the most interesting documents distributed for those meetings and circulate them to the PC. The Bank had been advised to prepare a statement on the need to untie development aid. Mr. McNamara asked Mr. Demuth to prepare a study on this question, drawing upon knowledge available in the Projects Departments and among the economic staff, as well as on work being undertaken by OECD. PC should be informed periodically about progress on the study.

Mr. McNamara said that it was becoming increasingly apparent that improvements in domestic capital markets had high priority in many developing countries. He asked Mr. Gaud to explore where work on this problem should be located within the World Bank Group and to assign a staff member to be responsible for the coordination of work and action by the Bank in this field.

Mr. McNamara said that the FY71 budget had been finalized. However, it was quite clear that the Bank did not yet have an adequate and satisfactory budgeting system. For example it was imperative to re-examine certain cost structures in the Bank, particularly those relating to travel, representation, and the cost of overseas field staff.

LEC

821 / 5 / 16
June 16, 1970



President's Council Meeting, June 8, 1970

Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Demuth, Gaud, Kamarck, 821
Ripman

Mr. McNamara referred to the proposed U.S. Congressional bill authorizing the next instalment of the current IDA replenishment. Three restrictive provisions had been attached by the Committee. Mr. McNamara asked Mr. Broches to have a lawyer review the text of the bill and examine its legislative history. Mr. Broches would become responsible for ascertaining what action the Bank would need to take on this matter. He should also review disclosure procedures of other international organizations.

Mr. McNamara thought the Bank might possibly accept the implications of two of the provisions, those on project documentation and on information with respect to organizational matters. However, Mr. McNamara queried how far one should go to accommodate the proposed GAO audit without jeopardizing the Bank's integrity. Mr. Aldewereld agreed to prepare a joint statement about external and internal auditing arrangements. Furthermore, in August a pilot project would be set up under the P&B Department, staffed initially by three professionals, to audit the end results of projects.

Mr. McNamara thought the Bank had to become more responsive to public interests. Mr. Broches mentioned that during the Bank's early years a project progress report was regularly sent to the Board one year after approval. Mr. McNamara asked Mr. Broches to be responsible for ensuring that the Bank take appropriate steps vis-a-vis member countries to strengthen public interests in multilateral organizations.

Mr. Aldewereld reviewed the factors responsible for this year's increase in Bank Group staff: it was operating in more "very poor" countries, a larger amount of technical assistance was needed to prepare projects, and it was entering new sectors. Mr. McNamara asked him to prepare a note on the lack of staff in the Bank's operating Departments. Particular attention should be paid to Mr. Evan's memo on the FY72 agricultural lending program, as well as requests for larger Bank involvement in countries such as Yugoslavia.

Mr. Knapp thought it would be essential for the Bank to establish an Appeal Court for personnel matters. Mr. Broches mentioned that UN had set up an Administrative Tribunal for this purpose. Mr. Gaud expressed the opinion that the World Bank Group was in need of a more "formal" system than it now had. Mr. McNamara asked Mr. Ripman to propose what action should be taken. A major concern should be that the system was both efficient and equitable.

Mr. McNamara reported briefly on his visit to Colombia. The political situation certainly appeared difficult. On the operational side more funds seemed to be needed for local DFCs.

Mr. McNamara asked Mr. Gaud to prepare on an annual basis an analysis of the assessed market value of IFC assets. He would like to review this point with Mr. Gaud before the Annual Meeting.

Mr. Demuth mentioned that informal discussions with U.S. officials had revealed that the U.S. position expressed in OECD last month on the untying of aid did not imply that much action was expected to be forthcoming. The U.S. was not interested in untying aid for consultative groups alone, but wished to promote such action on a general scale among the industrialized countries. They had asked for a study on this problem.

President has seen

Mr. Kamarck said that the Bank had received good cooperation from all industrialized countries on the new system whereby creditor nations provide external debt data for developing countries. The exception was the U.S. and he asked for guidance as to how to proceed. Mr. McNamara asked him to talk to Mr. Wiczorowski after the end of the fiscal year.

