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McNamara Papers

Mr. McNamara's Chronological files (incoming)  
from April - December, 1969 1969

THE WHITE HOUSE GROUP  
**Archives**



1771533

A1995-258 Other #: 1

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President's papers - Robert S. McNamara Chronological files (incoming) - Chrons 03

3

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487/3/15  
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Reid 10/21/67 with Swedish, German, Japanese, & others. <sup>Ed's for</sup> believe:

1. Body should abpt sr. level at Ad Director or Dep Fin Sec level with less senior officials <sup>(Ed's for)</sup> who would lead issues from more technical to basic policy

notes  
trans  
relating to  
1. Mtg could concentrate on tech. issues  
govts, particularly US, won't be ready to talk until later; events may improve climate. Germans & Japanese don't want to talk until technical issues are out of the way.  
supplementary financing unit

2. Try to develop a formula to cost gen balance of payments safeguards in general terms which would apply to any country meeting certain criteria.

3. Under Rats approach the Bk throws responsibility on the govt officials who are the key off set the agenda, the papers to be prepared, the designation of the ch (at least the more sr. mtgs should be chaired by a staff member).

4. The search would like to be resolved at an early stage in discussion of how to proceed.

5. Part of Canadian govt fears if start on the tech. issues may have to give too much - but the Germans are particularly strong in wanting to discuss the technicalities;

6. A natural grouping to talk with: Pat, Lota, Karlson

7. Mtg in Europe or both in Washington.





Pat Rd 10/10

Part 2 notes must not get involved in IDA funds which are the prerogative of the Bd. Can have a exchange of views but no discussion last time, at end, Pat felt a rubber stamp. I might have progress reports. I asked him if I could say Canada proposed 16 per yr for 3<sup>rd</sup> Replen - I will ok -

Canada believes BK lending rate should follow borrowing cost - Mexico<sup>etc</sup> can pay - in that case could keep poverty limit for IDA use part of the 12 to fund for the Brazil's & pull their borrowing rate below the BK lending rate. - he appeared to believe a high (8%) lending rate would stimulate higher IDA Replen - I said no. I stated: John, US, FRG, En.

- a. 400 in annual replenishment would not be approved again by a No a reduction in Indian share.
- b. a. ant's over 400 will not be approved w/o an increase in share of 2A, Africa, & Far East.
- c. at 12 per yr for IDA, could probably be accomplished w/o without a "3<sup>rd</sup> category" of BK type loans by blending; at 600 in IDA replen. would be too low to accomplish by blending & a 3<sup>rd</sup> category with subsidized interest would probably be required.





Plenary - 10/10

Not convinced we need a capital increase - other national institutions do not have as favorable a ratio of debt to equity (cf mortgage debts, Eur. Inv. Bk etc)

If he is persuaded that Bk needs more cash, why increase the authorized + subscribed, i.e. <sup>Bk</sup> don't need more guarantee authority. Therefore amend articles + obtain cash directly at 12 per yr (approximately 200m per yr) for 5 yrs. He calculates this means 20m per yr. for Fund + would be much more acceptable to the Treasurer.

US has asked France to take 100 m less in Fund to keep US vote above 252 - France has refused the US request.

3<sup>rd</sup> Reply.

"Is shocked by the idea of <sup>uniform</sup> 50 yr maturity."

could not there be a variable maturity based on the LDC's reserves?

[might develop a contingent acceleration clause for a std 50 yr maturity]

Present practice of providing <sup>on Bk loans</sup> currency convertible results in unequal sharing of risk - what not offer a voluntary entry into a pool of currencies sharing the risk.

The amt of the 3<sup>rd</sup> Reply will depend on the US - he has no view from his authorities. Probably won't obtain more than 500 or 600 - may have to ask more to get 600.

If you are discussing the amt of 3<sup>rd</sup> Reply, should not discuss other issues - avoid changing articles of agreement if possible.





Louis M - 10/10

Should do more blending - wrote 40 more (above the 30m) 71DA  
to blending -

Should go ahead & double increased Bk capital -

"we can sell to LA countries 332 m. in sub. cap. with 202 pdm"

that is the way we are now subsidizing interest.

We will talk to his LDC colleagues about their views - he thinks  
they will support it.



## OFFICE MEMORANDUM

487/3/23

DATE: 12/18/69

DECLASSIFIED  
SEP 25 2009  
WBG ARCHIVES

TO: Mr. Robert S. McNamara

FROM: John H. Adler *NA*

SUBJECT: AID's Attitude to the Third IDA Replenishment

1. Mr. Ernest Stern, AID's Assistant Administrator for Program and Policy, has sent us on a confidential basis excerpts from AID's Program Memorandum, FY 1971, on "Multilateral vs. Bilateral Capital Assistance". The memorandum is mainly devoted to a discussion of IDA, and clearly reveals AID's basically positive attitude towards IDA replenishment. In general, AID favors increased multilateral aid provided that a) other donors match U.S. contributions in roughly present proportions, b) IDA agrees to do program lending "as required" and c) increased multilateral aid programs do not require U.S. bilateral programs to be reduced even further from their present low levels. On the Third IDA Replenishment, the memo regards \$650 million annually as a "minimum target", and argues that, since attempts to negotiate special safeguards for the U.S. balance of payments would weaken the U.S. bargaining position and possibly jeopardize the replenishment itself, such safeguards should not be sought again.

2. The memorandum is focused on IDA at least partly because of AID's judgement on the capacity and effectiveness of the other main source of multilateral concessional aid for capital assistance, the regional banks. AID assumes that the operations of the Asian Development Bank will grow in the early seventies, but those of the African Bank are assumed to remain small till at least the mid-seventies. Of the Inter-American Development Bank, AID comments that it "has not been effective in managing its resources to achieve the maximum development impact ... If efforts succeed to increase participation by other donors, there could be some reduction in U.S. contributions."

3. The Bank Group, by contrast, is judged competent to handle a significantly expanded volume of lending. The AID memo is in no doubt about the Group's ability to handle annual lending of \$2,750 million, which an IDA replenishment of \$650 million annually is assumed to imply. It is more doubtful about the Group's ability to lend effectively at \$3,300 million annually, which replenishment at \$1200 million (apparently AID's "maximum target") is assumed to imply. To avoid compromising standards, AID feels this would require more technical assistance for project preparation, a considerable expansion of the Group's project appraisal staff, more local cost financing, and more program loans. Alternatively, IDA lending could be expanded at the expense of Bank lending, which would lower the total lending program, but ease average terms.



4. The memo argues that the chances for achieving the low replenishment level of \$650 million annually are "fair to good", noting that it is little above the present commitment rate and only about \$100 million above the range of levels discussed seriously during the Second Replenishment negotiations. Replenishment as high as \$1200 million annually, however, "would be extremely difficult to negotiate", "would require a substantial reorientation of donor aid programs", and would carry the "real danger" that some governments would reduce their bilateral aid.
5. The memorandum notes that channelling aid through IDA has two important advantages for the U.S. It has the political advantage of enabling the U.S. "to avoid some of the abrasive relationships inherent in enforcing bilateral aid conditions in some countries", and, by involving other donors also, it creates a multiplier effect for U.S. aid. For recipients, channelling dollars through IDA makes them available on softer terms and on an untied basis.
6. On the other hand, multilateral aid is significantly more costly to the U.S. balance of payments than bilateral since such a relatively small part of IDA procurement is in the U.S. And bilateral aid "assures concentration of aid in countries of prime U.S. interest" and "is a more effective and flexible instrument for pursuit of special objectives." The memo concludes that on balance multilateral aid comes closer to serving U.S. interests in India, Pakistan and Indonesia, where the U.S. has less immediate national interests and already operates through effective international consortia. Bilateral aid seems more essential in Latin America, where the U.S. has closer political ties and "greater explicit interest in political and social reforms." "These considerations argue against pressing for substantial increases in the share of IDA allocations going to Latin America at replenishment levels substantially below \$1.0 billion a year, so long as bilateral aid to Latin America is adequate."
7. Special attention is given in the memo to the fact that IDA is no longer prepared to do program lending, even in India. The paper concedes that some of the same balance of payments benefit for recipients is produced by local cost financing in project lending, which the Bank Group already does to a limited though increasing extent. But it is argued that this is difficult under IDA's Articles, and in any case produces benefit to recipients very much more slowly than program lending because of the frequently slow disbursement pattern of projects with a high local cost component (such as those in agriculture). The memo also notes that, while the Bank Group has been very effective in exerting leverage on borrower policies at the project and sector level, its leverage at the macro-economic level could be greatly enhanced by willingness to resume program lending. "Until the Bank is able to make program loans, its leverage will complement but not substitute for



that exercised by the U.S. and bilateral programs." As noted above, in paragraph 1, the memo makes AID's support of increased multilateral aid conditional on IDA's willingness to do program lending "as required", though the precise meaning of "as required" is not specified.

8. Finally, the memo discusses the form of U.S. contributions to IDA. In particular, it compares replenishment along familiar lines (or through allocation of SDRs) with the U.S. continuing to contribute 40%, on the one hand, with unilateral U.S. contributions on the other. The memo favors the former "since it retains Bank flexibility in the use of funds and promotes maximum donor participation." The danger in relying mainly on unilateral transfers, especially if tied to U.S. procurement or objectives, is the threat such a policy would pose to the multilateral character of IDA. By increasing the U.S. share in total IDA financing and by restricting the use of large U.S. contributions additional to replenishment, the Bank/IDA would increasingly be seen as executing U.S. foreign policy. Once the U.S. established the practice of unilateral transfers moreover, other donors might follow suit, thus endangering the whole system of multilateral replenishment.

9. The memorandum notes that there has been Congressional support for shared multilateral contributions, at least at the relatively low levels of multilateral assistance which have prevailed in the past. This "may not support the markedly higher levels contemplated here." The paper concludes its analysis of IDA with the warning that as U.S. contributions to IDA increase "Congress may attempt to extend detailed policy control more effectively over that segment of our aid. In particular, we may soon face pressures for more effective tying of U.S. contributions; for the application of the bilateral barnacles to our share of IDA funds; and for more penetrating scrutiny of the operations of IDA. U.S. extra-replenishment transfers are likely to be particularly prone to such actions by Congress."

Comment: I find the document rather disappointing. As you will recall, during the summer John Blaxall and I had intermittent discussions with the people at AID who were working on the draft of this paper. It is particularly disappointing in two respects. First, it now refers to replenishment of \$650 million as being a "minimum", whereas in our conversations and in the tables they showed us, they referred to a \$650 million replenishment as "low", implying that it would be contrary to the best interests of the U.S. Secondly, the real joker is that the paper indicates that any increases in U.S. contributions to IDA should not result in a reduction in bilateral aid. We had been led to believe that what they had in mind was a gradual move of all bona fide development aid (i.e. other than aid of the Vietnam type) to the Bank Group and the Regional Banks.

