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THE WORLD BANK
Washington, D.C.

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McNamara files

Chronological file (Incoming)
1968 (Jul. - Dec)

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The World Bank Group
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487/1/37



December 17, 1968

Dear Mr. Finsaas:

Upon my return to the United States, I wish to thank you again most warmly for your kindness and assistance while I was in Pakistan.

I look back on my visit to Pakistan with much satisfaction and I know that you and your associate greatly contributed to making my stay most pleasant and instructive.

With best wishes for a Merry Christmas and a Happy and Healthy 1969,

Sincerely,

Robert S. McNamara

Mr. Torgeir Finsaas
International Bank for Reconstruction
and Development
Post Office Box 1025
Islamabad, Pakistan

cc: Mr. Cargill

RBSteckhan:ml

487/1/36



December 12, 1968

Dear Mr. Vice Chancellor:

My visit to your University, although brief, was most instructive and pleasant. I am enclosing a copy of the Fox Commission Report on the disturbances at Columbia University which I believe I mentioned to you. I hope you will find it interesting.

With renewed thanks for your kindness and with my best wishes,

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

Mr. Chaudri Mohammed Ali
Vice Chancellor
Peshawar University
Peshawar, West Pakistan

cc: Mr. Cargill

RBSteckhan:ml

487/1/35



December 9, 1968

Dear Mr. Minister:

Now that I have returned to Washington, I am writing to thank you again most warmly for the excellent arrangements which were made for our stay in Pakistan.

I look back on my visit with great satisfaction. The many talks with members of your Government helped me to understand better the problems and prospects of your country and I was much impressed by the caliber and dedication of your senior officials. In particular, I wish to tell you how grateful I am to you personally for all the time you gave me. I greatly benefited from our discussion.

Pakistan has had an impressive record of economic growth. I hope and believe the World Bank can assist you in projecting that record into the future.

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

The Honorable
N.M. Uquaili
Minister of Finance
Secretariat Block Q
Islamabad, Pakistan

cc: Mr. Cargill

RBSteckhan:RSMcNamara:ml

487/1/34



December 6, 1968

Dear Mr. Governor:

Upon my return to the United States, I write to send you my warm thanks for the many courtesies extended to my colleagues and me during our stay in West Pakistan.

Our visit to your Province gave us fascinating insights into its problems and prospects. We were much impressed by the successful efforts of yourself and your colleagues to promote the economic and social development of the area and we hope and expect the World Bank can play a significant role in helping you to continue a sound development program.

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

His Excellency
General Mohammad Musa
Governor of West Pakistan
Lahore, Pakistan

cc: Mr. Cargill

RBSteckhan:RSMcNamara:ml

487/1/33

December 6, 1968



Dear Mr. Ahmad:

On my return to Washington, I write to thank you again most warmly for the hospitality which you extended to my colleagues and me.

I am particularly grateful to you personally for the time and energy you devoted to explaining to me both the past achievements and the future needs of your economy. The clarity and candor of your presentation was unique and we found the ensuing discussion most stimulating and instructive.

Pakistan has had an impressive record of economic growth--we hope the World Bank can assist your Government in extending that record into the future.

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

The Honorable M.M. Ahmad
Deputy Chairman
Planning Commission
Pakistan Secretariat No. II
Rawalpindi, Pakistan

cc: Mr. Cargill

RBSteckhan:RSMcNamara:ml



December 6, 1968

Dear Mr. Governor:

Now that I have returned to the United States, I write to thank you most warmly for your kindness and hospitality while I was in Pakistan.

My visit to Karachi, although short, was both stimulating and enjoyable. I am particularly indebted to you for arranging the several meetings with the leading members of the financial and business community from which I learned so much.

