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Folder Title: Eugene H. Rotberg - Chronological Records - Volume 01 - December 1968
- June 1969

Folder ID: 1858101

Series: Chronological files

Dates: 12/26/1968 – 06/30/1969

Fonds: Personal Papers of Eugene H. Rotberg

ISAD Reference Code: WB IBRD/IDA ROTBERG-5901S

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THE WORLD BANK

Washington, D.C.

© International Bank for Reconstruction and Development / International Development Association or

The World Bank

1818 H Street NW

Washington DC 20433

Telephone: 202-473-1000

Internet: www.worldbank.org

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Eugene H. Rotberg chronological files
Vol. 1. December 1968 – June 1969

The World Bank Group
Archives



1858101

R2004-194 Other #: 1

215302B

Eugene H. Rotberg - Chronological file Volume 01

The World Bank Group
Archives



1858101

R2004-194 Other #: 1

215302B

Eugene H. Rotberg - Chronological Records - Volume 1 - December 1968 - June 1969

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WITH RESTRICTIONS
WBG Archives**

FILE CLOSED

See Volume II - Beginning July 1, 1969

OUTGOING WIRE

TO: DEUTSCHENKASSE
FRANKFURT (MAIN)

DATE: JUNE 30, 1969

CLASS OF
SERVICE: TELEX 04/11261

COUNTRY: (GERMANY)

TEXT:
Cable No.:

ATTENTION DR. HOLTZENDORFF

WIR HABEN EBEN DIE UNTERSCHRIFT UNTER DEN ANLEIHEVERTRAG GESETZT.

AUSZAHLUNG ~~XXXXXX~~ 1.9. WIR WERDEN 4 3/4 % ZINSEN AUF DEN NOMINALBETRAG

ZAHLEN FUER ~~60~~ 60 TAGE. ~~BITTE~~ BITTE GEBEN SIE FOLGENDE MITTEILUNG AN

DIE PRESSE :

DEUTSCHE GENOSSENSCHAFTSKASSE UBERNIMMT WELTBANKANLEIHE

"DIE DEUTSCHE GENOSSENSCHAFTSKASSE HAT MIT DER WELTBANK
AM 30.6.1969 EINEN ANLEIHEVERTRAG UBER DM 150 MILLIONEN
ABGESCHLOSSEN. DIE ANLEIHE IST IN DEN JAHREN 1972 BIS
1981 ZURUCKZUZAHLEN."

GRUESSE STEFFANI

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME EUGENE H. ROTBERG

DEPT. TREASURER'S

SIGNATURE
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

CLEARANCES AND COPY DISTRIBUTION:

For Use By General Files and Communications Section

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch: *MP*



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

June 27, 1969

Miss Elizabeth Bowman
Transcript Editor
The Institutional Investor
140 Cedar Street
New York, N.Y. 10006

Dear Miss Bowman:

I am returning an edited copy of my remarks given at the National Institutional Trader Conference. If you have any further additional punctuation, grammatical or spelling corrections, please feel free to make them.

I do not wish this particular draft, which includes my own pencil notations, to be circulated. If anybody wishes a copy of these remarks prior to their publication, they should only receive a clear, retyped version.

I have not changed the sense of my remarks in the editing process and have merely clarified and expanded some views. I think you will agree that these comments still read as if they were given from notes, as was the case, rather than from a prepared text. If you have any questions please do not hesitate to call me.

Best regards.

Sincerely,

A handwritten signature in dark ink, appearing to be "Eugene H. Rotberg", is written over the typed name.

Eugene H. Rotberg
Treasurer

Enclosure

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: DEUTSCHENKASSE
FRANKFURT (MAIN)

DATE: JUNE 26, 1969

CLASS OF
SERVICE: TELEX 04/11261

COUNTRY: GERMANY

TEXT:
Cable No.:

ATTENTION ^DMR. ^THOLZENDORFF

RE OUR BORROWING DM 150 MILLION THIS WILL ADVISE THAT PROCEEDS
NEED NOT BE MADE AVAILABLE PRIOR TO SEPTEMBER 1 STOP SPECIFIC
ARRANGEMENTS FOR HOLDING OF FUNDS BY YOU FOR SIXTY DAYS WILL BE
ESTABLISHED IN DISCUSSIONS WITH DRS. STRUNZ AND STEFFANI AT
THE OCCASION OF SIGNING THE AGREEMENT ON MONDAY JUNE 30, 1969
REGARDS

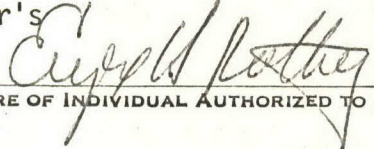
ROTBERG
INTBAFRAD

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Eugene H. Rotberg

DEPT. Treasurer's

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

EHRotberg:emk

CLEARANCES AND COPY DISTRIBUTION:

Cleared with and copies to:

Mr. Aldewereld
Mr. Eigen
Mr. Deely

For Use By General Files and Communications Section

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch: _____

MEETINGS IN LONDON -- JUNE 24 AND JUNE 25

Tuesday
June 24 -- BANK OF ENGLAND: Threadneedle Street: 601-4444

Luncheon
Meeting

12:45 PM

--

Mr. Jeremy Morse
Executive Director of the Bank of England

2:30 PM

--

Mr. John Kerbyshire
Advisor to the Governors
(also handles financial matters dealing with the
World Bank)

3:00 PM

--

Sir Maurice Parsons
Deputy Governor

3:30 PM

--

One of the Deputy Chief Cashiers
(you will be notified which it will be when you
are at the Bank of England)

. . .

Wednesday

June 25

--

U.K. TREASURY:

Great George Street:

930-1234

11:15 PM

--

Mr. Alastair Mackay
Under Secretary in the Treasury
Room 82 Treasury Building

. . .

OFFICE MEMORANDUM

TO: Mr. Mohamed Shoaib

DATE: June 20, 1969

FROM: Eugene H. Rotberg

SUBJECT: Kuwait, Libya and Saudi ArabiaKUWAIT

In September 1968 we borrowed KD15 million (\$42 million) by an underwriting with Kuwait Investment Company S.A.K. The bonds carry an interest rate of 6-1/2% and will be repaid at par in ten equal annual instalments of KD750,000 on September 15 in each of the years 1978 to 1987 and one instalment of KD7,500,000 on September 15, 1988. We sold the issue to K.I.C. at 97-1/2 and K.I.C. offered it to the public at 99. These prices represented, respectively, a cost to the Bank of 6.73% and a yield to the purchaser of 6.59%.

Although we have not been provided with a report of the distribution of the bonds, we understand that they were placed largely with the commercial banks of Kuwait and with governmental and semi-governmental accounts.

Accompanying this memorandum is a specimen of a bond of this issue for KD1,000. If you do not retain it yourself or return it to us, we will appreciate your advising us what disposition you make of it.

Of our two-year central bank issues Kuwait holds the following:

5-3/4% of 1967, due September 15, 1969	- \$ 500,000
6-1/8% of 1968, due March 15, 1970	- 1,500,000
5.80% of 1968, due September 15, 1970	- 1,000,000
Total	<u>\$3,000,000</u>

LIBYA

We have not had a public offering in Libya.

Of our two-year central bank issues Libya holds the following:

6-1/8% of 1968, due March 15, 1970	- \$ 2,000,000
5.80% of 1968, due September 15, 1970	- 5,000,000
6-3/4% of 1969, due March 15, 1971	- 6,000,000
Total	<u>\$13,000,000</u>

June 20, 1969

SAUDI ARABIA

On May 1, 1968 we borrowed \$15 million of twenty-six year U.S. dollar bonds from Saudi Arabia on the same terms as our public issue in the United States a few months earlier. The issue carries an interest rate of 6-1/2% and was sold to the Saudi Arabian Monetary Agency at 99-1/2%. There was no commission involved so that the yield to the purchaser and the cost to the Bank were both 6.54%.

In our next public issue in the United States in September 1968, we sold \$15 million to the Saudi Arabian Monetary Agency on a delayed delivery basis for delivery on July 8, 1970. The bonds are due October 1, 1994, carrying an interest rate of 6-3/8% and were sold to the Saudi Arabian Monetary Agency at the public offering price of 99-1/4%. This represents a yield of 6.435% to the purchaser and, again because there was no commission, a like cost to the Bank. The Saudi Arabian Monetary Agency earns a commitment fee of 1/2% per annum from October 2, 1968 to the delivery date.

Of our two-year central bank issues Saudi Arabia holds the following:

5-3/4% of 1967, due September 15, 1969	-	\$10,000,000
6-1/8% of 1968, due March 15, 1970	-	12,500,000
5.80% of 1968, due September 15, 1970	-	10,000,000
6-3/4% of 1969, due March 15, 1971	-	5,000,000
Total		<u>\$37,500,000</u>

Attachment



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U. S. A.

June 19, 1969

Mr. Emil J. Pattberg, Jr.
Chairman of the Board of Directors
The First Boston Corporation
20 Exchange Place
New York, N.Y. 10005

Dear Pat:

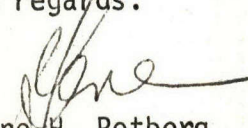
Enclosed is a listing of our current holdings in U.S. Government securities other than Treasury Bills (\$60 million). In addition, we hold \$600 million in CD's issued by many banks. For the most part, the CD's are one-year maturities and mature monthly throughout the year. Currently, we are getting 8-3/4% for one-year CD's.

The book value shown on the attachment represents the amortized cost, computed on a monthly basis, as of May 31, 1969, and the yield is based on current book value. In addition to this listing we have bought for settlement June 25 \$20 million face value 8% F.H.L.B. bonds maturing June 26, 1970.

As you can see, approximately \$300 million of our agency paper matures in the next year. Theoretically, if we sold all of it, assuming this was possible, we would lose \$3 million based on current market prices. There is, of course, a real question whether we could (a) sell and (b) replace these obligations with longer-term instruments. Further, it appears that the longer-term obligations, say 3 years, are yielding about 50 basis points below short-term (1 year) maturities. It is, therefore, a close question whether it is worth the loss and the lower yield (the longer-term yields, while lower than the short-term yields for new obligations, are of course still higher than our effective book value yields) in order to shift into the longer-term market.

Your analysis and views would be very much appreciated.

Best regards.


Eugene H. Rotberg
Treasurer

Enclosure

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Schedule of United States Dollar Investment Securities

As of June 16, 1969

<u>Maturity</u>	<u>Face Value</u>	<u>Book Value</u>	<u>Annual Yield %</u>
<u>U.S. GOVERNMENT SECURITIES (Continued)</u>			
<u>Others</u>			
July 10, 1969 5-1/8% FNMA Deb.	\$ 1,000,000	\$ 998,359.38	6.52
July 15, 1969 4-1/4% FLB Bonds	500,000	498,459.82	6.55
July 15, 1969 4-5/8% FLB Bonds	2,500,000	2,493,638.39	6.52
Sept. 22, 1969 6-1/4% FLB Bonds	6,000,000	5,995,294.12	6.50
Sept. 25, 1969 6% FHLB Notes	6,000,000	5,988,970.58	6.59
Sept. 29, 1969 5-1/4% FNMA Part. Cert.	31,000,000	30,917,661.42	6.07
Oct. 27, 1969 6-5/8% FHLB Notes	21,000,000	20,993,847.66	6.70
Dec. 1, 1969 6.70% FICB Deb.	22,000,000	21,997,229.17	6.73
Dec. 12, 1969 6% FNMA Deb.	3,000,000	2,991,397.06	6.55
Jan. 5, 1970 6.85% FICB Deb.	14,000,000	14,004,083.33	6.80
Jan. 26, 1970 6.75% FHLB Notes	15,000,000	14,995,588.24	6.80
Feb. 2, 1970 6.90% FICB Deb.	10,000,000	10,004,411.76	6.83
Feb. 10, 1970 6.60% FNMA Deb.	18,800,000	18,794,940.48	6.64
Feb. 11, 1970 6.35% FNMA Part. Cert.	53,000,000	53,109,558.16	6.04
Feb. 20, 1970 6.30% FLB Bonds	5,000,000	4,992,329.54	6.52
Mar. 2, 1970 7.10% FICB Deb.	10,000,000	9,989,921.88	7.24
Mar. 25, 1970 6% FHLB Notes	6,000,000	5,978,879.32	6.45
Mar. 25, 1970 6.85% FHLB Notes	3,000,000	3,000,892.85	6.81
Apr. 27, 1970 6% FHLB Notes	34,000,000	34,012,016.91	5.96
May 4, 1970 4.80% Eximbank Part. Cert.	12,000,000	11,808,387.10	6.63
May 15, 1970 5-5/8% Notes	21,250,000	21,229,635.40	5.73
May 25, 1970 5.80% FHLB Notes	27,000,000	26,969,017.36	5.92
June 10, 1970 6.60% FNMA Deb.	14,000,000	13,988,724.95	6.63
June 22, 1970 6.70% FLB Bonds	11,000,000	11,010,275.74	6.61
June 22, 1970 6-3/4% FLB Bonds	28,000,000	28,000,000.00	6.75
Aug. 15, 1970 6-3/8% U.S. Treasury Notes	8,000,000	7,995,468.75	6.43
Aug. 25, 1970 6.70% FHLB Notes	10,500,000	10,500,000.00	6.70
Feb. 1, 1971 6% FNMA Part. Cert.	7,000,000	6,924,715.90	6.72
Feb. 23, 1971 6.80% FLB Bonds	25,000,000	25,000,000.00	6.80
Feb. 25, 1971 6.60% FHLB Notes	9,000,000	8,988,158.97	6.68
Mar. 11, 1971 6% FNMA Deb.	4,000,000	3,956,542.56	6.68
Apr. 8, 1971 6.30% FNMA Part. Cert.	58,000,000	58,292,741.95	6.00
May 25, 1971 7% FHLB Notes	25,000,000	25,012,500.00	6.97
June 10, 1971 6.85% FNMA Deb.	25,000,000	25,000,000.00	6.85
Sept. 10, 1971 5-3/4% FNMA Deb.	13,500,000	13,490,619.50	5.78
Sept. 19, 1971 6-5/8% Eximbank Part. Cert.	11,500,000	11,694,872.34	5.79
Oct. 20, 1971 6% FLB Bonds	50,000,000	49,990,496.96	6.01
Mar. 10, 1972 6-3/4% FNMA Debentures	13,150,000	13,150,000.00	6.75
Sept. 11, 1972 7.40% FNMA Debentures	25,300,000	25,300,000.00	7.40
Apr. 30, 1973 6.15% Eximbank Deb.	25,000,000	25,075,613.40	6.05
	\$ 685,000,000	\$ 685,135,250.95	6.40

Controller's Department
Accounting Division
June 18, 1969.

Chen

HANOVER 2-8700

WILLIAM E. SIMON

SALOMON BROTHERS & HUTZLER
MEMBERS OF THE NEW YORK STOCK EXCHANGE
SIXTY WALL STREET, NEW YORK



HANOVER 2-8700

DONALD S. MUTSCHLER
MANAGER
CORPORATE FINANCE DEPT.

SALOMON BROTHERS & HUTZLER
MEMBERS OF THE NEW YORK STOCK EXCHANGE
SIXTY WALL STREET, NEW YORK 10005



HANOVER 2-8700

JAY L. LASSNER

SALOMON BROTHERS & HUTZLER
MEMBERS OF THE NEW YORK STOCK EXCHANGE
SIXTY WALL STREET, NEW YORK

Topic Covered:
Essentially policy

Luncheon Meeting
Thursday,
June 19, 1969



Record Removal Notice

File Title Eugene H. Rotberg - Chronological Records - Volume 1 - December 1968 - June 1969		Barcode No. 1858101		
Document Date 18 June, 1969	Document Type Memorandum			
Correspondents / Participants To: R.A. Clarke From: Eugene Rotberg				
Subject / Title Dr. C. Lacayo-Fiallos				
Exception(s) Personal Information				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by Tarsica Morgan-Taylor</td><td>Date July 17, 2024</td></tr></table>	Withdrawn by Tarsica Morgan-Taylor	Date July 17, 2024
Withdrawn by Tarsica Morgan-Taylor	Date July 17, 2024			

Chen

JOHN F. CONNOR
EXECUTIVE VICE PRESIDENT

A.G. Becker & Co.
INCORPORATED
INVESTMENT BANKERS
MEMBERS
NEW YORK STOCK EXCHANGE

120 SO. LASALLE STREET
CHICAGO 60603
(312) 372-6100

John F. Donahue
Vice President

A.G. Becker & Co.
INCORPORATED
Investment Bankers
Members New York Stock Exchange

One First National Plaza
Chicago, Illinois 60670
312/786-5100

Mr. Jack Wing

Topics Covered:
Review of Market
Policy Discussion
Operations Discussion

Luncheon Meeting
Wed., June 18, 1969

OUTGOING WIRE

TO: SPARGIROBANK
FRANKFURTMAIN

DATE: JUNE 18, 1969

CLASS OF
SERVICE: TELEX
414168

COUNTRY: (GERMANY)

TEXT:
Cable No.:

ATTENTION DR. RUMOLD

I LOOK FORWARD TO MEETING WITH YOU AND SIGNING DOCUMENTS RE OUR
BROWING DM 150 MILLION ON JUNE 23 STOP MY AIR FLIGHT ARRIVES
11:15 AM STOP I LOOK FORWARD TO SEEING YOU APPROXIMATELY 12 NOON
FRANKFURT TIME REGARDS

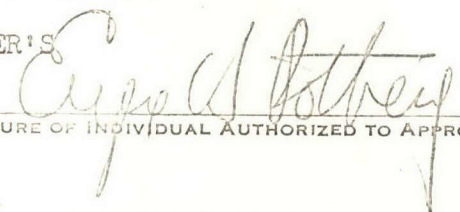
ROTBERG
INTBAFRAD

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME EUGENE H. ROTBERG

DEPT. TREASURER'S

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

THROTBERG:bb

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

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For Use By General Files and Communications Section

Checked for Dispatch: _____

Mr. Robert S. McNamara

Mr. S. Aldewereld

Eugene H. Rotberg

June 18, 1969

Article on Long-Term Bond Market

Attached is a typical assessment of present developments and future trends in the long-term bond market. The article makes some perceptive observations and of particular interest are the comments of portfolio managers at the end of the article.

Broadway shows

Chron.

A - Show about how to select

lead brokers - Hair (e)

B - Show about messy block
executions - Main

C -

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
Mr. S. Aldewereld

FROM: Eugene H. Rotberg

SUBJECT: U.S. Short-term Money Market

DATE: June 17, 1969

Attached is a copy of a letter I have just received from Goldman, Sachs & Co. concerning the U.S. short-term money market. They have also sent various papers and articles on the U.S. short-term money market. You may be interested in a recent one which appeared in "The Weekly Bond Buyer" which I have attached.

A. G. Becker & Co. and Salomon Brothers & Hutzler have agreed to provide us with some further background re the short-term money market on Wednesday and Thursday respectively of this week.

Attachments

OUTGOING WIRE

TO: SPARGIROBANK
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DATE: JUNE 18, 1969

CLASS OF
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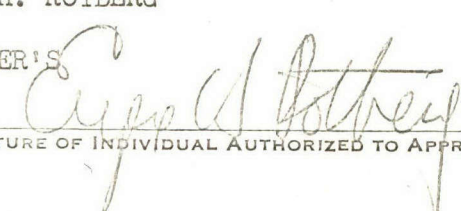
ROTBERG
INTBAFRAD

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME EUGENE H. ROTBERG

DEPT. TREASURER'S

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

EHROTBERG:bb

CLEARANCES AND COPY DISTRIBUTION:

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Checked for Dispatch: _____

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

File
↓
OUTGOING WIRE

TO: DEUTSCHENKASSE
FRANKFURT (MAIN)

DATE: JUNE 17, 1969

CLASS OF
SERVICE: FULL RATE

COUNTRY: (GERMANY)

TEXT:
Cable No.:

REFERENCE YOUR LETTER OF JUNE 13 STOP WE WILL BE GLAD TO MEET WITH
YOU AT 10:00 AM ON JUNE 30 IN OUR OFFICES IN WASHINGTON STOP INVITE
YOU TO LUNCH IN WORLD BANK SAME DAY STOP BEST REGARDS

ALDEWERELD
INTBAFRAD

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME S. Aldewereld

DEPT. Office of the President

SIGNATURE _____
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

SA:mk:emk

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ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch: _____

Chron.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
Mr. S. Aldewereld

FROM: Eugene H. Rotberg

SUBJECT: U.S. Short-term Money Market

DATE: June 17, 1969

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Attachments



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

Chen

June 16, 1969

Dear Shel:

I haven't met this young man. Would you do me a favor and give him a call at the V.A. and talk to him about a position at the Commission. If there isn't anything or if he doesn't measure up, that's O.K. too - but I promised his father that someone at the Commission would be pleased to talk to him.

Thanks.

Gene

Mr. Sheldon Rappaport
Associate Director
(Markets and Regulation)
Division of Trading and Markets
Securities and Exchange Commission
Washington, D.C. 20549

Encl: 2



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U.S.A.

June 16, 1969

Dear Henry:

I have sent Bruce's Form 171 personally to my closest friend at the SEC. If there is any possibility of a position he will know of it and will get in touch with Bruce. I have told him to look around throughout the Agency and see what he can do.

As you may know, all regulatory agencies are under some pressure right now because the Bureau of the Budget apparently has advised them that they can only fill about 60% of their positions which become vacant due to resignations, retirements, etc.

You can be sure, however, that if there is any possibility, my former colleagues will let Bruce know.

Sincerely,

Eugene H. Rotberg
Treasurer

Mr. Henry M. Kanee
Attorney at Law
4201 Cathedral Avenue, N.W.
Washington, D.C. 20016

AREA CODE 202
TELEPHONE 966-2204

HENRY M. KANNEE
ATTORNEY AT LAW
4201 CATHEDRAL AVENUE, N.W.
WASHINGTON, D.C. 20016

June 5, 1969.

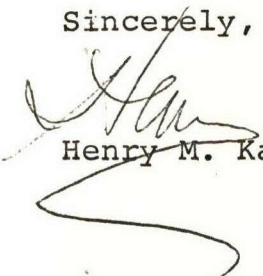
Eugene H. Rotberg, Esq.,
10822 Childs Court,
Silver Spring, Maryland.

Dear Gene:

As discussed, I enclose herewith Bruce's 171 -- now
used instead of the 57. If you think it needs any
revising, let me know, otherwise proceed as you think
best.

We know the odds but will be forever appreciative of
your willingness to put it "in the slot".

Sincerely,



Henry M. Kannee.

June 16, 1969

Mr. Ernest L. Herr
Manager
Pacific Union Investment Fund
Post Office Box 146
1545 North Verdugo Road
Glendale, California 91209

Dear Mr. Herr:

Thank you for your kind note on my remarks at the Institutional Investor Traders' Conference. I spoke, however, from only a few notes and did not have a prepared text. I expect to do some slight editing of my remarks when the transcript is ready and I am sure you will be able to receive a copy at that time.

Sincerely,

Eugene H. Rotberg
Treasurer

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

Girozentrale

OUTGOING WIRE

TO: SPARGIROBANK
FRANKFURTMAIN

DATE: JUNE 13, 1969

CLASS OF
SERVICE: TELEX
414168

COUNTRY: (GERMANY)

TEXT:

Cable No.:

ATTENTION DR. RUMOLD
REFERENCE OUR BORROWING 150 MILLION STOP WE CAN PLACE WITH YOU
THIS SUM IN A FIXED INTEREST DEPOSIT FROM 25 JUNE MATURING
25 AUGUST 1969 STOP IF YOU ARE INTERESTED IN SUCH DEPOSIT PLEASE
ADVISE AND CABLE BEST RATE REGARDS

ROTBERG
INTBAFRAD

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME EUGENE H. ROTBERG

DEPT. TREASURER'S

SIGNATURE *Eugene H. Rotberg*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

JBDeBoeck:rtd:emk

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CLEARANCES AND COPY DISTRIBUTION:

cc: Messrs. Deely
Rutland

For Use By General Files and Communications Section

Checked for Dispatch: _____

Chron.

OFFICE MEMORANDUM

TO: Mr. Abderrahman Tazi

DATE: June 13, 1969

FROM: Eugene H. Rotberg *ERM*SUBJECT: IDA Transactions to State Bank of India through Bank Negara Malaysia
-- Re your Memorandum dated June 6

In reply to your above referenced memorandum, I wish to advise that IDA requires that its borrowers request reimbursements under their credits in the currencies of its suppliers. This enables the Association to maintain proper "area of supply" records. If the currencies so requested are not held by the Association, they are purchased with other available convertible currencies.

The State Bank of India as payee has the privilege of either keeping the currency requested from IDA for future use in the exporter's country or requesting conversion. IDA has no jurisdiction over the use of the currency requested but of course does require appropriate documentation of their expenditures in a particular currency to support the IDA disbursement.

If you have any further questions, please do not hesitate to call me or Mr. Prins.



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

June 13, 1969

Dear Doris and Sam:

It was most kind of you to send me a congratulatory note and it was particularly good hearing from you. You must excuse my delay in not writing sooner but I have been out of the country several times and our responses to our personal mail have sadly been delayed.

Iris and I are fine; the children are delightful and we are looking forward to a very pleasant summer.

My position at the Bank is stimulating and challenging and, hopefully, I can make some contribution. Please keep in touch and let us know if you expect to be in this part of the country.

Best regards.

Gene 

Dr. and Mrs. Samuel Broder
2142 Rosemont Avenue
Chicago, Illinois 60645



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

June 13, 1969

Dear Helen and Jack:

It was delightful having dinner
with you earlier this week. Iris and I
are very happy that we could meet you,
Helen, and look forward to seeing you
all again. Your home and dinner were
surpassed only by the gracious company.

Best regards.

Gene

A handwritten signature in cursive script, appearing to read "Gene", is written over the typed name "Gene".

Mr. and Mrs. Jack Nash
10 East End Avenue
Apartment 20D
New York, N.Y.



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

June 12, 1969

Dear Lionel:

Congratulations on your new association.
It sounds like a wonderful opportunity and I am
sure will be thoroughly satisfying.

I had dinner recently with Leon Levy, of
Oppenheimer, and some of his associates and
later with Bill Donaldson of Donaldson, Lufkin.
I think you are going to be busy.

Please give me a call so we can arrange
lunch.

Best regards.


Gene

Mr. Lionel Kestenbaum
Bergson, Borkland,
Margolis & Adler
888 Seventeenth Street, N.W.
Washington, D.C. 20006

Chrom Xil

REMEMBER TO TALK TO MR. ALDEWERELD ABOUT
FOLLOWING POINTS:

1. Bank of England - putting money in time deposits rather than Treasury Bills.
2. Investing DM in time deposits rather than Treasury Bills.
3. Shifting the length of our portfolio to a longer-term by taking capital losses.
4. Central Bank liquidity discussions with Salomon Bros.

6/12/69

*Mr.
Fujieri
Edel
McClark*

Tom Canner;

437.5
4
17500

4/1/20

1. The bank of America - business for bank
2. The bank of America - business for bank
3. The bank of America - business for bank
4. The bank of America - business for bank
5. The bank of America - business for bank
6. The bank of America - business for bank
7. The bank of America - business for bank
8. The bank of America - business for bank
9. The bank of America - business for bank
10. The bank of America - business for bank

Handwritten signature or initials.

MEMORANDUM TO THE BOARD OF DIRECTORS

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

Chron File
INTERNATIONAL FINANCE
CORPORATION

Message from Mr. Coyle:

REGARDING \$27,000,000 FEDERAL HOME
LOAN BANK ISSUE O.K. COUPON ESTIMATES
CURRENTLY RANGE FROM 7.90 TO 8%

Kessie
10:30
6/11/69

*I told Mrs. Chang
" Rutland &
Rhona*

OUTGOING WIRE

TO: SPARGIROBANK
FRANKFURTMAIN

DATE: JUNE 11, 1969

CLASS OF FULL RATE
SERVICE:

COUNTRY: (GERMANY)

TEXT:
Cable No.:

ATTENTION MESSRS. CONRAD AND SANDVOSS

THIS IS TO INFORM YOU THAT THE WORLD BANK AGREES TO THE TERMS
FOR THE ONE HUNDRED FIFTY MILLION DEUTSCHE MARK BORROWING FROM
THE DEUTSCHE GIROZENTRALE-DEUTSCHE KOMMUNALBANK AS PROPOSED IN
YOUR TELEX OF TODAY'S DATE. REGARDS

EUGENE ROTBERG
INTBAFRAD

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME EUGENE H. ROBERG

TREASURER'S

SIGNATURE

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

CLEARANCES AND COPY DISTRIBUTION:

MR. ALDEWERELD
MR. BROCHES

For Use by Archives Division

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(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch:

Phone Calls - June 10, 1969

I. DEUTSCHE GENOSSENSCHAFTSKASSE (STRUNZ)

*Genehmigung
der Exekutiv Direktion*

Fälligkeit

(1) Approval given

(2) 3 - 6 - 9 - 12 years

95¹/₄
95¹/₂ a. One price: (6% coupon): What is very best price?

(3) When will negotiations & signing take place? Where?

Settlement Date?

Namensschuldverschreibung

II. DEUTSCHE GIROZENTRALE (RUMOLD)

(1) Approval given

(2) Oct. '71 through Dec. '73; we would prefer two maturities per year.

(3) Either par with adjustments in interest rate or fixed interest rates with variations in price. Which do they prefer.

(4) When will negotiations and signing take place? Where?

(5) What date for settlement?

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

Write up - 1

Prepared for more

Parallel negotiation
Good time have changed
Lombard light

Negotiate room

6%

95 1/4

6.82%

Brundage

James James A 10 yr.

7.04%
for bank

6% 94 1/2

6 = 9.4

1.625%
Drew
97.75
6.25%

95 1/4

7 1/2 yr at 95 1/4
also 6.82

OUTGOING WIRE

TO: DEUTSCHENKASSE
FRANKFURTMAIN

DATE: JUNE 10, 1969

CLASS OF
SERVICE: TELEX
04/11261

COUNTRY: (GERMANY)

TEXT:
Cable No.:

ATTENTION DR. STRUNZ

THIS IS TO CONFIRM THE UNDERSTANDING WE REACHED TODAY BY TELEPHONE
TO BORROW FROM THE DEUTSCHE GENOSSENSCHAFTSKASSE ONE HUNDRED AND
FIFTY MILLION DEUTSCHE MARK TO BE REPAID IN FOUR EQUAL INSTALMENTS
OF THIRTY SEVEN POINT FIVE MILLION DEUTSCHE MARK EACH MATURING IN
THREE COMMA SIX COMMA NINE COMMA AND TWELVE YEARS RESPECTIVELY AT
A PRICE OF NINETY FOUR POINT EIGHT SEVEN FIVE WITH INTEREST
PAYABLE AT SIX PERCENT SEMIANNUALLY STOP THE NECESSARY DOCUMENTATION
IS TO BE SIGNED BY JUNE 30, 1969 IN WASHINGTON STOP COULD YOU PLEASE
CABLE US TO CONFIRM THIS UNDERSTANDING REGARDS

ROTBERG
INTBAFRAD

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME: EUGENE H. ROTBERG

DEPT. TREASURER

SIGNATURE

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

PCSzasz:emk

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

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INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: DEUTSCHENKASSE
FRANKFURTMAIN

DATE: JUNE 9, 1969

CLASS OF
SERVICE: FULL RATE

COUNTRY: (GERMANY)

TEXT:
Cable No.:

ATTENTION DR. STRUNZ

ECONOMICS MINISTRY BONN PREFERS TO LIMIT OUR BORROWING FROM YOU
TO ONE HUNDRED AND FIFTY MILLION DEUTSCHE MARK STOP SUBJECT TO
APPROVAL OF OUR BOARD OF EXECUTIVE DIRECTORS WHICH IS LIKELY TO
BE OBTAINED ON TUESDAY JUNE TEN WE ARE PREPARED TO NEGOTIATE
TERMS AND CONDITIONS IN ACCORDANCE WITH YOUR DISCUSSIONS WITH
MR. ALDEWERELD STOP WE ARE PREPARED TO CONSIDER MATURITIES OF
THREE COMMA SIX COMMA NINE AND TWELVE YEARS STOP WE ARE PREPARED
TO MEET WITH YOU ON JUNE 12 OR JUNE 13 OR DURING WEEK COMMENCING
JUNE 16 STOP PLEASE ADVISE WHETHER YOU WOULD PREFER NEGOTIATIONS
IN FRANKFURT OR WASHINGTON STOP I WILL CALL YOU BY TELEPHONE FOUR
PM FRANKFURT TIME TUESDAY JUNE TEN TO DISCUSS MATTER FURTHER REGARDS

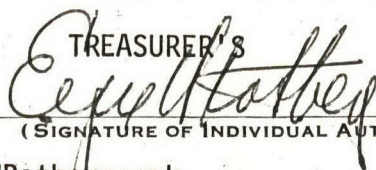
EUGENE ROTBERG
TREASURER
INTBAFRAD

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME EUGENE H. ROTBERG

DEPT. TREASURER'S

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

EHRotberg:emk

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

Cleared with and copies to:

Mr. Aldewereld
Mr. Broches

For Use By General Files and Communications Section

Checked for Dispatch: _____

Mr. Robert S. McNamara
Mr. S. Aldewereld

June 9, 1969

Eugene H. Rotberg

Investments

Attached is the bi-weekly (May 31 report) of the Bank's portfolio investments. You will note that the investment yields fell from 6.63 to 6.60 for the two-week period ending May 31.

This report is particularly interesting because it shows the relationship between the Bank's portfolio investment yields and its borrowing policy, debt servicing obligations and disbursement policy. You may note that in virtually every currency the Bank's portfolio investments for the two-week period ending May 31 yielded more than their investments in those same currencies during the immediately preceding two weeks. Further, during this period, in connection with its recent borrowing in Germany, the Bank increased its DM holdings from \$7-1/2 million, equivalent, invested at 2.75% to \$55.4 million, equivalent, invested at 3.65%.

The portfolio yields fell 3 basis points, however, because the Bank was required to make a substantial payment in Canadian dollars, in connection with a bond servicing debt. In addition, we drew down about another \$3 million equivalent in Kuwaiti dinars, almost liquidating our holdings in that currency. In effect, therefore, our borrowing in Germany and subsequent investment at 3.65%, though higher than the previous yields in DM, replaced our dinars and Canadian dollars which were yielding considerably higher.

Since May 31 we have rolled over another time deposit of \$52 million, of which \$40 million was at 8-5/8% and \$12 million at 8-3/4%, and have made other substantial purchases since June 1 of U.S. agencies at yields between 7.20 and 7.40 which replaced considerably lower yielding maturing paper. If we had not borrowed deutsche mark it is unlikely that we would have had the "excess" cash from loan repayments to purchase these new dollar investments.

Attachment

June 9, 1969

Commissioner Francis M. Wheat
Securities and Exchange Commission
Washington, D.C. 20549

Dear Frank:

Thank you very much. The transcripts
were appreciated.

Sincerely,

Gene



SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

May 26, 1969

Mr. Eugene H. Rotberg
Treasurer
The World Bank
Washington, D. C.

Dear Gene:

I could use the hearing transcripts
shortly--and doubtless this will coincide with the
end of your teaching semester.

Sincerely,

Francis M. Wheat

U.S. DEPARTMENT OF JUSTICE

WASHINGTON, D.C. 20535

July 10, 1969

Mr. [Name] [Address]
[City] [State] [Zip]

Dear Sir:

I am writing to you regarding the [Subject]
which was discussed at the [Meeting]
on [Date].

Sincerely,
[Signature]

Enclosed is [Description]

RECEIVED
GENERAL FILES
1969 JUN -3 PM 9:16

OFFICE MEMORANDUM

TO: Files

DATE: June 6, 1969

FROM: Eugene H. Rotberg *ER*~~CONFIDENTIAL~~ **CLASSIFIED**

SUBJECT: Notes of Meeting: June 5, 1969
Robert C. Wilson: Partner, Goldman-Sachs
Eugene Rotberg : World Bank

Date: 10/19/SMT

This memorandum reflects the substance of my meeting with Mr. Robert G. Wilson, a partner at Goldman-Sachs in charge of that firm's commercial paper department. Commercial paper is defined under the Securities Act of 1933 as any unsecured obligation of less than 270 days maturity. The paper is issued by industrial corporations, finance companies and utilities as a source of financing. Other issuers in the short-term market are banks, through the issuance of Certificates of Deposit, U.S. Government (Treasury Bills) U.S. Government Agencies, FNMA, Eximbank, etc. - whose obligations are not characterized as "commercial paper", though the buyers are generally the same class of persons. Commercial paper has historically yielded about 30 - 50 basis points higher than U.S. short-term Treasury Bills although recently with the short-term money market squeeze it yields considerably higher.

Wilson said that Goldman-Sachs represents about 50% of the commercial paper market; A. G. Becker & Co. about 20%; Salomon Bros. & Hutzler about 20%; and First Boston Corporation, Lehman, Merrill Lynch (and perhaps a few others) the remaining 10%. Goldman-Sachs alone places about \$45 billion in commercial paper a year with its own clients (about 350 customers).

Wilson made the point that FNMA and the Eximbank have, combined, issued over \$2.7 billion of paper from one month to 270 day maturity and that FNMA expects to substantially increase that amount in the next few months. FNMA paper yields about 7-1/8 -- an all time high -- and the industrial commercial paper is as high as 7-3/4 if underwritten by dealers. In recent years major utility companies and insurance companies have financed in the commercial paper market with the expectation that the funds would be rolled over as they matured. Wilson said that about 75% of the commercial paper market, apart from the U.S. agencies and U.S. Treasury Bills, is made up of the obligations of finance company entities such as GMAC, Sears Roebuck Finance Corporation, Commercial Credit Corporation, etc.; while the remaining 25% consists of some 500 corporations who are using this market to facilitate their financial expansion. Wilson pointed out that about \$25 billion of commercial paper is now outstanding and that it has consistently increased over the years as corporate treasurers, mutual funds, state retirement systems, etc. require investments for their continuing cash inflow. The market for commercial paper historically, except for very recent periods, has been below the prime bank rate.

June 6, 1969

Wilson suggested that the World Bank was in a better position than most issuers to issue "commercial paper" or short-term certificates of deposit because of the substantial flow of loan repayment income and the fact that the paper, in effect, could be looked at as a borrowing used to finance on-going disbursements for, say, construction on our projects.

Wilson's main point was that the commercial paper market was large, stable and inexpensive. In this connection, he said that the World Bank could raise quite easily between \$1 billion and \$2 billion in the United States in the next two years by issuing serial maturities from one month to one year. He said that if we were interested in raising only, say, \$400 million or \$500 million, it would not even be necessary to have an underwriting syndicate but that a single major commercial paper firm could easily place that amount.

Commercial paper is sometimes sold on firm commitment basis by dealers or directly by issuers, or by Federal agencies (FNMA or Eximbank) through dealers acting as selling agent. Eximbank and FNMA pay about .05 to the dealers.

We discussed at considerable length the implication of a long-term borrower borrowing in the very short-term market; the implications of our issuing short-term debt for our long-term bond market; the type of the investor who purchased these instruments as compared to, say, the five-year market or the 25-year market; the possibility of the Bank investing the proceeds of a short-term issue in the longer term market (2-3 years) while building up a base of investor interest, etc. Wilson's primary point was that major utilities, banks, insurance companies and federal agencies were tapping the short-term market, because there was more money in that market than anywhere else. (However, these institutions have extensive lines of credit or sources of funds (FNMA has the U.S. Treasury) in the even that they can not roll over their debt.)

Wilson said that if commercial banks in New York could issue certificates of deposit to finance their operations, it was appropriate, with our continuing cash inflow and staggered disbursements, both of which I explained to him were relatively level throughout the year, to do the same. I asked him whether we should seriously consider going into that market at the present high interest, even assuming it was a prudent financial decision in terms of the World Bank needs. Wilson said that the rate for commercial paper was likely to be lower in the early Fall but that, since it might take a year or two to build up 1-2 billion dollars, the sooner the Bank started putting its name out to the market place the better, even at what appeared to be high interest rates.

June 6, 1969

In this connection, he pointed out that many utilities have recently postponed their long-term financing because they did not wish to be burdened with 7-1/2% or 8% 25-year long-term obligations when their immediate needs could be satisfied by relatively short-term financing at the same rates. Wilson said major industrial corporations were taking these short-term funds and investing in long-term plant equipment and, in effect, were using the funds to finance their construction projects with the expectation that they will shift into the long-term market if that market improves. Wilson noted that the AT & T system has now borrowed several hundred million dollars in the short-term market, and is likely to increase the amount to 1/3 of their overall needs.

Wilson said he was confident that Goldman-Sachs could make a strong case for the Bank safely borrowing in the short-term market. He stated that a syndicate of Goldman-Sachs, A. G. Becker & Co., First Boston Corporation (a new entry into the field) and Salomon Bros. would fully cover the market (Lehman Bros. is the only other major commercial paper firm). He said he was sure these firms would be most willing to discuss, in a group, the implications of short-term borrowing by the Bank on a very informal and tentative basis with Mr. McNamara. He pointed out that, if we were interested in the CD or commercial paper market, we would be deluged with advice from very sophisticated money market experts. Wilson thought that this might be one way to open up to the World Bank sources of excellent overall financial information.

It was clear from my discussion with Wilson that, while there was some overlapping between the five-year market and the six-month market, the six month obligations did not rely on any special characteristics for marketability, i.e., rediscountability at the Federal Reserve Bank, tax exemption, etc. Recently, Lehman Bros. has estimated that the total volume of commercial paper borrowing in the United States may be one-third as high as all of the nation's prime bank loans.

I asked Wilson to put some of his comments down on paper, particularly with respect to the size and growth of the market, the sources of the funds, participation in the market, and the possibility of roll-overs. He said he would do so expeditiously.

. . .

You might remember that I spoke to William Simon of Salomon Bros. and to the Federal Reserve Board staff in Washington recently in connection with our two-year bond issues. At that time both questioned why we had not financed in the U.S. short-term

June 6, 1969

market. Further, it is my understanding that Patberg has recommended that we issue five-year bonds each year for five years so that, at the end of five years, short maturities will be available in the secondary market. While I cannot recommend serious consideration of this source of financing without further information, it does appear that the Bank has a relatively narrow perspective of the source of funds or kinds of borrowing which might be available to it.

In view of the size of the market and our potential requirements for the future, I recommend that we arrange an informal meeting between Goldman-Sachs, Becker, First Boston and Salomon Bros., and perhaps, Merrill Lynch, so that they can explain more fully some further details of the short-term market and how they think the World Bank might safely tap that market, if at all, in the context of the Bank's needs and future program. I think that this kind of a meeting could afford the Bank an opportunity to receive some advice and analyses (not necessarily limited to the short-term market) re our financial program from persons whose expertise we have not previously drawn upon.