On the other hand, in the light of growing Congressional scrutiny of all international organizations in which the U.S. participates, I feel we should take seriously the warning referred to in the ninth paragraph above.

cc: Mr. Knapp  
Mr. Aldewereld  
Sir Denis Rickett



487/3/22



MEMORANDUM FOR RECORD

November 20, 1969

SUBJECT: Conversation between Mr. McNamara and the Prime Minister of Japan

Mr. McNamara called on Mr. Sato, the Prime Minister of Japan, at Blair House at 4:30 p.m. this afternoon.

2. After expressing his thanks to the Prime Minister for making an appointment at short notice, Mr. McNamara said that he would like to do three things: (i) to thank the Prime Minister for recent actions of the Japanese Government which had been particularly helpful to the World Bank; (ii) to tell him of developments in World Bank policies which would be of interest to his Government; and (iii) to suggest certain directions in which the policies of the Japanese Government could be helpful both to the progress of the developing countries and to the efforts of the World Bank Group.

3. Mr. McNamara said that under the first head he would particularly like to thank the Prime Minister for the action of the Japanese Government in agreeing to prepay maturities on World Bank loans to Japanese borrowers falling due over the next few years. In this way, the Japanese Government would be putting at the disposal of the World Bank some \$100 to \$150 million over the period October to January. This would be of the greatest possible assistance.

4. Mr. Sato said that Mr. Fukuda had told him of his discussions with Mr. McNamara which had resulted in agreement to make these advance payments.

5. Mr. McNamara said that the Prime Minister would also, no doubt, be aware that the Executive Directors of the International Monetary Fund were likely to recommend to the Governors that there should be selective increases in the Fund quotas. The policy of the World Bank in the past, which he intended to follow on this occasion, had been to recommend to the Governors that they should authorize an increase in Bank subscriptions corresponding to selective increases in Fund quotas. If the Governors approved such increases and if the Japanese Government increased its Bank subscription accordingly, Japan would become the fifth largest shareholder in the Bank and would, in consequence, have the right to appoint its own Executive Director on the Board. Mr. McNamara said that such an outcome would reflect the rapid growth of the Japanese economy and the consequent increase in Japan's influence in international economic affairs.

6. Mr. Sato asked what would be the effect of this change on the representation of those countries which at present joined with Japan in electing a Director to the Bank Board, namely, Burma, Ceylon, Nepal, Thailand and Singapore.

7. Mr. McNamara said that they would, no doubt, form a new grouping. For example, some might join with India which would lose its right to appoint its own Director. The Indian Government were very unhappy about this change and it was likely to give rise to controversy in the Bank Board.



November 20, 1969

8. Turning to developments in Bank Group policies which would be of interest to the Japanese Government, Mr. McNamara said that the Prime Minister would be aware of the increasing attention which the Group was giving to the development of Indonesia. In the FY 1969 IDA credits had been extended to them amounting to \$50 million. He expected this amount to be increased in FY 1970 to \$60 or \$70 million.
9. Mr. Sato welcomed this. Japan had made substantial contributions to the total of aid to Indonesia. Hitherto they had met a third of the total on condition that the United States also found a third. They would, no doubt, be able to continue to do this if aid to Indonesia were not to increase substantially. In the coming year, however, it would increase to \$600 million and might, in subsequent years, go even higher. He wondered whether this was wise. He was aware of the serious debt-servicing problems facing Indonesia and the recommendations which Dr. Abs had made for dealing with them. The Japanese Government had stated that it would accept the Abs recommendations if other contributors were willing to do the same. He had great confidence in President Suharto and hoped that his policies would gradually reduce the dependence of Indonesia on external assistance.
10. Mr. McNamara said that the World Bank Group would also play an active part in meeting the needs for economic assistance of other countries in Southeast Asia and in providing assistance for reconstruction of Southeast Asia, once the war was over, and also for the development of the Mekong Basin.
11. Mr. McNamara said that he was well aware of the many demands made upon the Japanese Government and he knew that, in spite of the phenomenal growth in the Japanese economy, their level of income per head was still low compared, for example, with that of European countries. Nevertheless, he hoped that the Japanese Government would feel that it was in their interest to increase their aid program and, within that program, to increase the proportion designated to multilateral aid - particularly to A.D.B. and World Bank. This would be justified for two reasons. Serious debt-servicing problems were confronting countries in Southeast Asia and not only in Indonesia, to which the Prime Minister had already referred, but also in India and Pakistan, in Thailand and in Korea. Unless assistance was given to these countries on soft terms, it would be difficult for private investors and exporters both in Japan and in the United States to continue to operate in those countries. Secondly, it was one of the unfortunate consequences of the war in Vietnam that the American people were now less willing than before to accept foreign commitments. This would mean that they would give less foreign aid unless what they gave was supported by substantially higher contributions from other countries. Such contributions from other countries would be particularly effective in stimulating U.S. aid if provided through multilateral organizations.
12. Mr. Sato said that his personal view was that Japan should play a large part in supporting international development organizations. This had been reflected in the statements made by Mr. Fukuda at the Sydney Meeting of the Asian Development Bank and by Mr. Oichi at the ECAFE Meeting in Bangkok. He had confirmed this to President Nixon during his present visit. The war in Vietnam could not be ended without a "master plan" for the economic development of Southeast Asia. At the



November 20, 1969

same time the Japanese Government had a number of serious economic difficulties of its own. There was, for example, the problem of surplus rice production. In 1945 fears had been expressed that there might be a serious deficiency of rice in the Far East. The Japanese Government had supported the price to its farmers at levels above the world price. The result was that they had a substantial surplus which could not be sold abroad except at a loss. They had made loans of rice, e.g. to Korea and to Pakistan, but the problem remained. How would Mr. McNamara deal with it?

13. Mr. McNamara said that he was fortunate in not being dependent upon the votes of farmers. If political considerations could be ignored it would obviously be right that surplus agricultural production both in the United States and in Japan should be discouraged by lowering support prices. This would probably mean that there would be a transfer of resources from agriculture to industry in which Japan had such a large comparative advantage.

14. Mr. Sato said that he was also much concerned about the question of textile exports.

15. Mr. McNamara said that, as in the case of agriculture, Government policies might be a political necessity and at the same time an economic monstrosity. Japan might be facing similar difficulties with textile imports from India in, say, another twenty years.

16. In conclusion, Mr. McNamara thanked the Prime Minister for being so generous with his time and attention.

17. Mr. Sato said that it had been a pleasure to him to have this discussion. He repeated that he would discuss with Mr. Fukuda the points Mr. McNamara had made and he stated that he hoped that Mr. McNamara would write to Mr. Fukuda as well.

D. H. F. Rickett



November 17, 1969

487/13/21

Meeting in Mr. McNamara's Office, November 4, 1969

Present: Dr. B.J. Udink, Minister Without Portfolio in Charge of Aid to Under-developed Countries, Mr. Jan Meyer, Civil Servant, Mr. F. Kupers, Economic Minister at The Netherlands Embassy, and Mr. McNamara

Dr. Udink expressed his pleasure with the Pearson Report. Mr. McNamara thanked the Minister for his support in getting the Report translated into Dutch and Indonesian. Dr. Udink remarked that the latter edition could be read also in Malaysia and Singapore and thus would reach a population of 150 million.

Mr. McNamara said the next step was to translate the report into action. He pointed out that new leadership was needed in the field of development finance, particularly with respect to IDA replenishments and the increase in the Bank's capital. It was evident that the U.S. Government would not provide this leadership for the time being, perhaps not for the next two-three years; nor could it be expected that such initiatives would be taken by Germany or Japan. Mr. McNamara suggested that the "middle powers" might provide new leadership in this respect. Canada seemed responsive to this idea and perhaps others, such as The Netherlands, might join with Canada in bringing about a meeting of like-minded leaders in the developed countries to propose immediate action. These proposals should specify which practical steps should be taken and should be expressed in a language which finance ministers could understand. Since it was clear that bilateral aid was not going to be given up by the developed countries, there was no use in talking about multilateral aid undertaking the major responsibility in development finance. Perhaps some more modest proposals might be suggested, for example, which specific measures developed countries would undertake to raise the percent of multilateral aid from 10% to 20% of total official assistance, the target proposed in the Pearson Report.

Dr. Udink then asked Mr. McNamara whether he proposed to announce a target figure for the volume of IDA replenishments needed. Mr. McNamara said that he would welcome the Minister's advice on this point. It was his own preliminary conclusion that it would be unwise for him to set such a target figure. It would seem far more useful if the interested governments would be the ones to specify the level needed. Perhaps Canada and The Netherlands together could take the initiative. Minister Udink said he fully agreed with Mr. McNamara's position on this point. He then asked when the IDA replenishment exercise should be initiated. Mr. McNamara said that it was important to move quickly. Under no circumstances should other countries wait for the U.S. Government to agree to the target figure, since it was itself waiting for the report of the Peterson Commission some time in early 1970.

Minister Udink thought it would be important to link the IDA replenishment proposal and the proposed increase in the Bank's capital into the framework for the UN Second Development Decade. It was imperative to show the developing countries that some progress was being made. Perhaps one should concentrate on two immediate objectives. First, countries should show progress in untieing bilateral aid. He noted that President Nixon had moved in this direction in his recent speech on Latin America. Second, proposed efforts to reach the 20% multilateral aid target should be spelled out in detail. These two objectives would be extremely useful in the UN context.



Dr. Udink said he would be very interested in meeting with Canadian officials to see whether they could take joint initiative in this field. They could perhaps also urge Germany to take an active role in this exercise. Mr. McNamara said that he would support the Minister's suggestion. Experience suggested that progress was best ensured if these recommendations were promoted through governments rather than the IBRD President.

Dr. Udink then turned to the problem of IDA disbursements. He mentioned that initially there had been a willingness in The Netherlands to increase the Second IDA Replenishment beyond the agreed levels. However, in light of the slow disbursements under the Second Replenishment, it might be difficult to maintain the momentum of this support. He wondered whether disbursements could be speeded up by more program lending. Mr. McNamara said that the Board was very reluctant to approve program loans. The Articles of Agreement stated that this could only be done in exceptional cases and the Board appeared very much divided on this point. Minister Udink said he was aware that the Dutch representative on the Board did not favor program lending. The heads of states in several Latin American countries had brought this point to his attention on earlier occasions. Mr. McNamara said that, while he personally favored some program lending, he would wish to avoid a sharp split among the Board members and he would therefore prefer not to bring this issue to a formal vote. Instead he intended to raise the level of project lending in order to increase capital flows to ldc's. One way of avoiding the difficulty mentioned by Minister Udink was to clarify the gap between commitment levels and disbursement volumes. He said staff studies in the Bank showed that it took about 10 years to disburse commitments extended during a three-year period. Dr. Udink found this interesting and asked if these studies would be available outside the Bank. Mr. McNamara answered that he would be very happy to let the Minister have full access to these materials.