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

Mr. M. Raschid, Governor
State Bank of Pakistan
Post Office Box No. 472e
Karachi, Pakistan

cc: Mr. Cargill

RBSteckhan:RSMcNamara:ml



COMMANDER SIR ROBERT JACKSON
WORLD HEALTH ORGANIZATION
AVENUE APPIA
GENEVA

DECEMBER 6, 1968

NIGHT LETTER

487/1/31

SWITZERLAND

I WOULD BE DELIGHTED TO SPEND TWO OR THREE HOURS OR ANY OTHER AMOUNT OF
TIME WITH YOU AT YOUR CONVENIENCE DISCUSSING THE UN DEVELOPMENT SYSTEM.
LET ME KNOW YOUR CHOICE OF DATE AND PLACE. BEST WISHES FOR THE HOLIDAY
SEASON.

BOB MCNAMARA

Robert S. McNamara

Office of the President

Margaret S. Hoover

UNITED NATIONS



NATIONS UNIES

c/o World Health Organization
Avenue Appia - 1211 Geneva

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25 November, 1968

Jean Es,

This is essentially a personal letter and one which I would have addressed to you if you had remained at the Pentagon.

I think we are now seeing sufficient daylight within this Capacity Study for me to enquire whether you could find two or three hours for me to talk with you personally about the problems bedevilling what I can only call the present "U.N. Development non-System", and what we think would be necessary if an international organization is to be developed capable of making an effective contribution to the development needs of the world which are likely to persist as far ahead as we can see.

We have gone back to Yalta in order to establish the background and foundations of the present international system. It is obvious, of course, that none of these institutions was designed for the kind of development activities which are now being carried out within the framework of the present U.N. development structure (these operations are wider than UNDP and relate to other international activities such as the World Food Programme, UNICEF, etc.).

We have reached a point in our thinking where I would greatly appreciate the opportunity of a fairly detailed and relaxed discussion with you. I say "fairly detailed" for we are undoubtedly dealing with one of the most complex administrative problems in the world - a view shared by friends of mine both in Royal Dutch and Unilever.

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



- 2 -

I will be in the United States from Thursday, 2 January until Friday, 24 January and, in any case, will be spending the week commencing Monday, 13 January in Washington. I do not know your movements about that time but could you find time for such an exchange? It is evident, of course, that many of our proposals and recommendations are bound to have a direct relationship both to the IDA and to the Bank.

When I am in the United States I shall have two members of my staff with me - Miss M. J. Anstee (who is handling most of the policy problems embraced by the Study; she has a distinguished international background and has just finished a year at 10 Downing Street) and Mr. Bruce Rohrbacher, who is clearly one of the best of the McKinsey partners and who will be working with me in a personal capacity.

It goes without saying that the underlying reason for this request is to have the benefit of your judgement and guidance based on your unique experience with large-scale organizations.

Yours ever
Jacko

*I have addressed you as Bob, Larry
regard to your last letter.
I would also like to tell you of
my exchanges with Mike - the Canadian
how refer to his exercise as "WHAT" &
& mine as "How" (as far as the U.N.
system is concerned).*

World Bank Bond Issue in the United States
in December 1968 or January 1969

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1. Following the issue on September 17, 1968 of the first \$250 million tranche of the \$500 million borrowing planned for fiscal year 1969 in the United States, the World Bank is now proposing to offer the second \$250 million tranche in December 1968 or January 1969. This is in accordance with the preliminary discussions between the World Bank and the U.S. Treasury prior to the letter of President McNamara to Secretary Fowler of July 26, 1968, (copy attached).
2. The borrowing needs of the World Bank in the United States and other countries and the feasibility of steps designed to avoid any adverse impact on the balance of payments of the United States were discussed in a memorandum of June 25. (A copy of this memorandum, which is attached, was furnished to the Treasury.) The tables included in the June 25 memorandum have been updated for the present memorandum and attached hereto. The memorandum contained a brief description of the plans for expansion of Bank lending over the next five years -- an expansion dictated both by the need of the LDC's for capital and by the fact that their ability to make effective use of development finance is growing faster than bilateral aid programs. It also drew attention to the sharp decline in liquid assets held by the Bank over the past five years. It concluded that Bank borrowing overseas and other sources of funds could be sufficient to cover current outflows, provided that borrowings in the U.S. can be used to bring about the needed large expansion in liquid assets of the Bank.
3. The borrowing activities of the Bank in the first quarter of FY 1969 have proceeded as anticipated in the memorandum. In its operations outside the United States, from June 30 through October 31, 1968, the Bank has sold \$269.0 million in long-term securities and raised its medium-term debt (with maturities up to five years) by \$44.5 million. As a result of new borrowing and repayments,