I also recommend that we discuss the short-term market with Lapin of FNMA and the Vice President/Treasurer of the Eximbank. I understand both institutions are expected to substantially increase their borrowing in this market. Finally, I recommend that we discuss the overall problem of debt financing, including the implications of mixing long and short-term borrowings with AT & T. I note in the May 15 FORTUNE that AT & T family borrowed \$1.2 billion in 1968 in the bond markets and borrowed an additional \$271 million short-term bank loans and \$86 million in commercial paper.

cc: Mr. McNamara
Mr. Aldewereld



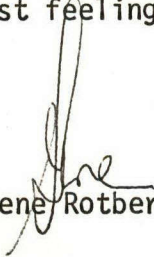
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U.S.A.

June 4, 1969

Mr. and Mrs. Irving Silow
Penn Tower Apartments
18th & Kennedy Boulevard
Philadelphia, Pennsylvania

Dear Irv and Dot:

It was with much sadness that my parents told me of the death of your daughter, Rita. These kinds of sadnesses are always very difficult to bear, even more so because they are so unpredictable. I hope that you are comforted somewhat by the expressions of sympathy of those who knew Rita and who always felt kindly to her. I remember her with the warmest feelings.


Gene Rotberg

Chron.

June 4, 1969

Irwin

Mr. and Mrs. Irving Silow
Penn Tower Apartments
18th & Kennedy Boulevard
Philadelphia, Pennsylvania

Dear Irv and Dot:

It was with much sadness that my parents told me of the death of your daughter, Rita. These kinds of sadnesses are always very difficult to bear, even more so because they are so unpredictable. I hope that you are comforted somewhat by the expressions of sympathy of those who knew Rita and who always felt kindly to her. I remember her with the warmest feelings.

Gene Rotberg

June 2, 1969

Mr. John W. Lapsley
De Coppet & Doremus
72 Wall Street
New York, N.Y.

Dear Jack:

I am enclosing a copy of the final
examination questions. Have fun!

I look forward to seeing you at the
Institutional Traders Conference.

Sincerely,

Gene

Enclosure

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara ✓
Mr. S. Aldewereld
FROM: Eugene H. Rotberg *ER*
SUBJECT: Long-Term IBRD Financial Projections

DATE: June 3, 1969

CONFIDENTIAL~~CLASSIFIED~~Date: ~~CLASSIFIED~~

Date: 10/19/2010 SMT

There is attached for your consideration three financial projections for the IBRD fiscal years 1969 - 1995. These projections are designed to show the amount of borrowing needed to maintain cash and securities at a level of \$1 billion, \$1.4 billion and \$1.8 billion during the period.

The projections are based on an assumption that the Bank cannot meet its near and medium-term borrowing requirements solely by long-term issues -- even after the Bundesbank and Central Bank roll-overs are taken into account. I have assumed, therefore, that apart from the Bundesbank and Central Bank roll-overs the required borrowing will consist of 50% long-term and 50% five-year funds.

The projections assume a lending program reaching \$2.2 billion per annum by 1974 and increasing thereafter through 1978 to a level of \$2.6 billion per year, which commitments are held constant through 1995. There is attached a statement of other assumptions relating to the projections.

You may observe that the borrowing requirements are substantial; they do not fall off until the loan repayments from our accelerated lending program start to come in. Even then, however, the gross borrowing required to amortize our long-term debt and roll over the shorter term borrowings is still substantial. As the loan repayments increase and net borrowing requirements decline, it might be appropriate to lower the amount of cash and securities. There are still some problems with the projections (the new administrative expenses have not been taken into account; the drop in net borrowing for FY 1970 is unrealistic and a hypothetical "excess" borrowing should have been pro rated over the next several years, etc.) but I think this kind of a projection can be useful.

Attachments _____

LONG-TERM IBRD FINANCIAL MODEL
(May 28, 1969)
Assumptions

1. Lending: Interest rate 6-3/4%
Commitments 1969-1974 as in adjusted April 30, 1969 Lending Program.
1975-1978 increasing \$100 million per year through FY 1978, and at 1978 level thru 1995.
2. Disbursements: Past and new loans are projected at new rates.
3. Sales of participations and portfolio as per revision April 30, 1969 with 1975-1995 at \$100 million per year.
4. Transfers to IDA at 50% of net income.
5. Income on "Cash and Securities" at 6%.
6. Borrowings: Determined as amount necessary to borrow in each year so that "Cash and Liquid Securities" never fall below \$1.0 billion, \$1.4 billion or \$1.8 billion, respectively.
Assumption is that the CB-2 year bonds will be rolled over after reaching \$400 million; the Bundesbank issues will be rolled over as they mature in 4-1/2 years; and the remaining borrowings necessary to maintain cash and securities will be 50% long term (26 year maturity with sinking fund retiring one-half of issue beginning at 13-1/2 years) and 50% medium-term (5-year maturities), commencing FY 1970.

Interest rate is 6-3/4%

Delayed deliveries on U.S. issues are 1/3 of amount issued each year with delivery of 50% in next year and 50% in the year after.
Commitment charge is 0.5%.

The 1969 borrowings represent actual figures.

Cash and securities held constant at \$1.8 billion

(\$ millions)

Treas./Stat.Serv., Econ.
May 28, 1969

IBRD: FINANCIAL PROJECTIONS FY1969-95

Cash and securities held constant at \$1.4 billion

(\$ millions)

	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
BALANCE SHEET																											
Cash and Securities	1,571	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Receivable from Delayed Deliveries	140	54	142	244	305	374	399	468	526	552	587	564	580	584	530	495	471	443	411	365	340	345	309	324	262	247	263
Total	1,711	1,454	1,542	1,644	1,705	1,774	1,799	1,868	1,926	1,952	1,987	1,964	1,980	1,984	1,930	1,895	1,871	1,843	1,811	1,765	1,740	1,745	1,709	1,724	1,662	1,647	1,663
Receivable from Loans	5,722	6,289	7,030	7,885	8,892	10,098	11,440	12,822	14,225	15,607	17,039	18,434	19,709	20,899	21,992	22,983	23,873	24,679	25,381	26,004	26,546	27,016	27,436	27,793	28,081	28,305	28,479
Receivable from Subscribed Capital	453	430	413	400	391	386	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385
Land and Buildings	37	42	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41
Accruals, Prepayments & Other Assets	145	152	168	189	210	235	259	285	313	339	365	386	409	430	446	460	471	479	485	488	489	489	486	484	477	470	463
TOTAL ASSETS	8,068	8,368	9,195	10,160	11,240	12,535	13,925	15,402	16,890	18,325	19,818	21,212	22,524	23,739	24,795	25,764	26,641	27,428	28,103	28,683	29,201	29,676	30,058	30,428	30,647	30,848	31,031
Due to IDA	168	238	282	313	345	371	396	418	439	456	477	500	527	552	579	606	635	666	699	735	773	811	852	894	936	980	1,027
Funded Debt	4,189	4,311	4,988	5,808	6,735	7,877	9,106	10,419	11,736	12,999	14,306	15,507	16,615	17,620	18,460	19,205	19,846	20,388	20,805	21,115	21,348	21,530	21,602	21,650	21,535	21,388	21,204
Miscellaneous Liabilities	70	73	83	94	108	125	144	164	184	204	224	244	262	278	292	304	315	324	331	337	341	344	346	346	345	343	340
Capital & - Special Reserve	291	291	291	291	291	291	291	291	291	291	291	291	291	291	291	291	291	291	291	291	291	291	291	291	291	291	291
Reserves - Retained Earnings	1,048	1,152	1,249	1,351	1,458	1,567	1,683	1,805	1,936	2,070	2,213	2,363	2,523	2,690	2,865	3,050	3,244	3,450	3,667	3,895	4,137	4,390	4,656	4,935	5,227	5,535	5,858
- Paid-in Capital	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303
- Total	3,642	3,746	3,843	3,945	4,052	4,161	4,277	4,399	4,530	4,664	4,807	4,957	5,117	5,284	5,459	5,644	5,838	6,044	6,261	6,489	6,731	6,984	7,250	7,529	7,821	8,129	8,452
TOTAL LIABILITIES & CAPITAL	8,068	8,368	9,195	10,160	11,239	12,534	13,923	15,400	16,888	18,322	19,814	21,208	22,520	23,734	24,789	25,759	26,635	27,422	28,096	28,676	29,194	29,669	30,050	30,419	30,638	30,840	31,022
INCOME AND EXPENDITURE																											
Income from - Securities	87	95	89	89	89	89	89	89	89	89	89	89	89	89	89	89	89	89	89	89	89	89	89	89	89	89	89
- Loans	315	370	418	480	553	633	733	832	935	1,037	1,140	1,242	1,339	1,428	1,512	1,588	1,657	1,719	1,774	1,823	1,867	1,904	1,937	1,966	1,990	2,009	2,025
- Other Sources	5	5	6	6	5	5	5	5	10	5	7	7	7	7	7	8	9	11	11	18	21	25	29	33	37	41	45
GROSS INCOME	407	470	513	575	648	728	827	927	1,034	1,131	1,237	1,339	1,435	1,525	1,608	1,686	1,755	1,819	1,878	1,930	1,977	2,018	2,056	2,088	2,116	2,140	2,159
Administrative Expenses	41	42	47	50	53	57	60	62	65	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67
Interest on Borrowings	195	218	268	317	376	446	526	612	699	787	873	960	1,037	1,112	1,178	1,236	1,286	1,328	1,362	1,390	1,411	1,429	1,438	1,445	1,445	1,440	1,427
Financial Expenses	2	3	4	5	6	8	9	9	9	10	11	12	11	12	13	14	14	15	16	16	17	18	18	19	20	20	20
GROSS EXPENSES	239	263	319	372	435	511	591	683	773	864	951	1,039	1,115	1,191	1,258	1,317	1,367	1,410	1,445	1,474	1,494	1,513	1,523	1,531	1,532	1,527	1,514
NET INCOME	169	207	194	203	212	217	233	244	260	267	285	300	320	334	350	369	388	409	433	456	483	505	533	558	584	613	645
SOURCES AND APPLICATION																											
Net Income	169	207	194	203	212	217	233	244	260	267	285	300	320	334	350	369	388	409	433	456	483	505	533	558	584	613	645
Less: Transfer to IDA	84	103	97	101	106	108	116	122	130	133	142	150	160	167	175	184	194	204	216	228	241	252	266	279	292	306	322
Net Income Retained	85	104	97	102	106	109	117	122	130	134	143	150	160	167	175	185	194	205	217	228	242	253	267	279	292	307	323
Receipts of Capital Subscriptions	34	23	17	13	9	5	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repaid to IBRD on Loans	286	349	383	420	450	477	531	600	681	811	921	1,034	1,157	1,262	1,380	1,494	1,605	1,693	1,798	1,877	1,958	2,030	2,079	2,144	2,211	2,277	2,325
Borrowing by IBRD	1,187	550	1,220	1,397	1,596	1,827	1,877	2,213	2,306	2,380	2,500	2,366	2,525	2,440	2,203	2,127	2,085	1,985	1,847	1,676	1,615	1,711	1,499	1,657	1,251	1,364	1,426
Less: Debt Retirement	522	428	543	577	670	685	648	900	989	1,117	1,192	1,165	1,418	1,435	1,363	1,383	1,443	1,443	1,431	1,365	1,382	1,530	1,426	1,609	1,366	1,511	1,610
Net Borrowing	665	122	677	820	926	1,142	1,229	1,313	1,317	1,263	1,308	1,201	1,107	1,005	840	745	642	542	417	310	233	181	73	48	-115	-147	-184
Delayed Deliveries (net)	94	86	-88	-102	-60	-70	-25	-69	-57	-26	-35	23	-15	-4	53	35	24	27	32	46	26	-5	36	-16	63	15	-16
Receipts from Sale of Loans	51	90	111	159	128	101	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Increase in Miscellaneous Liabilities	11	3	9	11	14	17	19	20	20	20	20	20	17	16	14	12	11	9	7	6	4	3	2	1	-1	-2	-3
Payments to IDA over (-) or under (+)	50	70	43	31	32	26	2																				

Cash and securities held constant at \$1.0 billion

	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
BALANCE SHEET																											
Cash and Securities	1,571	1,357	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Receivable from Delayed Deliveries	140	43	47	212	320	376	391	421	516	567	587	558	556	582	540	490	463	429	409	368	332	335	298	320	259	237	248
Total	1,711	1,400	1,047	1,212	1,320	1,376	1,391	1,421	1,516	1,567	1,587	1,558	1,556	1,582	1,540	1,490	1,463	1,429	1,409	1,368	1,332	1,335	1,298	1,320	1,259	1,237	1,248
Receivable from Loans	5,722	6,289	7,030	7,885	8,892	10,098	11,440	12,822	14,225	15,607	17,039	18,434	19,709	20,899	21,992	22,983	23,873	24,679	25,381	26,004	26,546	27,016	27,436	27,793	28,081	28,305	28,479
Receivable from Subscribed Capital	453	430	413	400	391	386	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385
Land and Buildings	37	42	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41	41
Accruals, Prepayments & Other Assets	145	150	157	178	200	225	249	273	302	329	355	376	399	420	437	450	462	470	476	479	481	481	478	476	470	463	455
TOTAL ASSETS	8,068	8,312	8,689	9,717	10,845	12,126	13,506	14,942	16,470	17,929	19,407	20,795	22,090	23,327	24,395	25,350	26,223	27,004	27,692	28,278	28,784	29,258	29,639	30,016	30,237	30,431	30,610
Due to IDA	168	238	283	314	347	374	399	421	442	460	482	505	532	557	583	611	640	671	705	740	778	816	858	899	941	984	1,031
Funded Debt	4,189	4,256	4,487	5,368	6,341	7,468	8,685	9,955	11,309	12,595	13,886	15,079	16,167	17,193	18,043	18,772	19,409	19,943	20,372	20,686	20,908	21,086	21,157	21,211	21,096	20,940	20,751
Miscellaneous Liabilities	70	72	76	87	101	118	138	158	178	197	218	237	255	271	285	297	308	317	324	330	334	337	339	339	338	336	333
Capital & - Special Reserve	291	291	291	291	291	291	291	291	291	291	291	291	291	291	291	291	291	291	291	291	291	291	291	291	291	291	291
Reserves - Retained Earnings	1,048	1,152	1,250	1,353	1,461	1,571	1,689	1,813	1,945	2,080	2,225	2,377	2,538	2,708	2,885	3,070	3,266	3,473	3,690	3,920	4,164	4,417	4,685	4,965	5,259	5,568	5,892
- Paid-in Capital	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303	2,303
- Total	3,642	3,746	3,844	3,947	4,055	4,165	4,283	4,407	4,539	4,674	4,819	4,971	5,132	5,302	5,479	5,664	5,860	6,067	6,284								

Treas./Stat.Serv., Econ.
June 2, 1969

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

Central Bank
issue?
Chrow.

Mr. Aldewereld

Siem -

As you can see, this was prepared
for Mr. Friedman and Tamagna asked if
I was interested in having a copy.
I received this yesterday.

Gene
5/29/69

[Report on the economic and financial
development in the United States
during the period April - May 1969]

dated May 26

Chron

May 29, 1969

Mr. Charles A. Coombs
Senior Vice President
Federal Reserve Bank of New York
33 Liberty Street
New York, N.Y. 10045

Dear Mr. Coombs:

I am sending you herewith a Draft Resolution
which was approved by our Executive Directors in
connection with our proposed issue of 6-1/2% Deutsche
Mark Bonds of 1969/1984.

Sincerely,

Eugene H. Rotberg
Treasurer

Enclosure: 1

EMK/

Address to the Annual Meeting of the Municipal Finance Officers
Association of the United States and Canada by Eugene H. Rotberg,
Treasurer of the World Bank -- May 28, 1969

In some countries, only three hundred poor souls finish high school. Their per capita income is measured in terms of but hundreds of dollars a year. Starvation is commonplace and open, and warmth, too often, is provided by discarded remnants which, wrapped about the poor, provide the unhappy substitute for clothing and housing. Freedom, spirit, ambition, ego, are meaningless terms, irrelevant concepts to the poor and defeated. But the poor, throughout the world are there and they know we are here.

And it is that knowing that, as much as anything else, creates the need to do something for them and for ourselves. Whether it is in Kenya or Cairo or Zambia or Djakarta or Calcutta, the tell-tale signs of affluence of what the out-people think is happiness is all about them. They think they know how we live. Perhaps they may not realize the tensions and pressures - that is pretty sophisticated stuff - but they know how we live. Modern forms of communication now let man know there is something different over the garden wall and his pursuit of happiness becomes a political as well as a spiritual ideal.

One writer said that happiness comes out of a factory smokestack. The poor want and need that factory, dam, railroad, store -- school. For the poor it is happiness: perhaps an expression of national or ethnic or personal pride, perhaps a desire engendered by years of domestic patronizing or foreign rule, perhaps simply to say: "I am a man", alone, self-sufficient and employed. Sometimes it is all politics or a desire for fun; sometimes a result of boredom, or of unhappy pressures, or of some vague intuitive feeling, perhaps planted by one educated citizen, that things could be different.

It could be presumptuous to say to you that the International Bank for Reconstruction and Development, a somewhat long-winded title for the World Bank, will assuage our guilt, erase the poverty, destroy the boredom and tediousness of life, and provide a feeling of expectation when the poor rise in the morning. It would be presumptuous to assume that one entity - no matter how well-intentioned, well-financed, well-equipped with brain power and will power - can lift their fellowmen to become productive beings in a terribly competitive society. But - presumptuous as it might appear - the gap between those who are free and those who are enslaved by poverty and ignorance and despair must be narrowed.

The job, in essence, involves the channeling of wealth from those who have it to those who do not. Riches for dams, transportation, food, industry, schools and communication. How anomalous - yet true - that the romantic ideal of uplifting the poor, destroying the boredom, preventing the violence and sadness is converted into meaning by hard-nosed, tough-minded bankers - bankers who have a preoccupation with doing the right

thing, a preoccupation with debt/equity ratios, economic returns, priority analyses, project appraisal, project supervision, and last but not least, the creditworthiness of the recipient.

How anomalous that the romantic ideal is not really carried by the stereotyped do-gooder, nor is it motivated by political necessity or irrational commitment, but rather is carried out by compulsive, meticulous financial types who insist that the World Bank commit its resources for the highest priority projects, and, then, only after it is assured that it will be repaid.

How anomalous that for all that has to be done and that has been done - \$12 billion in loans for underdeveloped countries from its inception to the present - that the strictest criteria for loans must still be met. What are these criteria?

The Bank's Articles require that its loans be for high priority productive purposes; that the Bank act "prudently" in making loans; that the borrowers are in a position to meet their obligations to the Bank - that means the country is creditworthy - and that the Bank make arrangements to ensure that the proceeds of each loan are used only for purposes granted and to pay attention to economy and efficiency. These Articles made good sense when they were drafted and make good sense now.

Let me explain what these criteria mean in actual practice. The World Bank is not a charitable institution. It is a tough-minded banking institution which borrows in the world capital markets and lends to developing countries.

If a country is not creditworthy, that is, it cannot be expected to meet a debt servicing obligation to the Bank, then it simply does not receive Bank loans. Many of you have heard of loans by the World Bank Group - and I emphasize the word "Group" - to developing countries which could not be considered first rate credit risks. These loans - the so-called soft loans - are not offered by the World Bank itself, the IBRD, but are offered by one of its affiliates - the International Development Association. IDA, as it is known, makes loans with a 10-year grace period, no interest and principal payments over the remaining 40 years. These funds, however, are made available from voluntary budgetary allocations of member countries and Bank transfers from its net earnings, if consistent with prudent financial policy. It is these funds which are disbursed by way of soft loans.

Conversely, the funds which the Bank raises in world capital markets from institutions such as those you represent are not, I repeat are not, expended on soft loans. The extension of IDA credits does not affect, directly or indirectly, the financial condition or profit of the IBRD; it is important to emphasize, however, that the strict project standards of high priority need and economic return, apply with equal vigor to IDA credits and IBRD loans. In other words, IDA credits are expended to relieve a country's balance of payments difficulties and not as a facility to support questionable projects. In short, IDA credits are soft loans for hard projects.

The World Bank, the hard lender, must, of course, borrow in order to accelerate its hard lending program. The Bank has borrowed almost 1.2 billion dollars in the last 11 months at an average cost to it of less than 6.5%. It has borrowed in Saudi Arabia, Kuwait, Switzerland, Germany, the United States and from over 60 Central Banks throughout the world. It has had, since its beginnings, 139 different issues, of which 84 remain outstanding; its outstanding bonds are now denominated in Netherlands guilders, Canadian dollars, United States dollars, Swedish kronor, Swiss francs, pounds sterling, Kuwaiti dinars and deutsche mark. It has borrowed, since its inception, over \$7.6 billion, and has a funded debt of \$4.2 billion, the balance having been already retired. Twenty-five per cent of its outstanding debt is held by Central Banks throughout the world.

Why do our securities hold their standing? Why have we been able to borrow and service our debt and show substantial profits - which this fiscal year will be approximately \$170 million?

One reason lies in the favorable equity/debt structure of the Bank. Let me explain what I mean. The Bank now has \$3.6 billion of interest-free capital and retained earnings, as compared to \$4.2 billion of funded debt. Currently, the average interest rate paid by the Bank on its total funded debt is less than 5.3%. Of greater significance, however, is the fact that the average cost of its funded debt and its paid-in capital and retained earnings amount to about 3.0%.

Today, a Bank loan carries an interest rate of 6.5%. This rate is obviously lower than the rate that the country could borrow in world capital markets. It is the favorable debt/equity ratio which permits the Bank to apply funds at a cost to borrowers of 6-1/2% and show substantial profit. Essentially, therefore, it is the difference between the cost of all funds, 3.0%, and the Bank's lending rate which permits the Bank to cover its administrative costs and earn profit. And, if prudent policy demands that we raise the lending rate the Bank would do so.

A second reason for the Bank's reputation lies in the Bank's operative procedures which I briefly alluded to earlier. When the Bank makes a loan, or indeed when IDA offers a credit, the most meticulous procedures are involved. Few people realize what this means in practice. First, the Bank conducts a thorough analysis of the country requesting financial assistance, analyzes its development plans and makes judgments on the sectors of the economy in which external financing can be most effective. The Bank requires a comprehensive picture of the structure of the economy by assessing its agricultural, mineral and industrial resources, the state of its basic facilities such as education, transport and power, the quality and efficiency of public administration, the pattern of external trade and payments, and the conditions of internal economics and finance. The Bank takes into account the existing and prospective debts of the country. If the country cannot reasonably be expected to meet a debt servicing obligation, even for high priority projects, the Bank does not make the loan. IDA might, but not the Bank.

The Bank then enters into a thorough analysis with a view to identifying the most significant projects and to assure that the specific project will maximize the economic return to the country. Bank loans (and IDA credits) are for specific projects and for specific purposes. There is a thorough review of the economic, technical, managerial, organizational, commercial and financial aspects of the project. Once the project is approved, and this can take months, or years for complex and large projects, the Bank is on top of the project, supervising its development, watching its progress by requiring records to be kept and regular reports submitted.

Its staff visits the project and observes the use of equipment purchased with loan proceeds to assure that the project is going according to schedule and expectations.

Another method of control over the project is the Bank's policy concerning disbursement of the loan. The Bank disburses funds under project loans and credits only as expenditures are incurred for specific goods and services. By means of this procedure and the reporting system noted above, it is possible to follow each item financed by the Bank and IDA, from the determination of specifications and the placing of an order to the delivery of the item and its actual use in the project. Disbursements are made on receipt of satisfactory documentation. This provides evidence that the goods or services to be financed are covered by the loan or credit agreement and that they are reasonable in cost and of proper and specified quality. Thus, disbursements are made on a staggered basis, as equipment, for example, actually is delivered to a particular country for a particular project. The Bank staff reviews the invoices to assure delivery of purchased equipment and it pays only against such invoices.

The Bank, in effect, provides a documentary letter of credit against invoices that provide proof that the country is getting the benefit of the financing. In short, the Bank does not give a blank check since it retains control of the funds and maintains a pay-as-you-go expenditure policy. This procedure is maintained until all disbursements are made. The Bank also reviews the contractual arrangements between borrowers and suppliers to make sure that the rules of international competitive bidding are followed and that awards are made to the lowest evaluated bid. This review is an important part of ensuring that the best available value is received for the expenditure.

It may be useful to summarize what this care has produced:

- . A portfolio of loans for projects which bring high economic returns to the borrower -- returns running as high as 100% per annum for several projects and, for the Bank's total portfolio, returns averaging well over 10%;
- . Cash and liquid security balances of \$1.8 billion - an amount equal to 43% of the outstanding Bank debt;

- . Cash and liquid resources exceeding by 36 times the Bank's present annual sinking fund requirements;
- . Cash and liquid resources equalling all sinking fund and maturity payments for the next 5 years;
- . Income from its liquid resources which covers over twice all administrative expenses of the Bank;
- . Profits which have almost tripled in ten years;
- . Loan repayments of \$290 million in fiscal 1969, and a projection of substantially increased repayments in future years;
- . Retirement to date of 45% of its issued debt;
- . Profits, over the last 10 years, averaging 50% of gross income;
- . Profits averaging \$170 million per year for the last 3 years;
- . Paid-in capital and retained earnings amounting to 90% of debt.

Apart from the care taken on appraisal, supervision and disbursements on loans, and quite apart from the favorable debt/equity ratio of the Bank, there are two important guarantees relating to the Bank's operation. First, there is a 100% guarantee of repayment of each loan by the government of the country in which the project is located. Second, there is the uncalled subscribed capital of member countries which, in effect, stands behind the debt obligations of the Bank. This commitment of member countries to the World Bank now equals 500% of the present Bank funded debt. The \$20.7 billion which stands behind our \$4.2 billion of debt includes the U.S. share of \$5.7 billion and the common market, United Kingdom and Canadian share of \$6.6 billion.

In a practical sense, therefore, the World Bank Bonds, through the unpaid capital subscription of its members, are backed by the full faith and credit of most nations of the world. Yet the Bank traditionally acts as if this protection did not exist and it conducts its operations to ensure that the guarantors shall never be called on. The best guarantee of our bonds is the prudent operation of the Bank by a skilled and experienced staff. And that is one of the reasons why, in the twenty-three year history of the Bank, there have been no losses on loans - no government has failed to honor its obligations - we have not been a target for debt repudiation. And the reason is clear. Developing countries recognize in the Bank an objective ally, free from political influence, motivated by a desire simply to do what is best for man and his country and to be there with help when it is needed. Under these circumstances developing nations believe it is in their best interest to keep impeccable relations with the Bank.

I also want to say that the World Bank need not borrow on a net basis an amount equal to its lending program. The basic reasons are that we have a sizable inflow of funds from loan repayments, which in the next five years, on the basis of our past and future lending projections and loan repayment schedules, we project will exceed \$2.0 billion in gross amount and that we are likely to generate - assuming a projection of our present borrowing costs, lending rates, investment income and loan repayments - substantial earnings from our operations.

I started off talking about the poor. I end up talking about a profitable and sophisticated financial institution. That's what it takes to do the job and we are prepared with your assistance and those similarly situated to raise the necessary funds and get on with the task of world development.

Personal.

DECLASSIFIED

DEC 27 2024

May 27, 1969

WBG ARCHIVES

Banca Commerciale Italiana
280 Park Avenue
New York, N.Y. 10017

Dear Sirs:

Thank you for your kind invitation to a reception on board the S.S. Michaelangelo on June 4. Unfortunately, due to a previous engagement, I very much regret that my wife and I will be unable to be present.

Best of luck and good wishes on the opening of your new office.

Sincerely yours,

Eugene H. Rotberg
Treasurer

Mr. Aldewereld

Siem:

1. I know this is short notice but I would appreciate your comments on the attached. Much of the material will, I am sure, be familiar to you.
2. The speech is to be given at a luncheon address to the U.S. and Canadian State and Local Retirement Systems in connection with their annual convention. Most of the participants at the convention are the managers of the State and Local Funds. As you know, they represent the largest holders of our U.S. dollar denominated bonds. My appearance was arranged by Morgan Stanley.
3. The point of the speech is to sell bonds by: (a) appealing to their support of the World Bank as a worthwhile institution, in terms of its purposes and goals; and (b) emphasizing its financial soundness.

Gene Rotberg
May 26, 1969

OFFICE MEMORANDUM

TO: Mr. Eugene H. Rotberg

DATE: May 23, 1969

FROM: Paul C. Szasz *PCS*SUBJECT: Use of word "surprised" by Dr. Hanemann
(re: Footnote to your memo to Files of May 20)

When the wife of Dr. Pepys once found him in a compromising position with a comely maid, the spouse exclaimed: "Samuel, I am surprised" -- whereupon the good Doctor, ever the pedant, is reported to have replied: "No my dear, you are astonished; it is I who am surprised".

MEMORANDUM

May 23, 1969

TO: Mrs. Evelyn J. Porter
FROM: Eugene H. Rotberg *EHR*
SUBJECT: Final Examination - G.W. University Law School
- Securities Markets Regulations Course -
Wednesday, May 28, 1969

As my secretary told you on the 'phone the other day, I will be out of the city on May 28, and will, therefore, be unable to be present at the above examination, which the students have been working on for the last month. The students have been told to either hand in their papers to a roving proctor on the evening of May 28 or to hand their papers in to my office by that time. Would you please give to the proctor the student evaluation forms so that the proctor may distribute them to the students when they hand in their examinations. The students should be told to fill out their student evaluation forms before they leave and hand them to the proctor, unsigned in a sealed envelope. (How's that for self-confidence!)

OFFICE MEMORANDUM

TO: Files

DATE: May 23, 1969

FROM: Joseph P. Uhrig

SUBJECT: May 16, 1969 conversation with Dr. Feith and Dr. Gaertner of the Deutsche Bank

The price meeting of May 16 was concluded about 11.00 a.m. on the understanding that Dr. Feith would immediately get in touch with the Ministry of Economics to request, solely on behalf of the Deutsche Bank, an increase of our issue from DM 200 million to DM 250 million.

Shortly before 1.00 p.m. Dr. Feith came back to us (Szasz and Uhrig) with Dr. Gaertner and reported very briefly on the conversation with Dr. Hankel, on the basis of which the Economics Ministry was prepared to approve an issue of DM 250 million. Dr. Feith said that he had told Dr. Hankel that the Bank had not wished to join Deutsche Bank in making the request; that the market could easily absorb the DM 250 million; that, in view of the need to export capital, it would be in the interest of all concerned that the market be tapped to as large an extent as possible at the present time; that the total amount of the Bank's issue would be entirely disbursed within about two months; that practically all the funds would be used for projects in developing countries. No indication was given of how Dr. Hankel responded to these arguments, except that he finally agreed to the higher amount. Dr. Feith concluded by saying that all that remained to be done was for Mr. Rotberg to call Dr. Hanemann to confirm that the Bank was interested in raising DM 250 million.

I communicated Dr. Feith's remarks to Mr. Broches and Mr. Rotberg shortly thereafter. Mr. Rotberg then called Dr. Hanemann.

cleared with and cc: Mr. Szasz

cc: Mr. Rotberg
Mr. Deely/Sec.Div.Files

~~Personal~~
Chron

DECLASSIFIED

DEC 27 2024

WBG ARCHIVES

10822 Childs Court
Silver Spring, Md.
20901

May 21, 1969

Yugoslav State Tourist Office
509 Madison Avenue
New York, N.Y.

Dear Sirs:

I would appreciate it very much if you would be kind enough to send me some brochures on mountain and Adriatic resort areas for the summer and, in particular, anything you might have on Sveti Stefani - or a similar type resort.

Thank you for your cooperation in this matter.

Sincerely yours,

Eugene H. Rotberg

Eugene H. Rotberg

OFFICE MEMORANDUM

TO: Files

DATE: May 23, 1969

FROM: Paul C. Szasz *PC Szasz*

CONFIDENTIAL

SUBJECT: Meeting at the Deutsche Genossenschaftskasse
9:30 - 10:30, May 19, 1969**DECLASSIFIED****Date:** 10/19/2010 *SMR*

1. As arranged in a brief conference on May 16th between Dr. Fritz Strunz of the Vorstand of the Deutsche Genossenschaftskasse and Messrs. Broches and Rotberg, a second meeting took place on the morning of May 19th. Present for the Genossenschaftskasse were Professor Dr. Georg Draheim, President, and Mr. Strunz, Vorstandsmitglied (member of the top management). Messrs. Rotberg and Szasz represented the World Bank.

2. The discussion of the possibility of the World Bank raising money from or through the Genossenschaftskasse was extremely cordial. It appeared that the latter was eager to participate in an appropriate arrangement.

A. General

3. Professor Draheim explained that the Genossenschaftskasse was at the tip of a pyramid consisting of some 8,000 local "cooperative" banks and 17 regional banks. The total resources of the system is currently approximately DM70 billion. The Genossenschaftskasse itself has assets of approximately DM9 billion, of which approximately DM2.5 billion constitute relatively liquid investments (about half in the form of bonds). Both the Genossenschaftskasse and the regional central banks act primarily as clearing houses; however, the former also conducts some other business, such as the distribution of new bond issues as manager, co-manager or member of consortia. The regional banks accept deposits practically only from the local banks, though a few large cooperative businesses have direct accounts with them.

4. President Draheim repeatedly stressed that the cooperative banks constituted a financially closed system, which interacts only minimally with other pools of funds in Germany. The World Bank therefore need not be concerned that any amount raised from the system would decrease the availability of funds from other German sources.

5. Besides its primary function as clearing house for the regional banks, the Genossenschaftskasse acts as a channel of securities to the portfolios of these banks, and to some extent through these to the local ones. Occasionally it underwrites or distributes bond issues, including those of foreign borrowers. Draheim indicated that

it might be interested in acting as a distributor of World Bank bonds. Mr. Rotberg replied that the World Bank was satisfied with its current consortium for public issues headed by the Deutsche and Dresdner Banks, and therefore did not consider turning to the Genossenschaftskasse for assistance of this type.

6. The Genossenschaftskasse emphasized that it maintained and valued good relations with the Deutsche Bank; it would be illogical to fear that in entering into any transaction with the World Bank these relations, or those between the Deutsche Bank and the World Bank, should suffer, since such transactions would not interfere with any of the public issues handled by the Deutsche Bank for the World Bank. Mr. Rotberg suggested that such relations were not always necessarily based only on law and logic, and that therefore the World Bank would have to take care to formulate any arrangement with a new partner so as not to disturb existing ones.

7. Though the cooperative banks are major purchasers of German government securities, President Draheim indicated that there could be no question of the Bundesbank (the official sales agent of these securities) looking unfavorably upon any purchase of World Bank bonds by these banks, since they were in fact unable to obtain all the bonds needed for their portfolios.

B. Outline of Possible Transactions

8. Amount. President Draheim mentioned various amounts between DM150 and DM300. Specifically he indicated that the Genossenschaftskasse would now be prepared to take DM150 million of a straight 12-year issue or, alternatively, 50 million each of four issues with terms of 3, 6, 9 and 12 years. After such issues were taken and absorbed, consideration could be given to additional amounts. In any case, he would expect that about two-thirds of each issue would remain in the portfolio of the Genossenschaftskasse, while about one-third would go to the regional banks; at best only very few bonds would move down to the local banks and none could be expected to move from these to their depositors. It would be useless to attempt to shape an issue to fit the requirements of the local banks, with the objective of increasing total sales, since the absorptive capacity of the local banks for securities of this type was at best limited and was adequately filled by government securities.

9. Duration. The Genossenschaftskasse could use short, intermediate or long-term securities, though its preference (and that of the regional banks) would be for a spread of maturities such as indicated in paragraph 8. Mr. Rotberg indicated that the World Bank could issue securities in any of these maturity ranges, and in particular could probably offer a selection of maturities such as proposed by the Genossenschaftskasse.

10. Roll-Overs. Responding to Mr. Rotberg's question about the possibility of rolling-over bonds as they become due, President Draheim indicated that this would of course depend on economic conditions at the appropriate time. Though no guarantee could be given, it was highly probable that roll-overs could be arranged, since the total assets of the cooperative banks were steadily increasing. Of course, should there be a recession, this flexibility might disappear.

11. Interest Rate. President Draheim suggested that the interest rate for any 12-year securities might at this time be based on the rate received by the World Bank from the Westdeutsche Landesbank on the last of the three tranches of 16-year bonds (12 1/2-year average life) -- which he recalled as 6% bonds marketed at 96 [sic], and he believed included an underwriting discount. Appropriate adjustment would be made in the rate for the shorter maturities. Mr. Rotberg indicated that he could not yet enter into any discussion of interest rates, but that he expected that whatever rate would be set, the price to the Genossenschaftskasse would be a flat one (i.e., either par or at a negotiated discount) and would not include any underwriting fee. President Draheim indicated his agreement with that proposition, since in effect most of the securities would stay in his portfolio.

12. Period of Interest Payment. President Draheim indicated a mild preference for semi-annual coupons. Mr. Rotberg stated that the Bank could offer these, though for administrative reasons it prefers annual payments. In either case it was understood that the price of the securities would be adjusted according to the period of payment, so as to achieve the agreed interest rate.

13. Listing. After an exploratory question by President Draheim, Mr. Rotberg stated that the Bank would not consider listing any securities sold to or through the Genossenschaftskasse, since such listed securities would almost surely interfere with the market for the bonds it was issuing through the Deutsche Bank consortium. President Draheim indicated that lack of listing would not seriously disturb the Genossenschaftskasse, and that if bonds of suitable maturities and conditions were provided these would be absorbed into the portfolios of the Genossenschaftskasse and the regional banks, whereupon he would expect almost no further trading to take place at all -- even within the system.

14. Lombardfaehigkeit. It was understood that unlisted bonds with original maturities of four years or more would not ordinarily be lombardfaehig (rediscountable with the Bundesbank), though it was possible (though not likely) that the Bundesbank might make an exception. There was no possibility of obtaining any "regional" lombardfaehigkeit from any Laender (State) authorities. President

May 23, 1969

Draheim indicated that lack of lombardfaehigkeit would not significantly affect his bank's interest in World Bank securities (at least in the quantities under discussion) since these bonds would at best constitute only a relatively small fraction (10-20%) of the total bond portfolio of the Genossenschaftskasse (most of which is at present lombardfaehig), and even smaller percentages of those of the regional banks.

15. Denominations and Participation. To the extent that any part of an issue was passed on by the Genossenschaftskasse to the regional banks and by these perhaps to the local ones, this would be in the form of bonds issued by the World Bank and not in the form of participation certificates issued by the Genossenschaftskasse. However, there was no discussion of denominations or of the use of registered instead of bearer bonds.

C. Conclusion

16. Mr. Rotberg indicated that he was very pleased with his conversation and by the interest shown by the Genossenschaftskasse. However, he would first have to return to Washington to discuss there the possibility of a transaction in the light of the World Bank's general financing plans. It would also be necessary to take the matter up with the Bundeswirtschaftsministerium and possibly with the Bundesbank. He expected to be able to give at least a preliminary reaction in about two or three weeks. Naturally these conversations should remain strictly confidential.

cc: Mr. McNamara
Mr. Aldewereld
Mr. Broches
Mr. Rotberg

OFFICE MEMORANDUM

TO: FILES

DATE: May 20, 1969

FROM: Eugene H. Rotberg

CONFIDENTIALSUBJECT: Meetings in Germany -- May 1969
Deutsche Girozentrale and Deutsche Genossenschaftskasse**DECLASSIFIED****Date:** 10/19/2010 SMTNotes of Meeting with Deutsche Girozentrale - 3:00 P.M., May 16

For the World Bank:

Messrs. Broches and Rotberg

For the Deutsche Girozentrale:

Mr. Jakob Rumold

The Deutsche Girozentrale is the central bank for the Regional Girozentralen (e.g. the Westdeutsche Landesbank). They have substantial liquid resources and would like to either underwrite our obligations or, alternatively, purchase them by means of a private placement. Their most pressing need is for two to four year maturities. Recently they purchased some of our obligations from the Deutsche Bundesbank. They do not receive a large enough bond participation in the Deutsche Bank consortium and are unable to purchase enough Government obligations to satisfy their liquidity requirements. (This is because the Federal Republic has not been issuing direct obligations recently and they have been unable to buy enough in the secondary market). Their balance sheet as of December 31 shows that 2-1/2 billion Deutsche marks are placed with banks, both in and outside of Germany, as demand deposits, three month deposits or short-term deposits. Another 3 billion DM is in Treasury Bills and other Government obligations. They hold medium-term notes of the Federal Republic of .7 billion and "other" securities amounting to another 1 billion DM. At the present time they maintain 800 million DM with the Deutsche Bundesbank, which draws no interest, and for which there are no fixed interest investments available. They can do an immediate placement with us of serial maturities commencing after 1971 -- the last maturity of the notes which they recently purchased from the Bundesbank. They said they were prepared to purchase DM 250 million for their own portfolio. They would not sell their own paper secured by our underlying obligation.

I pointed out that we were satisfied with our public offerings through the Deutsche Bank and that the Westdeutsche Landesbank was tapping the savings banks and Girozentralen. Rumold said, however, that they provided a different source of funds, since it was a clearing bank for the other Girozentralen. Rumold also said that their deposits fluctuated sharply. I asked what would happen if they needed funds to meet their obligations to other Girozentralen if their assets were locked up in non-transferable,

May 20, 1969

non-liquid, non-marketable World Bank notes. (I sought to steer the conversation away from the use of the Deutsche Girozentrale as an underwriter for distribution of our bonds to (a) depositors or (b) savings banks or (c) other Girozentralen.) Rumold said that an amount of DM 250 million was relatively small and could remain in their portfolio.

Mr. Broches and I noted that our meeting was tentative, confidential and exploratory. We invited them to come to Washington to discuss the matter further. Rumold said he would be prepared to do a transaction in the near future and would be delighted to come to Washington to negotiate terms. We explained that this was somewhat premature since we would have to coordinate our borrowing plans in Germany with the Economics Ministry and the Bundesbank.

It may be that the most appropriate way to tap Deutsche Girozentrale funds is to sell our bonds to or through the Bundesbank (which borrowing technically does not need the approval of the Economics Ministry) who, in turn, might act as a de facto underwriter in order to facilitate the export of capital - which Germany now must encourage - and, incidentally, provide short or medium-term investments for a major banking institution. If not, the Bundesbank might be prepared to assume the burden of the argument that any funds borrowed from the Deutsche Girozentrale should not be counted against our DM 1 billion limit since (a) these funds are not in the capital market, (b) the Deutsche Girozentrale gets practically nothing of the Deutsche Bank's consortium offerings, and (c) the World Bank would provide an investment vehicle which the Federal Republic of Germany does not wish to supply through its own direct borrowing. I think we should discuss this matter with Ronnie Broches as soon as convenient.