Mr. Aldewereld reported on his recent trip to Europe. There was some possibility that further bond issues might be permitted in the U.K. after the next election. He had also been quite encouraged by his visit to Yugoslavia. The UNDP project to develop the Adriatic coastal region had been very useful and there was interest in IFC involvement in three different hotel projects. Indeed the Government had complained that the World Bank Group did not move quickly enough in this field. Mr. Aldewereld felt that in general more Bank funds should perhaps be made available to Yugoslavia.

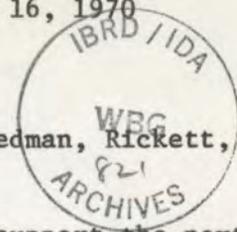
Mr. McNamara asked that Messrs. Knapp and Aldewereld meet with him on Monday, June 22, to discuss the Bank/IDA lending programs for FY71 and FY72.

LEC

821 15/17
June 16, 1970

President's Council Meeting -- June 15, 1970

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



Sir Denis reported that Kuwait had informed IDA that it would support the next replenishment, thus leaving Australia and Austria the only Part I countries not yet in favor of the \$800 million level. Mr. McNamara said he would meet later in the week to discuss this matter with Mr. Broches and Sir Denis.

Mr. McNamara referred to his memorandum to the Board on the Pearson Report recommendations and requested guidance from the President's Council as to which procedures should be adopted when the Board discussed these matters in July. He had not yet decided what decision should be sought from the Board, except that action was required on the financing of agricultural research institutes and the establishment of a technical assistance corps. It was agreed that Mr. Demuth would circulate excerpts from speeches and statements made by Mr. McNamara in regard to Bank commitments to respond to the Pearson recommendations. The PC would meet at a special meeting Wednesday morning at 9:30 to discuss this point.

It was also agreed that Mr. McNamara would meet with Messrs. Knapp, Aldewereld and Friedman on Thursday at 11:00 a.m. to discuss the Bank's interest rate and future profit transfers to IDA. Mr. Adler's draft memoranda on these two issues would be ready Wednesday afternoon.

Mr. McNamara mentioned that the project log sheet for FY69 and FY70 had been finalized and copies were sent to Messrs. Knapp and Aldewereld. He thought it would be useful at some stage to carry this work back to the beginning of Bank operations.

It was decided that the work program for the special "project audit" unit in the P&B Department would be finalized some time during the month of August.

Mr. McNamara said that a major task in FY71 would be to prepare a comprehensive paper on the implications for Bank operations of the major structural changes which had taken place in the international capital markets. Messrs. Aldewereld and Rotberg, and perhaps Sir Denis, would help to prepare this paper, which eventually would be sent to the Board.

Mr. Knapp referred to a news item saying that New York banks had decided to restructure the terms of their lending to the Philippines in anticipation of a consultative group arrangement for that country under Bank auspices. He thought this publicity was most unfortunate.

Mr. Shoaib reported that the European Governments he had visited had been surprisingly positive about the Bank's role in Mekong affairs. Most governments, including the German, were anxious for the Bank to take the leadership in coordinating the work on the Mekong Basin Development. Most also agreed that the Asian Development Bank was not yet organized to do so.

Mr. Wm. Clark reported on his meetings in Stockholm with heads of information units in development agencies.

Mr. Aldewereld mentioned that the Bank's projected lending program was rather weak for the next few years. Mr. McNamara said that he would meet with Messrs. Knapp and Aldewereld later in the month to discuss this matter.

President has seen

Mr. Aldewereld said that he would meet with the [Staff Retirement] Investment Committee at the end of the week. Mr. McNamara thought the Bank's pension procedure ought to be re-examined. It was essential to ensure that the pension plan was fully funded, that it was inflation protected, and, that it had good professional management. Mr. Aldewereld suggested there might be some virtue in merging the Investment and Pension Committees.