Minister Udink then mentioned the recommendation in the Pearson Report asking the Bank to initiate an international meeting of aid donors. Mr. McNamara said at present he thought it would not be proper for the Bank to take the initiative on this point. He might be willing to do so if specifically requested by the UN Secretary-General. In any case he would wish to wait until the Jackson Report was published. Minister Udink thought that the Tidewater Conference in England next spring might be a useful forum to promote these ideas.

Leif E. Christoffersen



48713/20

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: November 18, 1969

FROM: Denis Rickett

SUBJECT: IDA Third Replenishment - France -

This is to record your conversation with Mr. Plescoff this morning.

2. You had asked him to call to discuss with him your ideas on the Bank's need for additional equity capital. You also took the opportunity to show him the letter dated November 13th which you had received from M. Giscard d'Estaing.
3. On the first point, you said that you had decided not to ask for any immediate decision on a general increase in Bank subscriptions. You would instead propose that, in accordance with past practice, Bank subscriptions be increased in line with selective increases which might be made in Fund quotas. Although you were not asking for an immediate decision in favour of a general increase, you were inclined to think that the Bank needed an addition to its equity capital. This could, however, be achieved either by an increase in the subscribed capital, or by a reduction in the transfer of Bank profits to IDA, or by some combination of the two. These matters were clearly related to the question of the Third Replenishment of IDA and you would, therefore, propose that they be discussed in the same forum in the course of the negotiations for the Third Replenishment.
4. You then showed him the letter from M. Giscard d'Estaing, of which he had not yet received a copy. Mr. Plescoff pointed out that the letter referred to the possibility not only of an increase in the Bank's subscribed capital but also as an alternative to the calling up of some part of the existing capital. You agreed that this was also a possible way of financing an increase in the Bank's equity. You added that since the Bank Management would, in the next few days, be circulating a paper stating its position on the Bank's need for additional capital, you hoped very much that this would enable the French Government to proceed to nominate their representative for the Third Replenishment negotiations. We were anxious to have a meeting of the Deputies in the first half of December and had in mind summoning a meeting in Paris on December 8th and 9th. If this was to be possible, the invitations together with the agenda and papers would have to be sent out at the beginning of next week. We hoped that we should by then have received the name of the French representative. You would be writing to M. Giscard d'Estaing in this sense in reply to his letter but it would be helpful if Mr. Plescoff would communicate your views to Paris in the meantime. He undertook to do this.
5. You then gave him some figures, which you emphasized were confidential and provisional at this stage, showing the very large increase which you had in mind for planning purposes in Bank Group lending to French-speaking Africa (an increase from \$130 million to, say, \$860 million). You felt sure that the French Government would be anxious to see such an increase but it would certainly not be possible unless we had the support of all governments, including the French Government, in finding the necessary money. Mr. Plescoff remarked that these figures would lend strong support for the case for a public issue by the Bank in the French capital market. You pointed out that a large part of the



Mr. Robert S. McNamara

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November 18, 1969

expansion was in IDA lending which could not be financed by market borrowing. Mr. Plescoff's comment on this was that he personally thought that there was a strong case for an increase in IDA to a level of \$600 million a year. To go further and ask for a doubling of the level of the Second Replenishment to \$800 million would, in his opinion, be much more difficult. You replied that you did not think that a Third Replenishment of IDA at the level of \$600 million, particularly if there were no increase in the Bank's capital, would be in any way adequate.





497/3/19

Reid - 11/17/69

Byrd very sympathetic to IDA

Canada is prepared to consider increase in IBK capital but  
Euro zone + US regard it as competitive with IDA +  
Canada does not favor one in IBK capital.

Way to solve inc. in IBK reqs is to push for access to  
capital mkt - concurrently push for other will support  
high IDA (as close to 1 billion as possible).

Canada does not <sup>want</sup> to take the lead on IB - try to form a group of  
Scandinavians etc. -

Interest rate: if IBK went forward now would have to pay  $7\frac{1}{2}\% + 8\frac{1}{2}\%$   
+ i. IBK int. rate should be increased to  $7\frac{1}{2}\%$  - would be willing  
to look at my arguments -

Canada will support selective increases in the IBK agreement to the Fund -



## OFFICE MEMORANDUM

DECLASSIFIED  
487/3/18  
CONFIDENTIAL  
SEP 29 2002  
WBG ARCHIVES

TO: Mr. Robert S. McNamara

DATE: November 4, 1969

FROM: John H. Adler *JA*SUBJECT: Discussions of Sir Denis RickettA. U.K. Aid Policy

Sir Denis Rickett, who spent a few days in London before coming to Paris, asked me to give you the following indication of the gist of his conversations in London.

1. The U.K. Government is loosening up on its aid program. At present the aid program is the only item in the budget with a fixed cash ceiling while the ceilings on all other items are defined in percentage terms of GNP. It has been recognized that with an absolute ceiling the aid budget would move further away from the GNP target, therefore the December White Paper on Aid would provide for increases to reflect both price increases and the rise in GNP and, perhaps, go somewhat higher.

2. This would give ODM more freedom of action and permit an increase in the IDA contribution. Sir Denis learned from Sir Douglas Allen, the Permanent Secretary of the Treasury, that the Chancellor (and he) favor a direct link between SDRs and IDA allocations. The Chancellor told Commonwealth ministers at the Barbados meeting (before the Annual Meeting) that he was willing to work for an amendment of SDRs agreement.

B. French Attitude Toward IDA Replenishment

Mr. Rene Larre told him that the French Government would not nominate a Deputy to discuss IDA replenishment until they would obtain an indication of the cost (to the French) of the increase in IBRD subscriptions.

C. DAC High Level Meeting

Sir Denis Rickett spoke to Ambassador Martin and Mr. van Lennep, both of whom said they would want to be helpful on IDA replenishment. They indicated that they were not ready at this time to ask you to attend the DAC high level meeting. They would take up the subject after the preliminary DAC meeting on November 3 and 4.

JHA/mwm

cc: Sir Denis Rickett  
Mr. Aldewereld



NOTES OF CONVERSATIONS IN LONDON AND PARIS  
OCTOBER 27-31, 1969



LONDON

In London I called at the Ministry of Overseas Development on the morning of Monday, October 27 and saw the Minister (Mrs. Judith Hart), Sir Geoffrey Wilson and Mr. Douglas Williams. In the afternoon I visited the Treasury and saw the Chancellor of the Exchequer (Mr. Roy Jenkins), Sir Douglas Allen (Permanent Secretary), Sir Samuel Goldman (Second Secretary in charge of Public Expenditure), and Mr. Raymond Bell (Third Secretary in charge of Aid Expenditure).

The principal points which emerged from these talks were as follows :

- (a) In the Third Replenishment negotiations the U.K. will be represented by Sir Geoffrey Wilson (or in his absence Mr. Dick King) for meetings which take place in Europe. For meetings in Washington, D.C. they will be represented by Mr. Derek Mitchell, the successor to Mr. Evan Maude.
- (b) Mrs. Hart is visiting Washington, D.C. on November 18. I understand that arrangements for her visit have already been made through Mr. Martin Lynch.
- (c) I was asked when the first meeting of deputies was likely to take place. I said that we would not know until we had received the nominations from the governments of their representatives.
- (d) The Chancellor of the Exchequer and Sir Geoffrey Wilson gave me, in confidence, certain details about the figures of aid expenditure to be included in the U.K. White Paper, which would be published at the beginning of December. This would cover expenditure in the U.K. fiscal years 1970-74. Definite figures would be included for the first three years with token figures for the last two. It was hoped that the Cabinet would approve a rising scale of aid expenditure, perhaps increasing by £15m a year. This was intended to ensure that from now on the U.K. aid expenditure should take account both of rising prices and increasing GNP. The annual increase would be intended to do rather more to offset these two factors. The U.K. would thus begin to make a gradual approach towards achievement of the international target of 1% of GNP. In recent years they had been falling further and further behind that target because of the fact that the aid programme had been governed by a fixed cash ceiling. The Chancellor emphasized that no final decision had been taken on this as yet and asked me to treat the matter as confidential in the meantime.



(e) Discussions are proceeding between the ODM and the Treasury on the question of the rate of drawing on the U.K. IDA contribution. We have made it clear that if it suits the U.K. we can arrange for their contribution to be drawn upon at an even rate which can therefore be predicted in advance. This might mean that in certain circumstances the U.K. contribution would be used more rapidly than that of other countries. This is the price which they would have to pay for greater certainty about the rate of drawing upon their contribution.

(f) The Ministry of Overseas Development are worried about the apparent increase in the lag between commitments and disbursements of IDA credits to developing countries. Mr. Williams has given me a chart which shows a widening of the gap from the beginning of 1968-69. I suspect the explanation is that commitments will rise rapidly in fiscal years 1969 and 1970 and that, as is usual, disbursements only increase after an interval.

(g) In the forthcoming negotiations on the Third Replenishment, the U.K. will be anxious to obtain some reduction in their percentage contribution even if only of a 'token' amount. They propose to approach the Germans and see whether the Germans would be prepared to accept an increase in their contribution. The Ministry thought that in the new government the Germans might be more favourably disposed to multilateral aid.

(h) They asked me to explain the reasons for which we were considering suggesting an increase in the Bank's capital and I outlined these to them. They seemed prepared to consider the matter with an open mind. I said that if we decided to proceed with this matter a paper would be circulated to the Board within the next month or so.

(i) The U.K. was not greatly interested in the question of voting in IDA. They would be prepared to accept some change in the present arrangements if this would help to secure a larger contribution from the Japanese.

(j) Sir Geoffrey Wilson said that he would be prepared to lobby the Germans, French, Dutch and Scandinavians in favour of a high figure for the Third Replenishment. By 'high' he meant the upper limit of the range represented by views of other governments.

(k) Sir Douglas Allen was reasonably optimistic about the balance of payments outlook for the U.K. The Bank of England has clearly been taking in dollars recently in the Exchange Markets and has



been able to pay off a good deal of short-term debt. They expect to do better still in the coming months. Since, however, the balance of payments can only improve if the necessary resources are made available, the balance of payments constraint is now giving place to a resources constraint. Private consumption has had to be held down through high taxation and the Government realizes that a high rate of direct taxation is unpopular with the working class, no less than with the better off section of society. There is, therefore, considerable pressure to reduce taxation. This requires that a strict watch should be kept on all forms of public expenditure including Aid. It is, however, recognized that the U.K. has been 'a bit mean' on the aid programme and that we ought now to stop moving away from the 1% GNP target. The publication of the Pearson Report and the campaign on the back-benches of the Labour Party have no doubt helped to bring this about.