Notes of Meeting 5:00 P.M. with Deutsche Genossenschaftskasse

Ronnie Broches and I went to Deutsche Genossenschaftskasse, uninvited and we thought unexpected; it appears that, while we were uninvited, we were somewhat anxiously expected. We assume that the Economics Ministry had advised the Deutsche Genossenschaftskasse of our visit to Germany. We met with Dr. Strunz, Member of Directorate of the Bank. He explained at some length the financial structure of the Deutsche Genossenschaftskasse and explained that the assets controlled and managed by them exceed the combined assets of the Deutsche Bank, Commerzbank and Dresdner Bank by 10 billion Deutsche marks. The Deutsche Genossenschaftskasse is the clearing house bank for the German cooperative banks; e.g. agricultural cooperative banks; business and supply cooperative banks; postal, railway and other loan cooperatives; cooperative credit institutions, "volksbanks";

building and loan banks, etc. The Deutsche Genossenschaftskasse also own insurance companies, mortgage companies, etc. etc. They are the investing agent for these institutions and the total funds available to them exceed DM 70 billion.

We discussed three different theoretical offerings: (a) public offerings through the Deutsche Genossenschaftskasse; (b) private placement restricted to the Deutsche Genossenschaftskasse, the 17 regional cooperative banks (the parallel to the regional Girozentralen) and the 8,000 local cooperative banks or (c) private offering only to the Deutsche Genossenschaftskasse and the 17 cooperative regional banks. I suggested that we concentrate on the possibility of a private placement restricted to the Deutsche Genossenschaftskasse and the regional banks and not to the underlying cooperative banks. Rumold said that under those circumstances the Deutsche Genossenschaftskasse could take somewhere between DM 150 - 300 million, most of which would be held by the Deutsche Genossenschaftskasse if the offering were limited to 150 - 200 million DM. The maturities in their present portfolios range from 2 to 15 years. Rumold was most anxious to arrange for some specific kind of commitment and Mr. Broches and I explained our discussions were tentative, that we would have to coordinate any borrowing with the Economics Ministry (they reminded us quite pointedly that the reason we were there was because of the direction or suggestion of the Economics Ministry) and should fit into our overall borrowing program through the Deutsche Bank and the Westdeutsche Landesbank. They emphasized that the funds available to us from these banks and the regional cooperative banks did not in any way overlap the funds available from either of the other two sources. We arranged to meet with them again on Monday morning to discuss the matter in further detail.

. . .

Notes of Meeting on Monday morning, May 19

For the World Bank:

Messrs. Rotberg and Szasz

For the Deutsche
Genossenschaftskasse:

Professor Draheim (President),
Mr. Fritz Strunz, Member of Directorate

We continued the discussion of Friday afternoon with a great deal more specificity. A memorandum is being prepared by Paul Szasz which will set forth our discussions in more detail. At this meeting I asked them to assume: (a) no public offering with the Deutsche Genossenschaftskasse; (b) no commercial bank participation; (c) no listing; (d) the World Bank obligations would not be lombardfähig; (e) the offering would be restricted to the Deutsche Genossenschaftskasse and the central

May 20, 1969

cooperative banks and the bonds could not be sold outside that limited circle - not even to the 8,000 cooperative banks; (f) no participation interests, i.e. no issuance of "paper" of the Deutsche Genossenschaftskasse backed by underlying bonds of the World Bank. They said they could take DM 200 million under these very narrow conditions, depending on the maturity. We asked whether, in order to make an attractive package, they would find it more advantageous to take a 3, 6, 9 and 12 year maturity, at varying interest rates, with no sinking fund and no call features. This would enable them to place the bonds in their own portfolio and with the other central banks, according to the individual needs of each of their cooperative central banks. They said this would represent the most attractive kind of package. They claimed the interest rate at the present time would be the same cost to us as our most recent tranche to the Westdeutsche Landesbank. I told them there would be no underwriting commission, of course, since (a) they could absorb all of their offering in their own portfolio and, therefore, there was no risk; and (b) if they wished to resell to the central cooperative banks they could simply do so at a slightly higher price. They accepted this premise and understood further that there would be no transferability of the bonds outside the narrow group. They emphasized again the fact that this kind of arrangement would not duplicate our other offerings; they pointed out that in our current public Deutsche Bank offering they received but 2%, or DM 4 million.

I asked whether or not we could expect a continual roll over of funds under the hypothetical assumptions above. They said that, while they could give no firm assurance, they would look for a continual increase of holding of our bonds if savings continued to grow in Germany. I suggested that this was particularly important for any intermediate-term financing by the World Bank.

They emphasized that there was in fact no interference with the Deutsche Bank and that we would be tapping totally different sources of funds. I noted that, while we might be tapping new sources of funds, (a) the amount of our export was limited in total, quite apart from where it came from, and (b) to the extent that savings were attracted to one form of instrumentality, rather than another, i.e. cooperative banks or savings banks or commercial banks, we were indirectly competing with ourselves. I advised the Deutsche Genossenschaftskasse that we would have to discuss the matter with the Bundesbank since the Deutsche Genossenschaftskasse were major purchasers of Federal Government bonds. Draheim pointed out that (a) the Federal Government wishes to export more capital and (b) there were few Federal Government bonds available for investment. This was consistent with the view expressed in our meeting with the Deutsche Girozentrale. We advised the Deutsche Genossenschaftskasse that we would discuss the matter with them in 2 - 3 weeks.

Attachment

cc: Mr. McNamara
Mr. Aldewereld
Mr. Broches

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

Mr. Aldewereld:

*The attached
Memo was
revised*

Mr. Rotberg did not see this in final form -- however, he asked that I pass a copy to you when I had typed it. No other distribution has been made (i.e. to Mr. McNamara and Mr. Broches, etc.) as Mr. Rotberg wants me to attach a copy of a complementary memo which Mr. Uhrig will be writing - dealing with Dr. Feith's discussions with Dr. Hankel. He also wants me to attach a copy of a memo which Mr. Szasz will be writing - dealing in more detail with the discussions with the Deutsche Genossenschaftskasse.

Kessie
May 21, 1969

OFFICE MEMORANDUM

TO: FILES

DATE: May 20, 1969

FROM: Eugene H. Rotberg

DECLASSIFIEDSUBJECT: Meetings in Germany -- May 1969CONFIDENTIAL
~~Date:~~ 10/19/2010 SMT

The following notes reflect the substance of various conversations and meetings during my recent trip to the Federal Republic of Germany.

Phone Call - Dr. Hanemann - 9:00 A.M., Friday, May 16

I called Dr. Hanemann, of the Economics Ministry in Bonn, to thank him and Dr. Durer for their evaluation of the markets in Germany. I explained that the recent recommendation of the "Capital Markets Committee" to increase our offering to \$250 million was not at the request of the World Bank. I said that we appreciated the informal approval for the DM 200 million and that, while we could make use of additional funds, we were fully satisfied with their decision and I was not prepared to request the additional DM 50 million on behalf of the Bank. Hanemann thanked me and asked that I call him back when the price negotiations were concluded, since I told him I did not know whether the price would be 98 or 98-1/2.

Meeting with the Deutsche Bank - 9:30 A.M., Friday, May 16

For the World Bank: Messrs. Broches, Rotberg, Uhrig and Szasz
For the Deutsche Bank: Dr. Feith, Dr. Gaertner and Dr. Krebs

I outlined my understanding of the tentative conditions: 6-1/2% coupon, 15-year maturity (5 years of grace, 10 annual equal installments); semi-annual coupon, right to call entire issue after the fifth year at par; 1-3/4% commission to the underwriter.

I told Dr. Feith that we relied on the Deutsche Bank as our bankers to give us the very best advice as to the price and that I was sure that he would recommend the maximum price consistent with a successful issue. He said the best market price was 98-1/2 and that, if the Federal Republic of Germany were to offer its bonds under the terms and conditions outlined above, the price would be 98-1/2, at a 6-1/2% coupon. I accepted his recommendation. He then asked whether he could send a telex to Hankel (Economics Ministry) on behalf of both the World Bank and the Deutsche Bank asking for an increase to

May 20, 1969

DM 250 million. I told him that, as much as I respected his judgment on market conditions, I could not join in that request. I explained that we had informally asked for an increase in the amount of the offering through a private placement -- which would have less effect on the capital market -- and the response was negative.

Mr. Broches also noted that Dr. Hanemann had indicated to him a few days earlier that any increase in the amount of the offering might require further consideration and possibly delay the offering. In view of these facts and the necessity of our maintaining good relations with the Economics Ministry, I could not justify a request for an additional \$12-1/2 million as measured against the risk of an adverse reaction of the Economics Ministry. Dr. Feith then asked if we would object to their making the request on their own behalf. I told Dr. Feith that if he wished to make such a request we would have no objection; that it should be made clear that the request was not at our initiative and that although we were satisfied with the DM 200 million we, of course, could make use of the additional funds.

Dr. Feith asked whether we could identify the countries who received the DM which we would borrow. I told him we could do so. We identified those countries representing major portions of our undisbursed loans. Feith said he intended to bring this material to Dr. Hankel's attention. (Guth later advised us that Hankel had recently raised a question as to the extent of World Bank lending to developed countries and Dr. Feith intended to show the very substantial percentages of our undisbursed commitments to underdeveloped countries.)

Dr. Feith told us that, if the offering were DM 200 million, the consortium would take DM 170 million and the Deutsche Bank would retain DM 30 million "off the top" for their clients. If the offering were DM 250 million, the Deutsche Bank would retain DM 50 million for their clients and the consortium would retain DM 200 million. Therefore, an increase of DM 50 million would only have an impact on the consortium of DM 30 million. Dr. Feith explained the market was quite strong and that the Finnish and Kobe issues were selling at premiums. I pointed out that at 98-1/2 the issue would yield about 6.70 to the public as compared to 6.51 yield of our 6-1/2's and that this "premium" of 20 basis points would seem to assure a successful placement. There was general agreement and expectation that the offering would be successful.

. . .

Later in the afternoon we were advised by Dr. Gaertner of the Deutsche Bank that Dr. Hankel agreed to the request for an increase in the amount of the offering. Our position was made quite clear to Dr. Hankel. There

is attached a memorandum from Joseph Uhrig who spoke to Dr. Gaertner immediately after Dr. Feith had spoken to Dr. Hankel. This memorandum reflects more completely the substance of the conversations as we understand them between Hankel and Feith. Arrangements were made for me to talk directly to the Economics Ministry and to confirm the increase to DM 250 million.

. . .

Telephone Conversation with Dr. Hanemann

I advised Dr. Hanemann of the price and confirmed the terms of the issue which had previously been transmitted to the Economics Ministry by Dr. Feith. I told him that I understood that the Economics Ministry had approved an increase to DM 250 million and I expressed my appreciation to him and Dr. Hankel. He responded by asking whether I was "amending" our request for DM 200 million since their files only reflected a request of that amount. Because of the way he put his inquiry, and although he said it was a technical point, I said that I was not prepared to amend our request unless advised that it would be treated favorably and that the Economics Ministry understood that the request was made at the Deutsche Bank's initiative and suggestion and that we were satisfied with the DM 200 million. He said he was aware of these facts but he needed the Bank to request the additional amount. I did so. I still had the feeling that the Economics Ministry might have had certain misgivings. I, therefore, said that I was pleased that the strength of the capital markets was such that it permitted the Economics Ministry, without reservation, to accede to the Deutsche Bank's request. Hanemann immediately responded that the Economics Ministry was "surprised" at the request, particularly in view of the "way" it came to them. I did not press the matter or request any clarification but thanked the Economics Ministry for their assistance and assured them that the funds would be used quickly in the Bank's operations. ^{1/}

Dr. Hanemann asked if I had been to see the Deutsche Genossenschaftskasse. I told him I had an appointment to see the Deutsche Girozentrale and I would call the Deutsche Genossenschaftskasse to see if they were available that day, Friday, May 16, or on Monday, May 19. He said he hoped I would do so.

^{1/} Hanemann's statement that he was "surprised" was, I assume, a term of deliberate vagueness since he had received two requests from us for an increase and had discussed the possibility of an increase with Mr. Broches. Perhaps he was surprised that we did not join in the request initially. I do not think it is very useful to speculate further on the discussions between Hankel and Feith. Guth later told us that there is a good deal of personal antagonism between Hankel and the banking industry and that the Economics Ministry is quite angry at the Deutsche Bank because of its strong opposition to revaluation.

. . .

I called the Bundesbank and spoke to Dr. Tungeler and advised him of the terms of the offering. He wished the offering a success and said the price seemed right. On Monday morning, May 19, I called Dr. Blessing directly and he said the price was a very good one and he was most pleased when I told him that the Deutsche Bank had every expectation that it would be a most successful offering.

. . .

Notes of Meeting with Deutsche Girozentrale - 3:00 P.M., May 16

For the World Bank: Messrs. Broches and Rotberg
For the Deutsche Girozentrale: Mr. Jakob Rumold

The Deutsche Girozentrale is the central bank for the Regional Girozentralen (e.g. the Westdeutsche Landesbank). They have a great deal of cash and liquid resources and would like to either underwrite our obligations or, alternatively, purchase them by means of a private placement. Their most pressing need is for two to four year maturities. Recently they purchased some of our obligations from the Deutsche Bundesbank. They do not receive a large enough participation from the Deutsche Bank to satisfy their very substantial investment needs and are unable to purchase enough Government obligations to satisfy their increasing liquidity. This is because the Federal Republic has not been issuing direct obligations recently (they said they also have an excess of funds because of revaluation speculation) and they have been unable to buy enough in the secondary market. Their balance sheet as of December 31 shows that 2-1/2 billion Deutsche marks are placed with banks, both in and outside of Germany, as demand deposits, three month deposits or short-term time deposits. Another 3 billion DM is in Treasury Bills and other Government obligations. They hold medium-term notes of the Federal Republic of .7 billion and other securities amounting to another 1 billion DM. At the present time they maintain 800 million DM with the Deutsche Bundesbank, which draws no interest, and for which there are no fixed interest investments available. They are, therefore, ready and available to do an immediate placement with us with serial maturities commencing after 1971 -- the last maturity of our notes which they recently purchased from the Bundesbank. They said they were prepared to purchase DM 250 million for their own portfolio. Nor would they sell their own paper secured by our underlying obligation or any participation of it.

I pointed out that we were satisfied with our public offerings through the Deutsche Bank and that the Westdeutsche Landesbank was tapping the savings banks and Girozentralen. Rumold said, however, that theirs was a different source of funds since it was a clearing bank which had substantial fluctuations in liquidity (as much as 1 billion Deutsche marks per day) and required, particularly during recent periods, available investments. I asked what would happen if they needed funds to meet their other obligations to other Girozentralen if their assets were locked up in non-transferable, non-liquid, non-marketable World Bank notes. (I sought to steer the conversation away from the use of the Deutsche Girozentrale as an underwriter for distribution of our bonds to (a) depositors or (b) savings banks or (c) other Girozentralen.) Rumold said that an amount of DM 250 million was relatively small and could remain in their portfolio and they would liquidate something else.

Mr. Broches and I noted that our meeting was tentative, confidential and exploratory and that we invited them to come to Washington to discuss the matter further. Rumold said he would be prepared to do a transaction in the near future and would be delighted to come to Washington to negotiate terms. We explained that this was somewhat premature since we would have to coordinate our borrowing plans in Germany with the Economics Ministry and the Bundesbank. In this connection, Mr. Broches and I noted that the Deutsche Girozentrale were, in effect, purchasing our bonds through the Bundesbank and that their relationship with the Bundesbank might provide the method by which a transaction might be effected.

Mr. Broches has touched on this matter somewhat with his discussions with the Bundesbank in connection with their resale of our obligations. It may be that the most appropriate way to tap Deutsche Girozentrale funds is to sell our bonds to or through the Bundesbank (which borrowing technically does not need the approval of the Economics Ministry) who, in turn, might act as a de facto underwriter in order to facilitate the export of capital - which Germany now must encourage - and, incidentally, provide short or medium-term investments for a major banking institution. If not, the Bundesbank might be prepared to assume the burden of the argument that any funds borrowed from the Deutsche Girozentrale should not be counted against our DM 1 billion limit since (a) these funds are not in the capital market, (b) the Deutsche Girozentrale gets practically nothing of the Deutsche Bank's consortium offerings, and (c) the World Bank is really supplying an investment vehicle which the Federal Republic of Germany cannot or does not wish to supply through its own direct borrowing. I think we should discuss this matter with Ronnie Broches, particularly as long as there are excess non-invested funds in Germany.

Notes of Meeting 5:00 P.M. with Deutsche Genossenschaftskasse

Ronnie Broches and I went to Deutsche Genossenschaftskasse, uninvited and we thought unexpected; it appears that, while we were uninvited, we were somewhat anxiously expected. We assume that the Economics Ministry had advised the Deutsche Genossenschaftskasse of our visit to Germany. We met with Dr. Strunz, Member of the Top Management of the Bank. He explained at some length the financial structure of the Deutsche Genossenschaftskasse and explained that the assets controlled and managed by them exceed the combined assets of the Deutsche Bank, Commerzbank and Dresdner Bank by 10 billion Deutsche marks. The Deutsche Genossenschaftskasse is the clearing house bank for the German cooperative banks which finance agricultural credits; the business and supply cooperative banks; the postal, railway and other loan cooperatives; cooperative credit institutions, "volksbanks"; building and loan banks, etc. They also own insurance companies, mortgage companies, etc. etc. They are the investing agent for these institutions and the total funds available to them exceed DM 70 billion or 2-1/2 times the savings held by the Girozentralen. They claim that they are the other large source of German savings -- the others being the commercial bank deposits and the saving bank deposits.

We discussed three different theoretical offerings: (a) public offerings through the Deutsche Genossenschaftskasse; (b) private placement restricted to the Deutsche Genossenschaftskasse; the 17 regional cooperative (the parallel to the regional Girozentralen) banks and the 8,000 local cooperative banks or (c) private offering only to the Deutsche Genossenschaftskasse and the 17 cooperative central banks. I suggested that we concentrate on the possibility of a private placement restricted to the Deutsche Genossenschaftskasse and the regional banks and not to the underlying cooperative banks. Rumold said that under those circumstances the Deutsche Genossenschaftskasse could take somewhere between DM 150 - 300 million, most of which would be held by the Deutsche Genossenschaftskasse if the offering were limited to 150 - 200 million DM. The maturities in their present portfolios range from 2 to 15 years. Rumold was most anxious to arrange for some specific kind of commitment and Mr. Broches and I explained our discussions were tentative, that we would have to coordinate any borrowing with the Economics Ministry (they reminded us quite pointedly that the reason we were there was because of the direction or suggestion of the Economics Ministry) and should fit into our overall borrowing program through the Deutsche Bank and the Westdeutsche Landesbank. They emphasized that the funds available to us from these banks and the regional cooperative banks did not in any way overlap the funds available from either of the other two sources. We arranged to meet with them again on Monday morning to discuss the matter in further detail.

Notes of Meeting on Monday morning, May 19

For the World Bank:

Messrs. Rotberg and Szasz

For the Deutsche

Genossenschaftskasse:

Professor Draheim (President),
Mr. Fritz Strunz, Member of the
Top Management (Managing Director)

We continued the discussion of Friday afternoon with a great deal more specificity. A memorandum is being prepared by Paul Szasz which will set forth our discussions in more detail. At this meeting I asked them to assume (a) no public offering with the Deutsche Genossenschaftskasse; (b) no commercial bank participation; (c) no listing; (d) not lombardfähig; (e) the offering would be restricted to the Deutsche Genossenschaftskasse and the central cooperative banks and the bonds could not be sold outside that limited circle - not even to the 8,000 cooperative banks; (f) no participation interests, i.e. no issuance of "paper" of the Deutsche Genossenschaftskasse which represented the underlying bonds of the Bank could be distributed beyond the 18 central banks. They said they could take DM 200 million under these very narrow conditions, depending on the maturity. I asked them whether, in order to make an attractive package, they would find it more advantageous to take a 3, 6, 9 and 12 year maturity, at varying interest rates, with no sinking fund and no call features. This would enable them to place the bonds in their own portfolio and with the other central banks, according to the individual needs of each of their cooperative central banks. They said this would represent the most attractive kind of package. They claimed the interest rate at the present time would be the same cost to us as our most recent tranche to the Westdeutsche Landesbank. I told them there would be no underwriting commission, of course, since (a) they could absorb all of their offering in their own portfolio and, therefore, there was no risk; and (b) if they wished to resell to the central cooperative banks they could simply do so at a slightly higher price. They accepted this premise and understood further that there would be transferability of the shares outside the narrow group. They emphasized again the fact that they were not duplicating our other offerings and pointed out that in our current Deutsche Bank offering they received but 2%, or DM 4 million, when their needs were really DM 250 million.

I asked whether or not we could expect a continual roll over of funds under the hypothetical assumptions above. They said that, while they could give no firm assurance, they would look for a continual increase of holding of our bonds if savings continued to grow in Germany. I suggested to them that this was particularly important for any

May 20, 1969

intermediate-term financing by the Bank and was one of the reasons why a private placement with a manager of a continuing flow of funds had a certain attractiveness. I pointed out, however, that any specific negotiation was quite premature, etc. However, Professor Draheim was quite interested in concluding an arrangement and pressed for some specific terms. I told him we would have to discuss the matter in Washington, the Economics Ministry, etc. The Deutsche Genossenschaftskasse quite pointedly said we should not be overconcerned with the Deutsche Bank. (They said they were not concerned with our having transactions with the Deutsche Bank and the Westdeutsche Landesbank). Draheim said he recognized our relationship with the Deutsche Bank and because of their long standing relationship with the Deutsche Bank, too, did not want to do anything which would be inappropriate. They emphasized, however, that there was in fact no interference with the Deutsche Bank and that we were tapping totally different sources of funds. I noted that, while we might be tapping new sources of funds, (a) the amount of our export was limited in total, quite apart from where it came from, and (b) to the extent that savings were attracted to one form of instrumentality, rather than another, i.e. cooperative banks or savings banks or commercial banks, we were indirectly competing with ourselves. (In that sense, of course, the consortium percentages set by the Deutsche Bank, combined with their own placement power, limited as a practical matter the amount of savings which could be tapped through the Deutsche Bank as an underwriter.) I advised the Deutsche Genossenschaftskasse that we would have to discuss the matter with the Bundesbank since the Deutsche Genossenschaftskasse were major purchasers of Federal Government bonds. They pointed out, however, that (a) the Federal Government wishes to export more capital and (b) there were few Federal Government bonds available for investment. This confirmed our previous meeting with the Girozentrale. We advised the Deutsche Genossenschaftskasse that we would discuss the matter with them in 2 - 3 weeks.

Attachments: 2

cc: Mr. McNamara
Mr. Aldewereld
Mr. Broches

JOSEPH UHRIG
HOTEL CONTINENTAL
FRANKFURTMAIN

ch
MAY 14, 1969

NLT

(GERMANY)

SEVEN

ARRIVE FRANKFURT EIGHT FIFTEEN FRIDAY MORNING MAY 16 ON FLIGHT

LH 401 STOP AM CONFIRMED AT FRANKFURTERHOF REGARDS

GENE ROTBERG

EUGENE H. ROTBERG

TREASURER'S

EHRotberg:emk

Chron

Mr. Aldewereld

Siem:

1. We have received a copy of the Purchase Contract to be signed on May 20. Peter Eigen is reviewing it and forwarding his comments to Paul Szasz.
2. Ronnie Broches will discuss with the Bundesbank the 6-1/2% coupon - a 7% cost to us - Tuesday, May 13 and will call me Wednesday morning and advise me of their reaction.
3. I will call Durer Tuesday, May 13, and obtain his reaction and I intend to ask Ronnie to do the same on Wednesday. I thought I might also mention the fact that the Deutsche Bank has offered us a long-term private placement (15-year average life) and that we advised them that our permission extended only to \$200 million.
4. I arrive in Frankfurt early Friday morning for a meeting with Feith at 9:30.
5. I would like to call you around 12:30 (7:30 Washington time) on Friday before any tentative understanding is reached. May I call you at home? I understand that the Deutsche Bank would like to send out cables with a tentative price on Friday and I do not know whether they wish to wait as late as 2 p.m. Would you prefer that I wait until 8:00 - 8:30 and call both you and Mr. McNamara at the office?
6. I will visit with Blessing briefly on Friday afternoon, if he is available, and will call the Economics Ministry to advise them of our negotiations.
7. I go back to the Deutsche Bank on Monday. I have arranged for de Lesseps to be there. If there is any change, of course, over the weekend I will be in touch with you.
8. Inasmuch as we now have the Purchase Contract and can review it both here and in Germany, I would prefer to return to Washington late Monday night and be in the office Tuesday morning. De Lesseps would sign the Purchase Contract shortly after 10:00 in Frankfurt, after Board approval on Tuesday.

Gene Rotberg
May 13, 1969

MAY 14, 1969

ICH ERWARTE SIE AM FREITAG DEN 16 MAI UM 15.00 UHR

J. RUMOLD

I WAIT FOR YOU ON FRIDAY, MAY 16, 3:00 PM

SPARGIROBANK
FRANKFURTMAIN

MAY 13, 1969

TELEX

GERMANY

ATTENTION JAKOB RUMOLD

REFERENCE YOUR LETTER TO ALDEWERELD MAY 7 STOP THE UNDERSIGNED
WILL BE IN FRANKFURT ON FRIDAY MAY 16 AND MONDAY MAY 19 STOP
ALDEWERELD SUGGESTS THAT PRIOR TO YOUR VISIT TO WASHINGTON YOU
MAY WISH TO DISCUSS MATTER FURTHER AT THAT TIME STOP I AM
AVAILABLE FOR FURTHER DISCUSSIONS WITH YOU THREE PM ON FRIDAY
MAY 16 OR NINE THIRTY AM MONDAY MAY 19 STOP PLEASE CABLE IF
SUCH MEETING CAN BE ARRANGED

EUGENE ROTBERG
TREASURER
INTBAFRAD

EUGENE H. ROTBERG
TREASURER'S

EHRotberg:emk

Chron.

INTBAFRAD
PARIS

MAY 12, 1969

NLT

(FRANCE)

559

FOR DELESSEPS

REUR 681 REGRET UNABLE TO MEET WITH CALVI MAY 19 AS I WILL BE
IN GERMANY STOP HAVE ARRANGED MEETINGS FOR HIM WITH MENDELS AT
TEN THIRTY AND ALDEWERELD AT THREE THIRTY RM REGARDS

GENE ROTBERG

EUGENE H. ROTBERG
TREASURER'S

cc: Mr. Aldewereld
Mr. Mendels

EHRotberg:emk

Translation by R.B. Steckhan 5/13/69

Jakob Rumold
Member of the Board of the Deutsche
Girozentrale--Deutsche Kommunalbank
Frankfurt, Germany
May 7, 1969

Dear Mr. Aldewereld:

The Board of the Deutsche Girozentrale had the pleasure of welcoming you here on March 6 of this year. The open and frank conversation we had was extremely interesting to us. May I recall one detail of this conversation:

I explained to you that Deutsche Girozentrale was very interested in and has a sizeable and continuous demand for short-term paper. You were kind enough to promise to consider this question upon your return and I believe I am not wrong in assuming that sales in the indicated order of magnitude might be interesting for the World Bank.

As you know, we have taken in the meantime, through the Deutsche Bundesbank, World Bank bonds in sizeable amounts with maturities between February 1, 1970, and February 1, 1971. This, however, does not cover all our requirements.

I should like to ask you, therefore, whether you would find it useful to continue our Frankfurt discussions.

I would be delighted to come to Washington for that purpose after agreeing on a mutually acceptable date.

To conclude, I should like to thank you again for your visit and express the hope that there will be the possibility of our cooperating in the short-term sector.

Regards.

/s/ J. Rumold

Mr. Aldewereld
Vice President of the
International Bank for Reconstruction
and Development
Washington, D.C.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

Mr. Aldewereld
Mr. Adler ✓

I reviewed the April 30, 1969 projections and your comments on pages 26 to 28 of my draft paper on intermediate-term Bank financing. I have assumed total sources of income, as shown on April 30, 1969 projection, of \$4.875 billion (FY 1970-1973); net borrowing of 2.25 billion and a FY 1973 balance of 1.3. I added 300 million borrowing (to reach our current cash and liquid resources which, on April 31, 1969 was 1.63) to the 2.25 projection to arrive at net borrowing of "approximately 2.5" billion.

It may be that our differences are accounted for by (a) your including our prospective borrowing in Germany which I did not include in our present cash and liquid resources, and (b) your treatment of delayed deliveries and plus or minus transfers to IDA.

Gene Rotberg
May 9, 1969

Mr. S. Aldewereld

May 9, 1969

Eugene H. Rotberg

Investments

In accordance with your suggestion, we have set forth the book value and yield in our summary tables for the most recent two reports. As a result of certain transactions to be consummated on May 12 and another roll-over of our time deposits, our weighted yield for the report ended May 15 might show an average weighted yield as high as 6.60.

You may note that our overall investments appear to have fallen \$13 million in the last two weeks. This is because our loan repayments fall on the 15th and the 1st of the month and the funds derived therefrom are not included in this particular report. They will, of course, be picked up on the next report which will be as of May 16.



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U. S. A.

May 8, 1969

Mr. Merle R. Crockard
President
Bankers' Association for
Foreign Trade
Bank of the Southwest, N.A., Houston
Houston, Texas

Dear Mr. Crockard:

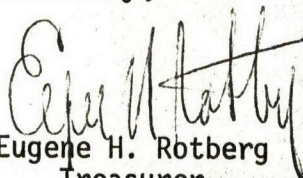
It is with considerable regret that I must advise you that my wife and I will be unable to attend the BAFT Meetings in May. The World Bank, as you may know, has borrowed substantial amounts in the Federal Republic of Germany and I have just been advised that it will be possible for the Bank to float another issue in Germany in late May. The negotiations and the offering will take place during the very days of the BAFT Meetings.

There is an outside possibility that I will be able to arrive directly from Germany, either late Tuesday night or early Wednesday morning. I will make every effort to do so but I cannot be too optimistic.

May I thank you and Mr. Von Klemperer, who has been most kind to me, for extending the invitation. Let me personally also thank you, and offer our regrets, for your kind invitation to dinner on May 18. It was most thoughtful of you to think of us.

I will, of course, advise the hotel of our being unable to attend.

Sincerely,


Eugene H. Rotberg
Treasurer

cc: Mr. Von Klemperer
Mr. Donald S. Hough,
Chairman of Registration Committee, BAFT

Bankers' Association for Foreign Trade

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REGISTRATION

BANKERS' ASSOCIATION FOR FOREIGN TRADE
47th Annual Meeting

BOCA RATON HOTEL AND CLUB
BOCA RATON, FLORIDA
May 18th - May 21st, 1969

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New York, New York

JOHN C. WHITSITT
Senior Vice President
First National Bank of Memphis
Memphis, Tennessee

NAME Eugene H. Rotberg TITLE Treasurer
BANK International Bank for
Reconstruction and CITY Washington, D.C.
Development

I ☒ will

be accompanied by my wife.

☐ will not

Iris

First name of wife, if attending

This ☒ is

my first B.A.F.T. meeting

☐ is not

This ☒ is

☐ is not my wife's first B.A.F.T. meeting

~~The registration fee is \$ 50.00 per registrant (plus \$ 25.00 for wife). Your check for the amount due, made payable to BANKERS' ASSOCIATION FOR FOREIGN TRADE, should be mailed with this completed registration form direct to: DONALD S. HOUGH, CHAIRMAN OF REGISTRATION COMMITTEE, c/o. Girard Trust Bank, Broad & Chestnut Streets, Philadelphia, Pennsylvania 19101.~~

FEE WAIVED

"PLEASE MAIL PROMPTLY"



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

May 8, 1969

Mr. R. T. Heard, Chairman
The Washington Society of
Investment Analysts, Inc.
2013 H Street, N.W.
Washington, D.C. 20006

Dear Mr. Heard:

Thank you for your letter of May 3
inviting me to be a guest at a dinner to be
given on May 15 on the occasion of the meeting
in Washington of the Financial Analysts Federa-
tion. I very much regret that I will be unable
to accept your kind invitation as I will be out
of the country at that time. I appreciate your
thoughtful invitation.

Sincerely,

A handwritten signature in cursive script, which appears to read "Eugene H. Rotberg", is written over the typed name and title.

Eugene H. Rotberg
Treasurer

THE WASHINGTON SOCIETY OF INVESTMENT ANALYSTS, INC.

WASHINGTON, D.C.

2013 H Street, N.W.

20006

3 May 1969

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PUBLIC RELATIONS
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THE MACKE COMPANY

Mr Eugene Rotberg,
Treasurer, The World Bank,
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Rotberg:

On May 15th the Financial Analysts Federation is sponsoring a group of foreign analysts to a meeting in Washington. These delegates, mostly from western Europe and Japan, tend to be mostly senior analysts and large portfolio managers and their relations to our balance of payments is well known to you. The day will be spent with our government officials including in the late afternoon a visit at the Bank for Reconstruction and Development, where your Mr. Aldewereld has kindly consented to be the host. In the evening there will be a dinner party at which The Honorable Paul A. Volcker, Under Secretary for International Monetary Affairs will speak.

On behalf of the Financial Analysts Federation and the Washington Society which is directing this international meeting, I have the great pleasure to invite you to be our guest at dinner. It will be held at Meridian House, 1630 Crescent Place, N.W. at 7:30 PM with a cocktail reception on the Terrace to start at 6:45PM. It is hoped we may have the honor of your presence that evening.

Sincerely,

RTH/acp

R.T. Heard
R. T. Heard, Chairman,
International Analysts Relations
Committee.



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U. S. A.

May 8, 1969

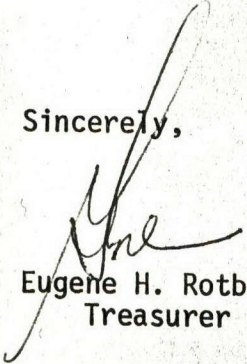
Dr. Seymour L. Wolfbein, Dean
School of Business Administration
Temple University
Philadelphia, Pennsylvania

Dear Seymour:

I very much regret that I cannot see you at the Temple University Annual Spring Dinner. The Bank has some important business in Germany and I must leave on May 16. I regret not being able to see you but look forward to renewing our acquaintance in the near future.

Best regards.

Sincerely,



Eugene H. Rotberg
Treasurer

TEMPLE UNIVERSITY ALUMNI CLUB
OF
WASHINGTON, D. C.



April, 1969

Dear Alumnus:

You are cordially invited to our Annual Spring Dinner.

Date: May 17, 1969

Time: 6:30 p.m. - Cocktails (cash bar)
7:30 p.m. - Dinner

Entree: Sirloin of Beef

Price: \$6.50, taxes and gratuity included

Place: Kennedy-Warren Apartment Hotel
3133 Connecticut Avenue, N.W.
Washington, D. C.

Parking: Basement Garage

Our speaker will be Dr. Seymour L. Wolfbein, Dean, School of Business Administration. Before going to Temple in 1967, Dr. Wolfbein had a distinguished career in government here in Washington, a fact known to a number of you. An economist, he served with the Labor Department for some 25 years, holding such important positions as Economic Advisor to the Secretary of Labor, Deputy Assistant Secretary, and Director, Office of Manpower, Automation and Training. Dr. Wolfbein is also a professor, writer, and a highly successful lecturer. We are indeed delighted to have him, and Mrs. Wolfbein, as our guests on May 17.

Your participation in the Club's activities has been encouraging--e.g. we had a fine turnout for the John Harms March 1 session despite the heavy snow. We've reached a new high in Club membership and, consequently, in our financial status, a personally gratifying development. Accordingly, the Executive Committee has voted to establish a "Temple University Alumni Club of Washington, D. C. Award" of \$300 to assist, during the next academic year, some needy Temple undergraduate from the Washington metropolitan area.

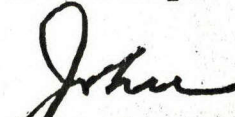
In June, I'll be going to the Soviet Union for a year with the "Education USA" Exhibit; this U. S. Government undertaking will open in

Leningrad on July 1, then go on to Kiev, Moscow, Baku, Tashkent and Novosibirsk. Vice President Adolph Koenig will serve as President; your next letter will be from Dutch. While in the USSR I'll be looking forward to reports of your Club activities and, probably, wistfully sighing "wouldn't it be nice to be in Washington among friends?"

The dinner will be a memorable occasion for Loretta and me in seeing many of you before our departure. Please try to mail your reservations early enough so that Babs Stromberg will have them a week before dinner.

To those of you who will not be able to come to the Dinner, my best to you and many thanks for your support during the past year. To those of you who will come.....well.....I'll see you on the 17th.

Sincerely,



John Karch
President

agc
Enclosure

I will_____, will not_____ be able to attend the Annual Spring Dinner of the Temple University Alumni Club of Washington, D. C., May 17, 1969.

Enclosed is my check for \$_____ @ \$6.50 per person.

NAME_____

ADDRESS_____

PHONE_____

Mail To: Mrs. Raymond Stromberg
5321 42nd Street N. W.
Washington, D. C. 20015



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U. S. A.

May 8, 1969

Mr. Merle R. Crockard
President
Bankers' Association for
Foreign Trade
Bank of the Southwest, N.A., Houston
Houston, Texas

Dear Mr. Crockard:

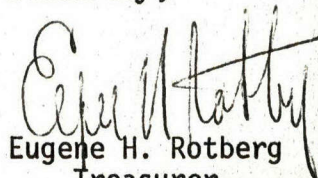
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There is an outside possibility that I will be able to arrive directly from Germany, either late Tuesday night or early Wednesday morning. I will make every effort to do so but I cannot be too optimistic.

May I thank you and Mr. Von Klemperer, who has been most kind to me, for extending the invitation. Let me personally also thank you, and offer our regrets, for your kind invitation to dinner on May 18. It was most thoughtful of you to think of us.

I will, of course, advise the hotel of our being unable to attend.

Sincerely,


Eugene H. Rotberg
Treasurer

cc: Mr. Von Klemperer
Mr. Donald S. Hough,
Chairman of Registration Committee, BAFT



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U.S.A.

May 7, 1969

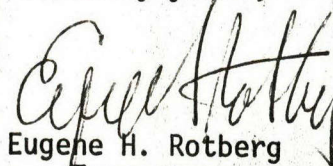
Reservation Manager
Boca Raton Hotel & Club
P.O. Box 225
Boca Raton, Florida - 33432

Dear Sir:

This is to confirm the telephone conversation between my secretary and your office today advising you that I have just learned that I must be in Europe at the time of the BAFT Meeting and, therefore, find it necessary to cancel our hotel reservations. I had originally planned to arrive on May 18 and depart on May 21.

I appreciate the courtesies extended to me and I very much regret having to make this cancellation.

Sincerely yours,


Eugene H. Rotberg
Treasurer

OFFICE MEMORANDUM

TO: Sir Denis Rickett
 FROM: Eugene H. Rotberg
 SUBJECT: JAPAN

DATE: May 6, 1969

Central Bank Issues

Japan has purchased 13 of our 16 two-year central bank issues. Japan now holds the following amounts of these bonds:

5-3/4% Bonds of 1967, due September 15, 1969	\$5,000,000
5.80% Bonds of 1968, due September 15, 1970	\$5,000,000
6-3/4% Bonds of 1969, due March 15, 1971	\$5,000,000

Loan Sales

The following Japanese purchasers have bought portions of our loans:

	<u>Total</u>	<u>Repaid</u>	<u>Presently Held</u>
The Bank of Tokyo Ltd.	\$ 775,000	\$ 775,000	-
The Bank of Tokyo Trust co.	\$ 755,000	\$ 350,000	\$405,000
Minister of Finance	\$36,830,000	\$36,830,000	-
The Mitsui Bank, Limited	\$ 750,000	\$ 750,000	-

Purchases by the Minister of Finance have all been of Japanese loans. The last such purchase was on November 15, 1962. All purchases have been of short-term, the longest term being 2 years 10-1/2 months.

There is attached a schedule of the maturities of Japanese loans held by the Bank together with an indication of the major currencies held in each loan.

Bond Issues

The Bank has not had a bond issue in Japan.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Maturities of Japanese Loans Held by IBRD

(Expressed in United States Dollars)

(000 omitted)

LOAN NO.	RATE	MATURITIES				CURRENCIES				
		5 Years or Less	Over 5 Years But Not More Than 10 Years	Over 10 Years	TOTAL (\$ equivalent)	United States dollars	Netherlands guilders	Deutsche Marks	Swiss francs	Others*
89	5%	\$ 7,164	\$ -	\$ -	\$ 7,164	\$ 7,164	\$ -	\$ -	\$ -	\$ -
90	5%	3,623	-	-	3,623	3,623	-	-	-	-
91	5%	2,203	-	-	2,203	2,203	-	-	-	-
133	4-5/8%	611	-	-	611	54	-	-	557	-
136	4-3/4%	463	-	-	463	-	-	-	463	-
157	5%	6,158	-	-	6,158	6,158	-	-	-	-
158	5%	1,026	-	-	1,026	-	-	-	-	1,026
173	5-3/4%	1,626	1,194	-	2,820	2,820	-	-	-	-
188	5-5/8%	2,523	-	-	2,523	2,523	-	-	-	-
196	5-3/8%	7,751	10,108	11,697	29,556	20,716	-	1,239	-	7,601
200	5-3/8%	5,246	6,839	6,939	19,024	15,645	-	3,132	-	247
201	5-3/8%	14,457	-	-	14,457	5,090	-	4,525	1,986	2,856
204	5-3/8%	4,152	-	-	4,152	4,152	-	-	-	-
205	5-3/4%	5,698	7,566	10,042	23,306	6,558	910	6,620	3,178	6,040
206	5-3/4%	9,191	-	-	9,191	9,034	-	157	-	-
220	5-3/4%	500	5,000	4,500	10,000	4,896	-	3,790	540	774
238	6%	10,530	2,505	-	13,035	8,778	-	1,448	1,603	1,206
239	6%	7,488	2,089	-	9,577	4,234	-	-	2,107	3,236
248	6-1/4%	6,789	10,961	11,549	29,299	17,330	3,151	4,443	1,649	2,726
272	5-3/4%	2,606	1,266	-	3,872	-	1,118	2,754	-	-
273	5-3/4%	3,125	1,124	-	4,249	-	-	2,453	-	1,796
278	5-3/4%	3,021	4,009	1,951	8,981	-	2,798	1,969	4,214	-
281	5-3/4%	20,868	27,704	17,091	65,663	64,746	-	-	-	917
302	5-3/4%	7,702	10,225	16,782	34,709	29,664	-	-	5,045	-
357	5-1/2%	10,945	14,435	49,570	74,950	30,645	-	21,387	4,224	18,694
374	5-1/2%	7,630	10,025	32,345	50,000	18,773	2,522	18,711	3,911	6,083
398	5-1/2%	3,915	5,145	15,605	24,665	8,153	3,381	9,471	1,459	2,201
399	5-1/2%	3,615	4,745	16,330	24,690	12,023	695	4,774	4,226	2,972
413	6-1/2%	8,835	13,315	49,051	71,201	26,791	87	22,457	6,418	15,448
423	6-1/2%	3,475	4,790	14,209	22,474	9,700	3,206	4,420	2,319	2,829
460	6-5/8%	30,195	42,400	23,046	95,641	39,993	-	21,969	10,388	23,291
TOTALS		\$ 203,131	\$ 185,445	\$ 280,707	\$ 669,283	\$ 361,466	\$ 17,868	\$ 135,719	\$ 54,287	\$ 99,943

* Australian dollars, Austrian schillings, Belgian francs, Canadian dollars, Finnish markkaa, French francs, Indian rupees, Italian lire, Luxembourg francs, Norwegian kroner, pounds sterling, Spanish pesetas, Swedish kronor.