indebtedness to U.S. residents rose by some \$220 million from June 30 to \$1.6 billion on October 30, 1968, and to non-U.S. residents by about \$260 million to \$2.2 billion. For the rest of this fiscal year an additional net borrowing outside the United States of about \$250 million is planned of which about \$200 million will be long-term and \$50 million will accrue net from roll-over of medium-term debt. Anticipated totals for the fiscal year are shown in Table 1 attached.

4. In its effort to increase the resources being contributed to the potential growth of developing member countries, the IBRD lending for fiscal 1969 is now estimated at about \$1.6 billion compared to \$846 million last year. This \$1.6 billion includes about \$250 million of possible "switching" from IDA credits to IBRD loans. This "switching" is made necessary because of delay in the second IDA replenishment. These are loans to countries regarded as needing concessional loans as well as conventional loans and therefore are in the category of IDA/Bank "blend". In any case, however, these countries are regarded as creditworthy for Bank loans in the amounts contemplated.

5. Disbursements have held in the first four months of FY '69 at \$264 million, not much higher at annual rate than the \$772 million of the past fiscal year. For the rest of this current year further disbursements in the order of \$568 million are anticipated, making a total of \$832 million. This total may be compared with \$290 million of repayments to the Bank estimated for the year as a whole. Other sources and applications of funds are shown in Table 2 attached. It may be noted that, as of ^{OCTOBER} ~~SEPTEMBER~~ 30,* about \$2.4 billion are still to be disbursed on Bank loans, while \$3.5 billion are owed by the Bank on its borrowings (nearly half maturing within five years).

6. The past quarter's borrowing in the United States and Europe have permitted the Bank to strengthen its financial position. In the past four years the Bank's holdings of cash and securities had been drawn from \$1.6 billion on June 30, 1964 to \$1.2 billion on June 30, 1968 (of which \$138 million was drawn down during the

*~~Intend to try to substitute an October 30 figure if possible.~~

past fiscal year alone). The last four months have witnessed a reversal of this trend, with an increase of over \$400 million. However, the planned level of cash and securities has not been reached; its achievement depends on the proposed bond issue.

7. The rise in World Bank cash and securities to date includes an increase of \$240 million in IBRD "long-term" 1/ investments in the United States to a total of \$920 million (compared to \$680 million on June 30, 1968). This rise of investments in the United States actually exceeded the proceeds of the September issue in New York, which amounted to \$180 million, the balance being accounted for by subscriptions for delayed deliveries.

8. Assuming \$500 million of new World Bank bond issues in the United States during FY '69, it is projected that Bank operations will make a positive contribution in excess of \$200 million to the U.S. balance of payments in fiscal year 1969 (see Table 3). This amount compares to \$138 million in FY 1968. The estimate is based on certain conservative assumptions; for example, it is assumed that procurement in the United States will continue at the current rate of about 18.3% of total procurement under Bank loans. In large part this positive contribution is made possible by the fact that World Bank borrowing in the United States is approximately offset by World Bank investments in U.S. securities regarded as "long-term" from the balance of payments viewpoint.

9. It is suggested that the bond issue be offered in December/¹⁹⁶⁸or January 1969, taking into account the following considerations:

- a) the domestic financial markets will probably be freed from major borrowing by the U.S. Treasury for the remainder of this calendar

1/ "long-term" as defined for U.S. balance of payments purposes

year, and subject to only moderate Treasury demands in the first half of next year. Although tax-exempt and corporate borrowing are presently very high, there is an important seasonal component which is likely to taper off about the turn of the year.