(1) Sir Douglas Allen had some comments on the question of the 'link' which I found interesting. He said that the U.K. was not in favour of the 'indirect link' put forward by Mr. Colombo. This he said meant that countries gave aid in proportion to their IMF quotas (he seemed to ignore the point that 'the direct link' could equally be held to mean that countries would forego additional SDRs in proportion to their IMF quotas. He may have had in mind that in this latter case budgetary action would not be needed). He said that the U.K. were definitely in favour of the 'direct link' though it had hitherto considered that the most important objective was to get the SDR scheme approved and activated. Now that that has happened they will be prepared to work for an amendment of the scheme as soon as this seemed practicable, e.g. within the next two to three years. The Chancellor of the Exchequer had told Commonwealth Finance Ministers at Barbados that the U.K. Government had been in favour of the link but had had to give way to pressure from other Group of Ten countries, particularly the French who were afraid it would lead to excessive creation of SDRs.

On Tuesday, October 28 I had lunch with the Governor at the Bank of England and talked with him and also with Mr. Jeremy Morse. The most important point which emerged was that Mr. Morse had not understood the reasons for which we might wish to propose an increase in the Bank's capital. He thought that we were seeking to get an increase in the guarantee obligations of the member governments. I explained that this was not our object, though such an increase might be useful over the longer term. Our immediate object, however, was to get an increase



in the paid-in capital which would make us less dependent on the capital markets, in respect of both of the amount of funds we could raise and the rate of interest which we should have to pay for them. I have passed this on to Mr. Aldewereld, who will be seeing Mr. Morse at the end of this week.

PARIS - October 29-31, 1969

In Paris I saw M. Jacques Brunet (Director General of Economic Affairs at the Quay d'Orsay), M. Rene Larre (Directeur du Tresor at the Ministry of Finance), and M. Olivier Wormser (Governor of the Bank of France). I also called on M. Guillaume Guindey (Caisse Centrale de la Cooperation Economique), M. Maurice Perouse (Caisse des Depots et des Consignations), and on M. Claudio Segre at Lazard Freres. I also had talks with Mr. van Lennep and Mr. Ed Martin at the OECD, as well as paying a courtesy call on the British Ambassador, Mr. Christopher Soames. Finally, on the last evening, we gave a dinner which was attended by the principal representatives of each of the countries who are members of Working Party No.3.

A note of the points made in the discussion after dinner has been prepared by Mr. Adler. I should, in addition, record the following points made in individual conversations :

(a) M. Larre said that the French Government could not take a position on the Third Replenishment of IDA until they knew what the President of the World Bank intended to propose about an increase in the Bank's capital. These two questions were clearly related to one another. It was for this reason that his Minister had not so far replied to Mr. McNamara's letter asking him to appoint a deputy to represent him in the negotiations. M. Larre expressed concern lest the question of the Bank's capital should divert attention from the main issue, namely the replenishment of IDA. I said that we regarded these two questions as complementary and that if we decided to ask for an increase in the Bank's capital, a memorandum would be circulated to the Board within the next few weeks.

(b) M. Larre said that they would always be glad to receive visits from members of the Bank's staff in order to discuss the geographical allocation of IDA's funds. He did not wish us, however, to feel under any special obligation to visit Paris specifically for this purpose. This was somewhat at variance with the line taken by M. Plescoff at the meeting of representatives of Part 1 countries on September 16.



(c) Both Mr. van Lennep and Mr. Martin were extremely anxious to do all they could to help us in the Third Replenishment negotiations. I discussed with them the recent meeting of parliamentarians from DAC countries which seems to have been useful and a good deal more successful than similar meetings in the past. Mr. Martin said that he was not yet ready to advise Mr. McNamara whether he should try to attend the DAC high level meeting on November 26 and 27. He would be able to judge this better after the ordinary DAC meeting on the 5th and 6th November.

(d) M. Brunet said that while the principal responsibility for relations between the French Government and the World Bank Group lay with the Ministry of Finance, the Ministry of Foreign Affairs were much interested in our work. He was therefore glad that I had called on him in order to bring him up-to-date on the Bank's progress and on the requests for additional support which we would be putting to member governments in the near future.

(e) We had an interesting talk with M. Segre, though I had unfortunately to leave before it was over for another appointment. He wished to bring to our notice the possibilities of borrowing in the Euro-bond market. The same point was raised by Dr. Emminger at dinner the following day.

(f) The conversation with M. Guindey was somewhat disappointing. He seemed excessively preoccupied with the dangers of inflation. He saw such dangers in the SDR scheme (which he said was quite different from the CRU proposal put forward by the French Government). He also argued that there would be similar dangers if the World Bank were to increase greatly its borrowing from Central Banks through the medium of short-term bonds. Mr. Adler and I said that we did not see any great differences in this respect between Central Banks investing in World Bank bonds and investing in U.S. Treasury bills or short-term securities. M. Guindey took what seemed to us the extreme view that Central Banks should hold only gold in their reserves or cash deposits with the Federal Reserve.



ANNUAL MEETING 1969

DISCUSSIONS WITH REPRESENTATIVES OF PART I COUNTRIES

UNITED KINGDOM

Mr. R.B.M. King, Deputy Secretary, Ministry of Overseas Development, called on Mr. McNamara at 11:15 a.m. on Thursday, October 16th. He was accompanied by Mr. Maude and Mr. Lynch.

The following were the main points in the discussion:-

(i) British Role in Third Replenishment Negotiations

Mr. McNamara emphasized the help which the British Government could give in promoting a successful outcome of the negotiations. Somehow the Germans and, perhaps, also the Japanese needed to be persuaded to do more. The British Government was in a good position to exercise influence on those governments.

Mr. King said that Sir Geoffrey Wilson would be ready to go to Bonn at any time and make representations, in conjunction with the British Ambassador, to the German Government. What would be the right timing for this?

Mr. McNamara thought that we should first see what developments there were during the next six weeks. Perhaps the latter part of November or early December might be an opportune moment for an approach to the German Government.

(ii) Level of Replenishment

Mr. McNamara said that it would be quite impossible to negotiate a satisfactory replenishment of IDA at anything near the present level of \$400 million. Too many of the Part I countries were dissatisfied with the present allocation of funds. The United Kingdom wanted more for India, France wanted more for West Africa, the United States wanted more for Latin America, and the Japanese wanted more for Southeast Asia, especially Indonesia. It was impossible to meet all these claims unless there was a substantial increase in the level at which IDA was replenished. If this could be done, then even if the present 40% allocation to India had to be reduced somewhat, this would still be consistent with an increase in the absolute amount going to India. If the level of replenishment were high enough, it might not even be necessary to reduce India's percentage share.

(iii) Mr. McNamara said that there were, of course, other reasons why there should be a substantial increase in the amount of the Third Replenishment as compared with the Second Replenishment. There were the growing debt service problems of many of the developing countries; there was the increase in their technical absorptive capacity; there was the urgent need for an improvement in their rate of economic growth; and there was no doubt that the Bank Group, with its existing resources, could process a much higher level of credits.

(iv) Program Lending

Mr. King suggested that the Bank would not be able to maintain its position of leadership in consultative groups if it relied too much on project lending.

487/3/16  
WBG  
ARCHIVES



Mr. McNamara quoted from the record of Bank Board discussions to show the degree of opposition which there was in the Board to program lending. The United Kingdom should use its influence in the Board. He, himself, was anxious to go back to the Board at the right moment both on the question of program lending and on that of the level of preference for domestic suppliers. He did not think that the Pearson Report would help much on this issue. In the meantime, the Management would endeavour to speed up the preparation of projects in India and would choose fast disbursing projects so that aid to India would not suffer. We had, perhaps, been too lax in the past in resorting to program aid without trying hard enough to find suitable projects. There was, for example, a great need for additional fertilizer plants in India. The Bank Group had at its command a unique skill which it could put at the disposal of developing countries in planning and appraising projects. They would certainly not rule out program lending where this was clearly needed to maintain the agreed level of lending to India. He understood the desire of the U.K. to see that level maintained. This being so, he had been surprised at the line which they had taken on the amount of IDA funds to be committed in fiscal years 1970 and 1971.

(v) Project Appraisal

Mr. King asked whether the World Bank would help the United Kingdom Government in finding and appraising suitable projects.

Mr. McNamara said that he would always be willing to do this provided, of course, that the World Bank Group was paid for the work it did since it would have to recruit additional staff to undertake such work for the U.K. and other governments.

(vi) Visits to London

Mr. McNamara said that he expected to be in London twice in the near future - first on the 11th and 12th of November and, subsequently, on his way to or from the high level meeting of the Development Assistance Committee on the 27th and 28th of November. He would certainly hope to meet the new Minister of Overseas Development on one or other of these two occasions. He would be ready to take part in a meeting with Sir Geoffrey Wilson and other U.K. officials on the morning of November 12th.

D. H. F. Rickett  
Vice President  
October 17, 1969



487/3/12



Kufner - 10/8/69

Peter inserted sentence in speech of Kai on a favorable attitude toward capital increase.

With an increase of Fund quotas, should consider what to do re PK capital. Within 3-4 yrs BK may reach a volume of borrowing that requires capital increase to maintain proper ratios & a fair capital structure.

Do not know what will happen in the capital markets - have been fortunate but every change & in order to maintain a high rate of lending would benefit from capital inc.

200 to 300 million per yr, PK inc, for 5 yrs would be desirable. Since he & his ministers oppose SDR link, a capital inc. may help satisfy those who believe SDR's should stimulate development.

Financing: should not wait too long; prepare now but don't push until know what Fund will do (by approx 11/5 or 11/30). Submit simultaneously to Gov the proposals.

A stronger case for tying BK inc. to the Selective Increase because the Selective Increase means the country has become stronger.

But favor BK inc = to Fund general & special = 20 = 2.

Under present conditions should we insist on the 22% point - would require a change in details but this change should be popular.

Voting: should stick to principle that voting power in PK is linked to subscriptions & he would make no special concessions in this respect - but would split Special Increase between 10 & 200 - 10 to maintain present rates - this would be difficult in the PK.



3<sup>rd</sup> Ruffin - at an early date should have a Bd discussion on whole  
 financing problem of IDA & lending practices -  
 terms: he favors 50 yrs & present conditions - he does not favor "disinfecting"  
 of goods loan to IDA instead of providing grants, terms should be the  
 same as IDA terms - some goods could raise funds at market rate  
 & budget only the interest differential.

Person rec. re suit is completely unrealistic - In next few yrs IDA  
 implementation will not exceed 500m. Altho might start at 500  
 the first yr & step up to 600 the 2<sup>nd</sup> & 700 the third.  
 would be difficult for Fk to process 1 billion per yr of IDA projects but  
 if that the money should slowly adjust the processing capacity to it.  
 should set the target so that US will take its share; other countries  
 will not increase their share, certainly not by more than 5 percent.  
 the US must put up 40% or somewhat less.

Don't settle with the US before contacting the European countries.  
 In order to obtain the support how could we make IDA more palatable. On  
 the whole IDA has done the right thing but if contributors don't think  
 so, we should consider changes. Next perhaps should invite the EC's  
 to check with their govts on their views on how to make IDA more attractive  
 Dutch will probably increase their constitutional share but they feel strongly  
 that Party countries should contribute on GDP basis & if they don't  
 this will affect Dutch share.