Treasurer's Department
Securities Division
May 6, 1969

Chen

May 5, 1969

Mr. Seymour M. Heilbron
Hays, St. John, Abramson
& Heilbron
120 Broadway
New York, N.Y. 10005

Dear Seymour:

It was very kind of you to write to me
on the occasion of my recent award from
Temple University. Your thoughtfulness is
very much appreciated.

Sincerely,

Eugene H. Rotberg
Treasurer

Chen.

~~ROBERT~~ DELESSEPS
INTBAFRAD

MAY 2, 1969

HLT

(FRANCE)

525

EXTREMELY GRATEFUL FOR YOUR KIND ASSISTANCE BUT HAVE JUST BEEN
ADVISED THAT WEINERS WILL NOT REQUIRE ACCOMMODATION WILL YOU
PLEASE CANCEL RESERVATION REGARDS

GENE ROTBERG

EUGENE H. ROTBERG

TREASURER'S

EHRotberg:enk

Chrow

Mr. Henry G. Hilken

May 1, 1969

Eugene H. Rotberg

Change in Routing of Documents Distributed by your Office

In the past I have been receiving 3 copies of Loan Committee memoranda and 2 copies of the Operational Reports attached to such memoranda. In future would you please send me 1 copy of the memoranda, together with one copy of the Operational Report; and send Mr. Poore two copies of the memoranda and one copy of the Operational Report.

cc: Mr. Poore

Mr. Donald D. Fowler

May 1, 1969

Eugene H. Rotberg

Change in Routing of Documents Sent out by Documents
Distribution Office

In the past I have been receiving 5 copies of Bank and IDA documents distributed by the above-mentioned office. In future would you please send me 3 copies and send 2 copies to Mr. Poore. In the case of IFC, I have been receiving 4 copies of all documents. In the future would you please send me 3 copies and send 2 copies to Mr. Poore.

cc: Mr. Poore



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U.S.A.

May 1, 1969

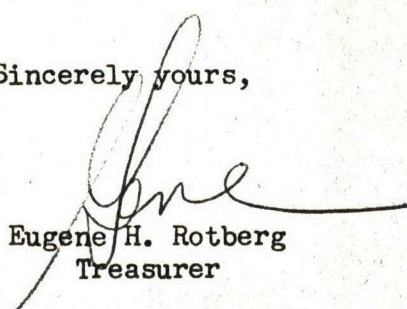
Mr. Howard E. Buhse
Hornblower and Weeks-Hemphill,
Noyes
8 Hanover Street
New York, N. Y. 10004

Dear Howard:

It is with regret that I cannot attend the opening of your new office. During the afternoon of that day I have been asked by I.B.A. to address a seminar on current and future developments in the U.S. securities market in New York.

Please accept my best wishes for a successful office.

Sincerely yours,



Eugene H. Rotberg
Treasurer



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U. S. A.

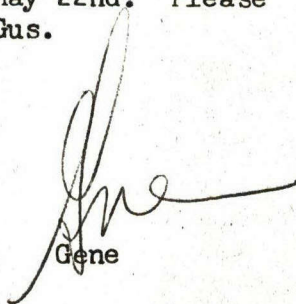
May 1, 1969

Mr. Robert Haack
President
New York Stock Exchange
Eleven Wall Street
New York, N. Y. 10005

Dear Bob:

It was most gracious of you to send me an invitation in honor of Gus Levy. It is with regret, however, that I cannot attend since on that day I will be far away. I have a series of meetings that I must attend from May 19 to May 22nd. Please express my regrets to Gus.

Best regards,



Gene

Chron.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
Mr. S. Aldewereld

FROM: Eugene H. Rotberg *EHR*

SUBJECT: IBRD Borrowing -- U.S. Intermediate-Term Market

DATE: April 29, 1969

I am attaching for your consideration two documents relating to an analysis of IBRD borrowing in the intermediate-term U.S. market. The shorter paper is a summary of the longer document. It omits the more detailed analysis of the Bank's previous borrowings in world capital markets; the commentaries by capital markets' experts on recent trends in the U.S. long-term market; the prospective shift of savings to commercial banks; and the size of the intermediate-term market in the United States. These subjects are touched on but briefly in the shorter paper.

Attachments: 2

Chron.

OFFICE MEMORANDUM

DECLASSIFIED

Date: 10/19/2000

DATE: April 29, 1969

TO: Files

FROM: Eugene H. Rotberg

CONFIDENTIALSUBJECT: Notes on Meetings between Professor Lipfert of Westdeutsche Landesbank and Messrs. Aldewereld, Rotberg on April 24, 1969 in Frankfurt, Germany

Professor Lipfert advised us that he holds approximately DM 80 million of our DM 125 million April 1st tranche (the two previous tranches totaling DM 275 million having been fully distributed) and that he is unable to sell the balance of these bonds because of present market conditions. Professor Lipfert noted, however, that the Westdeutsche Landesbank was prepared to serve the Bank in the future and expected to do so after our public offering with the Deutsche Bank. In answer to our inquiry he stated that the deposits flowing into savings banks in Germany were increasing and would provide ready funds for the World Bank. However, he stated that if the World Bank were to continue to borrow from the Westdeutsche Landesbank it would be necessary to have these bonds listed on the Stock Exchange. He explained, in answer to our questions, that if the bonds were listed (a) there would be a ready market for the bonds thereby limiting the risk of Westdeutsche Landesbank to act as sole market in the event of liquidation (as now provided in the "side letter" agreement) and (b) the fact of Exchange listing, permits the Westdeutsche Landesbank to "carry" the bonds as liquid investments rather than as long term loans. At the present time our bonds therefore are counted against the maximum long term lending capacity of the Westdeutsche Landesbank. Their present long term loans now slightly are in excess of the permissible ceiling. Mr. Aldewereld pointed out that Westdeutsche Landesbank stated, at the time of the initial negotiations, that it was prepared to hold our bonds in their portfolio. Professor Lipfert agreed and said, however, that the Westdeutsche Landesbank could not continue to increase the amount of our bonds on its portfolio unless some relief was available which would place their bonds in a category which would remove it from the long term loan ceiling. That apparently could only be accomplished by listing. Dr. Lipfert pointed out that an exception for the savings banks (as distinguished from the Central Savings Banks) had been obtained from the regional authorities which assumed control over local savings banks. This was not possible in the case of the Central Savings Banks, according to Dr. Lipfert, since the control was vested in the Federal Government.

Mr. Rotberg asked whether it was the marketability aspect of listing which permitted the bonds to be removed from being counted against the Westdeutsche Landesbank lending ceiling. Professor Lipfert said that such was the case and, in response to our inquiry, explained

April 29, 1969

that if the bonds had a maturity of less than 4 years, they also would not be counted against the long term lending ceiling. We then asked Professor Lipfert as to the conditions prevailing in the 3-4 year term market in Germany. He explained that the Westdeutsche Landesbank, and apparently other savings banks, were far from their ceilings on their short term investments and that there was a substantial amount of short term liquidity. Mr. Rotberg asked whether absent listing, the problem faced by the Westdeutsche Landesbank might be alleviated if the Bank were to issue shorter term paper which would have the effect of (a) tapping the substantial short term German money market and (b) reducing the pressure against the Westdeutsche Landesbank's long term lending ceiling. (In addition, this would appear to be a more appropriate distinction between the services now performed by the Deutsche Bank and the Westdeutsche Landesbank.) Professor Lipfert was asked to consider, on a very informal basis, how the Westdeutsche Landesbank might "underwrite" with other Central savings banks an intermediate-term issue for the Bank and to advise us on the mechanics, the legal implications, and the possibility of continual roll overs. Professor Lipfert said he would do so and communicate with us as soon as possible.

Professor Lipfert then advised us that it would not be in the interest of the World Bank or the Federal Republic of Germany for the Westdeutsche Landesbank to serve as co-manager with the Deutsche Bank in our public offerings. He repeated this on 3 or 4 occasions. Lipfert said that Dr. Schoellhorn had indicated that the Economics Ministry would not favor this kind of association and Lipfert emphasized his desire to remain independent and competitive with the Deutsche Bank. In view of Lipfert's repeated references to this matter, Mr. Aldewereld and I concluded that he was seriously considering that possibility and Lipfert, at least on the surface, was seeking reassurance or support for maintaining independence from the Deutsche Bank.

Meeting with Dr. Karl Blessing and Dr. Tungeler (Deutsche Bundesbank).
For the Bank: Mr. Aldewereld and Mr. Rotberg - April 24, 1969, Frankfurt.

Dr. Blessing told us that the capital market was not strong at the present time and that he hoped that we would limit our May offering to DM 200 million with the Deutsche Bank and perhaps do a "second tranche" a few months later. He said he was afraid that a DM 400 million issue would fail and that a DM 200 million issue was more likely to be successful, provided the interest rate and price would be right. The bonds would probably have to carry a 6-1/2% coupon issued at perhaps 98 or 98-1/2 - less the underwriter's commission. He said that he was advised

by the Deutsche Bank that they agreed with his evaluation and, indeed, that the Federal Republic would have to issue a 6-1/2% bond at about 98-1/2 at the present time. Dr. Blessing said that the coming referendum in France, and general "conditions" in Europe, were such that the sooner we make the offering, the better. He pointed out that the bond market calendar was light and the German Government decided to stay out of the market until after our offering. Two major recent offerings - the British Gas Council and Courtaulds were both failures in spite of a 6-3/4 coupon.

In view of our discussion with Professor Lipfert, and the recent action of the Deutsche Bundesbank in disposing of our bonds to the Deutsche Girozentrale and their inclination to sell more of our short term maturities, we asked whether or not Deutsche Bundesbank would object to our issuing shorter term paper in Germany. Dr. Blessing's reaction was one of affirmative interest. He said he saw no reason why we should not do so and tap the money market in Germany. We noted that this would remove pressure on the longer term capital market, tend to keep interest rates down, and, incidentally, offer excellent yielding high quality paper for financial intermediaries.

Mr. Aldewereld also asked Dr. Blessing his views on our two year Central Bank issues. Dr. Blessing noted that 2 years was a fairly long maturity for a Central Bank and in answer to our inquiry said that if it was reduced to 1 year it would be considerably more attractive to central banks. In response to our further inquiry, he said that if the Bank were to agree to "buy back" or provide some other form of liquidity for the obligation it could be a most attractive and very useful step. We advised Dr. Blessing that we were considering this matter very carefully at the present time.

Meeting with Dr. Wilfried Guth, Dr. Feith, Dr. Gaertner (Deutsche Bank) and Messrs. Aldewereld, Rotberg (Bank).

Dr. Guth stated that the Deutsche Bank was prepared to proceed with a public offering on either Friday, May 16 or Thursday, May 22. He said that at the present time the market was weak. He said that at the present time we might be able to offer a 6-1/2% semi-annual coupon at 98 (assuming a 1-3/4% discount to the underwriter this would be a cost to the Bank, on a semi-annual basis, 11 year average life, of 7.01%.) Dr. Feith demurred somewhat and said that a 6-3/4 coupon would be more likely at the present time. Feith said that though the market was not strong, there were both

April 29, 1969

positive and negative indications in the market as to the immediate future. Feith said that it was possible that a 6-1/2% might be appropriate in about 3 weeks. He explained that the institutional market was about a quarter of a point more expensive than the public market and that if we wished to do a public offering of DM 200 million, he might be able to place an additional DM 100 million with institutional investors though he had not carefully canvassed them. Mr. Aldewereld reviewed the Bank's financial position, including its cash and liquid reserves and stated that although we were not pressed for funds, we had projected a particular borrowing program in Germany for the remainder of the calendar year. He explained that if the market, however, could not absorb the DM 400 million, he would, of course, accept the views of Dr. Blessing and Guth.

Dr. Guth stated that the British Gas Council offering was a failure, as well as the Courtauld issue, that he had discussed our planned offering with Dr. Blessing and both were anxious for a successful offering. Dr. Guth noted that the Economics Ministry was pleased that the Deutsche Bank was only considering a DM 200 million offering. Dr. Guth explained that the Federal Government had postponed its financing; that second quality issues had pushed up interest rates and the institutional investors were sitting on the sidelines even though they had substantial liquidity. There was a great demand for paper with short remaining maturities as many investors sought to stay liquid. On the other hand, since the Federal Government was not an imminent borrower and since the mortgage banks were refraining from financing in the bond markets and since the calendar was light, there was a possibility of some market stabilization. Dr. Guth pointed out that the City of Kobe was coming out with an issue of 7% - 99-3/4 less the underwriter's discount and that the Federal Government could expect to finance itself after our issue at the same price as our offering.

Institutional investors were currently loaning money at 7.25 for 15 years to high caliber issuers. The Deutsche Bank pointed out that they recently tried to place privately a 7.18 issue of Sabena Airlines with institutional investors which was unsuccessful. Mr. Rotberg asked whether the lack of success was attributable to a lack of available institutional funds because of substantial recent capital outflow or whether they were simply sitting on the sidelines. Dr. Guth and Feith said it was the latter, that it was a "buyers market", that the institutional investors were waiting to see if the market had reached its peak, and that if borrowers wished to place their obligations with institutions, they would have to pay the price. Mr. Rotberg asked what was the present rate of home mortgages and was told it was 7%. Asked where the institutional investors were investing their liquid funds, Dr. Guth said that they were investing in Treasury Bills at about 4% pending a more definite trend in the market. (Dr. Guth later said, however, that they (Deutsche Bank) did not fully test the institutional market and in response to our inquiry

April 29, 1969

stated that it was possible that certain institutions might purchase our bonds at a good price primarily to establish a position in World Bank bonds at higher yields than their current short term investments.)

There was a good deal of talk about the need for a successful issue both for the World Bank and the German capital markets. Dr. Guth then said that he wished to raise an important matter of policy, namely, the relationship with the Westdeutsche Landesbank. He said that the Board of the Deutsche Bank, with some reluctance and differences of opinion, concluded that it was necessary to cooperate more closely with the Westdeutsche Landesbank. Since our bonds could be offered by the Westdeutsche Landesbank to banks who are members of the Deutsche Bank consortium, it makes a public issue to the same consortium banks somewhat complicated. Guth said, therefore, he was prepared to offer the Westdeutsche Landesbank the position of co-manager in our public offerings. Guth said the Dresdner Bank agreed. Guth continued that he expected the Westdeutsche Landesbank would have to "clear" its "private placements" for the World Bank with the Deutsche Bank, coordinate them with the Deutsche Bank's public offerings, and that the Deutsche Bank and the Westdeutsche Landesbank would share perhaps on a 50/50 basis these private placements. He continued that as to "private private" placements the Deutsche Bank could not concern itself with those kinds of transactions and that there would not be any need for consortium approval. Guth's entire presentation was directed at the difficulty of marketing bonds through competing managers - a difficulty which became particularly troublesome if one of the managers held a substantial unwanted position. Mr. Rotberg asked whether the Deutsche Bank was most concerned about (a) the fact that the Westdeutsche Landesbank was offering World Bank bonds to consortium banks (quite apart from whether there were bonds overhanging the market), or (b) our direct placements with the Westdeutsche Landesbank and the savings banks or (c) the resale of our bonds to savings banks depositors who also were commercial bank depositors. Dr. Guth explained that it was the first that was most disturbing. We asked him whether he would be concerned if the Westdeutsche Landesbank were to take World Bank bonds and distribute them, directly or indirectly, to other savings banks and not to commercial banks. Dr. Guth did not give us a clear answer but implied that he was not as concerned with our bonds going to savings banks as much as he was distressed about their being offered through consortium banks. This position, of course, is consistent with his articulated rationale for coordinating activities with the Westdeutsche Landesbank. He said that he had discussed this matter of coordination with Poullain (President of Westdeutsche Landesbank) and that the Westdeutsche Landesbank was "interested". Mr. Aldewereld asked Guth whether this kind of arrangement would, in effect, limit or cut down our overall borrowings in Germany. Dr. Guth responded that this would increase our borrowings in Germany and make for a stronger market. In this connection, we again pressed whether Guth meant to require, as a quid pro quo

April 29, 1969

for Westdeutsche Landesbank being a co-manager, that it refrain (in the absence of Deutsche Bank approval) from distributing our bonds (a) to savings banks or (b) to depositors, or both, since, if this were so, we would in all likelihood be unable, in practice, to tap the savings banks in Germany. This is because the Deutsche Bank would be unable to place with its customers a sufficient amount of bonds and retain the consortium percentages while offering, say, DM 400 million to the savings banks or their depositors. Guth was vague and did not specifically respond except to say he was not concerned with "private private" placements. He emphasized the fact that the offer to banks was the problem since, in effect, these banks were being asked to choose between two different issues of the same issuer in two different markets and through two different underwriters. Guth's position, of course, was the opposite of Professor Lipfert's who strongly urged that the two banks not get together. Mr. Aldewereld said he would consider the matter and could not comment at this time. We arranged to see Dr. Guth this week and advise him further about our public offering.

cc: Mr. McNamara
Mr. Aldewereld

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Eugene H. Rotberg

SUBJECT: IBRD Financial Ratios

DATE: April 28, 1969

You may be interested in the attached tables (which have been converted to graphs, for each numbered item, should you want them), comparing various aspects of the Bank's financial condition for the period 1964-1973. You will note that there is relatively little change in net income, return on capital, etc., irrespective of whether the Bank would maintain a 6-1/2% or 6-3/4% lending rate, or a "high" or somewhat lower (March 1969) projected lending program.

The impact of our lending rate on our profit and loss statements, the implications of intermediate versus long-term borrowing, or the point at which the Bank's loan repayments and other sources of funds will maintain a specific long-term lending program cannot readily be determined in a five-year projection. Accordingly, I will shortly submit to you an extension of this data showing (a) the "borrowing gap" (and when, if at all, it disappears), and (b) the same ratios as in the attached charts, for a twenty-five year period, assuming an annual loan commitment level at the 1973 projected level and, alternatively, with an 8% annual increase from 1973 to 1998.

Attachments

Chron

April 23, 1969

Mr. E. B. Reynolds
Vice-President
James O. Rice Associates, Inc.
300 Madison Avenue
New York, N.Y. 10017

Dear Mr. Reynolds:

As requested in your letter of April 17, I am enclosing herewith a copy of Mr. Rotberg's resume, which you may wish to use in connection with the I.B.A. program to be held in Long Island on May 15.

Sincerely yours,

(Miss) Edith M. Kesterton
Secretary to
Mr. Rotberg

Enclosure

EMK/

OFFICE MEMORANDUM

TO: Mr. S. Aldewereld

FROM: Eugene H. Rotberg

SUBJECT: Mr. McNamara's Address to the Bond Club of New York

DATE: April 22, 1969

I have reviewed Mr. McNamara's address and also have had the Finance Division check the data for accuracy. Our changes are marked in red. There are certain references, identified by brackets, about which I have some questions. Further, I have the following comments and suggested revisions of language.

Page 3: I would briefly explain how IDA finances itself in order to reassure the public that the IBRD bondholders are not taking undue risks in support of uneconomic financial transactions. I suggest the following language:

Insert A

The International Development Association does make soft loans. However, the capital which finances that Association is maintained and supplemented by budgetary allocations from member countries and, if consistent with good financial practice, from the net profits of the International Bank for Reconstruction and Development. The funds derived from the bonds floated by the Bank are not, I repeat, are not the source of IDA capital and no activity of IDA affect directly or indirectly the obligations of the International Bank for Reconstruction and Development, its financial condition or profit.

Page 6: I suggest that Mr. McNamara not quantify the total amount of long term capital which is available for investment in the world today. Much of the savings which are allocated to long term investment are earmarked for housing by financial intermediaries who are attracted to the yields or who are restricted to financing major government social programs. In the United States, almost half of the long term funds which are made available by all financial intermediaries are absorbed by the mortgage market. Further, the long term demands of state and local municipalities are tax exempt in the U.S. (and perhaps elsewhere) and therefore attract substantial funds from commercial banks - the largest supplier of credit.

On the supply side, a substantial portion of savings is derived from commercial banks (who do not ordinarily invest in taxable long term instruments) and other institutional investors who have shown a disinclination to invest in the long term market. Bond traders realize this more than anyone and I think a reference to our being able to tap "1%" of the

April 22, 1969

market would be considered somewhat simplistic, perhaps unduly optimistic, in the context of the problem. In this connection, it should be noted that corporations, including utilities, (the primary competitors with the World Bank for free long term funds) raise only \$13 billion in the debt market per year in the United States. Further, I think, somewhere in his remarks Mr. McNamara should indicate awareness of the conditions of the Bond Markets and the relevance of that market to the World Bank. Finally, we might also point out that the Bank need not borrow (net) an amount equal to its increased lending program - because of its substantial cash inflow.

Insert B

I realize that there is great competition in the market for fixed interest securities and that there are shifts occurring among different kinds of investors in the allocation of their resources to that market. I am aware that there is inclination to purchase convertible issues and to hold debt instruments with a wide range of maturities. The tax advantages of certain instruments, the high yields in the mortgage market, the liquidity problems faced by commercial banks, the demand for substantial long term financing by utilities, all are factors in attracting funds available from a wide variety of investors. Marketability and liquidity are far more important today than ever before. You may be assured that the World Bank has no intention of maintaining a financial policy which would have the effect of saturating the long term bond market when alternative methods of financing would better fulfill the needs of the Bank and the institutional investor.. The line is blurred between debt instrument which are purchased for investment and shorter term instruments which, in effect, provide a liquid investment vehicle, pending the resolution of a final investment decision by institutional investors as to the allocation of their resources. It is appropriate that the World Bank recognize that fact of life and adjust its borrowing program accordingly, consistent of course with due regard to its cash position and regular inflow of funds.

I also want to emphasize that the World Bank need not borrow on a net basis an amount equal to its increased lending program. The Bank has a sizable inflow of funds from loan repayments which, in the next 5 years we project will exceed \$1-1/2 billion. The Bank will earn almost a billion dollars in the next 5 years, and it expects to reinvest and reloan its \$3.6 billion in paid-in capital and profits.

April 22, 1969

Page 8: I would explain the "concessionary interest rate" concept. Actually, the fact that we lend at "concessionary rates", i.e., less than the rate the developing country would pay in the capital markets, has no impact on our profits. It is the difference between our borrowing rate and lending rate which affects our profits. I suggest the following comment.

Insert C

Let me explain what I mean by concessionary levels. Today, a typical 24 year Bank loan which carries an interest rate of 6.5% is obviously lower than the rate that the country could borrow in world capital markets. You may ask quite properly how the Bank, during periods of high interest cost, can afford to supply funds at a cost to the borrower of 6-1/2% and show substantial profit. This is made possible by the high ratio of interest-free capital and retained earnings to our funded debt - at the present time almost a 1 to 1 relationship. Currently, the average interest rate paid by the Bank on its total funded debt is less than 5.6%. Of greater significance, however, is the fact that the average cost of its funded debt and its paid-in capital and retained earnings amount to about 3.0%. Indeed, even if this Bank were to borrow at an average cost of 6-3/4% for a prolonged period, the very large base of free capital and ever increasing retained earnings would still permit the Bank to earn a substantial profit. Essentially, it is the difference between the cost of all funds and the Bank's lending rate, now 6-1/2%, which permits the Bank to cover its administrative costs and earn a substantial profit. And, if prudent fiscal financial policy requires that we raise the lending rate in order to assure that the Bank readily raise funds in the world capital markets, we will do so.

EHRotberg:bb



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

April 22, 1969

Mr. and Mrs. Joseph Coleman
470 Pine Top Trail
Bethlehem, Pennsylvania

Dear Betty and Joe:

It was very thoughtful of you to send a telegram on the occasion of my Temple University award. You have always been kind and thoughtful to Iris and me and it is appreciated.

Best regards from both of us.

Sincerely,

Gene



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

April 22, 1969

Mr. Gordon A. Low
Finance Minister
Australian Embassy
Washington, D. C.

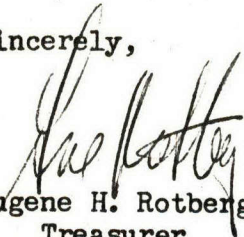
Dear Mr. Low:

It was most kind of you to send me the
Conzinc Riotinto of Australia annual report.
It was both interesting and exciting.

Let me also express on behalf of myself
and my wife our thanks for the delightful
evening at the International Club. It was
most kind of you to think of us.

With best regards,

Sincerely,


Eugene H. Rotberg
Treasurer



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U. S. A.

April 22, 1969

Mr. and Mrs. Joseph Kanenson
1825 Center Street
Bethlehem, Pennsylvania

Dear Alice and Joe:

It was most kind of you to send a telegram on the occasion of my recent award at Temple University. Your kindness and thoughtfulness is appreciated. Iris, too, sends her best regards.

Sincerely,



Gene



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

April 22, 1969

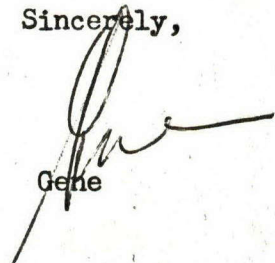
Mr. and Mrs. Al Blocke
23 Maplewood Avenue
Philadelphia, Pennsylvania

Dear Al and Ethel:

It was wonderful seeing you both at Temple last week and it was particularly kind of you to make a contribution in my honor. You are good people. I will see you when I come into Philadelphia again.

With best regards,

Sincerely,


Gene

TRIP TO GERMANY

The trip to Dusseldorf is now off. Prof. Lipfert called Mr. Aldewereld and said he would not be in Dusseldorf when you had planned to see him. However, he will be attending a conference outside of Frankfurt and will come into meet with Mr. Aldewereld and you at the Frankfurterhof at noon on Thursday, the 24th - ^{12 o'clock} he will also have lunch with you.

. . .
Mr. Aldewereld has set up an interview with Mr. Gommeldinger (sp?) on Wednesday, the 23rd, at 5 o'clock at the ~~Frankfurterhof~~ - and would like you to be there. *Intercontinental*

.cc . .
There will be a meeting at 3:30 with Dr. Blessing [I believe this is the 24th but I will doublecheck] ✓

. . .
A meeting has been set up for 10 o'clock on Friday, the 25th with Dr. Guth.



Record Removal Notice

File Title Eugene H. Rotberg - Chronological Records - Volume 1 - December 1968 - June 1969		Barcode No. 1858101		
Document Date 04/18/1969	Document Type CV / Resumé			
Correspondents / Participants To: Eunice Deister From: Eugene Rotberg				
Subject / Title Kenneth T. Lysaght				
Exception(s) Personal Information				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by Tarsica Morgan-Taylor</td><td>Date July 17, 2024</td></tr></table>	Withdrawn by Tarsica Morgan-Taylor	Date July 17, 2024
Withdrawn by Tarsica Morgan-Taylor	Date July 17, 2024			

April 10, 1969

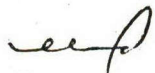
Dear Mr. Lysaght:

I am writing to confirm arrangements for your meeting with Mr. Rotberg on Tuesday, April 15. Rather than the tentative time of 2:00 p.m. it would be more convenient for Mr. Rotberg to see you at 3:00 p.m. If this is not convenient would you kindly telephone me, collect.

As I mentioned to you this meeting is for the purpose of preliminary discussions to determine whether you and we have a mutual interest in further consideration of your candidacy for the position we are trying to fill. It would be most useful if you would complete the attached personal history form and bring it with you.

Thank you for your interest in our organization.

Yours sincerely,


(Miss) Eunice Deister
Assistant Personnel Officer

Mr. Kenneth T. Lysaght
Fox Hill Road
Pound Ridge, N.Y.

REMINDER: The Bank's New York Office is located at 20 Exchange Place
EED:jck Telephone WHITEHALL 3-5400

cc: Ray Barnett

Chiron

Mr. Louis P. Michaels

April 16, 1969

Eugene H. Rotberg

Financial Statements - Staff Retirement Fund

Attached for distribution to the Administration Committee are 12 copies of the report of the Treasurer covering the December 31, 1968 Financial Statements of the Staff Retirement Fund of the Bank, submitted pursuant to Section 9.7 of the Staff Retirement Plan. These statements have been certified by Price Waterhouse & Co., independent public accountants.

Attachments - 12

cc: Mr. Rotberg ✓

VChang/bjh

FILE: Staff Retirement Plan - Correspondence - General.

Mr. Y.L. Chang

April 16, 1969

Eugene H. Rotberg

Financial Statements - Staff Retirement Fund

Attached for distribution to the Investment Committee are 15 copies of the report of the Treasurer covering the December 31, 1968 Financial Statements of the Staff Retirement Fund of the Bank, submitted pursuant to Section 9.7 of the Staff Retirement Plan. These statements have been certified by Price Waterhouse & Co., independent public accountants.

Attachments - 15

cc: Mr. Rotberg ✓

VChang/bjh

FILE: Staff Retirement Plan - Correspondence - General.

Mr. M.M. Mendels

April 16, 1969

Eugene H. Rotberg

Financial Statements - Staff Retirement Fund

Attached for distribution to the Pension Committee are 18 copies of the report of the Treasurer covering the December 31, 1968 Financial Statements of the Staff Retirement Fund of the Bank, submitted pursuant to Section 9.7 of the Staff Retirement Plan. These statements have been certified by Price Waterhouse & Co., independent public accountants.

Attachments - 18

VChang/bjh

FILE; Staff Retirement Plan - Correspondence - General

Mr. S. Aldewereld

April 16, 1969

Eugene H. Rotberg

Projected Amortization Schedule

Attached is a projected Amortization Schedule for IBRD Bonds which assumes a \$350 million, equivalent, per annum long term offerings; a \$350 million, equivalent, per annum 5-year offering (which is rolled over commencing the 6th year); roll over of the Bundesbank holdings, and \$350 million roll over of our 2-year Central Bank issue.

You will note that under this format gross borrowings are kept constant. Net borrowings available for operations through 1973 are consistent with our projected lending program. Our cash resources would probably increase during this period. The projections assumes that commencing in 1975 the five-year borrowings merely replace a maturing issue. This format (keeping the gross borrowing constant) enables us to determine how the estimated average life of our borrowing changes under a 50% long and 50% short ratio (plus roll over of current debt to Central Banks). (If we were required to borrow more, it would probably be in the long term sector thereby increasing the average life of our borrowing as shown on the far right hand column.) You might note the actual net borrowing with a 50/50 long and short mix. The net borrowing falls quite rapidly because of the heavy final payments on our long term bonds. We probably can use this format to determine whether we would be able to maintain, say, a 10% (or any other figure) per annum increase in our loans after 1973, with the minimal net borrowing shown during the latter years of the attachments.

Siem, do you think we should incorporate this kind of material in the Board paper on intermediate financing? It is important, but is really meaningful only if the Board also has not only the five-year projection, but also hypothetical long term projections of our lending.

EHRotberg:bb

Sp.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Forecast Summary of Amortization on I.B.R.D. Bonds and Notes
for Fiscal Years 1969 through 1995 and Estimated Outstanding
Funded Debt and Estimated Average Life for Those Years
(Expressed in U.S. dollar equivalent, in thousands of dollars)

<u>Fiscal Year</u>	<u>Gross Borrowings</u>	<u>Projected Amortization Schedule</u>	<u>Net Borrowings Available for Operation</u>	<u>Estimated Outstanding Funded Debt</u>	<u>Estimated Average Life</u>
1969	1,223,800.0	516,663.5	707,136.5	4,090,197.3	10.156
1970	1,196,000.0	391,197.9	804,802.1	4,989,631.5	9.777
1971	1,188,000.0	540,724.7	647,275.3	5,680,431.8	9.629
1972	1,166,000.0	584,389.5	581,610.5	6,262,042.3	8.701
1973	1,164,000.0	620,812.5	543,187.5	6,805,229.8	9.362
1974	1,228,000.0	651,917.3	576,082.7	7,381,312.5	9.167
1975	1,194,000.0	920,126.6	273,873.4	7,655,185.9	9.290
1976	1,166,000.0	904,802.9	261,197.1	7,916,383.0	9.371
1977	1,166,000.0	933,389.1	232,610.9	8,148,993.9	9.448
1978	1,204,000.0	1,027,108.7	176,891.3	8,325,885.2	9.562
1979	1,196,000.0	1,013,036.8	182,963.2	8,508,848.4	9.673
1980	1,188,000.0	923,071.4	264,928.6	8,773,777.0	9.643
1981	1,166,000.0	1,123,672.5	42,327.5	8,816,104.5	9.830
1982	1,164,000.0	1,008,980.2	155,019.8	8,971,124.3	9.877
1983	1,228,000.0	1,006,314.0	221,686.0	9,192,810.3	9.861
1984	1,194,000.0	938,967.6	255,032.4	9,447,842.7	9.768
1985	1,166,000.0	992,833.3	173,166.7	9,621,009.4	9.726
1986	1,166,000.0	914,890.8	251,109.2	9,872,118.6	9.589
1987	1,171,000.0	935,450.7	235,549.3	10,107,667.9	9.450
1988	1,229,000.0	1,007,950.8	221,049.2	10,328,717.1	9.334
1989	1,188,000.0	998,245.7	189,754.3	10,518,471.4	9.213
1990	1,166,000.0	1,085,858.3	80,141.7	10,598,613.1	9.165
1991	1,164,000.0	991,005.9	172,994.1	10,771,607.2	9.029
1992	1,228,000.0	1,274,783.3	(46,783.3)	10,724,823.9	9.098
1993	1,194,000.0	1,034,723.9	159,276.1	10,884,100.0	8.977
1994	1,166,000.0	1,159,600.0	6,400.0	10,890,500.0	8.963
1995	1,166,000.0	1,123,500.0	42,500.0	10,933,000.0	8.921
	32,035,800.0	24,624,017.9	7,411,782.1		

Based on the following assumptions:

1. Long term Borrowings of U.S. \$ equivalent \$350 million each year maturing after 26 years. Sinking Fund commencing 13½ years from date of issue retiring 50% of the Issue and 50% redeemed at maturity.
2. Short term borrowings: U.S. \$ equivalent \$350 million each year with 5-yr. maturities.
3. Bundesbank Holdings: Current placements rolled-over at maturity with 4½ yr. maturities.
4. Two Year Central Bank Issues: \$175 million semi-annually.

Public Issue in May 1969 of DM 400,000,000 (U.S. \$100,000,000) Bonds maturing in 12 years (no Sinking Fund).

Mr. William Clark

April 16, 1969

Eugene H. Rotberg

A Special Reuter News Service for the World Bank

1. I assume that the draft letter is to be sent by Reuters of London (and not the Bank) to its correspondents. Reuters might clarify whether we want the Reuters correspondents to (a) disseminate information about the Bank (para. 7 and 8), or (b) only report on matters of concern to the Bank (including reaction to speeches of Bank officials).

2. There are a number of references which seem to emphasize a considerable controversy concerning the Bank, e.g., the Bank's sensitivity concerning "its own image"; the comments of Finance Ministers "who might be pro or anti-World Bank"; our "extreme" interest in our non-rivals, the IADB, etc.; our "occasional competition" for financing with the Governments of Western European countries. Perhaps we could tone down some of these references.

3. I think we might supply a specific list of certain of our outstanding bonds and the securities of specific government ~~instruments~~ whose market price we wish to follow (as well as the terms of new bond issues))

Siem:

You may find these projections useful. The first page covers the period 1964 through 1968. The next set of tables represent two different assumed levels of borrowing and lending for the period 1969 through 1973 and a 50% transfer to IDA. In addition, the data projects both a 6-1/2% and a 6-3/4% lending rate.

The second set of tables assume no IDA transfer.

All of the data are based on an assumption of a 6% interest on investments and a 6-3/4% average cost of borrowing.

We have prepared graphs for each of the 11 items (that is the reason why certain figures are repeated several times since they are compared or measured in different ways in each of the graphs).

Gene R.
April 14, 1969

Chron.

Total Disbursements (June 1973)	<u>\$5,000,000,000</u>
Net income after IDA	\$ 400,000,000
Capital subscriptions	75,000,000
Loan repayments	1,580,000,000
Sale of loans	100,000,000
Total sources excluding borrowing	<u>\$2,155,000,000</u>
Balance	\$2,845,000,000
\$210,000,000 reduction annually for four years in cash resources	845,000,000
Required new money \$500,000,000 each year)	<u><u>\$2,000,000,000</u></u>

EHRotberg:emk
April 14, 1969

OFFICE MEMORANDUM

TO: Mr. S. Aldewereld
FROM: Eugene H. Rotberg
SUBJECT: Pending Projects

DATE: April 11, 1969

The purpose of this memorandum is to summarize some of the pending projects recently initiated or completed in the Treasurer's Department. I would like to discuss them with you at your convenience, particularly since certain matters would require considerable further effort if they are to be pursued.

1. We have completed our analyses of the Bank's financial operations from 1969 through 1973 under various alternative conditions. Among other items, we now have available the following information on a yearly basis: borrowing costs; average debt outstanding; total funds; cost of all funds (%); interest on undisbursed loans (%); cost of borrowing as a percent of gross income; return on capital; return on capital and reserves; net income as a percent of dollars disbursed; net income as a percent of dollars committed; net income as a percent of cash and securities; net income as a percent of gross income etc.

We have this information for each of the next five years under both our August/September 1968 and March 1969 projections. Further, the data are reported assuming a 6-1/2% lending rate and a 6-3/4% lending rate and assuming zero transfer to IDA and 50% transfer to IDA. The data are available in each possible combination of the foregoing variables. We have made certain basic assumptions, designedly different from prior projections, specifically, a 6% average interest on investments and a 6-3/4% average borrowing rate.

I would like to discuss with you the best approach to extend certain of these projections beyond five years, since, as we both recognize the impact of certain decisions, e.g. an increase in the lending rate involves an impact on long term profits which cannot be evaluated in a five year period. Similarly, the main pressures on our cash position will be greatest at the point when our long term U.S. borrowing fully matures. We should have a fairly good picture of our loan repayments (or our borrowing needs at those points - perhaps 15-20 years from now.

2. I have had prepared a detailed program of alternative approaches for increasing the sale of loans from our portfolio and participation in our loans. I do not believe we should wait until interest rates drop to establish the necessary merchandising and structural changes that are needed to make a success of this aspect of our financial program. The

program describes, among other things, the feasibility of emphasizing particular loans for which the borrower is obligated in specific strong currencies; the advantages and disadvantages of making up a portfolio of loans; the extent to which, if at all, the Bank should "subsidize" its portfolio sales, etc. Thus, there are a number of alternative approaches ranging from concentration of sales to institutional buyers on an ad hoc basis to merchandising, in effect, our own commercial paper. As you can appreciate, this subject is very much linked to the role of our New York and Paris offices. De Lesseps will be in Washington next week.

3. I also have had prepared an outline of the different kinds of "guarantee" programs. They range from the Bank guaranteeing a direct borrowing for a specific project by a developing country to the use of a Bank guarantee for a specific project, such as Falconbridge, which is financed in large part by a highly capitalized parent of an operating subsidiary. There are as many problems as there are alternatives. I must confess to an initial reaction against all guarantees except a specific guarantee of a particular loan by a parent or affiliate to its operating subsidiary - so long as the project can be appraised (or the appraisal reviewed) and supervised by the Bank. Here I would recommend a broad risk coverage.

4. We have proceeded to the point where we should decide the next step on our Central Bank issues. As you know, there are two or three alternatives to making these issues more attractive to Central Banks. These alternatives basically involve providing liquidity for the instrument either through some kind of repurchase arrangement under designated conditions, or perhaps a temporary loan by the IBRD to the Central Bank which needs to liquidate. There are some preliminary first steps which we might take which would not commit ourselves to substantial risk and which might be fruitful. We could perhaps start the Central Banks in Europe and Japan where there are substantial resources. The key is to encourage these banks to think in terms of using IBRD bonds in the same way as they use U.S. Treasury Bills or other liquid short-term instruments.

5. Repatriation. This matter involves direct negotiations with perhaps 3 or 4 large member countries. I suspect that an effective case could be made that it would be in the developed member countries best interest to liquidate, perhaps pro rata, the obligations that they have to the Bank, particularly if those obligations are denominated in Deutsche Marks. If we are not reluctant to borrow Deutsche Marks, we should not be reluctant to encourage repatriation in Deutsche Marks. This subject is linked to the question of the sales from our portfolio to other investors.

6. I have submitted to you an outline and I will prepare a draft paper on U.S. intermediate term IBRD financing. I cannot urge more strongly that the Bank use this market, not only because it taps a different source of funds, but because it will establish our name with institutions and individuals who do not buy our long-term bonds and who might do so if they become used to seeing our name in their portfolio. The Bank has an opportunity, which is probably unique among borrowing entities, to compete even in the very short floating money supply. A substantial portion of the total debt raised in the United States involves tapping savings which are controlled by intermediaries who require immediate liquidity. Indeed, the investors in debt instruments may wish to purchase and sell within 24 hours. While it is not necessary for the Bank directly to finance itself in that short term market (as do many institutions who issue commercial paper), it is important for the Bank, for the first time, to reach those investors who require a liquid secondary market.

I have prepared a new set of projected amortization tables which show (a) our projected outstanding funded debt; (b) the net borrowings available for operations; and (c) a projected amortization schedule based on \$350 million long term and \$350 million per annum intermediate term issues; roll over of the Bundesbank holdings; and roll over of our Central Bank issues. We have calculated all of the projected sinking fund requirements and incorporated these into our current amortization schedules. These schedules cover the period 1969 through 1995.

7. As you may know, I have substantially cut down our investments in short-term U.S. Treasury bills. This particular instrument has the lowest yield of U.S. Government or Government guaranteed paper and has liquidity as its chief virtue. Since these holdings basically are used for operational purposes, there was no need to hold \$250 million in this kind of instrument. Moreover, I am not comfortable even with \$75 million to \$100 million invested in U.S. Treasury Bills since (a) they fluctuate quite rapidly and randomly, I might say, from the capital markets and (b) there are competing instruments which offer better yields and are as liquid and safe. Specifically, I am advised that FNMA and Eximbank have developed borrowing programs or are developing borrowing programs wherein they agree (a) to repurchase their obligation and (b) to offer yields which are competitive with what they would have to pay in the capital markets. GMAC, Sears Roebuck, etc. have developed similar programs because of their substantial cash resources and are able to offer banks, such as Morgan Guarantee, funds at better short term interest rates than U.S. Treasury Bills. Further, commercial banks have financed themselves in the "Federal funds market" (one day roll over money) and commercial banks are prepared to guarantee fixed rates of interest for short periods

which are collateralized by Treasury Bills which they sell and agree to repurchase at par. While these matters are not pressing (they basically involve increasing the Bank's income perhaps a million a year), we should increase our flexibility in the investment area just as in the capital market area. I suspect that we will learn a great deal about how to raise funds and where to raise them by becoming informed investors in markets where others are the borrowers.