LEC

821/5/18
June 30, 1970

President's Council Meeting, June 22, 1970

Present: Messrs. McNamara, Knapp, Aldewereld, Rickett, Shoaib, Gaud, Clark, Kamarck, Ripman, Nurick



Sir Denis said he thought the change of Government resulting from the British elections would have no effect on the Third IDA Replenishment. Mr. Nurick mentioned that some problems on IDA voting still remained unsettled. Also yet to be decided was at what level the Replenishment would become effective. The U.S. Government had asked to have the same arrangement as under the Second Replenishment, which did not become effective until U.S. ratification had been obtained. Mr. McNamara saw no objection to this. He suggested that the press release on the Third IDA Replenishment should be sent out on July 21.

Mr. McNamara mentioned that Mr. Friedman was working full time to complete the external debt study. The Heidelberg Conference last week had revealed that the problem of external indebtedness was of considerable concern to aid officials. The U.S. AID Administrator thought that within few years U.S. AID would provide the only net capital transfers to developing countries.

As to the suggested global review of development efforts, it had become clear at the meeting that there was no alternative to the Tinbergen Committee. At the country level, the Bank's economic reports and the use of consultative group mechanisms received general support.

Mr. McNamara mentioned that German aid officials had a serious problem with respect to aid planning and evaluation. Mr. McNamara said he planned to talk to Mr. Demuth next week about possible Bank assistance to Germany on this point. In general it seemed necessary for the Bank to move into closer relationship with bilateral aid agencies which did not have adequate appraisal capacities.

It was agreed that the proposed schedule for Board discussion of the Pearson Commission recommendations should be distributed to the EDs.

Mr. McNamara asked the President's Council to review the draft East Pakistan action program, prepared by Mr. Sadove, and send comments to Messrs. Knapp and Aldewereld.

Mr. McNamara referred to his meeting with Sir Arthur Lewis the previous week. IDA credits for the Caribbean Development Bank had been requested, but Mr. McNamara had pointed out that, in view of the high per capita income in the countries and territories served by the bank, such assistance was not likely. However, Bank assistance in the form of technical expertise and advice had been offered to CDB. Mr. Gaud mentioned that Sir Arthur had also requested IFC support. Mr. Gaud had asked his lawyers to look into the possibility of setting up a special fund under the CDB for investigating potential IFC deals in the area and, perhaps, guarantee such projects.

Mr. McNamara mentioned that he had asked Mr. Ripman to pay particular attention to the recruitment problems in the Bank and prepare a specific recruitment program for FY71.

Mr. Knapp reported conflicting news from Ceylon on the Government's interests in extending the date of effectiveness on the Mahaweli irrigation project and regarding its interest in going ahead with two other Bank projects.

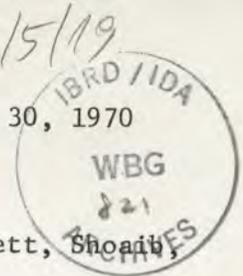
President has seen

Mr. Clark pointed out that another Board discussion would be held next week on the draft Annual Reports. Mr. Kamarck commented that so far there had been no reaction from France or from the French-African countries on the commodity sections of Part II of the Report.

Mr. Aldewereld mentioned that the Audit Committee had asked himself and Mr. Adler to report on budgetary controls within the Bank. Mr. McNamara thought Mr. Aldewereld should talk informally with Mr. Machado about this request. He should point out that the question of budgetary controls was different from the Committee's main task, e.g., to ensure the integrity of the Bank's auditing procedures.

LEC
June 30, 1970

821/5/19
June 30, 1970



President's Council Meeting, June 29, 1970

Present: Messrs. McNamara, Knapp, Aldewereld, Demuth, Friedman, Rickett, Gaud, Clark, Kamarck, Nurick, Shorris