Person com - by time Bd considers them should have a frank discussion  
 as to what we would like the Fk to be. The rec. want to make the



Fk the central bank agency in the world. This goes beyond what  
 he thinks the Fk was set up to be. Fk should do more than strict  
 banking but could endanger itself by taking in political matters  
 i.e. broad policy recommendations & goals.

Discussion should not be vague & general but perhaps stating  
 the reasons vis a vis those relating to the Fk's banking  
 functions & those which tend to go beyond these limits.



ANNUAL MEETING 1969

DISCUSSIONS WITH REPRESENTATIVES OF PART I COUNTRIES

AUSTRIA

Mr. McNamara:  
to see please  
10/8/69  
WBG  
487/3/14

Dr. Walter Neudoerfer of the Austrian Ministry of Finance called on me at 9:30 a.m. this morning.

We agreed that there were no special problems affecting relations between Austria and the Bank Group at the moment. I outlined to him Mr. McNamara's plans for the negotiation of the Third Replenishment of IDA and said that we hoped that we should have the support of the Austrian Government. We had particularly valued their help in making an advance contribution to the Second Replenishment.

Dr. Neudoerfer said that both he and his Minister were anxious to do all they could. Their freedom of action, however, was limited by their Parliamentary and public opinion. This was not, on the whole, in favour of an increase in aid. The Court of Accounts was also extremely critical of aid expenditure. Could not the World Bank do more to get in touch with influential circles in Austria and persuade them of the need for a greater aid effort?

I said that we would be only too glad to do this and hoped that he would give us his advice about the people whose influence counted most in this respect.

Dr. Neudoerfer did not seem to rate very highly the influence of the Vienna Institute for Development. He referred to "Presidents of Chambers of Commerce and of Industrial Associations".

I said that I would ask the Information and Public Affairs Department of the Bank to get in touch with him through Mr. Karasz so that we could undertake the sort of campaign which he had in mind.

I told him in confidence that Mr. McNamara was considering whether there should be any general increase in the Bank's subscribed capital in parallel with the increase of IMF quotas. He expressed some concern about this possibility and thought that there was a danger that by asking for too many things at once we would undermine our case. He seemed to regard the issue of SDRs and the increase of Fund quotas as additional obligations for the developed countries. I said that, on the contrary, we felt that this increase in international liquidity should make countries less worried about their balance of payments and reserve positions and more willing therefore to do more for developing countries. It was, of course, true that an increase in the Bank's capital would, as in the case of IDA, make demands on national budgets but the capital had not been changed for ten years and if we were to ask for an increase in called capital this could, no doubt, be phased over a period of years.

D. H. F. Rickett  
Vice President  
October 1, 1969



ANNUAL MEETING 1969

MEETINGS WITH REPRESENTATIVES OF PART I COUNTRIES

DENMARK



Mr McNamara:  
to see please  
see 10/8/69

487/3/11

Mr. Otto Müller, Ministry of Commerce, and Mr. Steen Secher, Ministry of Finance, called on me this afternoon.

I summarized for them the timetable which Mr. McNamara had in mind for negotiations dealing with the Third Replenishment of IDA and said that he would be writing to their Minister shortly asking him to appoint a Deputy. I understood that Mr. Secher was likely to be nominated. I also outlined the reasons for which we thought that a substantial increase in the level of IDA funds was desirable but said that we would not put forward any proposal on this point until we had a better idea of where governments stood. We had been most grateful to the Danish Government both for their advance contribution to the Second Replenishment and for their special supplementary contribution. We hoped that they would use their influence in the coming negotiations so that we should be in a position to report a successful outcome at the Annual Meeting in Copenhagen in a year's time.

Mr. Müller said that the Danish Government were strong supporters of multi-lateral aid and of IDA, in particular, and that we could rely on them to do their best.

I also told Mr. Müller briefly, in confidence, of the study which was being made of the possibility of an increase in the Bank's capital. He said that they would study the matter and be ready to take part in a discussion when it came to the Board.

Mr. Secher referred to the Bank Group's intentions on lending to Indonesia. He understood that we had in mind that some 12-1/2% of IDA funds should be used for this purpose. Was there not a danger in fixed percentages of this kind particularly since we already had percentage targets of 40% and 12-1/2% for India and Pakistan, respectively? This would leave us very little freedom of action in allocating funds, for example, to Africa where the need was urgent. He also suggested that steps were needed to help the poorer countries in Africa to prepare and bring forward successful projects.

I said that I would make a note of what he had said on these two points.

D. H. F. Rickett  
Vice President  
October 1, 1969





# Record Removal Notice



<b>File Title</b> President's papers - Robert S. McNamara Chronological files (incoming) - Chrons 03		<b>Barcode No.</b>  1771533		
<b>Document Date</b> Sep 29, 1969	<b>Document Type</b> Memorandum			
<b>Correspondents / Participants</b>				
<b>Subject / Title</b> Memorandum on informal meeting with representatives of Part I countries concerning the IDA Lending Program for FY 1970 held on September 16 at 3:00 PM in the Board Room				
<b>Exception No(s).</b> <input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7 <input type="checkbox"/> 8 <input type="checkbox"/> 9 <input type="checkbox"/> 10 A-C <input type="checkbox"/> 10 D <input type="checkbox"/> Prerogative to Restrict				
<b>Reason for Removal</b>				
<b>Additional Comments</b> Pending Review by the Relevant Business Unit		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.		
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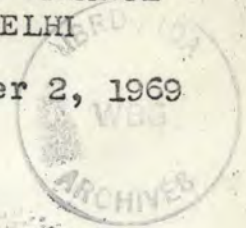


सत्यमेव जयते

Dr. I.G. Patel  
Special Secretary

4248-SS/69  
ECONOMIC SECRETARY  
MINISTRY OF FINANCE  
NEW DELHI

September 2, 1969



Dear Mr. McNamara,

I should have replied earlier to your letter of August 1, expressing your pleasure on behalf of the Executive Directors of the Bank and Staff at my appointment as Governor for India. You will, of course, appreciate that this appointment is a purely interim arrangement. But that is perhaps all the more reason why I should not have withheld so long my gratitude to you and to the Executive Directors and the Staff for wishing me well. At any rate, it is as Governor that I shall be attending the next meeting and Jagannathan has perhaps already conveyed to you that the Minister of State, Shri P.C. Sethi, Shri L.K. Jha and myself will be in Washington from the 21st to the 23rd of September and that Jha and myself will return on the 27th for the Annual Meeting.

2. There are many things to talk about this time and perhaps Gilmartin has already reported to you the substance of our conversation in this regard. Without going into details and by way of giving you some notice, I might say that there are three or four matters which give us a great deal of concern at the present stage.

3. First, it is clear now that the total assistance that will be committed during the current year from the Consortium countries would fall considerably short of the indications given at the Paris meeting in May. At this meeting our requirements of non-project assistance of 700 million dollars and of project aid commitments for some 400 million dollars were considered reasonable. As things stand, I see little possibility of our getting anything more than 700 million dollars in all of which some 500 million dollars may be by way of non-project assistance. This is inclusive of debt-rescheduling. Since our total debt-repayments are of the order of 500 million dollars, this is a situation which naturally causes us a great deal of concern. The main factor responsible for the present state of affairs is, of course, the virtual certainty that as against the U.S. indication of 385 million dollars in May, the likelihood now on all accounts is that the actual U.S. assistance forthcoming will be no more than what it was last year i.e. a little less than 200 million dollars. Our attempts to get anything more from Japan and Germany have been of little avail and there is no indication so far from Italy that they will do anything this year. The Germans, at any rate, plead that it is the World Bank's attitude towards suppliers' credits which comes in the way of their doing something more as the possibility of doing something more from their budget is already closed for the current year. I am afraid, unless with your assistance we succeed in bringing about a decisive change in the situation, the Consortium chapter of aid to India will justify our worst fears.

President has seen





4. Apart from the quantum of total new commitments, we are particularly concerned at the shortfall in non-project assistance which would have a serious impact on our ability to sustain the new upsurge both in agriculture and industry. In this connection, I would request you to consider seriously whether the IDA should still continue its policy of drastically reducing its share in non-project assistance. The amount of 125 million dollars committed last year was a sharp reduction from earlier levels. We have been told that this year there would be a further reduction. I sincerely hope that this will not be the case and that you will be able to review the Bank-IDA programme in relation to India in a manner which would permit another non-project loan this year of at least 100 million dollars, if not at the same level as last year. We have never been able to understand why non-project assistance is considered suitable by everyone in bilateral programmes but not in multi-lateral programmes. Whenever I have raised this question with the important members of the Bank, they have always said that they agree with this. Somehow, this agreement does not amount to a kind of commitment which leads to appropriate decisions from the Bank-IDA Board. I cannot help feeling that on this question if we give up the fight, we would end up sooner or later with even lower levels of effective assistance and aid utilisation to India.

*note of his board shows from my other Secretary's comments from Bank*

5. The question of preference is still pending. But for my part, I am getting even more worried about the lack of project finance which is making it difficult for us to go ahead even with high priority schemes such as fertilizer plants. Here again, I do not know if we can get out of the dead centre except by an altogether new approach. Perhaps we need the kind of approach that has been followed in some other cases where a group of countries have accepted a total programme and have also agreed that in relation to this programme they will put up such additional assistance as would be justified in the light of the results of tenders issued to all of them. This is only one idea. But I am increasingly getting embarrassed in view of our inability to put together a reasonable packet of finance for the most worthwhile projects.

*meanings - But high projects are really being seen - you need - can't be really arguing for a higher level of work on the Bank - at 3<sup>rd</sup> Replen -*

6. Finally, there is the question of India's position in the Bank and the Fund in view of the proposed changes in the Fund quotas. Jagannathan must have already spoken to you about this. But briefly, whatever may be the position in the Fund, we do not see why a change in the Fund quotas should automatically lead to corresponding changes in the capital structure of the Bank and therefore in the relative voting power and the position of the Directors on the Bank-IDA Board. As long as quota changes in the Fund meant only minor adjustments, perhaps such a course of the Bank following the Fund was understandable. But when what is now in sight is a fundamental change in the structure of management of the two institutions and a further weakening in the position of the developing countries, surely we should review the matter once again to see if the Bank and the Fund have to adopt similar procedures. Over the years the feeling that in the multi-lateral institutions the rich and the poor have

*a knowledge of higher quality in the Fund - the Bank - Jagannathan - a higher level of work on the Bank -*





an equal voice irrespective of their needs or ability has been steadily eroded. This erosion cannot be allowed to go any further if the spirit of international cooperation has to be sustained. We are concerned that unless this matter is taken seriously, we will get exactly the kind of erosion which we should be most anxious to avoid. As I said, however, for the time being, I am only trying to state the problem so that we can have a discussion on it when we meet in Washington.

7. Please tell Mrs. McNamara that despite her good offices it is really not possible for Mrs. Patel to accompany me to Washington.