. . .

The foregoing is a rather broad program. I have endeavored, however, to limit this memorandum to those matters which should be acted upon in the near future. I think that you will agree that some steps can be taken with beneficial results. May I have your comments.



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U.S.A.

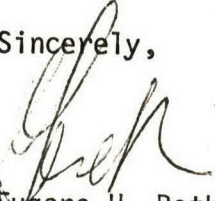
April 11, 1969

Dr. James Doolan
Visiting Lecturer on
Business Administration
Harvard University
Soldiers Field
Boston, Massachusetts 02163

Dear Dr. Doolan:

I look forward to meeting with your class
on Wednesday, April 30, at 11:40. I would also
like to meet with you on your forthcoming visit
- late afternoon on Friday, April 18, would be
fine.

Sincerely,


Eugene H. Rotberg
Treasurer

Mr. S. Aldewereld

April 11, 1969

Eugene H. Rotberg

Outline: IBRD Financing in U.S. Intermediate-Term Market

Attached for your consideration is a draft outline relevant to our consideration of IBRD financing in the U.S. intermediate term market. The outline incorporates your suggestions. It leaves open the question of the detail to be submitted concerning the five-year projections. Further, as you appreciate, the impact on our liquid resources or lending program of a failure to roll over a 5 year borrowing cannot be set forth without the development of some lending and borrowing projections for the period 1973-1979. (Alternatively, of course, we can simply say that a failure to refund for two years would lower our liquid resources by \$500,000 (two years maturities) from their 1973 level - assuming no basic change in our other borrowings or disbursements for that period.).

The outline is still rather long. However, I think that there are certain considerations relating to the Bank's cash needs and the standards applicable to measure those needs, the significance of investment income to the Bank's overall income (and, indeed, the relevance of profitability and the standards for measuring such profitability to the Bank's overall operations), the need to assess the stability of our loan repayments, and similar matters which the Board might wish to discuss. Certain aspects of the subject matter are quite technical, and others perhaps would best be raised in a different context than this one. Nonetheless, in the interest of completeness of the outline, I have included all these aspects of the problem.

I would appreciate receiving your views on whether the paper, should provide, as suggested in the outline, some rather fundamental information which would be relevant to the consideration of other matters which might come before the Board, i.e., the Bundesbank matter, the implications of a guarantee program, or a "repurchase" commitment with Central Banks, etc. While these matters are not the subject of the outline, many of the relevant considerations are identical to the subject matter.

I have not included any reference to the overall issue of the sources of Bank funds, their cost, etc., since these matters would seem more relevant to a discussion of the need for, or appropriateness of, raising the lending rate.

OFFICE MEMORANDUM

TO: Mr. S. Aldewereld
DATE: April 10, 1969

FROM: Eugene H. Rotberg 

SUBJECT: Outline: IBRD Financing in U.S. Intermediate-Term Market

Attached for your consideration is a draft outline relevant to our consideration of IBRD financing in the U.S. intermediate term market. The outline goes beyond what might be relevant for Board consideration of this matter. I think, however, that any consideration of this problem involves a rather full examination of the Bank's cash flow needs and the standards applicable to measure those needs, the extent to which its liquid resources are "restricted", the significance of investment income to the Bank's overall income (and, indeed, the relevance of profitability and the standards for measuring such profitability to the Bank's overall operations), the need to assess creditworthiness, and similar matters. I think we would agree that certain aspects of the problem are quite technical, and others perhaps would best be raised in a different context than this one. Nonetheless, in the interest of completeness of the outline, I have included all these aspects of the problem.

Further, I would appreciate receiving your views on whether the paper, as finally drafted, should provide, as suggested in the outline, some rather fundamental information which would be relevant to the consideration of other matters which might come before the Board, i.e., the Bundesbank matter, the implications of a guarantee program, or a "repurchase" commitment, etc. While these matters are not the subject of the outline, many of the relevant considerations are identical to the subject matter. I have included a rather detailed section, by way of historical background, of how the Bank has financed its debt operations in the past. I have not included any reference to the overall issue of the sources of Bank funds, their cost, etc., since these matters would seem more relevant to a discussion of the need for, or appropriateness of, raising the lending rate.

Finally, certain points in the outline may require but a sentence or two; otherwise I am afraid the paper would be far too extensive for its purpose. Perhaps if you have some time we can meet tomorrow.

Attachment

D R A F T
EHRotberg:emk
April 10, 1969

A. INTRODUCTION

1. Purpose of Paper:

- a. To provide general background information for consideration of proposals relating to increasing the resources of the Bank
- b. Specifically, to consider the appropriateness of borrowing in the U.S. intermediate-term market

2. Background of Paper

- a. Recent yields and developments in U.S. debt market
- b. Recommendations of IBRD investment bankers

B. HISTORICAL DESCRIPTION OF SOURCES AND METHODS OF IBRD BORROWING

1. U.S. Borrowing

- a. Shift from intermediate to long-term
- b. Extension of call protection
- c. Use of delayed delivery contracts

2. Central Bank Issues (two year)

- a. Reasons for initiation
- b. Relevant policy considerations (involvement of many member countries in supply of resources to Bank)

- c. Availability of foreign exchange
 - d. Potential future development
- 3. Non U.S. Borrowing in convertible non-dollar currency
 - a. Private Placements
 - 1. Length of maturity
 - 2. Size
 - 3. Possibility of roll over
 - 4. Costs to Bank
 - b. Public Issues
 - 1. Length of maturity
 - 2. Size
 - 3. Possibility of roll over
 - 4. Costs to Bank
- 4. Bundesbank (intermediate-term)
 - a. Initiation and implication of Bundesbank borrowing
 - b. Recent developments
- 5. Recent developments in Germany
 - a. Savings Banks
 - b. Mortgage Banks
 - c. Lines of Credit
- 6. Summary:
 - a. Average length of borrowing (10 years)
 - b. Present amortization schedules

C. ANALYSIS OF LIQUID RESOURCES OF BANK

1. 10 year data chart of IBRD cash and liquid resources position
2. Standards for measuring cash "needs" of IBRD
 - a. Operations
 - b. Short-term contingencies (1-3 years)
 1. Lending acceleration
 2. Cut back in cash inflow
 3. No borrowing
 4. Roll over borrowing only
 - c. Long-term contingencies
 1. Massive defaulting
 2. Relationship of cash resources to reduction of pro rata call on members
3. Profits derived from liquid resources
 - a. Cost, if any, of "excess" borrowing
 1. Bank policy on investment of all funds, borrowed and other
 - b. Market risks of excess borrowing
4. Relationship of liquid resources to disbursement policy and Bank income
5. "Locked-up" resources
 - a. "Legal" restrictions
 - b. Informal understandings

6. Analysis of sensitivity of level of liquid resources to shifts in borrowing and lending policy (5 year broad based projections)

a. "Cushioning" effect occasioned by

1. Inflow of loan income

2. Roll over of borrowings

C. SIGNIFICANCE AND RISK OF INTERMEDIATE-TERM BORROWING IN PRESENT DEBT STRUCTURE

1. Impact on average length of borrowing

a. Projections for 30 years (50% intermediate U.S.; 50% long term)

2. Risks: No roll over because

a. high interest rates

1. Impact on Profit

b. Unavailability of funds at any reasonable rate (typical private placement risk)

1. Impact on cash flow

a. Implications for lending policy

b. Debt servicing operations

3. Implications of present cash resources to non roll over risk

D. CHARACTERISTICS OF LONG AND SHORT-TERM U.S. CREDIT/DEBT MARKET

1. Description of kinds of investors (financial intermediaries; money managers; insurance companies; corporate

treasurers; pension funds, etc.) in fixed interest market

- a. General
- b. World Bank Bonds
- 2. Character of secondary market
 - a. Compare U.S. Treasury versus AAA, AT&T bonds
 - b. Role of dealers
- 3. Present long-term trends in long-term Bond Market
 - a. Reasons
 - b. Implications for future
- 4. Differences in character of fixed interest instruments and their attractiveness to investors
- 5. Relationships of long, intermediate and short-term markets to each other
 - a. Historical yield relationships

E. PROJECTED LONG AND INTERMEDIATE TERM COMBINED FINANCING IN U.S.

- 1. Projected amortization schedule
- 2. Projected funded debt
- 3. Projected inability to refinance for (??) years

F. EVALUATION OF RISKS AND ADVANTAGES AND RECOMMENDATIONS

Chron

MEMORANDUM

Following is a summary of the impact of certain regulations on the issuance by the International Bank for Reconstruction and Development of commercial paper or other short-term obligations.

1. Foreign Investment Guidelines. The current Revised Guidelines for Nonbank Financial Institutions issued by the Board of Governors of the Federal Reserve System on December 23, 1968 place no restraint on purchases of bonds or notes of the Bank, regardless of maturity, by U.S. institutions ~~to which the Guidelines apply.~~ (Former Guidelines did place a restraint on obligations maturing in less than ten years). The Guidelines do not establish a percentage ceiling for nonbank financial institutions on the purchase of bonds or notes of the Bank and do not require the inclusion of such securities among the assets to which ceilings apply.

2. Acceptability as Collateral for Treasury Tax and Loan Accounts. Obligations issued or fully guaranteed by the Bank, regardless of maturity, are acceptable securities to be pledged by depository banks maintaining Treasury Tax and Loan Accounts.

3. Eligibility for Discount at Federal Reserve Banks. Obligations of the Bank are not eligible for discount by member banks at a Federal Reserve Bank nor are

they eligible to be used as collateral for advances to member banks on a member bank's promissory note. Circular No. 6247, November 19, 1968, specifically ruled on this point.

4. Eligibility under State Legal Investment Laws.

Generally, the legal investment laws of the states which permit investment in the Bonds of the Bank also permit investment in short-term notes or commercial paper of the Bank. Most of the provisions are drafted broadly to encompass "obligations issued or guaranteed by the International Bank for Reconstruction and Development".

Sullivan & Cromwell

April 7, 1969

Mr. Newton B. Dicks, Chairman
MFOA CoPERA PROGRAM Committee
Tennessee Valley Authority
Retirement System
Knoxville, Tennessee 37902

Attention: Miss Virginia H. Bailes

Dear Mr. Dicks:

Thank you for your letter of April 1. The title of my luncheon remarks is quite satisfactory. I expect to arrive in Toronto on Tuesday, May 27, and I will leave in the late afternoon of May 28. I, therefore, hope to attend a number of sessions at the Conference.

I have also enclosed, in accordance with your suggestion, the application for hotel accommodations and the Advance Registration Form.

Sincerely,

Eugene H. Rotberg
Treasurer

Enclosures: 2

Chen

April 7, 1969

Mr. Ralph Hirschtritt
U.S. Treasury Department
Room 3213 Main Treasury
15th St. & Pennsylvania Ave., N.W.
Washington, D.C.

Dear Mr. Hirschtritt:

I am enclosing for your information a memorandum which supplements the detailed Loan Rescheduling which we have supplied to you. If you have any questions, please do not hesitate to make inquiry.

Sincerely,

Eugene H. Rotberg
Treasurer

Enclosure

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MEMORANDUM

Repayments of Bank Loans

1. The Bank has had no defaults on its loans to date.
2. Over the years, the Bank has agreed to reschedule loan repayments to assist two countries, namely, Haiti and India, both of whom had balance of payments problems. The amortization schedule of a \$2.6 million loan to Haiti was amended three times: in 1959, 1963 and 1968. Several maturities were scheduled and the repayment period was extended from 1967 to 1972. In order to provide certain debt relief for India the amortization schedules of twelve loans to India were rescheduled in 1968 by postponing certain maturities aggregating \$30 million for 10 years from the original maturity date.
3. The Bank has agreed also to reschedule certain loan maturities for reasons other than balance of payments or financial difficulties of the borrowing country, e.g. delay in the start of a project, merger or split of a loan, and change in character of a project. Eleven loans, aggregating \$348 million in nine countries, are in this category. In addition, there have been technical adjustments of loan schedules in our loans to development finance companies. Under our understandings with these companies the amortization schedule in the loan agreement is usually a tentative one, to be amended when the whole loan is committed to sub-borrowers so that repayment to the Bank will match those from the sub-borrowers. Through December 31, 1968, the original amortization schedules of nine loans, aggregating \$194 million, in eight countries, were revised for this reason. The only other rescheduling involved two countries (Italy and Australia) in connection with the revision of the original amortization schedules of the loans in order to facilitate the sale of these loans from the Bank's loan portfolio. These two revisions involved very minor adjustments in payment dates.
4. As of March 31, 1969, the Bank has made 597 loans, totaling \$11,981,000,000. Total principal repayments, including amounts repaid to purchasers of Bank loans, amount to \$3,219,000,000.

April 7, 1969

Chrom

April 4, 1969

Mr. Robert de Lesseps
Chief, European Financial
Operations
International Bank for
Reconstruction and Development
4 Avenue d'Iena
Paris 16e France

Attention: Mrs. Sebert

Dear Robert:

Thank you for your letter of
March 28. I look forward to meeting
you in Washington. I suggest, however,
that because of the late arrival of
your flight you get settled in your
hotel and come to the Bank on Thursday
morning.

Thank you also for Dr. Stopper's
speech. It was most interesting.

Sincerely,

Gene Rotberg

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INTBAFRAD
PARIS

APRIL 4, 1969

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(FRANCE)

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FOR DELESSEPS REURTELEX 519 SUGGEST THREE PM FOR MEETING WITH GULDEMOND

REGARDS

ROTBERG

EUGENE H. ROTBERG

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INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

Chen

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

Mr. McNamara
Mr. Aldewereld

Attached is a memorandum of my meeting with Morgan Stanley. I have also attached some recent commentaries on the intermediate term market and the inclinations of institutional investors toward investment in long-term debt instruments.

I have asked Salomon Bros. & Hutzler to prepare an analysis of the purchasers and sellers of our bonds during the last two years, according to the category of investor.

Gene Rotberg
4/4/69

Chron file

Mr. Robert S. McNamara
Mr. S. Aldewereld

April 4, 1969

Eugene H. Rotberg

Notes of Meeting with Morgan Stanley & Co. -- April 2, 1969

Present:

For Morgan Stanley & Co.:

Walter W. Wilson
H. Lawrence Parker
Vance Van Dine
John H. T. Wilson

For the World Bank:

Eugene H. Rotberg

The purpose of the meeting was to discuss the advantages and disadvantages of short-term financing by the World Bank. I explained that I had discussed the matter with First Boston and was interested in obtaining the benefit of Morgan Stanley's views. I noted that in December 1968 Morgan Stanley appeared somewhat reluctant to recommend a program of intermediate-term financing for the World Bank. Larry Parker and Walter Wilson indicated that their reluctance related to the offering being considered in January 1969 and not to the general principles involved. Larry Parker indicated that, whatever their position was at that time, they now recommended that the Bank should borrow both in the long and intermediate-term (five years) market.

Mr. John Wilson said that the market for five year instruments was quite different from the long-term market and that it attracted different groups of prospective purchasers - including, not only those institutions who did not wish to tie up their funds in the long-term market, but also those individual investors who might purchase intermediate-term World Bank bonds with a minimum (5-10%) cash commitment. John Wilson and Larry Parker commented that, while Morgan Stanley had little expertise in the short and intermediate-term investment market (they do not underwrite U.S. government or agency issues or trade in the secondary market), they believed that this market was likely to substantially increase in size. Wilson indicated that current trends showed a shrinking of the long-term debt market in the United States and expansion of the market for shorter maturities and equities.

Mr. Parker stated that, if the Bank were to borrow \$400 million to \$500 million a year in the long-term market in the United States, it would be "quite expensive" over a period of time. He stated that short-term financing would take the pressure off of the long-term market.

Mr. Robert S. McNamara
Mr. S. Aldewereld

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April 4, 1969

John Wilson disagreed and stated that it was irrelevant to the overall long-term market whether the World Bank did or did not borrow in the long-term market, since, if we did not borrow in that market, someone else would; further, any borrowing by the World Bank in the short-term market would not reduce the existing substantial pressure in the long-term market. Wilson agreed, however, that, with respect to our own issues, intermediate-term borrowing would reduce the percentage of portfolio holdings of our bonds by certain institutional investors since, as noted above, the intermediate and long-term markets are made up of different purchasers.

Parker continued that, if we were to borrow now in the long-term market, it would cost about 7-1/2% for \$100 million and that if we wished to raise \$250 million it would cost 7-3/4% plus. He said that at some price, of course, any bond is salable and that a 7-7/8 - 8% long-term issue by the Bank would ensure success at current long-term interest levels.

We briefly discussed the average life of the Bank's outstanding funded debt and its significance to the question of whether the Bank should borrow in the intermediate-term market (and thereby lower the average life of the Bank's funded debt). Larry Parker pointed out that "it was a question" of determining the average length of the maturities of our outstanding funded debt. I asked whether he was recommending a specific relationship between the average length of our debt and the average length of our loans. He said he was not recommending any particular relationship and, indeed, he pointed out that the average length of our debt today is considerably longer than it was five years ago. (I am now preparing projections which I believe will show that, if the World Bank were to borrow half long and half intermediate-term (five year maturities) over the next five years in the U.S., the average length of our outstanding funded debt would be longer than it was in 1964, both in absolute terms and in relationship to the average length of our loans).

We also discussed at some length the risk of short-term or intermediate borrowing, i.e., if we could not borrow in the sixth year, - after five successive \$300 million five-year borrowings, - we would have to refund \$300 million. I asked the possibilities of the Bank not being able to borrow short or long-term in the U.S. to cover any maturing intermediate debt - explicitly assuming that we wished to maintain our \$1.7 billion of liquid resources. Parker and Wilson stated that it was not realistic to think that the Bank could not borrow in any U.S. market.

Mr. Robert S. McNamara
Mr. S. Aldewereld

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April 4, 1969

market for a prolonged period since such development would indicate a complete deterioration of the entire debt market in the U.S. Even under such conditions, however, the general impression was that the \$1.7 billion provided substantial protection if we could maintain our liquid resources at that level. Van Dine asked whether or not the Bank had determined whether we wished to have our liquid resources at one, two, or three years level of disbursements. I suggested that that question alone was not very meaningful (since it was linked to the issue to be ultimately determined - the risk from ^{not} borrowing) and asked if he had any specific standards which the Bank might use to determine what might be the "correct" level of liquid resources. All agreed that the maximum risk to the Bank might be measured in terms of whether we could, under extreme conditions, draw down our cash balance by \$300 million in a given year without impairing our loan commitment program. We noted that our cash resources had increased by a greater amount in the past year. We briefly discussed the possibility that United States Government or guaranteed agencies might increase their borrowing in the intermediate-term market through housing, urban development agencies, etc. This would make it more difficult to borrow in that market, particularly if others followed suit. Conversely, if the U.S. Congress were to permit the Treasury to finance itself long-term, i.e. lift the interest rate ceiling, there might be a substantial void in the supply of intermediate-term market instruments.

Walter Wilson indicated that it might be difficult for A.T.&T. to continue borrowing with fixed interest securities (\$1.5 billion per year) and that it might be necessary for A.T.&T., and others similarly situated, to think in terms of some kind of equity instrument for financing. He thought that some corporations were already starting to look to this kind of financing -- a development which could be a "straw in the wind" to relieve the pressure on the fixed-interest long-term bond markets. Parker said that the tight money policy succeeded in postponing a good deal of utility and municipal bond financing. Although he noted that there are no indications that interest rates will fall, John Wilson believed that the market would become stronger in July (a drop in interest rates) but that there would be a substantial "queueing up" by issuers who have postponed their financing. Mr. John Wilson, however, stated that if the market were strong the Bank should borrow long-term since he believes it will be increasingly more difficult to do so and that any opportunity that exists should be taken advantage of. (First Boston, on the other hand, believes that if the World Bank could do a long-term financing, at a reasonable rate, that is exactly the time they should go intermediate-term and make a strong and solidly-placed commitment into that market.

Mr. Robert S. McNamara
Mr. S. Aldewereld

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April 4, 1969

Parker and Wilson concluded the meeting by saying that it should be made clear that they are not opposed to intermediate-term financing and that they believed that the World Bank should go into that market as a flexible approach to financing. They said that, if the World Bank were to borrow intermediate term (five years), it should try to make the instrument as attractive as possible, i.e. discountable at Federal Reserve Banks, exempted from foreign investment guidelines, etc., and that they were prepared to take the necessary steps to that end. I suggested that it might be premature to take such steps without further consideration by the Bank. Walter Wilson and Larry Parker emphasized that they did not believe that the World Bank should finance itself solely with intermediate-term issues. I told them that, although we would give the subject of intermediate financing considerable consideration before any steps were taken, I thought that the Bank would not seriously consider financing itself solely with intermediate-term instruments.

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April 3, 1969

Gene

Re our trip to Germany, I have been asked to speak to Harvard Business School on April 23 and have an important dinner in New York on the evening of April 25th. Would it be convenient to see Dr. Guth, in accordance with one of his alternatives, on Monday, April 28. That will give us Monday, Tuesday, Wednesday, and Thursday, if necessary, to do our work in Germany. We would be back in time, of course, to meet with Dr. Guth on Friday, May 2nd. It would have the possible further advantage of having more up-to-date information about the German markets than in the earlier week.

Please let me know.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
Mr. S. Aldewereld

DATE: April 1, 1969

FROM: Eugene H. Rotberg *ER*

SUBJECT: Notes of Meeting with The First Boston Corporation - March 31, 1969

Present:

For The First Boston Corporation:

Mr. Emil J. Pattberg, Jr.
Mr. Edward Townsend
Mr. James C. Morrison
Mr. H. James Toffey, Jr.
Dr. Albert M. Wojnilower

For the World Bank:

Eugene H. Rotberg

The purpose of the meeting was to discuss the advantages and disadvantages of "short-term" financing by the World Bank. Mr. Pattberg introduced Dr. Albert M. Wojnilower, the Chief Economist for The First Boston Corporation, who offered his evaluation of present and potential future interest rate levels in the United States. Dr. Wojnilower stated that he expects considerably higher long-term interest rates between now and the summer. He expects that by early summer the long-term rate for fixed interest securities would start to fall, as tight money policy, developments in Viet Nam and cutbacks in capital expenditures begin to affect the economy. He projected a substantial decline in the long-term rates by the summer, perhaps to the point where the recent A.T.&T. 7-1/2% issue would trade in the secondary market at prices yielding about 6%. He projected that the rates would slowly rise for a year or so after the summer low point. However, he emphasized that for the next two months we could expect even higher interest rates than present levels.

Dr. Wojnilower emphasized that the short-term money market is quite strong now. This is because of certain artificial factors - e.g. the purchase by corporate treasurers of short-term bills for March 31 financial statements; the March 31 Chicago personal property tax which is not levied on Government obligations; the substantial holdings of mutual funds who have been accumulating cash during the recent equity market decline, etc. Indeed, Dr. Wojnilower pointed out that in recent days some New York banks were, for the first time in several months, able to offer Certificates of Deposit for 3 months at 6-1/4% which was quite competitive with existing yields on U.S. Treasuries. He also noted that, while there now is a substantial spread between the very short-term money rates and the long-term bond rates, there is no substantial difference between the cost of two-year money and twenty-year money for corporate issuers. This is because

Mr. Robert S. McNamara
Mr. S. Aldewereld

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April 1, 1969

the short-term market, for the most part, is made up of U.S. Treasuries, U.S. Government agencies, commercial paper, etc., which are very liquid instruments characterized by high volume and rapid turn-over. These instruments can be re-discounted at the Federal Reserve Bank by commercial banks and are, therefore, attractive to a wider range of buyers than corporate instruments. Conversely, there are few corporations who have regularly financed on a short-term basis in sufficient volume to create the liquidity in the secondary market which is necessary to tap the substantial buying powers in that market.

Mr. Pattberg supplied a short memorandum (which is attached) prepared by Sullivan & Cromwell which outlines the legal status of our bonds, vis-a-vis, Foreign Investment Guidelines; Acceptability as Collateral for Treasury Tax and Loan Accounts; Eligibility for Discount at Federal Reserve Banks; and Eligibility under State Legal Investment Laws. The point was made that the eligibility for discount at Federal Reserve Banks is quite important but not critical to the acceptability of any short-term instrument and that we could make an effective presentation to make our bonds eligible for rediscount at the Federal Reserve Banks. Pattberg suggested that Mr. McNamara might speak to McChesney Martin or Secretary Kennedy for that purpose.

Pattberg then made a strong argument in favor of World Bank borrowing in the five-year market. He said there is a substantial demand in the United States for short-term instruments by banks, foundations and municipalities who have various scheduled payments to make in connection with loans, grants, construction, etc. and who must have liquid instruments in their portfolio with fixed short-term maturities. The secondary market in long-term bonds is too thin to satisfy that requirement. He emphasized that the market for long-term bonds and short-term bonds appeals to different classes of customers and that there would be, at the most, a 10% overlapping of customers. Pattberg noted that The First Boston Corporation is now underwriting a short-term financing by Commonwealth Edison and that it will be substantially oversubscribed. (The offering was originally scheduled to offer buyers an alternative three or five-year maturity but subscriptions for five-year maturities are expected to exceed the amount of the offering.) Pattberg stated that, even though the Bank might be able to raise \$500 million to \$600 million in the U.S. market each year on a long-term basis, the rates would be fairly high since the same investors would be holding larger and larger proportions of their over-all portfolio of World Bank issues. Thus, he recommended that the Bank offer \$300 million short-term and \$300 million long-term each year. This would have the effect

April 1, 1969

of lowering our interest rates on long-term bonds. Further, the cost of short-term money would be less than the cost of long-term money, particularly at the present time. Pattberg pointed out that we have a "hodgepodge" of maturities ranging from very short-term instruments with the central banks to the long-term U.S. issues and that an increase of \$1.5 billion over the next five years in short-term instruments made good sense and was consistent with good financial planning. He stated that Federal Land Banks borrowed short-term (one to two-years) and loaned long-term on mortgages; he commented that we should not be concerned with criticism from the banking fraternity which is not reluctant to borrow very short-term and loan five to seven years. He pointed out that U.S. corporations and banks would be the larger buyers in the short-term market and \$300 million a year would not "even make a ripple" in the short-term market. That market now is almost \$50 billion, up from \$10 billion in 1961. FNMA and other agencies borrow up to a billion a year in that market at the present time with no difficulty. Pattberg claimed that a few firms on Wall Street have developed the short-term agency market and it would simply be a question of switching the major buyers from one issue to another, which is being done at the present time on a regular basis, as one short-term issue matures and funds must be reinvested. Pattberg argues that the strength of the secondary market on these issues (1/8 point spread) attests to the demand and supply and that the additional borrowing by this Bank would be readily absorbed.

Pattberg disagreed with Mr. Woods' decision not to borrow in the United States market a few years ago and stated that it was very important to the World Bank to be in the market, on a fairly regular basis, although he did not believe that this should only be accomplished through long-term issues. He stated that with our current float of \$1.7 billion we would have no real problems in terms of cash flow since we now have a substantial reserve liquidity position and our short-term exposure was only limited to \$300 million a year. He stated that, if it was necessary for us to borrow in a particular year, it was more likely that we could borrow short-term than long-term and that at any rate he recommended a 50/50 division of our long and short-term borrowing. Pattberg also emphasized our continuing inflow of funds from loans and that it was not realistic to think that a bank with almost two years of disbursements in liquid form could not afford going into the short-term market as a matter of prudent risk taking.

Pattberg recommended a five-year issue of \$300 million each year for five years so that at the end of the period we would have raised \$1.5 billion. At the end of that period we would simply roll over the maturing amount to keep the \$1.5 billion at that level. Under the conditions, investors in the secondary market would be able to buy 1, 2, 3, 4 and 5-year maturities of World Bank bonds which would open up the full range of buying power in the United States. He said this kind of flexibility was necessary and that, if the World Bank wished to switch at any point (if market conditions so demanded) to a higher percentage of

April 1, 1969

Tong-term bonds, it could readily do so. Pattberg recommended that we do our long-term issues in January, when the bond calendar is usually quite light, and do our short-term issues on June 15. He stated that the U.S. Treasury generally supplies money during the first half of the year and borrows during the second half and that our aim should be to absorb those funds which corporate treasurers and banks receive during the first half of the year, and particularly on June 15. He stated that it was not necessary to have a year-to-year maturity and that we could retain the flexibility of offering before or after maturity, rather than a date-to-date roll over, if market conditions made that appropriate. Pattberg suggested that Mr. McNamara, if he decided to pursue this avenue of financing, should refer to it prior to any official announcement in connection with general remarks on how the Bank finances itself. Pattberg suggested that we could emphasize the necessity of the Bank to be flexible and to place its bonds with different kinds of borrowers in different markets. He recommended that we make it clear that we intend to supply the market with shorter term instruments on a regular basis in order to increase the receptivity of our bonds as a liquid and marketable instrument in the secondary market.

Pattberg stated that the short-term market is basically controlled by three dealer firms -- Merrill Lynch, The First Boston Corporation and Salomon Bros. & Hutzler. A fourth institution, Morgan Guaranty Trust Company, is one of the alternating underwriters for FNMA's. First Boston, Merrill Lynch and Salomon Bros. do the bulk of the Eximbank underwriting, although there are other underwriters who, for other reasons, are also a member of the management group. We had an extensive discussion concerning which firms actually placed the short-term instruments.

I asked Pattberg to distinguish between the Bank financing short-term and selling from its portfolio, relatively short maturities due from our borrowers. He pointed out that there was no possibility of tapping the short-term market with the maturities of our borrowers since there was no real possibility of making a secondary market with isolated loan maturities. I asked him whether a portfolio of our short-term paper (which is similar to commercial paper) could be marketed in the same manner as FNMA participation certificates. Pattberg stated that there would always be a differential between our own obligations and a security composed of the obligations of our borrowers. The credit risks were simply too great and, at any rate, it would take a very substantial merchandising job which, in all likelihood, would not appeal to buyers in the short-term market who had the choice of U.S. Treasury or U.S. guaranteed instruments whose stability was without question. I asked Pattberg for his views on the attractiveness of a Bank guaranteed participation certificate. Pattberg stated that a guarantee was necessary (to insure marketability) but rather pointless since the cost would still be higher than our own issue; the

Mr. Robert S. McNamara
Mr. S. Aldewereld

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April 1, 1969

prospects of continual roll-over would be harder to achieve; the Bank's risk would be substantial and the Bank could raise the funds directly without the use of the guarantee.

Pattberg said that there was one caveat to our discussion. He could not recommend that the Bank increase its debt beyond the amount of the uncalled U.S. capital subscription. While he appreciated that we were increasing our funded debt in currencies other than dollars and were financing outside the United States and, while he understood many countries felt secure in their own country's capital subscription commitment, the fact was that U.S. buyers of our bonds were conditioned to look to the U.S. commitment. He felt that in the foreseeable future and in the long run the U.S. market would supply the major external needs of the Bank. These were the facts of life and would have to be considered when the Bank's funded debt approached the uncalled U.S. capital subscription. We also discussed the necessity to receive some kind of commitment from the U.S. Treasury in connection with any overall program of yearly offerings of short-term bonds.

Pattberg also stated that he did not wish First Boston to be the sole underwriter of short-term issues for the World Bank and lose its relationship to our long-term issues. (This matter is quite delicate and involves a number of issues which I did not discuss at any length with Pattberg). Pattberg suggested that I discuss the subject of short-term financing with Morgan Stanley and I have made arrangements to do so.

I asked Pattberg the total volume of First Boston trading of World Bank bonds for 1968. The total volume was \$126 million, of which \$40 million represented purchases from the market and sales to the Bank in connection with the Bank's sinking fund. The net \$86 million bond purchases (excluding sinking fund transactions) can be compared to the \$375 million - \$500 million volume of Salomon Bros. & Hutzler. While I did not give this latter figure to First Boston, they acknowledged that there were only two markets for our bonds -- theirs and Salomon Bros. & Hutzler.

EHRotberg:emk

"Chson"
File

April 1, 1969

Dear Mr. Stunzi:

I am grateful to you for writing me about the plans of Allied Bank International, and wish you every success.

Unfortunately I will not be able to accept your invitation to the reception on April 14, due to other commitments on that date, but if it would not be out of order, you might wish to extend an invitation to the Bank's Treasurer, Mr. Eugene Rotberg.

With best wishes,

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

Mr. Jacques R. Stunzi
President, Allied Bank International
P.O. Box 3076
Church Street Station
New York, New York 10008

DCF:1mt

c.c. Mr. Rotberg with incoming

ALLIED BANK
International

P. O. BOX 3076, CHURCH STREET STATION
NEW YORK, N. Y. 10008

TELEPHONES
212/689-2377 & 689-2838

CABLE
ALLBANKING, NY

*photocopy sent to
files - April 1, 1969 - LHT*

March 17, 1969

The Honorable
Robert S. McNamara
President
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D. C.

My dear Mr. President:

On behalf of the Board of Directors of Allied Bank International, I am writing both to acquaint you with the recent establishment and objectives of this new international bank in New York and to invite you to a reception on April 14.

Allied Bank is unique in that it is wholly-owned by a nationwide group of 16 major regional banks which have joined hands to accomplish together internationally more than any one could achieve alone. The combined assets of the Allied Bank shareholding group at present exceed \$14.5 billion.

Allied Bank will open a London Branch in two weeks and additional offices will follow in other financial centers abroad. Allied Bank is an international commercial bank and, among its many services, provides its parent banks with the expertise and "reach" overseas that are needed to stimulate exports. By putting these regional banks into a more competitive position to serve their large corporate customers, Allied Bank enables them to enter a field that until now has been dominated by only a few banks. Special attention is being given to the promotion of exports of small and medium-sized manufacturers. Allied Bank thus hopes to make a constructive impact on our balance of payments and introduce a new competitive force in the field.

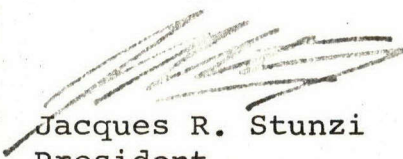
ALLIED BANK
International

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Following a meeting of our Board in Washington on April 14, our Directors will host a reception and buffet dinner at The Madison, to which you will shortly receive a formal invitation. We want you to note that ladies are invited. Our guests will include members of The Congress and senior government officials concerned with international and banking matters. This will be an entirely social occasion to provide you with an opportunity to meet our Directors, each of whom is Chairman or President of his institution, and to renew friendships.

My associates and I hope your busy schedule will permit you to be with us at that time.

Sincerely,



Jacques R. Stunzi
President

Enclosures

ALLIED BANK

International

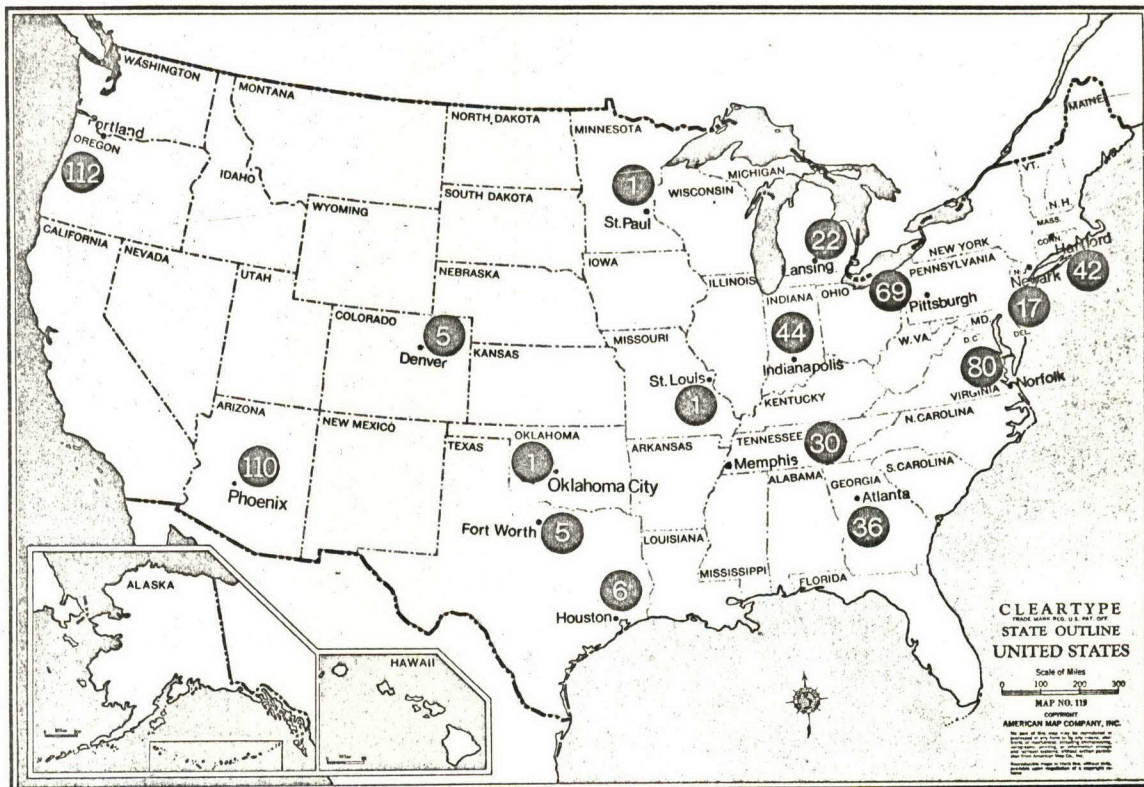
Shareholding Parent Banks*

Showing

The city in which each regional bank's head office is located

and

Within black circles, the number of branch offices of each bank
(including affiliated banks where appropriate)



*Members of the Allied Bank group of banks as of March 14, 1969.

Key To Member Banks

Atlanta	Trust Company of Georgia	Newark	Fidelity Union Trust Company
Denver	Denver United States National Bank	Norfolk	Virginia National Bank
Fort Worth	First National Bank of Fort Worth	*Oklahoma City	Liberty National Bank and Trust Company**
Hartford	Hartford National Bank and Trust Company	Phoenix	Valley National Bank of Arizona**
Houston	Bank of the Southwest, N.A.	Pittsburgh	Western Pennsylvania National Bank
Indianapolis	American Fletcher National Bank and Trust Company	Portland	United States National Bank of Oregon**
Lansing	Michigan National Bank	St. Louis	First National Bank in St. Louis
Memphis	First National Bank of Memphis	St. Paul	First National Bank of Saint Paul**

**Subject to Federal Reserve approval.

March 14, 1969

ALLIED BANK

International

TELEPHONES
212/689-2377 & 689-2838
CABLE
ALLBANKING, NY

P. O. BOX 3076, CHURCH STREET STATION
NEW YORK, N. Y. 10008

SHAREHOLDING BANKS STATISTICS

Name of Member Bank	Location of Head Office	Total Assets at 12/31/68 (000,000)	Capital Account at 12/31/68 (000,000)	Offices & Branches (including affiliates)
American Fletcher National Bank and Trust Company	Indianapolis, Indiana	\$ 1,162	\$ 66.9	44
Bank of the Southwest, N.A.	Houston, Texas	809	70.3	6
Denver United States National Bank	Denver, Colorado	558	36.5	5
Fidelity Union Trust Company	Newark, New Jersey	754	74.2	17
First National Bank of Fort Worth	Fort Worth, Texas	455	29.9	5
First National Bank of Memphis	Memphis, Tennessee	784	58.2	30
First National Bank in St. Louis	St. Louis, Missouri	1,092	71.3	1
First National Bank of Saint Paul *	St. Paul, Minnesota	777	54.3	1
Hartford National Bank and Trust Company	Hartford, , Connecticut	1,064	80.7	42
Liberty National Bank and Trust Company *	Oklahoma City, Oklahoma	413	35.0	1
Michigan National Bank	Lansing, Michigan	1,219	44.4	22
Trust Company of Georgia	Atlanta, Georgia	873	70.3	36
United States National Bank of Oregon *	Portland, Oregon	1,715	102.0	112
Valley National Bank of Arizona *	Phoenix, Arizona	1,494	86.6	110
Virginia National Bank	Norfolk, Virginia	783	53.7	80
Western Pennsylvania National Bank	Pittsburgh, Pennsylvania	883	68.9	69
		\$14,835	\$1,003.2	581

*Subject to Federal Reserve approval.
March 14, 1969

Sunday - March 30

12:00 Noon - Brunch - Leon Levy
983 Park Avenue
Penthouse B

7:00 P.M. - Formal Dinner - Alma and Morris Schapiro
The Four Seasons
99 East 52nd Street

. . .

Monday, March 31

9:30 A.M. - Emil J. Pattberg
First Boston Corporation
20 Exchange Place

6:30 P.M. - Testimonial Dinner - Manuel F. Cohen
Smithsonian Institution

8:00 P.M. - Informal Dinner - Mr. & Mrs. Mohamed Shoaib
2920 Northampton Street, N.W.
(in honor of Mr. Abdlatif AL-HAMAD,
Managing Director, Kuwait Investment Co. &
Director General, Kuwait Fund for Arab
Economic Development)

. . .

I gave a copy to Mr. Aldewereld.

Should I send a copy to Messrs. Eigen and
Deely?

Kessie

*no, not
necessary*

LANDESBANK
DUSSELDORF

MARCH 28, 1969

TELEX

(GERMANY)

FOR PROFESSOR LIPFERT IN REFERENCE TO YOUR INQUIRY CONCERNING
TOMBSTONE ADVERTISEMENT WE SUGGEST THE FOLLOWING PRESENTATION
STOP QUOTE

DM 400,000,000

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

THE SECURITIES WERE PLACED BY THE UNDERSIGNED ON:

DECEMBER 16, 1968 - DM 150,000,000

JANUARY 24, 1969 - DM 125,000,000

APRIL 1, 1969 - DM 125,000,000

WESTDEUTSCHE LANDESBANK
GIROZENTRALE

UNQUOTE

ROTBERG
INTBAFRAD

EUGENE H. ROTBERG

TREASURER'S

Cleared with and copy to
Mr. Aldewereld

EHRotberg:bb:emk

March 25, 1969

Dear Mr. DeLeonardis:

I want to express my personal appreciation to you for making a special trip to Washington and giving a talk before members of my Department.

Your speech was most stimulating and enlightening and everyone of us thoroughly enjoyed it. I am also thankful to you for the short informal discussion with some members of my staff after your speech.

I hope that you will visit us soon.

Sincerely,

Eugene H. Rotberg
Treasurer

Mr. Nicholas J. DeLeonardis
Vice President
The First National Bank of Chicago
30 South Dearborn Street
Chicago, Illinois 60690

YLChang:ara

OFFICE MEMORANDUM

TO: Mr. S. Aldewereld

DATE: March 20, 1969

FROM: Eugene H. Rotberg

SUBJECT: Pricing of March 15, 1969 Central Banks Issue

This memorandum refers to the considerations which led to our pricing of the March 15 two-year Central Bank issue.