Sir Denis reported that the Deputies' meeting last week reached final agreement on the \$800 million replenishment level for IDA. All Part I countries had agreed to take their "usual" percentage share, except France, South Africa and Austria. Some technical difficulties still remained with respect to voting rights. Larger contributions by Ireland, Yugoslavia and, perhaps, Spain, raised the question whether other Part II countries would insist on exercising their pre-emptive rights. Mr. Nurick mentioned that the pre-emptive rights provision under IDA was different from that of the Bank. Sir Denis said that the July 21 Board Meeting would decide how much time was needed for Part II countries to respond to the replenishment proposal. Mr. McNamara said that prior to that meeting active support should be solicited from Part II governments to ensure prompt action on the Replenishment. It should be pointed out that agreement had been achieved at a level twice that of the previous replenishment, that the over-all voting strength of Part II countries had been preserved, and that it only would cost the countries \$10 million in local currencies. Sir Denis would prepare a statement on this point for Mr. McNamara's delivery at Tuesday's Board Meeting.

Mr. McNamara queried the effectiveness of present controls over administrative expenditures. Mr. Aldewereld said that for one thing the P&B Department and the Controller's should cooperate more to ensure consistent data.

Mr. Knapp mentioned that the interest rate problem still delayed action on the Iranian development bank project. While the negotiators had agreed on 1%-point increase in lending rates, the Government subsequently disagreed and pointed out that it had set up a Government commission to review over-all interest rate structures in Iran. It would report its findings in 2-3 weeks. Mr. McNamara said it was important to monitor progress on this point and asked to be reminded of this in mid-July.

Mr. Aldewereld reported on prospective borrowings in Germany. The West Deutsche Landesbank, asked by the Government if it could provide funds to the Bank, had given a preliminary offer of DM200 million at 8½%. Mr. Aldewereld would pursue this matter next week when he visited Germany. Mr. McNamara said he would prefer a private issue in Germany.

Mr. McNamara reported that demonstrations might be expected at the Annual Meeting in Copenhagen. Both he and Mr. Schweitzer were concerned about the outlook for an effective Annual Meeting this year and were having the matter under continuous surveillance.

Mr. Knapp mentioned that the Foreign Minister of Peru had visited the Bank the previous week and had asked for a tentative commitment on funds for Peru. The IDB had agreed to provide \$35 million and the U.S. was anxious to have wider participation by international organizations. Mr. McNamara asked Mr. Knapp to have Area Department review what new commitments other agencies and private investors were making in Peru.

Mr. Demuth reported that he had found the World Food Conference in The Hague an unusually interesting gathering. Faced with a parallel youth conference, Mr. Boerma had allowed their delegates into the meeting and had appointed a youth representative as assistant rapporteur for each committee. During the meeting a South American delegate had criticized population control measures, but had been rebutted by a Catholic priest who claimed that the South American delegate's accusations were based on ignorance of the real issues involved.

President has seen

Mr. Demuth said that the UNDP Governing Council meeting in Geneva had been most unpleasant. The sharp differences of opinion between Mr. Hoffman and Sir Robert Jackson had disrupted the meetings, and Sweden, together with Canada, Germany, the Netherlands and the U.K., had attacked Mr. Hoffman for not proposing a more thorough reorganization. The French move to oppose the building fund contributions had received surprising endorsement.

Mr. Demuth also reported that France, Canada, Australia and Japan apparently might oppose measures to move towards an untying of aid.

Sir Denis mentioned that an American journalist, Mr. Sol Sanders, was being considered for the number two position in the Tokyo Office. Mr. Soejima was considering this proposal. Mr. McNamara asked Sir Denis to call Mr. Ripman in Tokyo on this matter.

Mr. Aldewereld said he and Mr. Adler had a useful meeting with the Joint Audit Committee last week. Also, he and Mr. Knapp had reviewed what action should be taken to strengthen the FY71 and FY72 lending programs.

Mr. McNamara said that Mr. Bruce McKenzie, together with Mr. Beltrao of the International Coffee Organization, would come to Washington at the end of next month to discuss the possibility of Bank funds and perhaps also technical help for the Coffee Diversification Fund. A meeting had been set up for July 30. Mr. McNamara asked Mr. Knapp to have Mr. Cope prepare a paper on this matter. He would like to be reminded by mid-July of the Bank's proposed response to these suggestions.

LEC
June 30, 1970