- (b) The size of the proposed issue, although large for the World Bank, is small in terms of the over-all liquidity that the market usually enjoys from the reflow of funds in January and February.
- (c) Moreover, the World Bank issue would be of long-term maturity, say twenty-five years, and therefore remain completely out of any maturity ranges that the Treasury might choose. It would, therefore, tap separate sources of funds, with minimum effect on market conditions for Treasury borrowing.
- (d) The Bank would consult with the U.S. Treasury for the purpose of coordinating the timing of its offering with any new financing that the Treasury may schedule for that period.

10. The history of Bank cooperation with the U.S. balance of payments program was summarized in President McNamara's letter to Secretary Fowler of July 26, 1968. The analysis of available data and projections of cash flows within the Bank indicate that it is feasible to assure the U.S. Treasury that the Bank will invest the full proceeds of the new borrowings in a manner that will have no adverse effects on the U.S. balance of payments in fiscal 1969 and will keep such funds invested in the U.S. through fiscal 1970 and for as long thereafter as practicable. It is also possible to reconfirm["] the intention["]

of the Bank expressed in President McNamara's letter to make its best efforts looking to fiscal year 1970 and subsequent years, to increase its borrowing outside the United States so that the net borrowings in such areas would at least match in amounts any bond issues in the U.S. net of that year's contractual repayments.

The Economic Adverser to the President

November 4, 1968

IBRD: ACTUAL & FORECASTED BALANCES OF LIQUID ASSETS
AT END OF FISCAL YEARS



(\$ millions)

	1965	1966	1967	1968	1969	1970	1971
Cash	21	12	33	40	50	29	33
Investments:							
Non-US	258	293	226	209	209	204	194
US-Short Term ^{1/}	1116	612	361	238			
Long Term ^{1/}	200	500	685	680	1092	1399	1772
Funds Available for Long Term Investments in Excess of Amount Required to Offset Post 7/1/68 Receipts from US Borrowings					348	336	63
TOTAL CASH & INVESTMENTS	<u>1595</u>	<u>1417</u>	<u>1305</u>	<u>1167</u>	<u>1704</u>	<u>1968</u>	<u>2062</u>
Cumulative Receipts on Post 7/1/68 US Borrowings					382	677	1050
Increase in US Long Term Investments in Excess of Cumulative Receipts on Post 7/1/68 US Borrowings					30	42	42

^{1/} As defined for purposes of official US balance of payments statistics.

P. & B
11/4/68

GM for CMT when return

TABLE 3

ESTIMATED IERD EFFECTS ON U.S. BALANCE OF PAYMENTS
FISCAL YEAR 1960 THROUGH 1969
(In millions of U.S. \$)

	Fiscal Years									
	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969^{4/}</u>
<u>Receipts by IERD in U.S.</u>										
New IERD issues in U.S., gross	125	-	100	-	-	200	175	250	300	500
Adjustments ^{1/}	-108	+64 ^{1/}	-37	-11	-34	-75	-203	-122	-210	-63
New issues in U.S., net of adjustments	17	64	63	-11	-34	125	-28	128	90	437
Net IERD loan sales in U.S.	79	-9	66	75	11	-13	-34	-52	-38	-30
Investment income earned by IERD in U.S.	37	40	50	52	53	52	51	58	54	65
Total	<u>133</u>	<u>95</u>	<u>179</u>	<u>116</u>	<u>30</u>	<u>164</u>	<u>-11</u>	<u>134</u>	<u>106</u>	<u>472</u>
<u>Payments by IERD in U.S. ^{2/}</u>										
IERD-financed goods bought in U.S. ^{2/}	158	118	144	205	175	130	139	148	141	150
Interest paid by IERD to U.S. bondholders	38	40	43	44	43	45	48	53	63	75
Interest paid by IERD borrowers to U.S. loan holders	4	12	12	12	16	17	15	15	12	10
IERD administrative expenses in U.S.	10	10	12	14	16	18	25	27	33	40
Net change in IERD long-term investments in U.S. ^{3/}	-	-	-	-	-	200	300	185	-5	412
Total	<u>210</u>	<u>180</u>	<u>211</u>	<u>275</u>	<u>250</u>	<u>410</u>	<u>527</u>	<u>428</u>	<u>244</u>	<u>687^{2/}</u>
Net effect on U.S. balance of payments	<u>+77</u>	<u>+85</u>	<u>+32</u>	<u>+159</u>	<u>+220</u>	<u>+246</u>	<u>+538</u>	<u>+294</u>	<u>+138</u>	<u>+215</u>