In determining the interest rate on IBRD two-year Central Bank issues, our basic objective has been to provide central banks a yield which is competitive with the U.S. Government or U.S. Government Agency Securities. It was necessary, therefore, to evaluate both the "new issue" market for these instruments, as well as the market for seasoned issues which have approximately a remaining two-year maturity.

We chose 14 different U.S. Government dollar-denominated Treasury or U.S. Agency issues for pricing data for the subject offering. (See Attachment A). In order to minimize the distortions caused by the tax consequences of deep discount issues, we chose those which had the highest coupon rate and were recently offered. Further, we selected issues which were newly offered as well as those which were seasoned in the secondary market.

You will observe from Attachment "A" that several U.S. Agency offerings were then yielding about 6.60 and in recent months new issues of the agency offerings were priced at 6.60. On February 19, a U.S. agency (F.I.C.) offered a nine-month obligation at 6.70. The most recent U.S. Treasury Notes, 6-3/8 of May 1970 and 6-1/4 of February 1976, yielded 6.33 and 6.25, respectively.

In addition to carefully reviewing the published yields through the morning of February 20, we discussed the pricing with First Boston, Salomon Bros. & Hutzler and the Federal Reserve Bank of New York on February 13. They stated that a 6.62 rate would be competitive with the highest yield available for U.S. guaranteed issues at that time. On the morning of February 20, you discussed the pricing with Mr. Pattberg of First Boston who indicated some softness in the market and recommended a 6.75 rate.

We also reviewed the World Bank's own purchases of U.S. Treasury and Agency obligations. These prices accurately reflect actual yields (rather than quotations which are subject to negotiation and which vary depending on the size of the purchase). Commencing January 16, 1969 we purchased U.S. Agency issues at yields between 6.49 and 6.73.

We concluded, since we were seeking an additional \$75 million - \$100 million and in view of the recent softness of the market, that a rate of 6.75 was appropriate. This rate was fully competitive with the highest yielding U.S. Government or Agency yields.

Attachment

	QUOTATIONS OF SALES BY BROTHERS & HUTZLER											First Boston Quotations
	Yield Jan. 29	Yield Feb. 3	Yield Feb. 5	Yield Feb. 7	Yield Feb. 11	Yield Feb. 13	Yield Feb. 14	Yield Feb. 17	Yield Feb. 18	Yield Feb. 19	Yield Feb. 20	
<u>Two Latest U.S. Treasury Notes:</u>												
6-3/8% Notes due May 1970 (15 months)	-	6.39	6.39	6.39	6.34	6.29	6.31	6.32	6.31	6.34	6.31	
6 1/2% Notes due February 1976 (7 years)	6.29	6.29	6.29	6.25	6.19	6.14	6.15	6.20	6.20	6.23	6.22	
<u>Older U.S. Treasury Notes with approximately 2 years maturity:</u>												
5-3/8% Notes due February 15, 1971 (2 years)	6.06	6.20	6.17	6.14	6.14	6.12	6.12	6.12	6.15	6.13	6.23	
5% Notes due November 15, 1970 (1 year + 9 m)	6.08	6.16	6.16	6.13	6.14	6.14	6.15	6.21	6.19	6.23	6.24	
<u>Treasury Bills with longest maturity: Approximately 360 days</u>												
	6.51	6.54	6.50	6.49	6.44	6.46	6.44	6.48	6.50	6.49	6.47	
<u>F.N.M.A. Latest Two Issues:</u>												
6.60% due February 10, 1970 (1 year)	6.57	6.63	6.60	6.60	6.57	6.57	6.57	6.57	6.60	6.60	6.60	
6.60% due June 10, 1970 (1 year + 4 m)	6.30	6.30	6.30	6.39	6.39	6.39	6.39	6.39	6.39	6.49	6.49	
<u>Older F.N.M.A. Notes with approximately 2 years maturity:</u>												
6% due March 11, 1971 (2 years + 1 m)	6.32	6.38	6.38	6.39	6.39	6.39	6.39	6.39	6.39	6.46	6.33	
<u>F.N.M.A. Participation Certificates with approximately 2 years maturity:</u>												
6.35% due February 11, 1970 (1 year)	6.22	6.35	6.35	6.35	6.35	6.35	6.35	6.35	6.35	6.35	6.21	
6.00% due February 1, 1971 (2 years)	6.41	6.41	6.41	6.41	6.41	6.41	6.41	6.41	6.41	6.41	6.34	
6.30% due April 8, 1971 (2 years + 2 m)	6.29	6.29	6.29	6.29	6.29	6.29	6.30	6.30	6.30	6.30	6.29	
<u>Federal Land Bank Bonds - Latest Issue:</u>												
6.70% due June 22, 1970 (1 year + 4 m)	6.22	6.31	6.31	6.30	6.30	6.30	6.30	6.41	6.39	6.49	6.30	
<u>Older Federal Land Bank Bonds with approximately 2 years maturity:</u>												
6% due October 20, 1971 (1 year + 8 m)	6.15	6.30	6.25	6.25	6.25	6.25	6.25	6.25	6.31	6.31	6.26	
<u>Federal Home Loan Bank: 6.60% due February 25, 1971 (2 years)</u>												
						6.60		6.57	6.57	6.59	6.58	
<u>Certificates of Deposit:</u>												
1 year		7.00	7.125	7.125-7.25	7.125 - 7.25			7.0-7.12				

D R A F T

RFSkillings/MFVerheyen/EHRotberg:emk
March 20, 1969

The attention of the Committee is drawn to paragraph 4.22 of the Appraisal Report in which it is proposed that disbursements, as in the recent Brazilian road Loan (Loan 567 BR), be made in step with the physical progress of work translated into dollars by applying to the physical volume of work performed, the unit price and the exchange rate prevailing at the time of bid opening. This proposal is designed to ensure that disbursement of the Bank's loan extends throughout the construction period, irrespective of what may happen to prices and the exchange rate during that period. I believe this to be a simpler way to accomplish this objective than, as in most of the previous road loans, applying to local currency value of the work performed the exchange rate current at the time of disbursement to the Borrower, but with an adjustment of the percentage of expenditures covered as necessary to ensure that the Bank's loan is not exhausted before construction is finished. I believe that this method of disbursement is justified in this case.

The Treasurer's Department objects to the above approach and believes that the normal disbursement pattern followed by the Bank to date, except for the Brazilian case which has not yet been tested, should be followed. The Treasurer's Department considers the new proposal to constitute a change tantamount to the inclusion of a dollar clause in the loan documents.

The Treasurer's Department contends that, if the borrower has paid the contractor the local currency and is compensated at the new rate after devaluation, the borrower will receive a local currency windfall. The "excess" currency which will have been received by the borrower would not have been accounted for in the project and would permit the borrower by its own action of devaluation to create a currency profit. The Treasurer's Department believes that this precedent is unwise and that it would be difficult to refuse a "dollar clause" in any Loan Agreement or, indeed, to refuse even a similar "franc" or "sterling" protection clause. The precedent of guaranteeing the distribution of a given amount of dollars irrespective of the use of such funds in the project also involves a consideration as to the Bank's position on revaluations of foreign currencies (and possible devaluations of the dollar) and is one which the Treasurer's Department does not believe should be determined on an ad hoc basis. Finally, the Treasurer's Department also believes there is little justification for creating this particular exception in Argentina.

Mr. Victor Chang

Eugene H. Rotberg

Financial Ratios

fine
This looks OK, but had
do you establish
future cost of borrowing?
Mr. Al Lawrence
3/20/69

March 20, 1969

After we receive the eight computer print-outs^{1/}, I would like you to prepare the following graphs, for the period FY 1964-1974, for each of the eight alternatives - to the extent there are differences for a particular assumption.

1. Yearly cost of borrowing (%).
2. Yearly cost of all funds (%), i.e., including capital subscriptions and earnings.
3. Yearly percentage of debt vs. equity (capital subscriptions and earnings). This graph should show the rising percentage of "costly" money vs. "free money".
4. Yearly cost of borrowing (Graph 1) compared to undisbursed interest due on loans outstanding. (2 lines on graph)
5. Yearly cost of funds (Graph 2) compared to undisbursed interest due on loans. (2 lines on graph)

1/ The eight print-outs are:

1. ~~6%~~ lending rate; 50% of earnings to IDA (1970-1974)
August 1968 borrowing and lending projections.
2. ~~6%~~ lending rate; zero transfer to IDA; August 1968
borrowing and lending projections.
3. ~~6%~~ lending rate; 50% transfer to IDA (1970-1974)
March 1969 borrowing and lending projections.
4. ~~6%~~ lending rate; zero transfer to IDA; March 1969
borrowing and lending projections.
- 5, 6, 7 & 8 - Same as above with 6-3/4% lending rate.

Further assumptions for all print-outs: 6% average interest on investments
6-3/4% average cost of borrowing

Mr. Victor Chang

- 2 -

March 20, 1969

6. Yearly cost of borrowing expressed as a percentage of gross income.
7. Yearly return on ^{equity} capital. (We may have certain alternative approaches here to determine capital for period.)
8. Net income expressed as a percent of each dollar disbursed.
9. Net income expressed as a percent of each dollar committed.

If you have any further suggestions or questions, please let me know.

EHRotberg:bb

cc: Mr. Aldewereld

March 20, 1969

Mr. Norman S. Poser
Vice President
American Stock Exchange
86 Trinity Place
New York, N.Y. 10006

Dear Norm:

I thought you might be interested in
this report. Please keep in touch.

Love to Miriam and the family.

Gene

Enclosure

Mr. Hugh B. Ripman

March 19, 1969

Eugene H. Rotberg

DATA PROCESSING

Reference is made to your memorandum of March 4 concerning your recommendation that a Data Processing Committee be formed. I suggest that Mr. David W. Gray represent the Treasurer's Department on this Committee and Mr. Victor C. Chang serve as the alternate representative.

EHRotberg:emk

March 19, 1969

Mr. Morton N. Weiss
President
The Security Traders Association
of New York, Inc.
New York, N.Y.

Dear Morty:

Thank you for your kind invitation
to attend the STANY dinner. I look forward
to seeing you and my other old friends. I
wouldn't miss it for anything.

Best regards.

Sincerely,

Eugene H. Rotberg
Treasurer

March 19, 1969

Mr. Guy I. F. Leigh
4503 Chester Avenue
Philadelphia, Penn. 19143

Dear Mr. Leigh:

Thank you very much for your resume. As you know, we do not have a summer internship program but we will be pleased to advise you of any opening which may arise. It does not appear that the Treasurer's Department will have any need for temporary assistants during the summer, but I hasten to urge you to inquire of this Department and the Personnel Office following your graduation in 1970. If you are in Washington I will be most pleased to talk to you about the Bank.

Sincerely,

Eugene H. Rotberg
Treasurer

March 19, 1969

Mr. Robert de Lesseps
Chief, European Financial Operations
International Bank for Reconstruction
and Development
4 Avenue d'Iena
Paris 16e, France

Dear Mr. de Lesseps:

Thank you very much for your interesting notes concerning the capital markets in Belgium. I very much regret that I was unable to spend more time with you in Paris but you may be assured I will be most pleased to visit with you again during my next trip.

Best regards.

Sincerely,

Eugene H. Rotberg

OFFICE MEMORANDUM

TO: Mr. S. Aldewereld
Sir Denis Rickett
FROM: Eugene H. Rotberg
SUBJECT: Central Bank Bonds

DATE: March 13, 1969

The purpose of this memorandum is to set forth certain alternatives which we might consider in making our Central Bank Bonds a more attractive debt instrument. This memorandum is not intended, however, as an overall policy paper on the subject. I expect that in reviewing the alternative approaches set forth below, we will, in effect, address ourselves to the policy considerations implicit in any fundamental revision of these bonds.

1. Providing Liquidity

Our two-year bonds now rarely trade in the open market. It is my understanding that they are not considered as "liquid" assets by the Central Banks. It has been suggested that the bonds would be more attractive to Central Banks if they contained provisions which would permit them to be treated as "liquid" assets. It is not at all clear, however, whether "liquidity" in the sense used above refers (a) to the possibility of immediate marketability, e.g. U.S. Treasury Bills, or (b) is a technical term which refers not to marketability, but to the length of the maturity, i.e., one year or less maturities are deemed "liquid" and longer term instruments are deemed "not liquid". I assume, for the purposes of this paper, that both concepts of liquidity are significant considerations for Central Banks.

(a) In order to provide short term liquidity we could offer Central Banks a short term bond (2 - 5 years) with provision for a "buy back" on short notice, e.g. 24 hours; one week; or one month. The bonds would have marketability similar to U.S. Treasury instruments and would permit Central Banks to meet demands for funds quickly and efficiently. Obviously the longer the delay (say, one month notice) the less attractive the instrument.

(b) With respect to the second concept of liquidity we could offer a long term debt instrument, say 20 years, with the right to convert the bond into a one-year instrument which would be retired and paid at the shorter maturity date. We could, of course, further provide that if the bond was converted into a one-year instrument we would also offer 24 hour, one week, or one month liquidity through a buy back provision as described above.

2. Basis for Conversion or "Put Back"

The instrument might provide for immediate liquidity or conversion only upon specified conditions:

- (a) on request with no further showing;
- (b) on a representation that the country has balance of payments difficulties, and/or that the put back or conversion was necessary for the country to meet its current obligations;
- (c) same as (b) above, plus confirmation of the fact by the IMF.

3. Amounts of Bonds which could be Put Back

The indenture could provide that:

- (a) all of the bonds could be put back or converted;

- (b) only a fixed percentage of the bonds, say, 20 per cent a year, could be converted or "put back";
- (c) only that amount of bonds could be put back or converted which represented the portion of the bonds which permitted the country to retain, say, 5 per cent of its resources in the World Bank Bonds. For example, if a Central Bank maintains reserves of \$1.0 billion including \$50 million of our bonds (5%) and its reserves fall to US\$900 million, it could only put back 10% or \$5 million of bonds.

4. Currency in which Bonds are Denominated

The bonds could be denominated:

- (a) only in U.S. dollars;
- (b) in U.S. dollars or the currency of the country whose Central Bank was the purchaser, or
- (c) in any currency to any Central Bank, or
- (d) only in specific enumerated currencies to any country;
- (e) only in specific enumerated currency to the specific Central Bank for that country.

5. Amount of Bond Issue

The Bank initially could issue:

- (a) an unlimited amount of bonds in short term or long term maturities;
- (b) a maximum amount which might be purchased by any one Central Bank (in order to spread the risk of "buy backs"); or
- (c) The Bank could seek an understanding that each Central Bank

would hold a specific amount of World Bank Bonds as a percentage of their reserves, say, 5 to 10 per cent, and that such percentages would be reached in connection with

- (i) a single offering, or
- (ii) 3 to 5 successive yearly offerings.

6. Price of the Repayment

The Bank could agree to repurchase, if the Bank were the instrumentality for providing the liquidity:

- (a) at par;
- (b) at a scaled penalty varying with the length of time that the bonds were held;
- (c) at a scaled penalty varying with the percentage of the holdings of the Central Bank put back or converted;
- (d) at a scaled penalty depending upon the length of time in which the Bank had to provide liquidity (one day, one week, one month, etc.).

7. Method of Providing Liquidity

The foregoing assumes that the Bank would provide the necessary liquidity. Under these circumstances the Bank would purchase the Bonds back and retire them or convert the Bonds into a short term instrument and pay at the shorter maturity. This procedure would involve evaluation of the liquidity position of the Bank in various currencies and, of course, would involve a currency risk to the Bank if the funds had not been disbursed to Borrowers at the time the Central Bank requested a

"put back". Alternatively, the Bank might:

- (a) loan the money to the Central Bank at a fixed rate of interest for a specified period of time. This procedure would permit the Bank, in effect, to provide a line of credit to the borrower, or
- (b) the BIS, or other organization of Central Banks could
 - (1) "clear" the Bonds as agent for the liquidating Central Bank or World Bank and redistribute them to other Banks, or
 - (2) hold them for their own account. It is important, in any consideration of the role of the BIS, to determine whether their capital should be at risk and if so with what profit potential, or whether they merely act as a convenient transfer agent for the Bank or the liquidating Central Bank with the ultimate responsibility for providing liquidity on the Bank.

8. Devaluation Protection

The Bonds could be issued:

- (a) with no gold protection;
- (b) with complete gold protection; or
- (c) with gold protection only for the dollar denominated Bonds.

(Query if this can be done by the World Bank)

The points referred to above are obviously not designed to pose all of the alternative approaches to make our Central Bank Bonds a more attractive instrument. Nonetheless, I think that it would be most useful if we could arrange to talk about the matter set forth above at your earliest convenience.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

Rainer:

Attached is a list of recent DM offerings. We can only estimate the amount of the underwriting charge at 2-1/2%. With some issuers it might be slightly less and with others slightly more. The primary reason for the difference in yield has to do with the quality of the issuer. The market in Germany is essentially unchanged since December except for a slight weakening in the last 10 days.

Gene Rotberg
March 12, 1969

March 11, 1969

Mr. Hugh Jencks
Standard Oil Company
Suite 1014
1025 Connecticut Avenue, N.W.
Washington, D.C. 20036

Dear Mr. Jencks:

Thank you for your letter of February 20, 1969, with which you sent me a copy of the current issue of THE LAMP which I found to be most interesting. I would appreciate your adding my name to your regular mailing list and would prefer to receive this publication at my home address, which is as follows:

10822 Childs Court
Silver Spring, Md. 20901

Sincerely,

Eugene H. Rotberg
Treasurer

Chen
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

Mr. McNamara:

**Further to our discussion this
morning concerning the shift
from debt to equity markets.**

**Gene Rotberg
3/10/69**

Mr. McNamara:

These are the market prices for various 6% German Federal Republic postal, railway and direct obligation bonds. The 98% is the stabilized price which is being maintained by the Bundesbank. The lower prices are the open market prices which exist in the over-the-counter market where those same securities are traded but in which there is no stabilization. It is fair to assume that the cost to the issuer would be about two discount points less ($95\frac{1}{8}/95\frac{1}{4}$) for a cost of 6.52 to an issuer with a similar rating.

Gene Rotberg
3/10/69

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

NATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

Rainer:

Attached is a summary of the last three French-guaranteed issues offered in Deutsche Mark. I am not positive about the discount price. Some public news media have speculated that they were discounted at 2-1/2% from the offering price.

Gene Rotberg
3/10/69

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

✓ Done
Review:

Please mark copy & send to
advised with a note.

" I asked Victor Day to prepare
this document a policy on use of \$ Sterling.
Do you have any comments? " Gene "

Put on
Copy in file on " currency devaluation". Also put
me under Mediterranean investments.

OFFICE MEMORANDUM

TO: Mr. Eugene H. Rotberg

FROM: Walter C.P. Rutland

SUBJECT: Pounds Sterling

DATE: March 7, 1969

1. Yield on U.K. Treasury Bills

Since the boost of the bank rate to 8% in England at the end of February, the yield on U.K. Treasury Bills has increased to around 7.86%, which is about 1.22% above the yield on U.S. 182-day Treasury Bills.

2. Devaluation of Pounds Sterling

In case of a sterling devaluation, the Bank would incur an exchange loss on its sterling holdings which are derived from earnings and are either in cash and investments, or are on loan. Thus, in terms of U.S. dollars the Bank's available funds would be reduced. On sterling held in cash and investments, the reduction in available funds would be immediate; on the portion on loan, the reduction in available funds would be postponed until such sterling is recovered from borrowers.

3. Treasury Bills Vs. Loans.

Weighing the reduction in available funds in case of a sterling devaluation against the improved yield on U.K. investments, it seems more advantageous at present to invest sterling received from loans rather than to use it for loan disbursements.

4. Loan Repayments in Sterling

At February 28, 1969 there was a balance of £3.9 million free funds still to be recovered from loans which were outstanding at November 18, 1967, the date of last devaluation. Based on the amount of sterling called back in the past, it is estimated that the £3.9 million will be recovered by the Bank by October, 1969. From then on, the sterling repayments will be considered as 9% funds, up to £83.5 million, which was the amount of 9% outstanding on loan at November 18, 1967. In view of the improved yield on UK Treasury Bills, we have commenced to bring back the £3.9 million at an accelerated rate but thereafter sterling repayments must be regarded as 9% funds and as such cannot be invested.

cc: Messrs. de Boeck, Metherate

VChang/bjh.

Chron

DRAFT BRIEFING FOR MR. McNAMARA

I would like to have the approval of the Board to increase the authority to invest the Bank's U.S. dollar funds in time deposit accounts with U.S. commercial banks from the present authorization of \$500 million to \$600 million. Our present free cash funds and investments in U.S. government securities amount to approximately \$200 million. As you know, the interest rate for dollar deposits is now at a historical high, and as the Bank is not subject to restriction under Regulation Q of the Federal Reserve Bank which is applicable to time deposits, we would be able to obtain a yield from such deposits better than that of U.S. Government securities. The yield on 6 month U.S. Treasury obligations is approximately 6.50. The yield on 6 months certificates of deposit is now about 7-1/2% and we have recently received definite offers at this rate. The funds which we would so invest, for the most part, are those which recently have been raised from our two-year Central Bank offering. It is our intention that whenever circumstances permit, the \$100 million would be invested in short term deposits (less than one year) not only for liquidity reasons, but also because, under present market conditions, the shorter term deposits yield better returns.

If the Board approves this proposal, it will be so recorded in the minutes.

Previous approvals by the Board:

February 10, 1958	\$150 million
April 30, 1958 increased to	200 million
March 28, 1961 increased to	250 million
January 26, 1962 increased to	300 million
January 19, 1965 increased to	500 million

YLChang:ara

March 4, 1969

REQUISITION FOR SUPPLIES, EQUIPMENT AND SERVICES
(ALL REQUISITIONS MUST BE TYPEWRITTEN AND MADE OUT IN DUPLICATE)**INSTRUCTIONS:** Prepare separate requisition for each type of service listed below and check the appropriate block.

For Use of Office Service Division

☐ STOCKROOM (Routine Office Supplies)☐ PROCUREMENT SECTION (Purchase of Items not in Stockroom)☒ RESEARCH FILES (Books and Periodicals, Maps, Newspaper Subscriptions)☐ BUILDING SERVICES (Furniture, Equipment & Maintenance)

Department

Division

Date Wanted

Treasurer's

OFFICE OF THE TREASURER

As soon as possible

Stock No.

Quantity

Description

Action
Taken I/

1

CAPITAL MARKETS IN EUROPE - A study of markets in Belgium, West Germany, The Netherlands, and the United Kingdom

(Published by the Economic Research Group of Amsterdam-Rotterdam Bank

Deutsche Bank

Midland Bank

Societe Generale de Banque:
Generale Bankmaatschappij)

March 1966

1

CAPITAL MARKETS IN EUROPE (same publication but of a more recent date, if available)

address: attached

SECRETARIES PLEASE NOTE:

If this requisition is submitted to request routine office supplies from the Stockroom, indicate the number of people for whom you order supplies. →

DELIVERY INSTRUCTIONS

I/ SYMBOL MEANING

To:

Mr. Eugene H. Rotberg

Room No.

A-700

Telephone Ext.

2213

Date

Feb. 24, 1969

Authorized Signature

S...Will be supplied when available.

C...Cancelled for reason shown.

I...Cannot identify; verify nomenclature and re-submit.

N...Not Stockroom item. Re-submit requisition to:

Economic Research Group of

AMSTERDAM-ROTTERDAM BANK N.V.

Head Offices: 595 Herengracht, Amsterdam 119 Coolingsel, Rotterdam

DEUTSCHE BANK A.G.

Head Offices: 45-47 Königsallee, Düsseldorf 5-11 Junghofstrasse, Frankfurt (Main) 7 Adolphplatz, Hamburg

MIDLAND BANK LIMITED

Head Office: Poultry, London E.C.2

SOCIÉTÉ GÉNÉRALE DE BANQUE S.A. — GENERALE BANKMAATSCHAPPIJ N.V.

Head Office: 3 Montagne du Parc, Brussels

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: S. Aldewereld/E. H. Rotberg

SUBJECT: Pricing of March 15, 1969 Central Banks Issue

DATE: Written: Morning of
February 20, 1969

This memorandum refers to the considerations which led to our pricing of the March 15 two-year Central Bank issue.

Normally, central banks invest their U.S. dollars in U.S. Treasury Bills, U.S. Treasury Bonds and Notes, U.S. Agency Securities, and Certificates of Deposit issued by commercial banks in the United States. Certain central banks hold certain lower yielding obligations of the U.S. Treasury - the so-called Roosa or Demming Bonds - which arise out of special relationships with the U.S. and which are not directly relevant to the pricing of the subject issue.

It is relevant to report here, by way of introduction, certain basic evaluations which should be made prior to the pricing of our Central Bank issue. We believe that there are, in effect, several different types of central banks. First, there are those central banks who, for reasons relating to their country's relationship to the World Bank (the country may have received substantial assistance from the Bank and/or may be sympathetic with the Bank's activities and goals) will subscribe even if the interest rate were set at the same level or perhaps somewhat lower than the rate available for U.S. Government dollar-denominated issues. For the most part, for these banks a general inclination exists to support the World Bank through the Central Bank issues, at least to the extent of roll-overs of the amounts maturing. These funds, in a sense, are "available" and will flow to the Bank as long as the rate is not substantially lower than the U.S. Treasury rate. Some of these banks indicated the size of their commitment without having been advised of the interest rate. Second, there are those central banks who are quite professional (in an investment sense) about responding to our Central Bank issue. They carefully review the pricing and will purchase only if the price is right and the amount of their subscription, assuming funds are available, will depend on the interest rate. There are, of course, many variations within this group: certain central banks may operate somewhat in the U.S. dollar market through investment in Certificates of Deposit which are not guaranteed by the U.S. Government. Others may wait until the last moment to subscribe and compare our yield to the highest yielding U.S. Agency issue. Finally, there are those central banks - indeed this pertains in varying degrees to all central banks - for whom the amount of participation in our Central Bank issue is limited by factors other than the interest rate, e.g. lack of U.S. dollars; lack of immediate liquidity at the precise time of offer; maintenance of relationships with the U.S. which

Written: Morning of
February 20, 1969

restrict, as a practical matter their ability to substantially participate in our offerings, etc. To the extent that these factors exist, the pricing of our issue may not affect their actual decision. Because of the complexity and importance of the foregoing factors, they will be considered in depth in a future memorandum with recommendations for re-evaluating our entire central bank program.

In determining the interest rate on IBRD two-year Central Bank issues, our basic objective has been to provide central banks a yield which is competitive with the U.S. Government or U.S. Government Agency Securities. It is necessary, therefore, to evaluate both the "new issue" market for these instruments, as well as, the market for seasoned issues which have approximately a remaining two-year maturity.

In September 1968, in connection with our previous offering, the interest rate was set at 5.80. At that time, nine month to one year Treasury Bills were yielding 5.45; two-year U.S. Government Agency Securities were yielding about 5.65, and immediately prior to the offering the Federal National Mortgage Association sold at par a three-year note with a 5.75 percent coupon. On the basis of the foregoing, the interest rate was set at 5.80 for the offering on September 3. The subscription period was open until September 16.^{1/}

We chose 14 different U.S. Government dollar-denominated Treasury or U.S. Agency issues for pricing data for the subject offering. (See Attachment A). In order to minimize the distortions caused by the tax consequences of deep discount issues, we chose those which had the highest coupon rate and were recently offered. Further, we selected issues which were newly offered as well as those which were seasoned in the secondary market.

^{1/} We have shortened the period between the offering date and the close of the subscription period for the present offering. However, as you know, during recent weeks we have communicated either by letter, cable and telephone to all central banks and advised them of our intention to make this offer.

Mr. Robert S. McNamara

- 3 -

Written: Morning of
February 20, 1969

You will observe from Attachment "A" that several U.S. Agency offerings are now yielding about 6.60 and in recent months new issues of the agency offerings were priced at 6.60. Yesterday, February 19, a U.S. agency (F.I.C.), offered a nine-month obligation at 6.70. The most recent U.S. Treasury Notes, 6-3/8 of May 1970 and 6-1/4 of February 1976, yield 6.33 and 6.25, respectively.

In addition to carefully reviewing the published yields through the morning of February 20, we discussed the pricing with First Boston, Salomon Bros. & Hutzler and the Federal Reserve Bank of New York on February 13. Generally, they stated that a 6.62 rate would be competitive with the highest yield available for U. S. guaranteed issues at that time. On the morning of February 20, Mr. Aldewereld discussed the pricing with Mr. Pattberg of First Boston (see Mr. Aldewereld's attached memorandum), who indicated some softness in the market and recommended a 6.75 rate.

We also reviewed the World Bank's own purchases of U.S. Treasury and Agency obligations. See Attachment B. These prices accurately reflect actual yields (rather than quotations which are subject to negotiation and which vary depending on the size of the purchase). It will be observed that commencing January 16, 1969 we purchased U.S. Agency issues at yields between 6.49 and 6.73.

At our request, First Boston made enquiry of Morgan Guaranty & Trust Company to determine the extent to which central banks were invested in Certificates of Deposit. We were advised that certain central banks were so invested but that no information was available as to which central banks did make such investments, what percentage of their reserves were in CDs or the extent to which central banks considered CDs as "safe" investments which were competing with all other U.S. dollar investments.

We have concluded, since we are seeking an additional \$75 million - \$100 million and in view of the recent softness of the market, that a rate of 6.75 is appropriate. This rate is fully competitive with the highest yielding U. S. Government or Agency yields.

We will prepare an analysis of the offering shortly after February 27, the close of the subscription period.

	Yield Jan. 29	Yield Feb. 3	Yield Feb. 5	Yield Feb. 7	Yield Feb. 11	Yield Feb. 13	Yield Feb. 14	Yield Feb. 17	Yield Feb. 18	Yield Feb. 19	Yield Feb. 20	First Boston Quotations
Latest U.S. Treasury Notes:												
6-3/8% Notes due May 1970 (15 months)	-	6.39	6.39	6.39	6.34	6.29	6.31	6.32	6.31	6.34	6.31	
6 1/4% Notes due February 1976 (7 years)	6.29	6.29	6.29	6.25	6.19	6.14	6.15	6.20	6.20	6.23	6.22	
Older U.S. Treasury Notes with approximately 2 years maturity:												
5-3/8% Notes due February 15, 1971 (2 years)	6.06	6.20	6.17	6.14	6.14	6.12	6.12	6.12	6.15	6.13	6.23	
5% Notes due November 15, 1970 (1 year + 9 m)	6.08	6.16	6.16	6.13	6.14	6.14	6.15	6.21	6.19	6.23	6.24	
Treasury Bills with longest maturity: Approximately 360 days	6.51	6.54	6.50	6.49	6.44	6.46	6.44	6.48	6.50	6.49	6.47	
F.N.M.A. Latest Two Issues:												
6.60% due February 10, 1970 (1 year)	6.57	6.63	6.60	6.60	6.57	6.57	6.57	6.57	6.60	6.60	6.60	
6.60% due June 10, 1970 (1 year + 4 m)	6.30	6.30	6.30	6.39	6.39	6.39	6.39	6.39	6.39	6.49	6.49	
Older F.N.M.A. Notes with approximately 2 years maturity:												
6% due March 11, 1971 (2 years + 1 m)	6.32	6.38	6.38	6.39	6.39	6.39	6.39	6.39	6.39	6.46	6.33	
F.N.M.A. Participation Certificates with approximately 2 years maturity:												
6.35% due February 11, 1970 (1 year)	6.22	6.35	6.35	6.35	6.35	6.35	6.35	6.35	6.35	6.35	6.21	
6.00% due February 1, 1971 (2 years)	6.41	6.41	6.41	6.41	6.41	6.41	6.41	6.41	6.41	6.41	6.34	
6.30% due April 8, 1971 (2 years + 2 m)	6.29	6.29	6.29	6.29	6.29	6.29	6.30	6.30	6.30	6.30	6.29	
Federal Land Bank Bonds - Latest Issue:												
6.70% due June 22, 1970 (1 year + 4 m)	6.22	6.31	6.31	6.30	6.30	6.30	6.30	6.41	6.39	6.49	6.30	
Older Federal Land Bank Bonds with approximately 2 years maturity:												
6% due October 20, 1971 (1 year + 8 m)	6.15	6.30	6.25	6.25	6.25	6.25	6.25	6.25	6.31	6.31	6.26	
Federal Home Loan Bank: 6.60% due February 25, 1971 (2 years)						6.60		6.57	6.57	6.59	6.58	
Certificates of Deposit:												
1 year		7.00	7.125	7.125-7.25	7.125 - 7.25			7.0-7.12				

YIELD ON INVESTMENTS PURCHASED BY WORLD BANK

<u>Issue</u>	<u>Date of Transaction</u>	<u>Face Value (in millions \$)</u>	<u>Yield (%)</u>
Treasury Bills - July 17, 1969	Jan. 16, 1969	5.0	6.38
Treasury Bills - July 17, 1969	" " "	11.0	6.59
<u>F. L. Bank Bonds</u>			
6-1/4% - Sept. 22, 1969	" " "	2.0	6.54
6-1/4% - Sept. 22, 1969	" " "	4.0	6.49
<u>F. H. L. B. Bonds</u>			
6% Sept. 25, 1969	" " "	6.0	6.59
6% Mar. 25, 1970	" " "	2.0	6.48
6% Mar. 25, 1970	" " "	4.0	6.45
5.80% May 25, 1970	" " "	2.0	6.45
<u>F.N.M.A. Deb.</u>			
4.65% May 12, 1969	" " "	1.0	6.63
4.65% May 12, 1969	" " "	2.0	6.73
6.10% June 10, 1969	" " "	19.3	6.58
6.10% June 10, 1969	" " "	6.0	6.62
5-1/8% July 10, 1969	" " "	1.0	6.53
6.60% June 10, 1970	" " "	2.0	6.41
<u>F.N.M.A. Part. Cert.</u>			
5-1/4% Sept. 29, 1969	" " "	2.0	6.51
5-1/4% Sept. 29, 1969	" " "	4.0	6.55
6.35% Feb. 11, 1970	" " "	8.0	6.41
<u>E.I.B. Part. Cert.</u>			
4.80% May 4, 1970	" " "	12.0	6.68
6.70% FLB Bonds - June 22, 1970	Jan. 20, 1969	11.0	6.61
Treasury Bills - July 17, 1969	Jan. 22, 1969	6.0	6.43
Treasury Bills - July 31, 1969	Feb. 4, 1969	5.0	6.50
6.60% FNMA Deb.	Feb. 6, 1969	13.8	6.60
Treasury Bills - July 31, 1969	Feb. 17, 1969	7.5	6.37



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

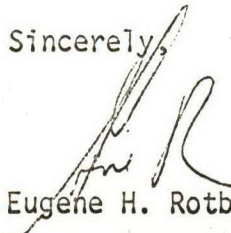
February 19, 1969

Dear Mr. de Lesseps:

Thank you for the summaries of your visit to Vienna. They are most interesting and I appreciate receiving them. I look forward to seeing you, hopefully, as soon as possible in Paris.

Best regards.

Sincerely,



Eugene H. Rotberg

Mr. Robert de Lesseps
Chief, European Financial
Operations
International Bank for Reconstruction
and Development
4 Avenue d'Iena
Paris 16e, France



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

Chrono.

February 19, 1969

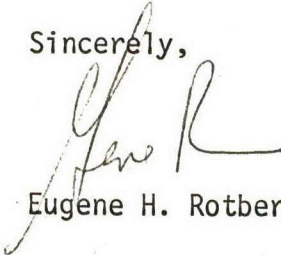
Dear Arthur:

Thank you for your report on the most recent O.E.C.D. meeting and the related tables concerning the U.K. and the Federal Republic of Germany. This information is most useful and I appreciate your sending it to me. Siem Aldewereld and I expect to go to Germany again to negotiate the last tranche of our Westdeutsche Landesbank issue and to further explore the possibility of raising capital for the Bank in the German market. Our schedule is quite tight, however, and I do not think that we will be able to make a stop in Paris.

As I mentioned to you during your recent visit, I am quite interested in developing a sophisticated and young staff in the Treasurer's Department who can coordinate with your efforts in Europe. In particular, I am looking for some talented people who might wish to come to the Bank in Washington and have expertise concerning the capital markets in Europe. I suspect there are very bright people working for O.E.C.D., the E.E.C., the Finance Ministries, Central Banks, etc., who are inventive and who would fit the bill. The matter of the Bank's borrowing outside the United States is a complex subject and requires a great deal of expertise. It would be most appreciated if you would broach the matter to some qualified people. I think it would be a challenge to any young economist, lawyer, capital market expert, etc. Please let me know if you have any ideas or if you make some contacts.

You are most kind.

Sincerely,


Eugene H. Rotberg

Mr. Arthur Karasz
Director, European Office
International Bank for Reconstruction
and Development
4 Avenue d'Iena
Paris 16e, France

chron

February 18, 1969

Mr. James O. Hughes
Chairman
A. E. Ames & Co. Limited
320 Bay Street
Toronto 1, Ontario, Canada

Dear Mr. Hughes:

It was most kind of you to write and wish me well in my new position. I look forward to meeting with you and expect that we can establish the same good relationship that you had with Bob Cavanaugh.

I will be available in Washington on February 26, 27 or 28 and again after March 13. If it is convenient for you to come to Washington, please give me a call so that we might arrange a specific time.

Sincerely,

Eugene H. Rotberg
Treasurer

EHRotberg:emk

~~Mr. Alde...~~
Chron

Federal National Mortgage Association

The Federal National Mortgage Association is a corporate instrumentality of the United States. Its function is to provide liquidity for mortgage investments by the purchase of mortgages insured by the Federal Housing Administration if investment funds are in short supply and the sale of insured mortgages when and where investment funds are available. The mortgages are purchased by FNMA from mortgage companies, savings and loan associations, life and loan companies, etc. These purchases are financed by interim borrowings from the United States Treasury by the sale of corporate obligations (debentures and short-term discount notes) to private investors. Sellers of mortgages to and borrowers from FNMA are required to subscribe to FNMA common stocks in connection with their FNMA selling and borrowing activities.

From time to time the U. S. Government has made investments in mortgages or other types of obligations in which certain departments or agencies of the Federal Government have a financial interest. (Office of Education in Health, Education & Welfare; the Department of Housing and Urban Development; Veteran's administration; Small Business Administration; Department of Agriculture). FNMA issues participation certificates to facilitate the substitution of private funds for the U.S. Government's investment in mortgages or other types of obligations held by these government agencies. These certificates represent beneficial interests in future payments of principal and interest on the pool of obligations and mortgages held by the Government. The proceeds from the sale of the certificates are applied to reduce the debt of the U.S. Government or Department to the U. S. Treasury.

. . .

Federal Land Banks

There are 12 Federal Land Banks which operate under the supervision of the Farm Credit Administration. The Federal Land Bank makes loans to farmers for the purchase of land, equipment, stock, etc. which are collateralized by mortgages on farm properties. The farmer/borrower purchases stock in Federal Land Bank Associations which is pledged with the Association and in turn re-pledged with the Federal Land Bank which makes the loan. When the loan is repaid the stock is retired. The Federal Land Bank issues bonds to finance the farmer/borrower's needs through the Land Bank Associations. The loans are long-term and low interest rate loans.

. . .

Federal Home Loan Banks

There are 12 Federal Home Loan Banks. They operate as a credit reserve system for savings and loan associations, cooperative banks, homestead associations, insurance companies, savings banks, etc. The membership, constituted by these thrift institutions, hold over 98 percent of all savings and loan assets in the United States. The Federal Home Loan Banks make secured and unsecured loans to their membership in order to facilitate relending by the thrift institutions. The Federal Home Loan Banks issue bonds (to finance their operation) in an amount not in excess of 12 times the capital stock and reserves of all 12 banks.

EHRotberg:bb
Feb. 17, 1969

Chrom

February 17, 1969

Mr. Wallace F. Tracy
Representative
New York Stock Exchange
Eleven Wall Street
New York, N.Y. 10005

Dear Mr. Tracy:

I am enclosing an executed copy of the final printing
of the Listing Application for our Twenty-Six Year Bonds
of 1968, due March 15, 1994.

Sincerely,

Eugene H. Rotberg
Treasurer

Enclosure: 1

cc: Mr. Clyde

EHRotberg:emk

Notes of Meetings on February 13, 1969, in New York City, with Salomon Bros. & Hutzler; The First Boston Corporation; and the Federal Reserve Bank of New York

For Salomon Bros. & Hutzler: Messrs. Quinn, Gutfreund and Brachfeld

For the World Bank: Eugene H. Rotberg

1. Central Bank Issue

Salomon Bros. & Hutzler stated that there was very little trading in our Central Bank issues and that they did not have any trades in the last three months of our Central Bank issue. They stated that from time to time Iceland, Ireland, Mexico and Germany have traded the bonds. These trades usually occur when S. B. & H. circulates bids to certain Central Banks to sell S. B. & H. the bonds (for resale to some specific U.S. institutional investor). They recall only one instance in the last year or so where a Central Bank initiated a liquidation or purchase of the two year bonds. They also noted that certain Central Banks have purchased our long-term issues. They indicated that, if the World Bank were offering the two year bonds to investors with whom they had no close relationship, they would probably recommend that we offer them at 6.75, which they believed would properly reflect the yield for a two year maturity debt instrument of a high-quality issuer. However, they pointed out that they were not familiar with the extent to which the Central Banks were "captive" to the World Bank and participated in our offerings for reasons other than the yield. They believe that it was possible, perhaps probable, that Central Banks had allocated a certain portion, at least to the extent of the roll-over, to the World Bank so long as the rate approximated the U.S. Government denominated issues. They said that the forthcoming two year Federal Land Bank issue would be at a 6.60 yield.

2. Sinking Fund

Salomon Bros. & Hutzler was somewhat critical of the fact that they do not participate in our sinking fund purchases. Quite apart from the fact that they don't get any of our business, they pointed out that it was simply costing us money. They noted that, since they are the largest dealer in our bonds in the secondary market, many purchases by Morgan Stanley, and perhaps First Boston, in fact are made from S. B. & H. They said that the bonds are marked up from 1/4 to 1/2 a point, i.e. sold at the offer side of the market. They also assume that there is some service charge by our sinking fund agents which is added to the net price before the bonds are made available to us. They gave by way of a recent example the fact that the Inter-American Development Bank did not wish to purchase

their sinking fund commitments from them and, instead, decided to use Lazard Freres -- who did not make a market in the bonds. This simply meant that Lazard Freres had to come to S. B. & H. for the bonds, initiate the trade and buy on the offer side-plus in order to service the IDB. S. B. & H. said that a few years ago they traded about \$150 million in our bonds and that has gone up to perhaps \$250 million in the last year or so per year (First Boston later told me that it did about \$75 million of our bonds, including \$20 million for the sinking fund per year).