With best regards to you both,

Yours sincerely,

*I. G. Patel*

(I.G. Patel)

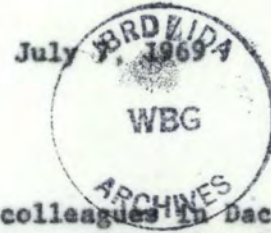
Mr. Robert S. McNamara,  
President,  
International Bank for  
Reconstruction and Development,  
1818 H Street,  
Massachusetts Avenue,  
Washington, DC, U.S.A.

*Ask I.G. to push discussions on our financing  
of public int. projects -*

*Submittal mechanism  
done - 7*



48713/7



Dear Mr. Secretary:

When I met with you and your colleagues in Dacca a little more than a month ago, it was my understanding that I would be working with the World Bank's team under our Water and Agricultural Development Program in East Pakistan for a period of perhaps several years. After an initial and rather short introductory visit, I expected to return subsequently for field trips of longer durations. I was looking forward to these assignments not only because of my professional interest in the problems of agricultural credit but also because of my personal interest in rural development in East Pakistan.

Upon my return to Washington, I was informed of my immediate appointment as Personal Assistant to the President of the World Bank Group. In my new assignment, I am unable to continue my duties with our East Pakistan team and I have just informed Mr. Iverson of this position. In order to provide some assistance to the Committee on Rural Credit and Cooperatives, I was able to obtain the services of Mr. Peder Elkjaer who has written some personal comments on the first draft of the Committee's report. His comments were sent to you through Mr. Reese who left on a mission to Dacca a few days ago.

You may be interested to know that my visit to Copenhagen revealed that the Danish Government appeared to be very interested in providing a technical assistance team to work with the Provincial Cooperative Bank and the secondary cooperative credit institutions. They might be prepared to send a three-member team in the field when the provincial government has made the decision to set up the apex bank and the central cooperative banks as more autonomous financial intermediaries.

On a more personal note, may I express, on behalf of both my wife and myself, our deep appreciation for the enjoyable and unforgettable dinner party you gave for the members of the Bank team on May 30. Please extend our warmest greetings to your charming and graceful wife.

With my very best regards,

Yours sincerely,

Leif E. Christoffersen  
Personal Assistant to Mr. McNamara

Mr. M.A. Kareem Iqbal, C.S.P.  
Secretary of Agriculture  
Government of East Pakistan  
Dacca, Pakistan

cc: Mr. Iverson  
LEChristoffersen:ml



487 B/6

June 30, 1969



Dear Mr. President:

Thank you for your letter of June 18 about the recent Consortium meeting in Pakistan. We too felt that this meeting had been a particularly useful one and I much appreciate your references to the Bank's contribution in reaching this satisfactory conclusion.

There is, of course, a great deal more to be done, and I am glad to note that you are asking His Excellency the Ambassador in Washington, Mr. Agha Hilaly, to follow up matters with regard to foreign assistance. As you know, the level of foreign assistance which can be justified and used effectively by Pakistan depends very importantly on the steps your Government takes to mobilize the domestic resources required to complement foreign assistance, and to reallocate resources to accord with the current economic situation of Pakistan. We know from our consultations with Mr. Muzaffar Ahmad, that the magnitude of the problems to be faced and the action that needs to be taken are well understood by your Government, and we will follow with close attention and understanding the progress that is made under your direction.

Thank you for your invitation to visit Pakistan again. Other commitments make it unlikely that I shall be able to do so in the next few months -- I wish it were otherwise.

Sincerely,

Robert S. McNamara

His Excellency  
General Agha Muhammad Yahya Khan, H.Pk., H.J.  
President of Pakistan  
President's House  
Rawalpindi, Pakistan

cc: Mr. S. Osman Ali, Executive Director for Pakistan  
Mr. Cargill  
cc: His Excellency Agha Hilaly, Ambassador of Pakistan to the United States  
Cleared with and cc: Mr. Votaw

CGFFMelmoth:RMcN:mss





Pate  
PRESIDENT'S HOUSE,  
RAWALPINDI.

From: General Agha Muhammad Yahya Khan,  
H. Pk., H. J.,  
President of Pakistan.

JUN 25 REC'D

18 June, 1969.

Dear Mr. McNamara,

I was glad to learn from Muzaffar Ahmad, Deputy Chairman of the Planning Commission, that the Consortium meeting in Paris on 19th and 20th May went off very satisfactorily. We were particularly pleased that there was an improvement in the level of assistance, in its composition between project and non-project and in the terms on which it was offered. This shows a positive response to our present needs and should be very helpful in the formulation of our economic policies for the next financial year.

2. We greatly appreciate your dynamic leadership on issues of foreign assistance. This takes great courage at a time when International aid climate is none too favourable. Your representative, Mr. Peter Cargill, gave a clear sense of direction to the deliberations of the Consortium and I am informed that this was one of the important factors responsible for the happy results achieved at Paris.

3. We are now setting about the task of formulating policies for the most effective and speedy utilization of foreign assistance that has been indicated at the Consortium meeting. Considerable follow-up action is required for this. I have asked our Ambassador in Washington, Mr. Agha Hilaly, to keep in touch with you and the Bank Management to resolve any issues that may arise.

4. Let me also add that we shall be extremely delighted to see you again in Pakistan whenever you can find the time to visit us.

With kind regards,

Yours sincerely,

Mr. Robert S. McNamara,  
President,  
International Bank for  
Reconstruction & Development,  
1818 H Street, N.W.,  
Washington, D. C. 20433.



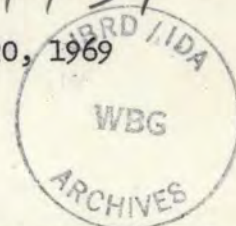
## OFFICE MEMORANDUM

48713/5

TO: RECORDS

DATE: MAY 20, 1969

FROM: C.G.F.F. Melmoth

SUBJECT: PAKISTAN: Visit of Mr. M.M. Ahmad

N. 4200

On May 13, Mr. M.M. Ahmad called on Mr. Knapp. He was accompanied by Mr. Osman Ali, Mr. A.R. Bashir, and Dr. Mahbubul Huq. Mr. Cargill and I were present.

Mr. Ahmad said that the forthcoming Consortium Meeting in Paris would be a particularly important one. The past year had been an exceedingly difficult year and a number of important adjustments would have to be made. It also seemed timely to review the Consortium concept. Repeatedly members had endorsed the assessment of Pakistan's aid requirement but had failed to match their endorsement with joint measures to provide the sum required. Apart from a decline in the amount of soft aid which had been substantial in the past year, there had also been a hardening of the terms of aid Pakistan needed. Some further improvement in the terms of aid was essential if Pakistan was to continue development at an adequate pace. In view of the important share the U.S.A. contributed, it was unfortunate that in the present aid climate U.S.A. leadership was not as strong as it used to be and the addition of matching requirements had not been helpful.

Mr. Knapp observed that delay in IDA replenishment had compelled Pakistan to lean harder on the Bank. This had not been desirable and now that arrangements for IDA replenishment seemed likely to be completed shortly we planned to move the emphasis of our operations over to IDA credits. In the current fiscal year IDA resources, thanks to advance contributions from nearly a dozen countries, other special contributions, and a transfer of Bank profits, would amount to about \$400 million. We hoped to make IDA credits amounting to \$48 million to Pakistan this year, namely about 12 $\frac{1}{2}$ % of the funds available.

v year?

Next, if IDA replenishment was completed, IDA resources, including supplementary contributions and a further transfer of Bank profits, would probably amount to about \$550 million. We planned to make about 12 $\frac{1}{2}$ % of this available for Pakistan, but in future years it might become necessary to reduce Pakistan's allocation to help finance what promised to be a greatly increased flow of projects from other less developed countries, mainly from Africa, Indonesia, and some small countries in Asia, and from countries in the Western Hemisphere. IDA would have to take into account criticism of the past geographical allocations of IDA funds. The root of the difficulties was that IDA resources were inadequate. We hoped to increase Bank lending to \$1 $\frac{1}{2}$  billion per annum. To associate this with IDA credits totalling \$550 million per annum amounted to a wrong ratio of hard and soft lending.



Mr. Ahmad said he recognized the realities of the situation but he thought that the importance of geographical allocations was over-emphasized. Account should be taken of the availability of money to some countries from other sources, and cited the availability of soft funds to Western Hemisphere countries through the Inter American Development Bank. Greater weight should be given to per capita income, absorptive capacity and performance. Mr. Knapp said Latin America received only about 5% of IDA resources. We had to be sure that funds would be effectively used and the record, particularly for East Pakistan, was not good. Mr. Ahmad admitted there had been shortcomings in the past but performance was improving.

Mr. Ahmad said that for the coming year a program had been prepared which he hoped would be thought a realistic approach to main problems that had been identified. A substantial attempt to mobilise additional local resources would be made. Measures to yield 1 billion rupees (\$210 million) would be introduced so as to meet the cost of recent wage increases and provide more for social services. The import pricing policies for agricultural and industrial machinery would be harmonized and some corrective tax changes would be made.

Mr. Ahmad then referred to Pakistan's need for non-project aid. The need for this was particularly urgent and comparatively short term while they were having to continue imports to support the food self-sufficiency program. Non-project aid was needed to tide over a period in which they used past investments in industrial capacity to the full while making the adjustments in policies which were necessary. He hoped that the Consortium members would endorse Pakistan's assessment of its needs and that IDA would be able to contribute non-project aid in the form of an industrial imports credit.

Mr. Knapp said that a limit was set to the total of Bank and IDA operations in Pakistan by the limited amount of IDA funds available and, for Bank lending, by creditworthiness considerations. There was strong opposition in the Bank to program aid. Suitable selection of projects could result in much the same effect as an industrial imports credit. The loans to PICIC, ADB, and the railways, were quick disbursing loans which financed imports of materials and machinery. The Bank and IDA were prepared to do more in financing local expenditures and this could be used as an instrument for supplying free foreign exchange.

Mr. Knapp then asked Mr. Ahmad how the political problems were likely to be dealt with. Mr. Ahmad said that it was anticipated that the Martial Law Administration would continue for about 18 months. The Martial Law Administration would be appointing civilian ministers and governors in about two months. So far, however, agreement had not yet been reached with the politicians as to how to proceed. The alternative appeared to be (a) to hold elections based on adult franchise and a parliamentary form of Government and leave the elected representatives to settle the regional issues; (b) to have a referendum on one or two main issues and then carry on with elections; or (c) to hold elections, with the Martial Law Administration continuing for some months until an acceptable constitution had been agreed upon. Gen. Yahya had had a round of discussions with the politicians. He



thought it was generally accepted that a return to the chaotic conditions in which the politicians were out-bidding one another had to be avoided.