^{1/} Delayed deliveries, redemptions and purchases by foreigners.

^{2/} Includes procurement specifically identifiable as originating in the U.S. and the same proportion of procurement not identifiable by country of origin. Procurement in the U.S. is projected as 18.3% of total disbursements (the same rate as that of the fiscal year 1968).

^{3/} Certificates of deposit with original maturity more than one year and U.S. agency bonds.

^{4/} Projected.

October 30, 1968

487/1/28

TABLE 3
ESTIMATED IERD EFFECTS ON U.S. BALANCE OF PAYMENTS
FISCAL YEAR 1960 THROUGH 1968
 (In millions of U.S. \$)

	Fiscal Years							
	1960	1961	1962	1963	1964	1965	1966	1967
Net effect on U.S. balance of payments	+77	+82	+32	+22	+250	+216	+238	+291
Total	210	180	211	212	220	170	221	214
in U.S.	-	-	-	-	200	182	200	182
Net change in IERD long-term investments	-	-	-	-	-	-	-	-
IERD administrative expenses in U.S.	10	10	12	11	18	22	27	33
loan holders	1	12	12	12	17	12	12	12
Interest paid by IERD borrowers to U.S.	1	12	12	12	17	12	12	12
Interest paid by IERD to U.S. bondholders	38	40	43	44	47	48	52	53
IERD-financed goods bought in U.S.	128	118	114	202	172	130	132	114
Payments by IERD in U.S.	173	22	172	176	30	161	-11	106
Total	173	22	172	176	30	161	-11	106
Investment income earned by IERD in U.S.	37	40	20	22	22	22	22	22
Net IERD loan sales in U.S.	19	2	66	72	11	-31	-28	20
New issues in U.S., net of adjustments	17	64	63	-11	-31	122	-28	122
Adjustments	-108	+61	-37	-11	-31	-72	-203	-210
New IERD issues in U.S., Gross	122	-	100	-	-	200	122	200
Receipts by IERD in U.S.	122	-	100	-	-	200	122	200

Projected.
 Certificates of deposit with original maturity more than one year and U.S. agency bonds.
 of total disbursements (the same rate as that of the fiscal year 1968).
 Procurement not identifiable by country of origin. Procurement in the U.S. is projected as 1.7% of
 Includes procurement specifically identifiable as originating in the U.S. and the same proportion of
 Delayed deliveries, reductions and purchases by foreigners.

TABLE 1
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
SUMMARY OF TRANSACTIONS AFFECTING FUNDED DEBT FISCAL YEARS 1964 THROUGH 1969
 (Expressed in millions of U.S. \$ equivalent)