3. Salomon Bros. & Hutzler Participation in Bank Financing

Salomon Bros. & Hutzler pointed out that they are the largest Government bond dealer and agency dealer in the United States. They are the major underwriter for U.S. Government-guaranteed issues and underwrite annually the largest aggregate dollar amount of competitive bid syndications. They were quite frank in their discouragement at never having performed any services for the World Bank and pointed out that, when the Bank decided to alternate underwriters, they were advised that they would be one of three underwriters on an alternating basis but that without reason their services were never used. They have never been contacted to assist in the sale of loan participations or otherwise offer any advice to the Bank about the markets it should borrow in or about overall financial planning.

4. Trading the World Bank Bonds

Salomon Bros. & Hutzler said that our bonds are no longer trading as Triple A instruments but are trading more like A bonds, although this may not be clear from the newspaper quotations. They said many major institutional investors who have relationships with S. B. & H. have indicated disenchantment with World Bank bonds because of what they believe was a misunderstanding as to World Bank policies re soft loans and the possibility that the World Bank would constantly go to the market in long-term issues. Institutional investors believe that this program will force up interest rates as portfolios reach the saturation point in World Bank bonds, and also as institutional investors shift more into equities. An S. B. & H. officer said that this has affected the market and that it has had to absorb substantial amounts of World Bank bonds (which they roll over by recommending to other institutional purchasers.) It was in this context that they suggested that we review the possibility of the Bank tapping different U.S. markets, i.e. very short-term markets and intermediate markets. They said that the World Bank might consider financing itself like a U.S. Government agency issue (FNMA, Federal Land Bank, Eximbank, etc.) and thereby tap the short-term market. When I asked them whether this would, in fact, compete with our long-term issues, they indicated that we have little flexibility in the market and that we

should decide which kind of issue to bring out rather than being restricted as we now are to tapping the long-term market as if we were a public utility. They indicated that the problem is a complicated one and should be very carefully studied.

I spent a considerable length of time reviewing the World Bank's financial position, including its profitability, cash flow, liquidity, cost of money, world-wide borrowings, project appraisal, supervision and endue procedures. They indicated that, although they were the largest dealers of Bank bonds, they had no idea of the Bank's strength, that the information should be publicly circulated, and that institutions would be most favorably impressed if it were brought to their attention.

For The First Boston Corporation: Messrs. Overby, Townsend, Morrison,
Toffey and Walsh

For the World Bank: Eugene H. Rotberg

Central Bank Issue

They rarely trade our Central Bank issues -- perhaps \$100,000 or \$200,000 a year. The market for U.S. Government agencies is 6.60. At my request a few days ago, they checked with a major New York bank and were advised that the Central Banks were invested at 13 month Certificates of Deposit. The current rate for Central Banks is 7%. First Boston said that there was substantial pressure in the U.S. Government agency market because the agencies were constantly going to the market to support their operations to repay the U.S. Treasury. This is the reason why the yields were going up for U.S. agencies and the spread was wider than some years ago, vis-a-vis straight U.S. Government issues. They thought that a 6.60 rate for a Central Bank issue was in the ball park - depending upon the desire of the Central Banks to hold CD's and maximize their investment income. They said that our relationship with Central Banks was such that they might not look upon investment in World Bank bonds the same as other investments.

First Boston does about \$70 million a year in our bonds, including \$20 million in the sinking fund. They stated that the market in our bonds was depressed, that our bonds were no longer selling at a premium over

Triple A bonds but were somewhat below Triple A. They claimed that this was because some of the endowments and charitable foundations had liquidated our bonds in substantial amounts because of a desire to maximize investment income by shifting into equities.

We also discussed the future financing of the Bank and Mr. Townsend stated that he thought that the decision to use short-term financing was ours to make after the Morgan Stanley and First Boston presentation a few months ago. I told him that, while I could not speak for Mr. McNamara or Mr. Aldewereld, I thought it highly unlikely that we could make that decision on the basis of the presentation we had been given and that we probably would not, in effect, make a decision of going forward with a short-term offering without further information. I suggested that it was necessary for a complete study to be done of the short and medium-term market, including an analysis of its relationship to our long-term borrowing, the methods by which such offerings would be made, the size of the market, the probability of constant roll-over, etc. and that this study had not yet been done. I told Mr. Townsend that First Boston, Salomon Bros. & Hutzler, Lehman Bros. and A. G. Becker had the expertise and the Bank staff could not make these decisions on the basis of the information it had in its possession. I suggested that First Boston review this situation again with a view to giving us a more full and thought-through presentation. I pointed out that the Bank was not merely a major client of First Boston, but we were in a real sense a major Government institution, which needed long-range policy advice from those who were in a position to offer it -- quite apart from the ordinary advice that bankers might recommend to their clients in connection with isolated financing.

I also asked the condition of the so-called Euro-bond or international bond market for bonds. They pointed out that the market was quite thin, perhaps \$25 million per issue and that Triple A offerings held a 7% coupon with a discount down to 97 - and even that did not assure a successful offering. They also pointed out that the cost of a Euro-bond issue was approximately 2-1/2% and they estimated that the cost to the Bank would be 7.40 to 7.50 in small size. Mr. Overby also pointed out that we might have to get the approval of every Government where the bonds were offered, since, although the offering is denominated in dollars, it is in fact not sold in the United States but is sold in many countries throughout the world. He pointed out that this has posed a problem for the Asian Development Bank and it has not yet been resolved. Mr. Overby also pointed out that, as of a couple of weeks ago, neither Mr. Kennedy nor Mr. Volcker were aware of the pending hearings on IDA. He felt that it might be necessary for someone at the Bank to talk to Mr. Symington to fully explain the IDA situation.

For Federal Reserve Bank of New York: Messrs. Coyle, Geng and Sternlight

For the World Bank:

Eugene H. Rotberg

Central Bank Issue

Mr. Coyle advised us that we are the largest buyer of Government agencies and that Central Banks do not generally buy agencies with the exception of four Central Banks. Central Banks are in the short-term Treasury bill market. We discussed at some length whether they were buying very short-term bills (three months) or longer maturities. It became evident, however, that it was not a relevant question since the difference in the yields on short-term Treasury versus long-term Treasuries is not very great and that, in any event, our proposed offering would approximate the agency yield which is 10 to 20 basis points above even the best Treasury yield. They said that a 6.60 offering would seem alright depending upon the holdings of certificates of deposit and the inclination of the Central Banks to purchase those certificates. They do not know the extent of such holdings and it would be somewhat difficult for them to find out from U.S. commercial banks. We had a long discussion about the appropriate way for the World Bank to compute its yields, report its investment income, and present its balance sheet figures for U.S. Government bonds, bills and agencies. We discussed at some length the investment policy of the Bank and the impact on the profit and loss of switching from low-yielding to high-yielding instruments.

I discussed with Salomon Bros. & Hutzler, The First Boston Corporation and the Federal Reserve Bank of New York the accounting presentation of our investments and our general investment policy. I have made arrangements for members of the Treasurer's Department staff to visit with each of them within the next two weeks to discuss these matters on an informal basis. I will also endeavor to have our staff talk with Government traders and accountants at Morgan Guaranty Trust Company on the same issues. We will, of course, not disclose our holdings or our investment policy but merely will seek information on various alternative approaches. I have asked each of the firms (and Morgan Guaranty) to suggest some top-flight money manager for our investment program.

EHRotberg:emk
February 14, 1969

Notes of Meeting (February 11, 1969) between Eugene H. Rotberg (later joined by S. Aldewereld) and Dr. G. Leo Uhen of the Dresdner Bank

Dr. Uhen is the U.S. Representative of the Dresdner Bank in New York and the meeting was arranged at his request. After the usual amenities, he stated that he did not appear merely as the New York representative of the Dresdner Bank but was authorized to speak for the executive officers of that Bank with whom he had been in very recent communication. He was authorized to offer the World Bank a private placement of World Bank bonds of DM 100 million immediately. He stated that the offer was firm although the amount might be raised and that the funds could be available today (February 11) if we so wished. He offered a 6-1/2% coupon at "98-1/2, perhaps 98-3/4" with a 15-year or, if we preferred, a 10-year maturity. Dr. Uhen stated that there was substantial capital available in Germany and that the market for World Bank bonds was quite strong. He emphasized that the World Bank is considered among the highest-grade securities in the Federal Republic and that inasmuch as the capital was available at the present time, it would be appropriate for the World Bank to engage in this transaction.

Dr. Uhen stated that he understood our relationship with the Deutsche Bank and that his offer suggested no criticism of the Deutsche Bank. Rather, he explained that his Bank, the Dresdner Bank, was caught "sleeping" in not making available to the World Bank the substantial capital that was available in the Federal Republic and that this offer was meant to be the first step to rectify that situation. Dr. Uhen stated that he assumed that we were not "married" to the Deutsche Bank even for our public offerings and that should we wish to use the services of the Dresdner Bank for public offerings as managing underwriter (they are now the co-managing underwriter with the Deutsche Bank), they would be pleased to service us.

Dr. Uhen stated that there would be no problem, because of the excess of funds in Germany, in obtaining the necessary approval for a private placement from the Economics Ministry. He emphasized that he was able to act immediately and, on such an important matter as this, we should be assured that his visit was not designed as a social one or as a vague offer but, rather, was with the knowledge and approval of the executives of the Dresdner Bank in Frankfurt.

I welcomed his interest and indicated my appreciation for his coming to Washington. I advised Dr. Uhen of our forthcoming visit to the Federal Republic and of the fact that we expected to negotiate a substantial public offering (I did not tell him how large) with the Deutsche Bank. Dr. Uhen asked and I told him that I looked forward to meeting, perhaps, some of his associates or colleagues at the Dresdner Bank should they be present at our meeting with the Deutsche Bank. Dr. Uhen indicated that his offer was quite apart from whatever public offering we might do with the Deutsche Bank or Dresdner Bank. I noted that the Deutsche Bank has performed well as the

World Bank's underwriter in its public offerings and that I felt somewhat constrained in responding directly to his offer in view of that fact and the imminence of our visit to Germany. Dr. Uhen responded that he could understand that but he noted that our recent transactions with the West-deutsche Landesbank indicated that we were prepared to do private placements of substantial size with financial institutions other than the Deutsche Bank and that his offer was, therefore, consistent with our recent activity.

I advised Dr. Uhen that we had been offered substantial private placements with other major banks in the Federal Republic (I did not name the specific banks) and that, obviously, there were substantial pools of capital available other than those tapped in the Deutsche Bank/Dresdner Bank public offering. His instant effort was, therefore, similar to other offerings we had recently received. I advised him that we had not responded favorably to those other "feelers" for reasons stated below in this memorandum. I asked Dr. Uhen whether the private placement he was offering would compete with our contemplated public offering with the Deutsche Bank. He told me that it would not, as to 90 or 95% of the public offering, although, undoubtedly, with a large offering of DM 100 million, it was possible that some small over-lapping would occur. I asked him with whom he would place any private offering of our bonds to assure myself of his evaluation. He explained that the Dresdner Bank would place the offering with a few institutional investors - basically insurance companies - who would be solicited by phone and whose commitments would be made immediately. He explained that the public offerings of the Deutsche/Dresdner Bank were made by "circularizing" all of the branches of the Deutsche/Dresdner Banks (Dresdner alone has 700 branches) concerning the public offering and receiving subscriptions from their small depositors throughout the country. (This is quite similar to the method used by the U.S. "wire houses", i.e. Bache & Co., Merrill Lynch, etc. in disposing of large syndicate participations). Dr. Uhen said that in view of the wide, broad-based and relatively small individual subscriptions, a private placement to institutional investors would not threaten the success of any public distribution. I asked Dr. Uhen whether the Deutsche Bank, in view of the imminence of our public offering, might not consider it inappropriate for us to engage in a private placement -- albeit a non-competitive one -- through another firm and whether the Deutsche Bank might feel that if there were any private placement it should be done through the Deutsche Bank and coordinated with our public offering. Although I did not so tell him, we are, of course, aware that the Deutsche Bank, in our last trip to the Federal Republic, did offer -- albeit somewhat vague as to terms -- an immediate private placement of DM 400 million to DM 500 million. Dr. Uhen responded by stating that the Dresdner Bank was a competitor to the Deutsche Bank; that it was a question of servicing the World Bank; that it was all a matter of price; that his Bank could make their placement immediately; that the World Bank is not "married" to the Deutsche Bank, etc. I suggested to Dr. Uhen that the question was not whether we were "married" to the Deutsche Bank but rather whether the Dresdner Bank was, and what the

reaction of the Deutsche Bank would be to our using the services of a competitor for a transaction which might be handled simultaneously by the Deutsche Bank with its public offering.

In this connection I explained to Dr. Uhen that our offering with the Westdeutsche Landesbank tapped a different market, except for a relatively small portion, and that the Deutsche Bank could not or did not service the World Bank in that market. Dr. Uhen stated that it was not necessary for the World Bank to have gone to the Westdeutsche Landesbank since the Dresdner Bank (and, inferentially, the Deutsche Bank) could have placed our bonds with the savings banks but failed to do so. His offer was meant to provide the World Bank with further services and to assure that the mistakes (of the Dresdner Bank) were not repeated.

I also explained to Dr. Uhen the relationship of the Economics Ministry to our prior offerings: specifically, that we needed to receive their approval for public offerings, and that they had received a number of complaints from commercial banks in Germany concerning the allocations in our Deutsche/Dresdner Bank offerings. I implied that the Economics Ministry did not object to our using the Westdeutsche Landesbank as evidenced by their giving us permission to do the second transaction with the Westdeutsche Landesbank in which commercial banks were included. I did not advise him of the background for their decision.

I reiterated that I felt somewhat self-conscious about seriously entertaining his proposal in the context of our immediate visit to Germany - particularly in view of the fact that the Economics Ministry might think that the World Bank was somewhat erratic, perhaps overly aggressive, in tapping the German market, i.e. through the Deutsche Bank, then the Westdeutsche Landesbank, and now the Dresdner Bank, and that varied sources used by us could give them cause to question the rationale of our varied financial dealings with the Federal Republic.

Dr. Uhen stated that he felt that the Economics Ministry would give immediate approval to our offering because of the high standing of our bonds and the need to export capital. He emphasized that he had no criticism of the Deutsche Bank, that he offered only a constructive commercial transaction, that his firm had assessed the market and that he had concluded that the World Bank had not been fully served by the Dresdner Bank and that he was trying to correct this situation. I thanked Dr. Uhen for his offer and I advised him that I would discuss the matter with Mr. Aldewereld and arrange to see him later in the day. Dr. Uhen then went to visit with Mr. vom Hofe.

. . .

I advised Mr. Aldewereld of the discussions and, after Dr. Uhen's meeting with Mr. vom Hofe, Mr. Aldewereld, Dr. Uhen and I met again to review his offer. Dr. Uhen repeated his offering as described above. Mr. Aldewereld noted our long standing relationship with the Deutsche Bank and, in response to a comment of Dr. Uhen as to the "possible" use of the Deutsche Bank in our public offering, he stated that there was no question but that the Deutsche Bank would be our underwriter for public issues. He said that we were satisfied with the Deutsche Bank as our underwriter but that Dr. Uhen's proposal was interesting. He did not wish to reject it out of hand nor did he wish to encourage him. Mr. Aldewereld reviewed quite extensively our relationship with the Deutsche Bank and the Westdeutsche Landesbank, and the differences between our transactions with each. He also reviewed the economic conditions in Germany and the reasons for our using the Westdeutsche Landesbank. He described the costs of these offerings to the World Bank and noted that our recent borrowings were at 6.54. He indicated that we would discuss suggested proposal with the German authorities and that we would take his offer under consideration. Specifically, Mr. Aldewereld advised Dr. Uhen that we would communicate with him one way or the other after we had returned from our trip to the Federal Republic.

Dr. Uhen emphasized that he offered no criticism of the Deutsche Bank but merely repeated his comment that we were not "married" to them. Dr. Uhen then suggested, for the first time, after Mr. Aldewereld had explained the two different transactions with the Westdeutsche Landesbank, that the Dresdner Bank might do a private, private placement with its own funds if that were acceptable to the World Bank. I asked Dr. Uhen later precisely what he meant by a private, private placement and, specifically, whether he was suggesting that the Dresdner Bank would not make any redistribution of the security. Dr. Uhen responded affirmatively that the Dresdner Bank was prepared to use its own money and open up a line of credit to the World Bank. I thanked him for his interest and, in accordance with our understanding, promised to respond to his offer after due consideration.

Mr. Aldewereld and I discussed the matter with Mr. vom Hofe, with whom Dr. Uhen had previously spoken. Mr. vom Hofe responded briefly to the effect that it did not seem appropriate to switch underwriters or engage in transactions merely to save one-eighth or one-quarter of a point, particularly in view of the fact that the Deutsche Bank had for a long time served well as the World Bank's underwriter. Mr. Aldewereld agreed and explained that we neither encouraged nor discouraged Dr. Uhen. We outlined to Mr. vom Hofe the relevant factors which might affect our evaluation of the Dresdner proposal and stated that we would proceed with great care in making any drastic changes in relationships. Mr. Aldewereld advised Mr. vom Hofe that drastic changes would be appropriate only under extreme necessity and that the extreme necessity had not been shown.

Ch...

February 10, 1969

Mr. Wallace F. Tracy
Representative
New York Stock Exchange
Eleven Wall Street
New York, N.Y. 10005

Dear Mr. Tracy:

I am enclosing an executed copy of the final printing
of the Listing Application for our Twenty-Six Year Bonds
of 1968, due October 1, 1994.

Sincerely,

Eugene H. Rotberg
Treasurer

Enclosure: 1

EHRotberg:emk



SSEL DORF 1
stfach 1108



Mr. Robert W. Cavanaugh
Treasurer
International Bank for
Reconstruction and Development

1813 H. Street N.W.

Washington, D.C. 20433

Dr. jur. Otto Graf Lambsdorff

4 Düsseldorf 1

Königsallee 14

~~*Carst.*~~

Chrou

Dear

Count

SF Chron

February 7, 1969

Dear Count Lambsdorff:

Thank you for your letter of February 3 in which you request a meeting to see Mr. Cavanaugh in Washington. As you may not have known, Mr. Cavanaugh is not now associated with the World Bank and I have assumed the duties of Treasurer.

I understand that the Federal Republic's Executive Director to the Bank, Mr. vom Hofe, has cabled you of Mr. Aldewereld's and my plans to visit the Federal Republic during the first week of March. If it is convenient for you, we can meet in Dusseldorf during the afternoon of March 4. Please let me know if this time will be satisfactory. Further, we expect to arrive back in Washington sometime during the period March 12 to the 14th.

Sincerely,

Eugene H. Rotberg
Treasurer

Dr. jur. Otto Graf Lambsdorff
Generalbevollmächtigter
des
Bankhauses C. G. Trinkaus
Königsallee 17
4 Dusseldorf
Germany

EHRotberg:emk

Dr. jur. Otto Graf Lambsdorff
Generalbevollmächtigter
des
Bankhauses C. G. Trinkaus

Späne
4 Düsseldorf, February 3, 1969
Königsallee 17
Tel. 8303207

Mr. Robert W. Cavanaugh
Treasurer
International Bank for
Reconstruction and Development

1818 H. Street N.W.

Washington, D.C. 20433

Dear Mr. Cavanaugh,

Referring to your conversation with Dr. Zahn in Washington last autumn and the following correspondence I would like to inform you, that I shall be in Washington from March 10 to March 12 and I would appreciate very much, if a meeting between us could be arranged during these days.

Please let me know, if I could see you in Washington.

Yours very sincerely,



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

Copy

Chiron

Walter:

I intend to write an extensive paper on the Bank's investment policy. As background information, I would appreciate it if you would discuss these questions with Victor and Rhona and prepare some detailed answers for me. I will either incorporate them into the paper or use them extensively as background.

I know this is an extra burden and, indeed, I think I may have some more questions as I get further along and I thank you for your cooperation.

Gene
Gene
2/4/69

1. With whom do we have automatic investment programs? What are the procedures for investment?
2. What kinds of investments (bonds, stocks, etc.) are we permitted to make? By what authority, etc.? How are we restricted in our investments?
3. What funds can be invested? Under what conditions, if any, can we convert funds of one currency into another currency in order to obtain a better yield?
4. Can we invest in Eurodollar market?
5. How much do we receive each 6 months, according to currency, from borrowers, capital subscriptions, earnings, etc. Which funds do we disburse on loans immediately, etc., and why? Prepare chart to show receipts by currency.
6. Explain in detail how we maintain our Income statement and Balance sheet to reflect (a) interest income, (b) capital gains or losses, (c) carrying value on books of our investments. Attach examples.
7. What is approximate range of amounts from uninvested funds? How do they arise? Do we have any currency where there is a large amount continually being disbursed which we might invest at high yields, and disburse, instead, other available currency?

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

Chisom

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

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I intend to write an extensive paper on the Bank's investment policy. As background information, I would appreciate it if you would discuss these questions with Victor and Rhona and prepare some detailed answers for me. I will either incorporate them into the paper or use them extensively as background.

I know this is an extra burden and, indeed, I think I may have some more questions as I get further along and I thank you for your cooperation.

Gene
2/4/69

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

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CORPORATION

Lester:

Would you please review these two drafts which are self-explanatory. They were drafted independently and are intended to say "no" in as polite a way as possible.

The final letter should probably be sent today. If I could have your comments or revisions on either of the two letters, it would be most appreciated.

Gene
2/7/69

W n BIS

L Sir Lester

February 5, 1969

Dear Dr. Blessing:

It was a pleasure meeting with you during my last visit to the Federal Republic of Germany. At that time I mentioned that I would send to you copies of statistical releases which I thought might be of interest to you concerning the U.S. securities markets. I am enclosing Statistical Release No. 2331 concerning the common stock transactions of financial institutions in the United States; Statistical Release No. 2316 concerning volume and composition of individuals' savings; and the December 1968 and January 1969 Statistical Bulletins which contain some interesting data on the volume of trading in the securities markets and related information.

Let me express again my appreciation for the kindness and courtesy you and your colleagues showed to Mr. Aldewereld and to me during our recent visit to Frankfurt.

Sincerely,

Eugene H. Rotberg
Treasurer

Dr. Karl Blessing
President
Deutsche Bundesbank
Taunusanlage 4 - 6
Frankfurt am Main
Federal Republic of Germany

EHRotberg:emk

Chron file

February 4, 1969

Mr. Peter Adolph
Assistant Chief Counsel
Office of Foreign
Direct Investments
Room 1710-D
Department of Commerce
Washington, D.C. 20230

Dear Peter:

I am enclosing for your information a copy of the Board Resolution authorizing our Twenty-Six Year Bonds of 1968 and the Form of Registered Bond. If you have any questions, please do not hesitate to call me.

Best regards.

Sincerely,

Gene

Enclosure: 1

Chen

February 4, 1969

Mr. Walter P. Stern
Burnham & Company
60 Broad Street
New York, N.Y. 10004

Dear Wally:

The arrangements for Geneva are quite satisfactory. I probably will arrive around noon on March 6. I hope to be available, therefore, some time on the sixth or seventh for some informal participation, apart from the dinner remarks.

Thank you for your offer to make hotel reservations, but it will be pretty convenient for me to make them through the Bank since my visit to Switzerland will be part of an overall itinerary over a 10-day period.

Keep in touch.

Best regards.

Gene

EHRotberg:emk

~~110~~
~~Handwritten signature~~
February 4, 1969

Prof. Henry C. Wallich
Department of Economics
Yale University
37 Hillhouse Avenue
Box 1972 Yale Station
New Haven, Connecticut
06520

Dear Henry:

Congratulations on your recent appointment as Senior Consultant to the Secretary of the Treasury. Yale University's part-time loss is the U.S. Government's full-time gain.

Let me know when we can get together when you come to Washington. I look forward to seeing you.

Best regards.

Sincerely,

(signed) Eugene H. Rotberg

Eugene H. Rotberg
Treasurer

1. With whom do we have automatic investment programs? What are the procedures for investment?
2. What kinds of investments (bonds, stocks, etc.) are we permitted to make? By what authority, etc.? How are we restricted in our investments?
3. What funds can be invested? Under what conditions, if any, can we convert funds of one currency into another currency in order to obtain a better yield?
4. Can we invest in Eurodollar market?
5. How much do we receive each 6 months, according to currency, from borrowers, capital subscriptions, earnings, etc. Which funds do we disburse on loans immediately, etc., and why? Prepare chart to show receipts by currency.
6. Explain in detail how we maintain our Income statement and Balance sheet to reflect (a) interest income, (b) capital gains or losses, (c) carrying value on books of our investments. Attach examples.
7. What is approximate range of amounts from uninvested funds? How do they arise? Do we have any currency where there is a large amount continually being disbursed which we might invest at high yields, and disburse, instead, other available currency?

Chron

Mr. William Clark

February 3, 1969

Eugene H. Rotberg

1. As you can see from the attached note, we don't have too much need for a daily report on quotations;
2. I think that most of the other types of information required by the Treasurer's Department would require more "in depth" analyses;
3. It seems somewhat expensive for a clipping service on current matters.

Attachment

EHR:emk

chron 2

Ronnie:

Mr. McNamara asked that you review this.

I would like to have your comments as soon as possible. In particular, please note the second full paragraph on page 2.

I am also sending you a copy of Mr. McNamara's pencilled changes so you can focus on the changes he made.

Gene R.
1/31/69

chron

Rainer:

1. Would you please ask Mr. McNamara whether he wishes to define the size of the spread (see page 3, last para.) as ".375% above the weighted average" etc.? It is not at all clear that at all times there must be a positive .375% spread.

2. Does Mr. McNamara wish to send to the Board the Exhibit setting forth in detail our proposed first and second half for fiscal year 1969?

Gene R.
1/31/69

Ch...

Kessie: 12/24

Date: January 31, 1969

FROM: The President

BANK'S INTEREST RATE

In December 1967 the Board established policy and procedures for the setting of the Bank's standard lending rate.

The policy adopted was that the rate should be kept as low as is compatible with the maintenance of the Bank's ability to borrow the funds it needs in member countries. It was agreed that the Bank must pay regard to the trend of its earnings in relation to its interest payment requirements and its capital reserves, and to the adequacy of its reserves. It was decided that the Executive Directors annually, or more frequently if advisable, should determine a maximum spread between the cost of borrowings and the Bank's standard lending rate. The term "cost of borrowings" was defined to mean "the weighted average of the actual cost of borrowings during the preceding period of approximately 6 months and the estimated cost of borrowings for the succeeding period of approximately 6 months." In fixing the standard lending rate, the President was to be guided by this spread, and he was to inform the Board about any developments which make necessary a change of the rate. (For convenience, the text of the policy approved on December 26, 1967, and embodied in R67-182/1, December 27, 1967, is attached as Annex A.)

In accordance with the foregoing principles, in December 1967, the President set the lending rate at 6-1/4% and the Executive Directors determined that the maximum spread should be 3/8% of 1 percentage point.

In July 1968, the President reported to the Board that he planned to raise the standard lending rate from 6-1/4 to 6-1/2 percent and that he recommended the spread between the cost of borrowing and the lending rate remain at 3/8 of 1 percent. The Board accepted the recommendation and took no action to change the spread. The standard lending rate was changed to 6-1/2 percent effective August 1, 1968.

The President has carefully reviewed the Bank borrowings for the last 6 months and the projected borrowings for the next 6 months. For the period July 1, 1968 through December 31, 1968, the Bank borrowed funds as follows:

Market	Term (Yrs.)	Date of Issue	Amount (\$ equiv. m.)	Cost to IBRD (%)
U.S. Market	26	Oct. 1, '68	250	6.51 ⁵¹
Central Banks	2	Oct. 1, '68	145	5.80
Bundesbank	4-1/2	Aug. 1, '68	64	6.00
	4-1/2	Oct. 1, '68	32	5.875
Germany	14	Jul. 1, '68	100	6.72
	12	Aug. 1, '68	100	6.61
	18	Dec. 16, '68	37	6.54
Kuwait	20	Sept. 15, '68	42	6.73
Saudi Arabia	26	Oct. 1, '68	15	6.43
Switzerland	16	Nov. 25, '68	19	5.51
			804 ^{a/}	6.34 ^{a/}

^{a/} In comparison with these figures, I stated to the Board on July 30, 1968 that for the period July - December 1968 "I hoped to borrow about \$666 million at a weighted average cost of 6.32%".

The Bank expects to borrow in the capital markets during the period January 1, 1969 through June 30, 1969 between \$400 million and \$600 million (equivalent) at an average borrowing cost to the Bank between 6.51 percent and 6.68 percent. Thus, for FY 1969 the Bank's borrowing costs should be between 6.40 percent and 6.48 percent.

Based on the foregoing, it is my conclusion that neither the lending rate of 6.50% nor the size of the spread (.375% above "the weighted average of the actual cost of borrowings for the preceding period of approximately 6 months and the estimated cost of borrowings for the succeeding period of approximately 6 months") should be increased at the present time. However, the international money markets are, at present, highly volatile. I will keep the situation under review and will inform the Board if I see any basis for changing the spread or altering the Bank's lending rate.

Robert S. McNamara
President

ANNEX A

R67-182/1

(Approved by the
Executive Directors
on December 26, 1967)

FROM: The Secretary

December 27, 1967

POLICY RE STANDARD INTEREST RATE

- a) The rate should be kept as low as is compatible with the maintenance of the Bank's ability to raise in the capital markets of its members, or otherwise borrow, the funds it needs.
- b) In order to maintain the Bank's reputation and financial strength on which its ability to raise the funds it needs depends, the Bank must pay regard to such criteria as
 - i) the trend of its earnings;
 - ii) the maintenance of an adequate ratio of its earnings to its interest requirements;
 - iii) the maintenance of a reasonable rate of return on its capital and reserves; and
 - iv) the accumulation of adequate reserves.
- c) The Executive Directors annually, or more frequently if advisable, should review the Bank's financial position giving due regard to the foregoing criteria, and determine a maximum spread between the cost of borrowings and the Bank's standard lending rate. The term "cost of borrowings" means the weighted average of the actual cost of borrowings during the preceding period of approximately six months and the estimated cost of borrowings for the succeeding period of approximately six months.
- d) The President will be guided by this determination of spread in recommending the standard interest rate on loans. He will inform the Executive Directors about any developments which make necessary a change of this rate.

IBRD: BORROWINGS IN FY1969

First Half FY1969

US (Public)	Oct	\$ 250 m	@ 6.51%
Central Banks	Oct	144.5	5.80
Bundesbank	Aug	64.5	6.00
	Oct	32	5.875
Germany (Girozentrale)	July	100	6.72
(Public)	Aug	100	6.61
(Girozentrale I)	Dec	37.5	6.54
Kuwait	Sept	42	6.73
Saudi Arabia	Oct	15	6.43
Switzerland	Nov	18.6	5.51
		<u>804</u>	<u>6.344</u>

Second Half FY1969

Central Banks	Mar	175	6.50
Bundesbank	Feb	64.5	6.50
Germany (Girozentrale II)	Jan	31.25	6.54
(Girozentrale III)	Mar	31.25	6.54
(Public)	Apr	100	6.54

Total Second Half, with No US Borrowing a/	<u>402</u>	<u>6.516</u>
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US (Public - 200) b/	<u>200</u>	<u>7.00</u>
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Total Second Half, with US Borrowing of \$200m	<u>602</u>	<u>6.68</u>
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US (Public - 150)	<u>150</u>	<u>7.00</u>
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Total Second Half, with US Borrowing of \$150m	<u>552</u>	<u>6.648</u>
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Total for FY1969

No New US Borrowing	1206	6.401
US Borrowing \$200m	1406	6.48
US Borrowing \$150m	1356	6.467

a/ There may be another Federal Republic of Germany borrowing prior to July 1, 1969, of approximately \$100 million at 6.50¹/₂%.

b/ If the net cost of borrowing in the U.S. market remains at 7.00%, or above, it is unlikely we will borrow prior to July 1, 1969 and, if we do, it is unlikely the amount would exceed \$200 million.

Date: January 31, 1969

FROM: The President

BANK'S INTEREST RATE

In December 1967 the Board established policy and procedures for the setting of the Bank's standard lending rate.

The policy adopted was that the rate should be kept as low as is compatible with the maintenance of the Bank's ability to borrow the funds it needs in member countries. It was agreed that the Bank must pay regard to the trend of its earnings in relation to its interest payment requirements and its capital reserves, and to the adequacy of its reserves. It was decided that the Executive Directors annually, or more frequently if advisable, should determine a maximum spread between the cost of borrowings and the Bank's standard lending rate. The term "cost of borrowings" was defined to mean "the weighted average of the actual cost of borrowings during the preceding period of approximately 6 months and the estimated cost of borrowings for the succeeding period of approximately 6 months." In fixing the standard lending rate, the President was to be guided by this spread, and he was to inform the Board about any developments which make necessary a change of the rate. (For convenience, the text of the policy approved on December 26, 1967, and embodied in R67-182/1, December 27, 1967, is attached as Annex A.)

In accordance with the foregoing principles, in December 1967, the President set the lending rate at 6-1/4% and the Executive Directors determined that the maximum spread should be 3/8% of 1 percentage point.

In July 1968, the President reported to the Board that he planned to raise the standard lending rate from 6-1/4 to 6-1/2 percent and that he recommended the spread between the cost of borrowing and the lending rate remain at 3/8 of 1 percent. The Board accepted the recommendation and took no action to change the spread. The standard lending rate was changed to 6-1/2 percent effective August 1, 1968.

The President has carefully reviewed the Bank borrowings for the last 6 months and the projected borrowings for the next 6 months. For the period July 1, 1968 through December 31, 1968, the Bank borrowed funds as follows:

Market	Term (Yrs.)	Date of Issue	Amount (\$ equiv. m.)	Cost to IBRD (%)
U.S. Market	26	Oct. 1, '68	250	5' 6.54
Central Banks	2	Oct. 1, '68	145	5.80
Bundesbank	4-1/2	Aug. 1, '68	64	6.00
	4-1/2	Oct. 1, '68	32	5.875
Germany	14	Jul. 1, '68	100	6.72
	12	Aug. 1, '68	100	6.61
	18	Dec. 16, '68	37	6.54
Kuwait	20	Sept. 15, '68	42	6.73
Saudi Arabia	26	Oct. 1, '68	15	6.43
Switzerland	16	Nov. 25, '68	19	5.51
			804 a/	6.34 a/

a/ In comparison with these figures, I stated to the Board on July 30, 1968 that for the period July - December 1968 "I hoped to borrow about \$666 million at a weighted average cost of 6.32%".

The Bank expects to borrow in the capital markets during the period January 1, 1969 through June 30, 1969 between \$400 million and \$600 million (equivalent) at an average borrowing cost to the Bank between 6.51 percent and 6.68 percent. Thus, for FY 1969 the Bank's borrowing costs should be between 6.40 percent and 6.48 percent.

Based on the foregoing, it is my conclusion that neither the lending rate of 6.50% nor the size of the spread (.375% above "the weighted average of the actual cost of borrowings for the preceding period of approximately 6 months and the estimated cost of borrowings for the succeeding period of approximately 6 months") should be increased at the present time. However, the international money markets are, at present, highly volatile. I will keep the situation under review and will inform the Board if I see any basis for changing the spread or altering the Bank's lending rate.

Robert S. McNamara
President

IBRD: BORROWINGS IN FY1969

First Half FY1969

US (Public)	Oct	\$ 250 m	@ 6.51%
Central Banks	Oct	144.5	5.80
Bundesbank	Aug	64.5	6.00
	Oct	32	5.875
Germany (Girozentrale)	July	100	6.72
(Public)	Aug	100	6.61
(Girozentrale I)	Dec	37.5	6.54
Kuwait	Sept	42	6.73
Saudi Arabia	Oct	15	6.43
Switzerland	Nov	18.6	5.51
		<u>804</u>	<u>6.344</u>

Second Half FY1969

Central Banks	Mar	175	6.50
Bundesbank	Feb	64.5	6.50
Germany (Girozentrale II)	Jan	31.25	6.54
(Girozentrale III)	Mar	31.25	6.54
(Public)	Apr	<u>100</u>	<u>6.54</u>
Total Second Half, with No US Borrowing <u>a/</u>		<u>402</u>	<u>6.516</u>
US (Public - 200) <u>b/</u>		<u>200</u>	<u>7.00</u>
Total Second Half, with US Borrowing of \$200m		<u>602</u>	<u>6.68</u>
US (Public - 150)		<u>150</u>	<u>7.00</u>
Total Second Half, with US Borrowing of \$150m		<u>552</u>	<u>6.648</u>

Total for FY1969

No New US Borrowing	1206	6.401
US Borrowing \$200m	1406	6.48
US Borrowing \$150m	1356	6.467

a/ There may be another Federal Republic of Germany borrowing prior to July 1, 1969, of approximately \$100 million at 6.50⁺%.

b/ If the net cost of borrowing in the U.S. market remains at 7.00%, or above, it is unlikely we will borrow prior to July 1, 1969 and, if we do, it is unlikely the amount would exceed \$200 million.

IBRD: BORROWINGS IN FY1969

First Half FY1969			
US (Public)	Oct	\$ 250 m @	6.51%
Central Banks	Oct	144.5	5.80
Bundesbank	Aug	64.5	6.00
	Oct	32	5.875
Germany (Girozentrale)	July	100	6.72
(Public)	Aug	100	6.61
(Girozentrale I)	Dec	37.5	6.54
Kuwait	Sept	42	6.73
Saudi Arabia	Oct	15	6.43
Switzerland	Nov	18.6	5.51
		<u>804</u>	<u>6.344</u>
Second Half FY1969			
Central Banks	Mar	175	6.50
Bundesbank	Feb	64.5	6.50
Germany (Girozentrale II)	Jan	31.25	6.54
(Girozentrale III)	Mar	31.25	6.54
(Public)	Apr	100	6.54
Total Second Half, with No US Borrowing $\approx$		<u>402</u>	<u>6.516</u>
US (Public - ²⁵⁰ 250) ⁶¹		<u>250</u>	<u>7.00</u>
Total Second Half, with US Borrowing of \$250m ⁶⁰² ⁶⁸		<u>652</u>	<u>6.702</u>
US (Public - 150)		<u>150</u>	<u>7.00</u>
Total Second Half, with US Borrowing of \$150m		<u>552</u>	<u>6.648</u>
Total for FY1969			
No New US Borrowing		1206	6.401
US Borrowing ¹⁰² \$250m		<u>1156</u>	<u>6.504</u>
US Borrowing \$150m		1356	6.467

- a) There may be another FRB borrowing prior to 7/1/69, of approximately 100 million at 6.50-7%.
- b) If the cost of borrowing in the US market remains at 7.05% or above it is unlikely we will borrow prior to 7/1/69 & if we do, it is unlikely the amount would exceed 800 million.
- P & B
1/30/69



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U. S. A.

January 31, 1969

Dr. Wilhelm Hankel
Leiter der Abteilung
Geld und Kredit
Ministry of Economics
53 Bonn-Duisdorf
Federal Republic of Germany

Dear Dr. Hankel:

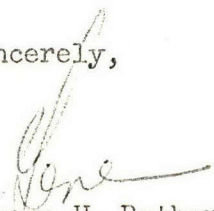
It was a pleasure speaking to you during my recent visit to the Federal Republic of Germany. During our recent visit, I referred to certain published information which might be of interest to you concerning securities transactions by financial institutions in the United States. I am enclosing a statistical presentation of the purchases and sales of mutual funds (investment trusts); pension funds; insurance companies; and the purchases and sales by non-U.S. sources in the U.S. securities market. You will note that share participation by these institutions has substantially increased and that financial intermediaries has become a more significant part of the U.S. securities markets with each succeeding quarter. As you may know, the major commercial banks do not buy and sell for their own account in the United States but do act as intermediaries for the private, non-insured pension funds which they often manage. The acceleration of common stock investment through institutional intermediaries such as Banks, pension funds, mutual funds, insurance companies, etc., has raised some important questions relating to the operation of the securities markets and the impact on the economy of the increased flow of savings into the share rather than the bond markets.

I am also enclosing a statistical release on the holdings of private non-insured pension funds and their portfolio investments which might be of interest to you. I have also enclosed the December 1968 Statistical Bulletin of the Securities and Exchange Commission which contains some interesting data on the volume of trading in the United States securities markets, the volume of convertible bond issues, changes in corporate securities outstanding and capital expenditures on new plant and equipment by U.S. business.

Further, I have enclosed a draft paper which I wrote about two years ago concerning the operations of the U.S. securities markets. The paper deals with the advantages and disadvantages of a central exchange market versus multiple or fragmented markets for the same security; the implications of having a fixed minimum commission and requirements that all trading be done on a stock exchange; the implications and problems involved in "rebating" commissions; the implications which derive from the growth of intermediary financial institutions, and similar matters. This paper has not been published and should be treated with confidence since it expresses my personal views on a number of complex and controversial matters. In addition, since the paper was written, a number of important developments have occurred which are relevant to a more complete understanding of the issues raised in the paper. I would be most pleased to discuss these matters further with you at your convenience.

Again, may I thank you for your courtesy and kindness on my recent visit.

Sincerely,



Eugene H. Rotberg
Treasurer

Attachments

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

Chron a

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION *d*

January 30, 1969

Mr. Rotberg:

Gene -

This Application is unchanged from the preliminary draft signed by Bob Cavanaugh in October and filed with the Stock Exchange. Since the Application speaks as of the October 2, 1968 date, I think we should ask Bob to sign the two copies so as to avoid any confusion with the Stock Exchange.

Ami

A. Broches

(A long blue diagonal line is drawn across the signature area)

To: Mr. Poore
Mr. Y. L. Chang
Mr. Prins
Mr. Verheyen
Mr. Deely
Mr. van Saagsvelt
Mr. Rutland
Mr. Victor Chang
Miss Johnston

January 30, 1969

From: Eugene H. Rotberg

I am trying to develop a weekly, monthly and quarterly cash flow projection by currency. Your comments will be very much appreciated. Have fun!

EHRotberg:emk

Date: _____

FROM: The President

BANK'S INTEREST RATE

In December 1967 the Board established policy and procedures for the setting of the Bank's standard lending rate.

The policy adopted was that the rate should be kept as low as is compatible with the maintenance of the Bank's ability to borrow the funds it needs in member countries. It was agreed that the Bank must pay regard to the trend of its earnings in relation to its interest payment requirements and its capital reserves, and to the adequacy of its reserves. It was decided that the Executive Directors annually, or more frequently if advisable, should determine a maximum spread between the cost of borrowings and the Bank's standard lending rate. The term "cost of borrowings" was defined to mean "the weighted average of the actual cost of borrowings during the preceding period of approximately 6 months and the estimated cost of borrowings for the succeeding period of approximately 6 months." In fixing the standard lending rate, the President was to be guided by this spread, and he was to inform the Board about any developments which make necessary a change of the rate. (For convenience, the text of the policy, approved on December 26, 1967, and embodied in R67-182/1, December 27, 1967, is attached as Annex A.)

In accordance with the foregoing principles, in December 1967, the President set the lending rate at 6-1/4% and the Executive

Director determined that the maximum spread should be $3/8\%$ of 1 percentage point.