Mr. Knapp inquired how the discontent in East Pakistan in particular would be dealt with. Mr. Ahmad said that in the main those in East Pakistan wanted more political and administrative participation and greater decentralization of decision making. Political participation could be secured by the rotation of offices. A move towards greater administrative participation had been the recent appointment of five East Pakistanis as Secretaries of Central Government departments. Arrangements would be developed for East Pakistan to prepare its own economic programs. The Central Government would also take additional measures to arrest the increasing disparity in the regional rates of growth. It was hoped that by a strategy of this kind the position of the political moderates would be strengthened so that a workable constitution and a stable political situation would emerge.

Mr. Knapp said Pakistan's friends would be watching developments with concern and sympathy in the hope that past progress in development would be maintained, and thanked Mr. Ahmad for his review of the situation.

*for* CGFFMelmoth:cm *J. D. Rowlett*

cc: Mr. Knapp  
Mr. Steckhan *RRS 5/22*  
Mr. Cargill  
Mr. Votaw  
Mr. King/Blobel  
Div. Circulation



pls. bring out ~~M. [unclear]~~ 5/20

Marked  
mb 5/20  
RBS 5/20

A 745

May 19, 1969

487/3/4

Dear Mr. Ambassador:

Mr. McNamara was pleased to learn from your letter of May 13 that President Marcos has instructed the Secretary of Finance to guarantee the proposed loan for PDCP. Secretary Romualdez has cabled me that the Government will guarantee the proposed loan as "primary obligor" provided there is a written agreement ensuring that PDCP will invest the proceeds of the loan in conformity with the Government's economic development policies, programs and priorities. I understand that the text of the proposed agreement is being carried to Washington by officials of PDCP and PNB. Assuming that this agreement does not unduly restrict the ability of PDCP's Board and Management to make investment decisions on the basis of sound business judgment, we should be able to proceed to formal negotiations immediately.

With kind regards,

Yours sincerely,

Raymond J. Goodman  
Director  
East Asia and Pacific Department

His Excellency  
Mr. Ernesto V. Lagdameo  
Ambassador of the Philippines  
to the United States  
1617 Massachusetts Avenue, N.W.  
Washington, D.C. 20036

cc: Mr. Steckhan, R. Powell (with copy of incoming letter)

CWWang/RJGoodman:go  
IBRD



*Mr. McNamara - to see please.*  
*MBS 5/15*

Mr. Goodman  
May 15, 1969

*487/13/13*



EMBASSY OF THE PHILIPPINES  
WASHINGTON, D. C.

13 May 1969



The Honorable  
Robert S. McNamara  
President  
International Bank for Reconstruction  
and Development  
Washington, D. C. 20433

Dear Mr. McNamara:

I wish to refer to our recent conversation concerning the proposed Philippine National Bank-Private Development Corporation of the Philippines loan, at which time you stressed the need for an early decision on your Bank's requirement for an expressed assurance that the loan would be guaranteed by the Philippine Government.

In reply to my urgent cablegram to President Ferdinand Marcos bringing this matter to his personal attention, I have today received word from the President as follows:

"x x x HAVE WIRED SECRETARY ROMUALDEZ TO SIGN GUARANTEE PDCP LOAN AND COMMUNICATE WITH MCNAMARA WORLD BANK"

I trust that you have now received this assurance of my Government that it will guarantee the proposed PNB-PDCP loan. I hope, therefore, that the negotiations on this loan can now proceed very soon.

I wish to express my appreciation for affording me the pleasure of calling on you last week, and to reiterate my desire to cooperate fully with you and your staff on matters of mutual interest to my Government and the World Bank.

With warmest personal regards,

Sincerely yours,

*[Signature]*  
ERNESTO V. LAGDAMEO  
Ambassador

President has seen

*We have not received an unconditional assurance from the Government as of today. Mr. Goodman is working on this and hopes to report to you by next week.*  
*MBS 5/15*



487/3/2



PRIME MINISTER  
New Delhi  
April 3, 1969.



Dear Mr. McNamara,

Thank you for your letter of March 11, 1969.

I appreciate your wish that the World Bank should assist us in attaining self-sufficiency in domestic fertilizer production. I agree that the development, approval and implementation of a realistic plan to meet our growing need for fertilizers is of crucial importance in the achievement of our economic goals. Our entire fertilizer production programme, current and proposed, is under review. We shall fully take into account the views expressed in your letter and the memorandum enclosed with it.

We have made some progress lately. The Government of India have given the necessary clearance to the Goa Project and I understand that its sponsors are ready to proceed with the project. We have also approved the collaboration with Humphreys & Glasgow and Stami-Carbon in the Mangalore Project.

I am glad that following the discussions of last November, your officials are currently studying two public sector projects, Nangal Expansion and Cochin Phase II. I hope it will be possible to complete the study soon and that the Bank will be in a position to take a favourable decision to finance these projects.

With regards,

Yours sincerely,

*Indira Gandhi*  
(Indira Gandhi)

Mr. Robert S. McNamara,  
President,  
International Bank for Reconstruction  
and Development,  
Washington, D.C. 20433.



## OFFICE MEMORANDUM

CONFIDENTIAL

DECLASSIFIED  
SEP 25 1982  
WBG ARCHIVESMr McNamara  
to see  
lec  
2/6  
487/3/10

TO: Mr. William Clark

DATE: February 5, 1969

FROM: J.W. Strobl *JWS*SUBJECT: Notes on Bank-German Relations

My sources of the following are known to you. I shall therefore not name them here.

1. Personal Relations

To understand Minister Schiller's reluctance to recognise overtures during the last year to meet with Mr. McNamara, officials close to Schiller point to what they call the "impolite handling" of Schiller's proposal to have Mr. Donner appointed to the Pearson Commission. This proposal, it is maintained, was not prompted by an urge to gain undue influence over the Commission. Rather it sprang from Schiller's feeling that the resulting Report could be of great significance to prop up a development-tired political establishment in Bonn. (That this has now happened anyway is of no importance in the context of Schiller's known vanities.)

Schiller's letter to Mr. McNamara about Donner, it is said, has been "rebuffed" and Schiller's cable to Mr. Pearson was never delivered (something the Germans find hard to believe).

Since then both Pearson Commission and Report are anathema to Schiller. And this, aside from other considerations - not least Eppler's success to get Pearson mentioned in the Brandt Government declaration - must be taken as one of the psychological root causes of the ensuing Eppler-Schiller feud, whereunder the latter prevails thus far and is trying to make such a "private" and "foreign" paper as the Pearson Report the scapegoat of Eppler's development policies which, eventually, must be slaughtered.

The latest exchange of correspondence concerning IDA, on the German side, was not intended to be taken as a "rebuff" to Mr. McNamara in return, rather to have him spared from the disappointment of another face-to-face disagreement with Schiller who feels that, at this moment, he cannot take an initiative and help the Bank to further IDA objectives (see IDA below).

Realising, however, that matters have progressed to a point where the Bank could be tempted to try and seek to circumvent Mr. Schiller, officials near the Minister - and the German E.D. establishment in the Bank can be confidently considered as such - are at this moment trying to get Schiller to take an initiative to meet with Mr. McNamara at an early date, in an attempt to save the situation from further deteriorating on the personal level.

Concerning IDA also, the new German E.D. is believed to be greatly concerned over reports (from the Paris Office, amongst others) mentioning an "excessively low" figure (\$400 million) as the starting



point for IDA negotiations, which is attributed to him while in Bonn still. It is maintained that, on the contrary, the E.D., prior leaving Bonn for Washington, had exposed himself to criticism from Bonn's inter-ministerial committee (where the Foreign, Finance, Economic and Development Ministries are represented) by allegedly attempting to get preliminary agreement to make 700 million dollars the German platform for starting negotiations.

The new E.D. is said to have noticed, that while outgoing Mr. vom Hofe was received, greeted (and installed as a special consultant for some time?), he himself has not yet been received by the President.

Minister Eppler, on the other hand, I learned from another source, returned to Europe from his visit with Mr. McNamara "highly satisfied" and with a knowing smile - so as if "the cat (which?) had swallowed (which?) canary." Schiller almost certainly took note of this visit.

In this context, it might once again be called to your attention, that SPD backbenchers are mobilising to take up the axe again (on behalf of Eppler) in forthcoming Bundestag budget committee negotiations. Also the Eppler-inspired idea of the development committee to have Mr. Pearson invited to testify before a Bundestag public hearing on development (April 27/28) must be seen in this context. (This would be the first time that a foreigner would be invited to appear before the Bundestag).

## 2. IDA implications.

My sources maintain that it would be wrong to try and get Germany to act as front-runner in IDA replenishment negotiations. Any figure offered by the Germans would have to have Cabinet approval first. As matters stand - what with Schiller and Moeller (Finances) badgering other Cabinet colleagues in their combined effort to have them cut expenditures to save Schiller's stability and Moeller's anti-inflation programs - there is no chance at all at this moment for the Germans to declare themselves publicly in favour of the 1 billion dollar figure for IDA replenishment, which was mentioned in Mr. McNamara's recent (Dec.19) letter to Schiller.

If, however, one still wishes to consider the Germans as holding the key to this problem (which in the European context they may do indeed) then, it is maintained, a move to outflank the Germans' interior dilemma would hold promise for a better chance to win our point.

The Dutch, it was made clear to me, no longer are disputing amongst themselves the desirability to give to IDA this 1 billion dollars annually. If they could be persuaded to have the subject of IDA replenishment officially tabled and put on the agenda of the next Common Market (Finance Ministers) Conference in February (without necessarily mentioning the 1 billion figure in advance, for which they are known to stand up anyhow) then European countries would be forced for the first



time to discuss the amount among themselves and on an international platform, consequently forcing the Germans to adopt a stand also, without that Schiller would have to be the one to take the initiative.

The starting point for IDA replenishment talks would be much higher this way, and the Germans, I was told, would be in a better position to compromise (in IDA's interest), as when starting from a much lower figure which would be given as platform if they themselves had to go to the fore.

3. Bank Moves

To advance IDA interests in Germany right now, it appears to me, it would be best not to hasten to accept a Schiller overture (if forthcoming), but to try and touch base with the Brandt establishment proper (Ehmke, Minister in the Bonn Chancellory; State Secretary Egon Bahr and Foreign Policy Adviser, Gunther Sahm)

Brandt has accepted invitations to visit London in March and Washington in April. These visits could afford opportunities for high-level contacts.

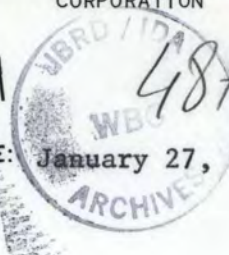
On the other hand, on-the-spot liaison in Bonn would leave IDA interests less open to chance. Indeed, opportunities are such that a high-level appointment to the European Office - perhaps as the President's Special Representative for IDA, Europe - might be warranted.

Meanwhile, special care should be taken to make the new German E.D. feel at home in Washington, to get him acquainted and onto a good personal footing with Senior staff, so that whatever hidden (positive) objectives he might harbour in his breast may not be put to deep-freeze, in spite of the man's difficulties by having to project and advance Schiller Ministry objectives and interests which are governed by political motives of inner-German politics.