	1964			1965			1966			1967			1968			1969 (estimated)		
	Inside U.S.	Outside U.S.	Total	Inside U.S.	Outside U.S.	Total	Inside U.S.	Outside U.S.	Total	Inside U.S.	Outside U.S.	Total	Inside U.S.	Outside U.S.	Total	Inside U.S.	Outside U.S.	Total
New issues	-	100.0	100.0	200.0	397.6	597.6	-	288.0	288.0	425.0	304.2	729.2	300.0	434.8	734.8	500.0	927.0	1427.0
Purchases of new issues in U.S. by non-residents	-	-	-	(19.0)	19.0	-	-	-	-	(31.9)	31.9	-	(19.0)	19.0	-	(24.0)	24.0	-
Gross Borrowings	-	100.0	100.0	181.0	416.6	597.6	-	288.0	288.0	393.1	336.1	729.2	281.0	453.8	734.8	476.0	951.0	1427.0
Sales by U.S. residents to non-U.S. residents	(19.2)	19.2	-	(17.7)	17.7	-	(12.0)	12.0	-	(4.0)	4.0	-	(11.5)	11.5	-	(15.0)	15.0	-
Issues matured, redeemed or refunded	-	(107.8)	(107.8)	-	(316.4)	(316.4)	-	(175.6)	(175.6)	-	(171.8)	(171.8)	(150.0)	(307.9)	(457.9)	(50.0)	(414.0)	(464.0)
Purchases for sinking funds and purchase funds	(19.3)	(4.8)	(24.1)	(20.7)	(10.4)	(31.1)	(34.0)	(14.4)	(48.4)	(42.6)	(11.5)	(54.1)	(44.8)	(11.0)	(55.8)	(45.0)	(11.0)	(56.0)
Exchange adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	(6.0)	(6.0)	-	-	-
New issues net of adjustments and repayments	(38.5)	-	(31.9)	142.6	-	250.1	(46.0)	-	64.0	346.5	156.8	503.3	74.7	140.4	215.1	366.0	541.0	907.0
Net reduction in balance due on delayed deliveries	4.5	-	4.5	(17.9)	-	(17.9)	17.9	-	17.9	(218.5)	(15.5)	(234.0)	(7.3)	6.6	(0.7)	(82.0)	(11.0)	(93.0)

Parentheses enclose negative items

October 30, 1968

TABLE 2

SOURCES AND APPLICATION OF IBRD FUNDS BY FISCAL YEAR
(in millions of US \$)

	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>Projected 1969</u>	<u>Actual 1964-68</u>	<u>Projected 1969-73</u>
Net Income	130	138	141	170	147	178	726	968
Less Transfer to IDA	50	75	75	10	75	89	285	483
Net Income Retained	<u>80</u>	<u>63</u>	<u>66</u>	<u>160</u>	<u>72</u>	<u>89</u>	<u>441</u>	<u>485</u>
Receipts of Capital Subscriptions	38	20	32	50	29	35	169	97
Repaid to IBRD on Loans	117	137	166	188	236	292	844	1905
Borrowing by IBRD - New Issues	100	598	289	730	735	1427	2452	6467
Less Debt Retirement	<u>132</u>	<u>348</u>	<u>225</u>	<u>226</u>	<u>520</u>	<u>520</u>	<u>1451</u>	<u>2523</u>
Net Borrowing	-32	250	64	504	215	907	1001	3944
Delayed Deliveries (net)	+5	-18	+18	-234		-93	-229	-66
Receipts from Sale of Loans	154	110	105	69	65	116	503	504
Increase in Misc. Liabilities	-4	1	6	4	6	12	13	61
Payments to IDA over (-) or under (+) Transfer to IDA	<u>+50</u>	<u>+65</u>	<u>+39</u>	<u>-52</u>	<u>+16</u>	<u>+46</u>	<u>+118</u>	<u>+142</u>
TOTAL SOURCES	<u>408</u>	<u>628</u>	<u>496</u>	<u>689</u>	<u>639</u>	<u>1404</u>	<u>2860</u>	<u>7072</u>
Disbursement on Loans - Current	558	606	666	783	765	731	3378	2269
- New						101		4008
Real Estate Investment			2	1	5	7	8	8
Increase in Accrued & Prepaid Exp.		16	6	17	7	28	46	97
TOTAL APPLICATION	<u>558</u>	<u>622</u>	<u>674</u>	<u>801</u>	<u>777</u>	<u>867</u>	<u>3432</u>	<u>6382</u>
Net Increase or Decrease in Year	-149	+6	-178	-112	-138	+537	-571	690
Cash and Securities at Year End	1589	1595	1417	1305	1167	1704	1167	1857