In July 1968, the President recommended that the Bank raise its standard lending rate from $6-1/4$ to $6-1/2$ percent and that the spread between the cost of borrowing and the lending rate remain at $3/8$ of 1 percent. After extensive discussion, the President noted that there was a clear majority in favor of no change in the spread or the policy relating to the determination of the spread and his authority to act within it. The standard lending rate was changed to $6-1/2$ percent effective August 1, 1968.

The President has carefully reviewed the Bank borrowings for the last 6 months and the projected borrowings for the next 6 months. For the period July 1, 1968 through December 31, 1968, the Bank borrowed funds as follows:

Market	Term (Yrs.)	Date of Issue	Amount (\$ m)	Coupon (%)	Cost to IBRD (%)
U.S. Market	26	Oct. 1, '68	250	6.375	6.51
Central Banks	2	Oct. 1, '68	145	5.80	5.80
Bundesbank	4-1/2	Aug. 1, '68	64	6.00	6.00
	4-1/2	Oct. 1, '68	32	5.875	5.875
Germany	14	July 1, '68	100	6.50	6.72
	12	Aug. 1, '68	100	6.50	6.61
	18	Dec. 16, '68	37	6.50	6.54
Kuwait	20	Sept. 15, '68	42	6.50	6.73
Saudi Arabia	26	Oct. 1, '68	15	6.375	6.43
Switzerland	16	Nov. 25, '68	19	5.25	5.51
			<u>804</u>		<u>6.34</u>

The Bank expects to borrow in the capital markets during the period January 1, 1969 through June 30, 1969 between \$400 million and \$650 million (equivalent) at an average borrowing cost to the Bank, between 6.51 percent and 6.70 percent. Thus, for the full FY 1969 the Bank's borrowing costs should be between 6.40 percent and 6.50 percent.

Based on the foregoing, it is my conclusion that neither the lending rate nor the amount of the spread should be increased at the present time. However, if the Bank borrows substantial amounts at interest rates which will raise its overall costs for the year to the upper limit referred to above, it may be necessary, within the procedures and policy set forth in the December 17 memorandum, to increase the standard loan rate.

I will, of course, communicate with you further should such action be necessary.

EHRotberg:bb
Jan. 30, 1969

Mr. Robert S. McNamara

January 30, 1969

Eugene H. Rotberg

Bank's Interest Rate

With reference to the discussion I had with you and Mr. Aldewereld this morning, I attach hereto a draft memorandum from the President to the Board on the above subject. Mr. Aldewereld has reviewed the text.

Attachment

EHR:mc



INTERNATIONAL FINANCE CORPORATION

1818 H Street, N.W., Washington, D. C. 20433, U.S.A.

Area Code 202 • Telephone - EXecutive 3-6360 • Cable Address - CORINTFIN

REGISTERED
AIR MAIL

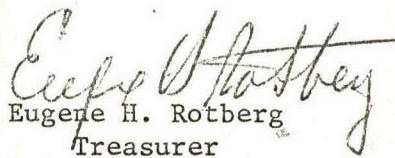
January 30, 1969

Minister of Finance
Ministry of Finance
Taipei, Taiwan
Republic of China

Dear Mr. Minister:

Enclosed please find Capital Stock Certificate Number 103
certifying that the Republic of China is the owner of 4,154 fully
paid shares of the capital stock of the International Finance
Corporation.

Sincerely yours,


Eugene H. Rotberg
Treasurer

Enclosure: 1

cc: Chinese Embassy
2311 Massachusetts Avenue, N.W.
Washington, D.C. 20008

cc: Dr. R. C. Chen
Mr. Rosen
Mr. Richards
Mr. von Hoffmann
Mr. Goodman
Mr. Mendels
Mr. Cirillo
IFC Circulation (2)

cc: Mr. Rotberg
Mr. Poore
Mr. Y.L. Chang
Mr. Prins
Mr. Rutland
Mrs. Manion

EHRotberg:emk *emk*

LANDESBANK
DUSSELDORF

JANUARY 29, 1969

TELEX

(GERMANY)

FOR SCHMIDT PLEASE TELEX ME AT OPENING OF BUSINESS THURSDAY
JANUARY 30 WHERE I CAN REACH PROFESSOR LIPFERT BY TELEPHONE
OR ALTERNATIVELY COULD YOU ARRANGE FOR PROFESSOR LIPFERT TO
TELEPHONE ME AT MY OFFICE IN WASHINGTON REGARDS

ALDEWERELD
INTBAFRAD

S. ALDEWERELD
VICE PRESIDENT

SAldewereld:emk

chron

IBRD: BORROWINGS IN FY1969

First Half FY1969

US (Public)	Oct	\$ 250 m	6.51%
Central Banks	Oct	114.5	5.80
Bundesbank	Aug	64.5	6.00
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Kuwait	Sept	42	6.73
Saudi Arabia	Oct	15	6.43
Switzerland	Nov	18.6	5.51
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Second Half FY1969

Central Banks	Mar	175	6.50
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Total Second Half, with No US Borrowing <u>a/</u>		<u>402</u>	<u>6.516</u>
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Total for FY1969

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US Borrowing \$200m	1406	6.48
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a/ There may be another Federal Republic of Germany borrowing prior to July 1, 1969, of approximately \$100 million at 6.50%.

b/ If the net cost of borrowing in the U.S. market remains at 7.00%, or above, it is unlikely we will borrow prior to July 1, 1969 and, if we do, it is unlikely the amount would exceed \$200 million.

Chiron

OFFICE MEMORANDUM

TO: Robert S. McNamara
S. Aldewereld

DATE: January 29, 1969

FROM: Eugene H. Rotberg *ER*

SUBJECT: Notes on meetings in the Federal Republic of Germany -
January 15, 16, 17, 1969

I am attaching for your information the notes of our meetings with the Deutsche Bundesbank (January 15); the Deutsche Bank (January 16); Economics Ministry (January 17); Westdeutsche Landesbank Girozentrale (January 17).

Chron

OFFICE MEMORANDUM

TO: Robert S. McNamara
S. Aldewereld
FROM: Eugene H. Rotberg *Eugene H. Rotberg*
SUBJECT: New Summary Report of IBRD Investments and Yields

DATE: January 29, 1969

I submit for your information new summary reports of IBRD investments and yields as of December 31, 1968 and January 16, 1969. These summary reports will be submitted to you twice a month. From time to time I will transmit to you the detailed breakdown of the Bank's investments.

I will shortly transmit to you a memorandum describing certain matters relating to the investment and management of the Bank's liquid resources, specifically, (a) the restrictions placed by member countries on the acquisition and liquidation of securities for the Bank's portfolio, (b) the "automatic" investment of the Bank's liquid resources by certain member countries, (c) the cost of carrying "excess" liquid resources, (d) the appropriate measures of the Bank's portfolio performance, and the impact of the Bank's borrowing policy on the performance, (e) the relationship between the Bank's cash flow requirements and the maximization of its investment income, and similar matters.

OFFICE MEMORANDUM

TO: Robert S. McNamara
S. Aldewereld

DATE: January 29, 1969

FROM: Eugene H. Rotberg *ER*

SUBJECT: Notes on meetings in the Federal Republic of Germany -
January 15, 16, 17, 1969

I am attaching for your information the notes of our meetings with the Deutsche Bundesbank (January 15); the Deutsche Bank (January 16); Economics Ministry (January 17); Westdeutsche Landesbank Girozentrale (January 17).

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Eugene H. Rotberg *EHR*

SUBJECT: Comments on Banker's Speech

DATE: January 23, 1969 *Chen*

1. I have suggested some editorial changes, expanded pages 6 and 7, and attached inserts at designated points in the text.
2. The remarks sound too defensive, particularly the first 3 - 4 pages and the repeated references to creditworthiness. The fact is that no one (almost) defaults. It may be best to start off by simply saying that, according to newspaper reports, Robert S. McNamara is about to "give away" lots of World Bank funds. You wish to set the record straight and put an end to such nonsense. The remarks that follow would then be in a somewhat more positive frame of reference. As it now reads we "doth protest too much".
3. On pages 6 and 7, I have suggested a further enumeration of relevant financial data. You may wish to add other points. I think the cumulative total of these data is quite impressive for this audience.
4. I suggest that you or Siem speak for about 5 minutes on the way a hypothetical loan request is handled from its inception to the completion of disbursement for a "new" country. By the time you are finished our hosts should understand the very compulsive care taken in the economic evaluation of a country's overall needs; the quality and depth of the appraisal work; and the cross-checks afforded by the disbursement procedures. This would lend substance to some of the general remarks in the paper. Our hosts have no background in development finance and I think it would be both interesting to them as well as reassuring. When you are finished they should be thankful they do not have to go to the World Bank for a loan.
5. Re: population control; education; etc. I suggest some specific analyses concerning the dollars and cents justification for such projects. Perhaps examples that show how population growth destroys what would otherwise be real economic progress. Or, how education relieves a country from the necessity to import expensive skilled labor (higher cost of product) etc.
6. The speech could use some humor -- preferably "needling" the securities industry, bankers in general, the World Bank; etc.

Attachment

EHR:emk

INSERTS

1. The Bank's Articles leave no alternative. The Bank's Articles require that its loans be for high priority productive purposes; that the Bank act "prudently" in making loans; that the borrowers are in a position to meet their obligations to the Bank and that the Bank make arrangements to ensure that the proceeds of each loan are used only for purposes granted and to pay attention to economy and efficiency. These Articles made good sense when they were drafted and make sense now.

2. Stated another way, the Bank has no intention of projecting how much it should lend and then set out to meet those projections without regard to the standards of creditworthiness of the country and economic viability and priority. This means the Bank will apply the same tests that it has always applied and if projects are rejected, as they often are, because of the failure to meet our financial standards, we simply will lower our projections for loans. Our projections for lending are tools to assist us in predicting our borrowing and administrative requirements. They are not numbers to which I or my colleagues have any great attachment and if they need to be revised that is exactly what we will do. It would be unthinkable for the Bank to lower its standards in making loans in order to satisfy the ego of my Program/Budgeting Department.

3. That Bank has recently acted as an underwriter in a substantial placement of World Bank Bonds with the Savings Banks in the State of Nordrhein-Westfalen and with other Central Savings Banks in the Federal Republic. At the present time the deposits of savings banks in the Federal Republic exceed \$25 billion and they provide a substantial source of institutional buying power for World Bank Bonds.

9 20 J
chiron

Madge:

I have followed through your figures on the cash flow. It looks like we will have + \$100 million in U.S. dollars by July 1, 1969. You pointed out, however, that we might have to disburse \$296 million during that period in U.S. dollars. However, of the \$296 million to be disbursed, keep in mind that \$175 million (central bank issue) and \$115 million (loan repayments) are not locked up. Therefore, if we have free funds available out of the six month cash flow it should cover our loan disbursements (including IDA). However, we do not have out of the free funds accumulated during the six months sufficient dollars for the maturity and sinking fund. However, if I am not mistaken, you did not consider the availability of our existing free funds now denominated in short-term U.S. Treasuries.

I have given Francis Poore a copy of our projected dollar cash flow. Perhaps it will be useful. I will talk to you about this matter further when I come back on Tuesday.

Gene R.
1/13/69

To Replace Material beginning p. 8, para. 3, through p. 9, para. 2:

The balance of \$963 million is derived, for the most part, from the Bank's retained earnings. These invested funds constitute a major portion of the Bank's continuing cash flow and are used by the Bank in its lending operations. The Bank, therefore, can reduce its borrowings in the capital markets without affecting its expanding lending program. Thus, the invested funds constitute a particularly valuable asset during periods of escalating interest rates. The use of retained earnings enables the Bank to maintain its lending rate to developing countries (now 6-1/2%) and to forego borrowing at higher rates in world markets with concomitant increases in loan rates to developing countries. If the Bank did not retain its earnings and were forced to go into the world markets on a continual basis, it would simply mean that developing countries could be forced to assume an ever increasing debt servicing obligation.

Further, as a legal matter the Bank cannot transfer to IDA these funds unless they are first found to be in excess of the Bank's requirements. The Bank is now committed to make disbursements on effective loans in excess of \$2.1 billion and, further, has committed itself, pending final documentation of loan agreements to disburse an additional \$400 million. The total of \$2.5 billion is almost 2-1/2 times the Bank's retained earnings. At the present time the Bank is disbursing funds at the rate of about \$800 million a year and its present projections contemplate an accelerated rate of disbursement. Under these conditions, if the Bank did not have substantial reserve funds, it would be unable to maintain its lending program without going to the world markets for new external borrowing.

Further, quite apart from the points noted above concerning the impact of borrowing and escalating interest rates on developing countries, it is believed that any substantial invasion of these reserves to make transfers to IDA could impair the credit standing of the Bank, which is essential to the Bank's borrowing in the world capital markets at prime rates.

Finally, it should be noted that the funded debt of the Bank now exceeds \$3.8 billion, an amount in excess of the Bank's liquid assets. While it is true that the Bank's bonds are protected by the unpaid capital subscriptions of its members, which are callable to protect bondholders, the Bank believes that its bond offerings are successful in large measure because of the accumulation of reserves out of net income earned from operations. These reserves are meaningful and important to the Bank's creditors. The Bank's liquid assets, therefore, provide both a cushion in the event of a drying-up of world capital markets because of interest rate or other considerations, as well as an asset for the protection of its creditors in the event of unexpected defaulting by borrowing countries.

SUIDELEG
BASLE

JANUARY 6, 1969

NLT

(SWITZERLAND)

REFERENCE URLET DECEMBER 19 AVAILABILITY UNITED STATES DOLLAR
TIME DEPOSIT STOP PRESENTLY WE HAVE REACHED MAXIMUM LIMIT FOR
THIS TYPE OF TRANSACTION AUTHORIZED BY OUR BOARD 430

ALDEWERELD
INTBAFRAD

S. ALDEWERELD
VICE PRESIDENT

cc: Mr. Aldewereld
Mr. Rotberg
Mr. Poore
Mr. Y.L. Chang
Mr. Prins
Mr. Rutland

EHRotberg:emk

Mr. S. Aldewereld

January 2, 1969

Eugene H. Rotberg

From time to time I have been asked to participate in various symposia or lectures on matters relating to the securities and capital markets, etc. I have turned them down, particularly if they were sponsored by any profit-making organization.

I have been asked, however, to participate in a discussion group convened under the sponsorship of the Brookings Institution and John Hopkins University on the subject of "Computers, Communications, and the Public Interest". I have been asked primarily because of my securities background. As you can see from the list of the invited guests, the group is of quite high calibre. I expect that in addition to the January 9 meeting, I might be asked to give a lecture or two during 1969 or 1970 on the relationship between communications, computers and the securities markets. The January 9 meeting is in Washington and there is no expense involved in my participation. My participation, of course, is pro bono publico.

. . .

I have also been asked by a subcommittee of the American Law Institute and the American Bar Association to participate in a symposium under their sponsorship on Friday, February 21 and Saturday, February 22, in San Francisco on the structure of the American securities markets and the regulation of those markets. These symposia, which are conducted from time to time under the auspices of the ALI and ABA are offered for lawyers, financial analysts, economists and financial institutions who wish to be apprised of recent developments in the securities markets. If there is any profit (those in attendance are charged a fee to attend the panel discussions or seminars) from the symposia it goes to the Committee on Continuing Legal Education, an affiliate of the Bar Association. Here too, I would not receive any compensation for my participation. The sponsoring organization would pay all expenses (air travel, hotel, etc.).

. . .

Would you let me know whether these two participations fall within the ambit of permissible or encouraged extracurricular activity by Bank staff employees? Shall I discuss this with Hugh Ripman or Bill Clark? I do not expect that I will prepare any written comments for publication in connection with either of these two participations.

EHRotberg:emk/jgp

D R A F T
EHRotberg:emk
December 31, 1968

INTRODUCTION

It is useful to examine and comment upon the strengths of the World Bank quite apart from the guarantees of member governments and its cash flow and profitability. In large measure, the Bank is in a strong position because of the procedures and techniques which it has developed over the years in the conduct of its financial and business affairs.

Some preliminary comments, by way of background, are relevant to an understanding of what the Bank actually does in connection with its consideration, review, disbursement, and follow up of a loan or credit. First, the Bank's Articles require that its loans must be for high-priority productive purposes and, except in special circumstances, must be used to meet the foreign exchange requirements of specific projects of reconstruction or development. The borrower may be a member government, a political subdivision thereof, or a business enterprise in the territories of a member. If the borrower is other than a government, the loan must be guaranteed by the member government in whose territory the project is located, or by its central bank or some comparable agency. Second, the Bank's Articles enjoin the Bank to act "prudently" in making loans, paying "due regard to the prospects that the borrower, and, if the borrower is not a member, that the guarantor, will be in a position

to meet its obligations under the loan...". Third, the Bank is also specifically required to make arrangements to ensure that the proceeds of each loan are used only for the purposes for which the loan was granted and to pay attention to economy and efficiency.

Even apart from the provisions of its Articles it is implicit in the concept of the Bank as a continuing institution that it operate on a sound business basis and that it should make loans only where there is a reasonable prospect of repayment and profit. It is, therefore, relevant in this paper to describe in some detail exactly what the Bank does in conducting its business and why it does it. In this connection the procedures of the Bank, which lend substance to the requirements in its Articles, were developed by the Bank, as will be evidenced from their recitation, without regard to the impact of the legal guarantees from member governments. These procedures have been developed as if such guarantees did not exist and might be considered in that context.

MACRO-ECONOMIC ANALYSIS

It perhaps is best first to comment on the initial studies made by the Bank before the actual processing of a request to the Bank for financing a particular project. First, the staff studies all available information about the country requesting financial assistance. In addition to studying its own files, the Bank uses material available from other institutions, national and international, public and private,

and, of course, reviews all data supplied and requested by the Bank of the actual borrower. In its review, prior to the making of any loan, the Bank conducts a thorough economic study of the structure of a country's economy and its development prospects. The country's development policies and economic performance are assessed. If a development plan or program exists, an analysis is made of its magnitude and consistency, the extent to which it appears to be based on a realistic assessment of the resources available and the methods of financing and arrangements for its execution. Judgment is reached as to the sectors of the economy in which external financing can be most effective.

For all countries in which the Bank engages in lending operations it seeks to acquire a comprehensive picture of the structure and development of the economy by assessing its agricultural, mineral and industrial resources, the state of its basic facilities such as education, transport and power, the quality and efficiency of public administration, the pattern of external trade and payments, and the condition of internal economics and finance. In addition, periodic assessments are made of recent economic developments and of the effects of recent changes on the country's growth prospects.

The performance by a country in the promotion of its economic development is an essential criterion for Bank financing. Performance in the broadest sense covers the effectiveness with which a country's resources are being directed toward economic development; it encompasses

policies and activities, private and public, for the purpose of increasing the output of goods and services.

By giving continuous attention to general economic and financial conditions in developing member countries, and by keeping in close touch with their progress, the Bank can review particular projects and assist in integrating them with the country's economy. The member countries in turn are able to discuss their plans for development activities well in advance. This helps to facilitate financing from the Bank or members of consortia and consultative groups or other sources.

The process described above is designed simply to determine whether there is a need for assistance and in what sector. In this connection it should be noted that the operating policies of the Bank and of IDA are the same. Both institutions apply the same methods, the same standards and the same rigorous tests in determining for what purposes loans or credits should be extended and in deciding what conditions need to be established to assure that these purposes will be achieved.

These macro-economic studies also include an analysis, whether a borrowing country can make the foreign exchange available for service payments. Thus, an appraisal is made, in connection with the overall economic study of the country, whether a prospective borrowing country can reasonably be expected to service its obligations, taking into account not only its existing and prospective debts to the Bank but also all sources of external finance.

MICRO ECONOMIC ANALYSIS (PROJECT APPRAISAL)

The next phase in the Bank's evaluation of a project is the thorough and micro-economic evaluation of the project itself. Wherever possible, even prior to a formal loan request for a particular project, the Bank conducts informal exploratory discussions with prospective borrowers. These discussions enable the two institutions to determine whether the project to be financed is of a type which the Bank can consider, and to indicate to the prospective borrower what kinds of information are needed concerning the project. If the prospective borrower is not a government, the Bank requires an indication from the government that it would guarantee a loan for the project before starting any serious investigation.

The actual processing of a request to the Bank for financing first involves a preliminary review of the project in the context of a country's economic needs and potentialities and, concurrently or successively depending upon the circumstances, a technical and thorough examination of the economic, engineering, financial and other aspects of the project. The Bank's Articles require that "loans made or guaranteed by the Bank shall, except in special circumstances, be for the purpose of specific projects of reconstruction or development" (emphasis added). This provision is designed to assure that loans are used for the most productive purposes. In effect, this means that

before a loan is made there shall be a clear understanding as to how the proceeds of a loan are to be expended and what the loan is expected to accomplish. Specificity is the keynote since unspecified purposes or vague programs create the probability that resources might be used in ways which would make little or no contribution to productive capacity or output. The project analysis is important not only to the Bank but to the borrower. During the course of discussions with a borrower, it has often been possible to work out modifications of a project to reduce its cost, to increase its efficiency or to improve its financial or organizational features. Sometimes a substitute project or one conceived on a somewhat different scale has been found to be more productive than the one originally proposed.

Much of the work of investigating the suitability of a project is carried out in the Bank's office in Washington. No study in Washington, however, can provide all the information and understanding required. Therefore, at some stage in the processing of a loan or credit, one or more missions are sent to the borrowing country to gain first-hand knowledge of the project. Although the members of the mission are normally drawn from the staff, since the Bank cannot keep experts in every field on its permanent staff, it frequently employs independent consultants for specific short-term assignments or borrows technical experts for this purpose from member governments, other international agencies or private firms.

The appraisal of the project itself usually involves the investigation of a number of different aspects; typically: economic; technical;

managerial; organizational; commercial and financial aspects. A thorough and painstaking analysis is made with respect to each of these aspects where appropriate.

The chief objective of the appraisal of the economic aspects of a project is to determine whether the project is of sufficiently high priority from the viewpoint of the national economy of the country concerned to justify investment in it.

Normally, the appraisal of the economic aspects of a project involves an investigation of the demand for the goods or services which the enterprise carrying out the project is expected to produce. This study may be of varying scope, ranging from a narrowly localized study, as in the case of a municipal water supply project, to one that is nationwide, as in the case of a national railway project. In some instances the investigations may need to be worldwide; for example, in the case of a project to develop a source of iron ore for export.

Other questions which will normally be investigated during the economic appraisal include the extent to which the project will use domestic resources (including labor) which would otherwise be un-utilized, the effects on the balance of payments, and the relative merits of alternative ways to provide the goods and services required.

The appraisal of the technical aspects of a project involves an investigation of the detailed engineering plan for its construction and operation. The main items coming under this heading include the proposed scale of the project, the types of process or equipment to be used, the location of the project, its layout and design, and the

availability of the various factors of production. The technical staff available to the borrower, both for carrying out the project and for operating it, is evaluated by the Bank and a judgment is reached whether outside help is required.

When, in the Bank's opinion, consulting engineers or other experts should be brought in to assist those responsible for the engineering arrangements for a project, the Bank often assists the borrower to prepare detailed terms of reference. The choice of consultant is made by the borrower, but the Bank satisfies itself that the consultant chosen is suitably qualified. If the consulting firm is owned by or associated with a contractor or manufacturer, the Bank insists that the firm limit its role on the project to providing consulting services and disqualify itself and its associates from construction work or supply of equipment.

An important part of the technical appraisal of a project is an investigation of the assumptions on which the cost estimates have been calculated. For example, a check is made to ensure that there is adequate allowance for physical contingencies and for likely increases in the general level of costs during the construction period; and also to determine whether sufficient provision has been made for interest on borrowed money during construction and for initial working capital.

The Bank places particular stress upon the assurance of adequate management for a project. In cases where the appraisal of the management and organizational aspects of a project indicates that adequate local management is not available, the two institutions suggest that the

borrowing country or the enterprise concerned should look for organizations or individuals qualified to assist in running the enterprise, at least during the initial stages, and to provide appropriate management training to local personnel. Where this type of arrangement is agreed to, the Bank upon request frequently helps the borrower to find individuals or organizations qualified for the task.

The Bank is also concerned with the organization proposed for the execution of a project, both during the construction and operating phases. In the case of some projects, the Bank has conditioned its assistance upon the creation of an autonomous operating authority insulated from pressures and rigidities of government administrative procedures. In several such cases, the Bank's help has been sought and given in the establishment and staffing of necessary authorities.

The commercial aspects of project appraisal entail a review of all arrangements for buying and selling. This aspect of the appraisal involves an investigation of the proposed arrangements for buying the materials needed to construct the project. The Bank is concerned that the borrower shall obtain the best value for the money spent - an objective normally attained by requiring international competitive bidding for orders. For the operating phase, an investigation is made of the proposed arrangements for obtaining the raw materials, power and labor needed to operate the project, and for marketing its product.

The appraisal of the financial aspects of a project usually falls into two sections: that concerned with the amount of money required to

bring the project into operation and with the sources from which it is to be obtained, and that concerned with operating costs and revenue and prospective liquidity in the operating phase.

Since the Bank generally finances only a part of the investment cost of a project, it is necessary in every case to ensure that funds from other sources are available on reasonable terms to meet the balance of the cost. This may be relatively simple, as in the case of a project where the government is able without difficulty to provide the rest of the necessary funds from budgetary sources; or it may be complicated, as in the case of a project to expand or modernize a revenue-earning concern, where all the financial requirements of the concern during the construction of the project must be considered.

The Bank also estimates, for financial projects, the amount of the recurrent financial burden of its operation and maintenance. For a revenue-earning project the Bank estimates the financial return on the investment and determines whether the borrower is likely to have sufficient working capital. In the light of these projects, a judgment has to be made about the soundness of the financing plan and the need, if any, for ancillary financial arrangements to protect the Bank's investment.

Reference has been made above to the requirements for international competitive bidding for supplies used by the borrower. The Bank attaches great importance, in the interest of the borrowing country, to the procurement of the goods and services needed for a project on the best possible terms. To this end, borrowers are required to obtain goods

and services (other than consultant services) through international competition unless this procedure is clearly inappropriate. Indeed, to assure the maximum benefit from this system, borrowers are requested to employ qualified consultants to assist in determining the qualification of bidders and to assist in preparing specifications and analysis of bids. The Bank does not furnish lists of suppliers or consultants to their borrowers. The Bank, however, does review the bids and contracts from the point of suitability of goods and services and the reasonableness of the terms of purchase.

APPROVAL AND CONTINUING PROJECT SUPERVISION

After these intensive investigations, if the Bank is satisfied that a loan or credit can be made to a country and that the project is suitable for financing, the potential borrower is invited to begin formal negotiations. Since most of the problems should have been settled during the course of the economic analysis and project appraisal, it is possible in most cases to complete these negotiations expeditiously. When agreement has been reached on the project and on the terms and conditions of the financing, the loan or credit agreements and all supporting documents are presented to the Executive Directors, together with the recommendation of the President, for their approval.

After approval by the Board and the signing of the loan or credit agreement, a further period usually elapses before the agreement becomes effective. The coming into effect of the agreement generally depends upon the fulfillment of certain prescribed conditions, including the furnishing of satisfactory evidence to the Bank that the agreements are

binding upon the borrower and, if applicable, the guarantor. Only after the agreement has become effective can the disbursement of funds begin.

The work of the Bank in a project does not end when the negotiations with the borrowing country are concluded and the necessary documents are signed. Despite the extensive work done, as described above, it is inevitable that problems will arise in the course of implementing the project. The Bank is concerned that the project is properly carried out. Accordingly, the Bank requires records to be kept and regular reports submitted on the progress of the projects which it is financing. These are supplemented by periodic visits to the projects by members of the Bank staff. On these visits staff members examine the work being done, scrutinize the accounts of the borrowers, observe the use and maintenance of goods and equipment purchased with loan proceeds and satisfy themselves that the management and administration of the project are satisfactory. If a problem arises in the course of implementing a project, potential solutions are jointly explored. Changes in the specifications of a project are sometimes found necessary and are mutually agreed upon and steps are taken, if necessary, to provide sufficient funding to assure completion of a project.

DISBURSEMENT AND FOLLOW-UP

The Bank's work still is not done. In keeping with their policy of carefully scrutinizing how the financing is employed, the Bank

disburses funds under their project loans and credits only as expenditures are incurred for specific goods and services. By means of this procedure and the reporting system described above, it is possible to follow each item financed by the institutions, from the determination of specifications and the placing of an order to the delivery of the item and its actual use in the project. Disbursements are made on receipt of satisfactory documentation. This provides evidence that the goods or services to be financed are covered by the loan or credit agreement and that they are reasonable in cost and of proper and specified quality. Thus, disbursements are made on a staggered basis, as equipment, for example, actually is delivered to a particular country for a particular project. The Bank staff reviews the invoices to assure delivery of purchased equipment and it pays only against such invoices. The Bank, in effect, provides a documentary letter of credit against invoices to the Bank that provide the proof that the country is getting the benefit of the financing. In short, the Bank is not giving a blank check since it retains control of the funds and maintains a pay-as-you-go expenditure policy. This procedure is maintained until all disbursements are made. In this connection it is the Bank's policy, of course, to invest, for its account, all free funds pending disbursements.

The Bank also continues its analysis of the project, even after all disbursements are made to ensure (a) that all physical work has been done as specified and agreed upon and (b) that the project is producing what it is supposed to produce, whether this be kilowatt hours of power,

tons of grain, etc. If the project does not meet the standards set forth, the Bank remains with it to determine what kind of assistance is needed to make the project productive and to integrate it with the economy. [In short, the Bank will stay with the project until it is repaid for its loan.]

The Bank, in the context of the foregoing, is not merely a financial institution. It is a development bank which provides what is necessary by way of expertise in financing, macro and micro economic analysis, in order to assist in the integration of a particular project to the development of a country.

Memorandum of Telephone Conversation between Eugene H. Rotberg
and Emil J. Pattberg, The First Boston Corporation

Pattberg confirmed that the reason for the different yields on three to five year Treasuries is because of the tax consequences on commercial banks and corporations. He stated that the deeper the discount the greater the capital gains tax which would have to be paid by the corporate/bank buyer. I also pointed out to him that even the after-tax yields were different for identical maturities. He said this was because some dealers might be short in Treasuries which had very small outstanding floats and that this supply phenomena also might affect yields up to 10 basis points.

I also discussed with him the question of what we might tell the central banks about the market in the two year bonds. He told, me that originally the Swiss had expressed some hesitation about the central bank bonds because of lack of a market but that First Boston pointed out that they were prepared to make a bid on inquiry. Pattberg suggested that we might advise the central banks that the market for the central bank bonds generally fluctuated with the short-term interest rates and that securities dealers (he suggested we identify First Boston) were prepared to make bids for the bonds on appropriate inquiry. He would not recommend that we refer to the existence of a "market" since that implied a continual two-sided quotation.

EHRotberg:emk
December 30, 1968

Memorandum of Telephone Conversation between Eugene H. Rotberg and
Arthur K. Salomon, of Salomon Bros. & Hutzler

I spoke to Arthur Salomon this morning about the market for two year central bank bonds. He advised me that there is not a two-way market in the bonds since they trade infrequently with little public or institutional interest. He advised me that his firm recently positioned for their own account \$2 million or \$3 million of the 6-1/8's 1970 and 5.80 1970 central bank bonds. After holding them for about two weeks they were able to dispose of them this morning. Salomon Bros. & Hutzler has a contact with certain institutional and banking contacts in Germany, Mexico, etc. and from time to time purchases the bonds and resells them. In view of the very thin market for the bonds, he would not suggest making any statement which would indicate that there is a liquid and open market on a regular continuing basis in any substantial amounts.

He also told me that the recent 6-3/8 U.S. issue is selling better than AAA U.S. corporate offerings. It is now priced to yield about 6.75 while AAA corporates are getting something over 6.90.

I also inquired why U.S. Treasury bonds with the same maturities but with different coupons are selling at substantially different yields. He told me that this was because the lower coupon rate required a deeper discount and the resultant imposition of a capital gains tax when the bonds reach maturity. This fact is reflected in the pricing of the security. He also noted that certain of the longer-

term Treasury bonds, payable at par, have certain inheritance and state tax consequences which are also reflected in their pricing.

. . .

I also spoke to M. A. Schapiro, who is the President of Second Discount Securities, a large Government Bond dealer. He advised me that the yields for U.S. Treasury securities will fluctuate for identical matters, depending on whether the issue has an interest for (a) tax-free foundations; (b) corporate managers or (c) very high-tax bracket individuals. Since the tax consequences fall differently on these three categories, Treasuries with identical maturities but different coupons will have substantially different yields in order to compensate for the different tax consequences. Apparently, each of the three categories of investor seeks a different kind of coupon and discount for its portfolio.

EHRotberg:emk
December 30, 1968

Special Reserve of 291 MM is available to meet the Bank's liabilities, and not for lending. Thus, it is treated the same way as the 80% of unsubscribed capital. However, Special Reserve to meet Bank's obligations is available only if Bank's obligations occur as a result of a default on borrowings.

EHRotberg:emk

December 27, 1968

Legal Considerations

1. The outstanding funded debt of the Bank is now (December 31, 1968) \$3.8 billion. The total subscribed capital of the Bank is \$_____ of which \$_____ has been paid in and \$_____ represents capital which can be drawn upon when and to the extent necessary to meet the obligations of the Bank for funds borrowed or on loans guaranteed by it. The obligations of member countries to make payment on calls by the Bank are independent of each other. A failure of one member to make a payment does not excuse any other member from its obligations. Thus, the calls on member governments to meet the Bank's obligations exceed by five fold the outstanding obligations of the Bank.

The United States commitment alone is \$5.7? billion - 150% of the entire funded debt of the Bank.

2. The common market countries alone are committed to subscribe to over \$3.6 billion - the approximate funded debt of the Bank. The United Kingdom is committed to subscribe to an additional \$2.3 billion. The remaining member nations are committed to the balance of approximately \$9 billion.

3. Thus, there exists the right to make a call if one is necessary of over \$_____ billion to meet the Bank's obligations. That

"protection" far exceeds not only the present \$3.8 billion of funded debt but also all contemplated financial obligations of the Bank in the foreseeable future. The Bank has never made such a call and, indeed, has retired over \$3.4 billion of debt during its operations out of its continuing cash flow.

4. The \$_____ guarantee under the Bank's Articles may not be eroded. It remains as a protection for obligations of the Bank and cannot be drawn upon to make loans.

Liquid Reserves

5. The Bank's cash and liquid investment now exceeds \$1.6 billion. Included in this amount are the following reserves: (a) a special reserve which the Bank's Articles require it to maintain to meet the Bank's obligations in the event of default by borrowers and (b) the Bank's undistributed surplus - its income derived from operations. This liquid (free?) reserve can be looked at in a variety of ways: (a) it exceeds 40% of the Bank's funded debt; (b) it is almost forty times the Bank's yearly sinking fund requirements; (c) it is equal to two years of all of the Bank's anticipated disbursements to all of its borrowers; (d) it exceeds by 8 times the Bank's present debt servicing obligations; and (e) it would permit the Bank to make all sinking fund payments and retire all maturing debt for the next 5 years even assuming none of these reserves were invested in income-producing instruments.

6. Thus, the Bank's reserves can be used as an asset to maintain the Bank's operations in the event of defaults of borrowers or an inability to raise funds in public or private markets, or as an asset which would continue to meet the Bank's debt obligations over a prolonged period, or in the unlikely circumstance that the Bank ceased all operations.

Profits

7. The Bank's profits have quadrupled in the last 10 years.

8. The Bank basically receives income which is converted to profit from two sources: (a) income from loans and (b) income from investments of its available funds. The major expense of the Bank is its debt servicing costs. The income from investments, averaged over the last 10 years, represents but 20% of the Bank's gross income. The investment income, however, is equal to approximately 50% of the Bank's interest obligations in these years. That interest obligation consistently accounts for approximately 80% of the Bank's expense. Thus, income which is derived from a source representing only 20% of the Bank's income equals 50% of the Bank's primary expense. And, as the Bank's debt costs rise because of increases in interest rates, the investment income increases, as the available funds are placed in interest-bearing instruments.

9. No borrowers have defaulted to the Bank. There have been no write-offs attributable to either principal or interest since the beginning of

the Bank's operation. The total loans made to date are _____. The outstanding debt to the Bank is \$_____.

10. Income on loans is usually equal to almost double the interest debt. The income from loans is not derived from one or two sources. In 1968 the Bank received interest and principal repayments from _____ countries, no one of which represented more than _____% of the Bank's income. The 10 countries who paid the Bank the greatest income represented but _____% of its overall income.

11. Consistently, almost half of the gross income goes to the bottom line of the Profit and Loss Statement and is transferred to net income. The Bank pays no taxes and the only other major expense is the administrative expense of running the Bank which represents but 10% of the Bank's income.

12. The income derived from investments is consistently twice all expenses of the Bank (except interest expense) and, as noted above, approximates 40 to 50% of our interest cost in recent years.

13. This investment income is derived from highly conservative investments (primarily member government obligations or agency issues guaranteed by the governments).

14. The Bank takes no risk from currency devaluation in its relationship with borrowers since borrowers are required to pay the Bank in the currency used by the Bank to meet the borrower's needs. (This section should also

include references to "maintenance of value" on capital subscriptions and offset of risk on loans made out of borrowed funds).

Sinking Funds and Cash Flow

15. The current funded debt of \$3.8 billion not only is covered by the guarantees referred to above but also is retired through sinking fund commitments. Over the next 5 years these commitments will average about \$43 million per year. These requirements can be covered solely by the Bank's investment income (which consistently exceeds the sinking fund requirements and all administrative expenses of the Bank.) Thus, the Bank's debt can be retired, pursuant to sinking fund requirements, even if there are no repayments whatsoever on principal or interest by any borrower. While this is an unrealistic hypothesis, it points up the very strong position of the Bank and its cash flow for purposes of meeting its debt commitment. It is particularly significant, in view of the considerable additional income derived by the Bank from its loan income which typically is in excess of over 4 times investment income.

16. The Bank has already acquired bonds with respect to its sinking fund obligations for all (?) of its fiscal 1969 requirements and _____% of fiscal 1970 requirements.

17. As noted above, the Bank at the present time has undisbursed effective loans of over \$2 billion where it is committed to make payments in coming years. _____% or \$_____ of those payments probably

will be made over the next 5 years. This should be compared with disbursed effective loans held by the Bank in excess of \$5.3 billion. Payments on these viable loans (on which the Bank is now being repaid) would amount to _____% of the undisbursed loans in the next 5 years.

Internal Procedures

18. The undisbursed loans of the Bank are not a contingent liability in the sense that the Bank has committed itself to make payments irrespective of the financial condition of the borrower or its ability to service its obligation. The Bank policies simply provide that, if the obligations to the Bank are not met, the disbursements will cease. This, in turn, is based upon the simple fact that the Bank does not give a blank check for loans but rather disburses over a period of time in return for goods and services, during which period the borrower, on a semiannual basis, makes appropriate interest and principal repayments.

19. Prior to making a loan, the Bank does macro-economic studies to determine how a particular project which is the subject of a proposed loan fits into the economy of a member country. The Bank also determines whether a project is creditworthy and whether the project simply makes sense in the particular state of the country's economic development.

20. The Bank also does a micro-economic study to assure that the particular project can be done and is technically feasible.

21. The Bank analyzes the needs of the country in terms of the particular project and makes a careful and detailed analysis to assure that the country will maximize benefit from the project.
22. The Bank will regularly delay the start up of a project or the funding of it to assure the technical, managerial and engineering work is available and can do the job. The Bank will suggest, and/or supply necessary assistance for the project.
23. The Bank staff often stays with the project to assure that it is progressing efficiently and to assure, as various stages are completed, that it is integrated with the economic development of the country. In short, the Bank is more than a banking institution. It lends, suggests or offers whatever kinds of services are needed to bring the project to a successful conclusion.
24. The Bank has two assets: available funds and available experts. Both are channeled into changing the face of a country and increasing its economic strength. The Bank, therefore, can and does supply both component parts of a successful operation: trained and well-qualified personnel, who provide the financial and technical expertise required and the necessary funding.
25. The Bank's work does not stop here. It takes meticulous care on the disbursement of each loan. Disbursements are not made in the classical banking manner. Rather they are made on a staggered basis as

equipment, for example, actually is delivered to a particular country for a particular project. The Bank staff actually reviews the invoices to assure delivery of purchased equipment and it pays only against such invoices.

26. Thus, the Bank, in effect, provides a documentary letter of credit against invoices which provide the proof that the country is getting the benefit of the financing.

27. The Bank's Articles require that a member country which uses Bank funds must avail itself of competitive bidding in world markets for goods purchased through Bank loans.

28. The Bank's Projects Department consists of _____ professional personnel. Forty per cent of their time is spent on following up on actual work done on a project. Time schedules, cost estimates are constantly being changed both prior to and during the project in order to minimize the risk to the country and to the Bank. In view of the pay-as-you-go expenditure policy of the Bank, as well as the Bank's policy of investing all free funds pending such disbursement, the Bank maintains control, maintains liquid balances which are invested, and assures that the disbursements are effectively used.

29. If interest or principal payments are not made by a borrowing country, as required, the Executive Director of the country is notified within _____ days and the entire Board of Executive Directors is notified after 30 days. The Bank made _____ Loans _____ →

in the last five years. In only _____ number of cases has this latter procedure been necessary.

30. Small expenditures by the Bank can produce great change in a nation's productivity. Population control is a good example. Here, a small expenditure, basically consisting of medical personnel and supplies and perhaps the financing of some small capital outlay for facilities can produce startling changes in the country. These changes will have a direct, economic impact: There will be less need for schools, roads, welfare expenditures etc. In short, it makes good business sense to spend \$300,000 for population control rather than \$3 million for roads to handle a population which cannot be productively employed. (Discuss fully)

Education is another example. Vocational training makes good economic sense. It is less costly to educate your own population than to import managers, technicians, blue-collar workers etc. to develop a copper mine or a steel mill. (Discuss here impact on economy of poorly trained population).

Agriculture. Does it really make sense to loan money for a textile mill in India if the employees are ill, poorly trained, suffering from malnutrition / unable to perform effectively. (Expand)

In essence, the Bank looks to a country to pay its obligations. Relatively small expenditures in so-called social service fields will tend to assure that the country can meet its obligations. The power plant which superficially looks like a "sure thing", will pay for itself only if it can be used by a productive people. The productivity of the population, and the concomitant ability to pay obligations, is inextricably linked to its educational level and its health.

Summary

31. The Bank is viable and strong whether measured in terms of its legal posture; its cash flow; its profits; its reserves; or as an operating institution with highly-sophisticated administrative procedures for granting and disbursing loans. Each of these aspects alone are positive measures of financial soundness. Together they make the Bank a unique institution in terms of financial strength and capacity.

Mr. S. Aldewereld

December 26, 1968

Eugene H. Rotberg

I also have figures by year for the last 15 years. There is considerable variation month to month, making current currency needs quite difficult to predict. Yearly projections, however, can be made in a manner which would permit long-term planning for refundings, sinking funds, etc.

EHRotberg:emk