JWStrobl:sf



## OFFICE MEMORANDUM



TO: Mr. Robert S. McNamara

DATE: January 27, 1969

FROM: J. Burke Knapp

SUBJECT: Distribution of IDA Funds

For purposes of your forthcoming talk with the Latin American Directors regarding the distribution of IDA funds, I am attaching hereto:

Annex A - A table on IDA allocations for FY 1969 based upon our latest discussions. The latest addition to the list of \$4.3 million for the Paraguayan livestock project brings the total figure somewhat above \$380 million, but (a) there may be some slippage, or (b) we may eventually get more than the \$50 million of further advance contributions to the second IDA replenishment

Annex B - A table showing the resulting per capita figures for IDA commitments (please note the alternative calculations of the per capita figures for geographical areas as of June 30, 1969).

On the basis of this latest allocation, the percentage geographical distribution of IDA credits would be as follows:

	Cumulative through <u>June 30,67</u>	Cumulative through <u>June 30,68</u>	<u>For FY69</u>	Cumulative through <u>June 30,69</u>
India	53%	50%	40%	48%
Pakistan	19	18	12½	17½
Latin America	6	7	5	6
Other Countries	22	25	42½	28½

Attachments



## Proposed Allocation of IDA Credits FY 1969

	(\$ million)		Total	Scheduled for approval
	Already signed	To be signed		
India (Industrial Imports) (Telecommunications)	125.0	27.5	152.5	June
Pakistan (General Consult.) (Telecommunications)	2.0	16.0		Feb.
(Agr. Bank)		20.0		May
(Railway)		10.0		May
		46.0	48.0	
<u>Other Asia</u>				
Afghanistan (Highways)		5.0		May
Ceylon (Highways)	4.9			
Indonesia (Irrigation)	5.0			
Indonesia (Tech. Asst.) (Agriculture)	2.0	20.0		June
Korea (Highway Studies) (Education)	3.5	14.0		May
Nepal		1.0		
Papua & New Guinea (Agric.)	1.5			
	16.9	40.0	56.9	
<u>Middle East &amp; North Africa</u>				
Turkey (Irrigation)		12.0		Feb.
UAR (Agriculture)		26.0		May
		38.0	38.0	
<u>Africa</u>				
Burundi (Coffee)		1.8		Feb.
CAR (Roads)		4.2		March
Chad (Highway Maint.) (Education)	4.1	1.8		
(Livestock)		1.5		June
Congo B (Highway Eng.)		0.5		March
Congo K (Highways)		6.0		April
Dahomey (Agriculture)		4.6		Jan.
Ghana (Trunk Roads)		1.5		June
Kenya (Livestock)	3.6			
Malagasy (Highways)	4.5			
Niger (Highway Maint.) (Agriculture)	6.1	0.7		June
Rwanda (Highways)		0.4		Feb.
Senegal (Agriculture)	6.0			
Somalia (Port)		0.6		Jan.
Tanzania (Livestock) (Highway)	1.3	8.0		Jan.
(Education)		5.0		Feb.
Togo (Highway Maint.)	3.7			
Uganda (Livestock)	3.0			
Upper Volta (Telecomm.)		0.8		Feb.
	34.1	35.6	69.7	
<u>Western Hemisphere</u>				
Bolivia (Hydroelectric)		7.4		Feb.
Ecuador (Power)		5.0		June
Guyana (Education)		2.9		Jan.
Paraguay (Livestock)		4.3		April
		19.6	19.6	
			384.7	



## ANNEX B

IDA COMMITMENTS (Cumulative)  
 Total in U.S. \$ Millions  
 Per Capita Figures in U.S. \$

	<u>1/</u>		<u>2/</u>		<u>2/</u>		<u>3/</u>	
	Popula- tion (Millions)	Per Capita GNP (\$)	June 30, 1967 Total	Per capita	June 30, 1968 Total	Per capita	June 30, 1969 Total	Per capita
<u>Indian Sub Continent</u>								
India	498.7	90	889.1	1.78	887.4	1.78	1039.9	2.09
Pakistan	<u>117.0</u>	90	<u>331.0</u>	2.83	<u>331.1</u>	2.83	<u>379.1</u>	<u>3.24</u>
Total	<u>615.7</u>		<u>1220.1</u>		<u>1218.5</u>		<u>1419.0</u>	<u>2.30</u>
<u>Other Asia</u>								
Afghanistan	16.0	70	3.5	0.22	3.5	0.22	8.5	0.53
Ceylon	11.5	150	-	-	2.0	0.17	6.9	0.60
China	12.8	230	13.1	1.02	13.1	1.02	13.1	1.02
Indonesia	107.0	100	-	-	-	-	27.0	0.25
Korea	29.1	150	14.0	0.48	25.0	0.86	42.5	1.46
Nepal	10.3	70	-	-	-	-	1.0	0.10
Papua-New Guinea	<u>2.2</u>	140	-	-	-	-	<u>1.5</u>	<u>0.68</u>
Total, Other Asia	<u>188.9</u>		<u>30.6</u>		<u>43.6</u>		<u>100.5</u>	*0.53 **(0.50)
<u>Middle East and North Africa</u>								
Jordan	2.1	220	10.0	4.76	10.0	4.76	10.0	4.76
Morocco	13.7	170	11.0	0.80	11.0	0.80	11.0	0.80
Sudan	13.9	100	13.0	0.94	21.5	1.55	21.5	1.55
Syria	5.4	180	8.5	1.57	8.5	1.57	8.5	1.57
Tunisia	4.5	200	23.9	5.31	23.9	5.31	23.9	5.31
Turkey	31.9	280	80.5	2.52	80.5	2.52	92.5	2.90
UAR	<u>30.1</u>	160	-	-	-	-	<u>26.0</u>	<u>0.86</u>
Total, MENA	<u>101.6</u>		<u>146.9</u>		<u>155.4</u>		<u>193.4</u>	*1.90 **(1.90)



IDA COMMITMENTS (Cumulative)  
Totals in U.S. \$ Millions  
Per Capita Figures in U.S. \$  
(Cont'd)

Country	Popula- tion 1/ (Millions)	Per Capita GNP (\$)	June 30, 1967 2/		June 30, 1968 2/		June 30, 1969 3/	
			Total	Per Capita	Total	Per Capita	Total	Per Capita
<b>Africa</b>								
Botswana	0.6	60	3.6	6.00	3.6	6.00	3.6	6.00
Burundi	3.3	50	1.1	0.33	1.1	0.33	2.9	0.33
Cameroon	5.4	110	11.0	2.04	11.6	2.15	11.6	2.15
CAR	1.4	110	-	-	-	-	4.2	3.00
Chad	3.4	70	-	-	-	-	7.4	2.18
Congo (B)	0.9	120	-	-	-	-	0.5	0.56
Congo (K)	16.0	60	-	-	-	-	6.0	0.38
Dahomey	2.4	80	-	-	-	-	4.6	1.92
Ethiopia	23.0	60	20.7	0.90	28.4	1.23	28.4	1.23
Ghana	7.9	230	-	-	10.0	1.27	11.5	1.46
Kenya	9.6	90	26.2	2.73	39.0	4.06	42.6	4.44
Lesotho	0.9	60	4.1	4.56	4.1	4.56	4.1	4.56
Malagasy Rep.	6.2	90	10.0	1.61	10.0	1.61	14.5	2.34
Malawi	4.0	50	6.3	1.58	27.5	6.88	27.5	6.88
Mali	4.7	60	9.1	1.94	9.1	1.94	9.1	1.94
Mauritania	1.1	130	6.7	6.09	6.7	6.09	6.7	6.09
Niger	3.4	80	1.5	0.44	1.5	0.44	8.3	2.44
Nigeria	59.7	80	35.5	0.59	35.5	0.59	35.5	0.59
Rwanda	3.2	40	-	-	-	-	0.4	0.59
Senegal	3.6	210	9.0	2.50	9.0	2.50	15.0	4.17
Somalia	2.6	50	6.2	2.38	8.5	3.27	9.1	3.50
Swaziland	0.4	290	2.8	7.00	2.8	7.00	2.8	7.00
Tanzania	11.8	80	23.6	2.00	26.6	2.25	40.9	3.47
Togo	1.7	100	-	-	-	-	3.7	2.18
Uganda	7.7	100	10.0	1.30	18.4	2.39	21.4	2.78
Upper Volta	5.0	50	-	-	-	-	0.8	0.16
<b>Total Africa</b>	<b>189.9</b>		<b>187.4</b>		<b>253.4</b>		<b>323.1</b>	<b>* 1.70</b> <b>** (2.13)</b>



IDA COMMITMENTS (Cumulative)  
Totals in U.S. \$ Millions  
Per Capita Figures in U.S. \$  
(Cont'd.)

Country	Popula- tion <sup>1/</sup> (Millions)	Per Capita GNP (\$)	<u>June 30, 1967<sup>2/</sup></u>		<u>June 30, 1968<sup>2/</sup></u>		<u>June 30, 1969<sup>3/</sup></u>	
			Total	Per capita	Total	Per capita	Total	Per capita
<u>Western Hemisphere</u>								
Bolivia	3.7	160	17.0	4.59	17.0	4.59	24.4	6.59
Chile	8.8	510	19.0	2.16	19.0	2.16	19.0	2.16
Colombia	18.6	280	19.5	1.05	19.5	1.05	19.5	1.05
Costa Rica	1.5	400	4.7	3.13	4.6	3.07	4.6	3.07
Ecuador	5.3	190	8.0	1.51	13.1	2.47	18.1	3.42
El Salvador	3.0	270	8.0	2.67	8.0	2.67	8.0	2.67
Guyana	0.7	300	-	-	-	-	2.9	4.14
Haiti	4.5	70	0.3	0.07	0.3	0.07	0.3	0.07
Honduras	2.4	220	12.1	5.04	15.9	6.63	15.9	6.63
Nicaragua	1.7	330	3.0	1.76	3.0	1.76	3.0	1.76
Paraguay	<u>2.1</u>	200	<u>17.1</u>	8.14	<u>17.1</u>	8.14	<u>21.4</u>	<u>10.20</u>
<u>Total Western Hemisphere</u>	<u>51.6</u>		<u>108.7</u>		<u>117.5</u>		<u>137.1</u>	<u>*2.66</u> <u>** (4.47)</u>
<u>Grand Total</u>	<u>1,147.7</u>		<u>1,693.7</u>		<u>1,788.4</u>		<u>2,173.1</u>	<u>*1.89</u> <u>** (1.98)</u>

<sup>1/</sup> On basis of population figures of World Bank Atlas, 3rd Edition.

<sup>2/</sup> Net of cancellations.

<sup>3/</sup> Includes credits in the proposed allocation for FY 1969, dated January 27, 1969.

\* On basis of the countries listed in the table - i.e., countries which have received IDA credits, or are expected to receive them by June 30, 1969.

\*\* On basis of countries currently regarded as eligible for IDA credits.