Record Removal Notice



File Title President's papers - Robert S. McNamara Chronological files (incoming) - Chrons 02		Barcode No. 1771532		
Document Date Nov 8, 1968	Document Type Memorandum			
Correspondents / Participants Irving S. Friedman and Denis Rickett to Robert S. McNamara				
Subject / Title Advance contributions to IDA				
Exception No(s). <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				
Reason for Removal				
Additional Comments 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.		
		<table border="1"> <tr> <td>Withdrawn by Sherrine M. Thompson</td> <td>Date Nov 9, 2012</td> </tr> </table>	Withdrawn by Sherrine M. Thompson	Date Nov 9, 2012
Withdrawn by Sherrine M. Thompson	Date Nov 9, 2012			

487/1/29

November 6, 1968

Dear Mr. Ambassador:

Thank you very much for sending me a summary of President Ayub Khan's speech at the ground-breaking ceremony of the Tarbela Dam project. Much to my regret I was unable to attend but I am very much looking forward to my visit in Pakistan.

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

His Excellency
A. Hilaly
Embassy of Pakistan
2315 Massachusetts Ave., N.W.
Washington, D.C. 20008

RBSteckhan:ml

OFFICE MEMORANDUM

487/1/27

TO: Mr. Robert S. McNamara

DATE: October 31, 1968

FROM: Denis Rickett

*David*SUBJECT: IDA Unilateral Contributions

I spoke this morning to Mr. Palamenghi-Crispi who, as you know, is the Acting Alternate Executive Director for Italy and said that we had been most gratified to hear a report of the statement made by Signor Malfatti at the high level DAC meeting in Paris. We understood this to be that the Italian Government was asking for Parliamentary authority to make its contribution to IDA without waiting for the Second Replenishment Resolution to become effective. I said that I felt sure that you would wish to express your appreciation of this action to the Italian authorities by sending a cable to Signor Colombo and to Governor Carli but that I would like his advice as to whether this would be appropriate at this time or whether we should wait for an official communication from the Italian authorities. Mr. Palamenghi-Crispi said that he would like to get in touch with Rome as he was not fully informed on their intentions.

2. He rang me back this morning to say that a bill was being presented to the Italian Parliament in the terms indicated by Signor Malfatti and that Governor Carli would lend it his strong support. They hoped, therefore, that it might become law within a short time. At that point the Italian authorities would make a formal communication to you. Governor Carli thought that that would be the moment at which you could appropriately send a message of thanks. In the proposal put to Parliament they had endeavoured to meet our wishes as expressed to them at the time of the Annual Meeting.

3. It is very satisfactory to have this confirmation of the report from Paris of which I told you last night.

4. I should add that Mr. William Clark, to whom I spoke this morning, told me that Mr. Prentice, the U.K. Minister of Overseas Development, had said that there was likely to be a decision on a U.K. contribution within the next three or four days.

5. I had also asked Mr. Karasz to make informal enquiries of the Netherlands Delegation about the intentions of their Government. He told me this morning that they have a problem of Parliamentary authority since the legislation submitted to Parliament authorized them to make a contribution to IDA only within the terms of the Second Replenishment. They are studying this problem and hope to find a solution within the next three or four weeks. Mr. Udink, the Netherlands Minister for Overseas Development, had said that he strongly favoured such a contribution. I gathered, however, that this is not yet a decision by the Netherlands Government as a whole.

President has seen

c.c. Messrs. Knapp and Friedman

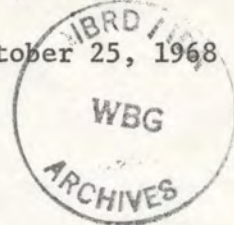
OFFICE MEMORANDUM

487/1/26

TO: Mr. Robert S. McNamara

DATE: October 25, 1968

FROM: J. Burke Knapp



SUBJECT: Further Recommendation on IDA Commitments

In my memorandum of September 27 I gave you my recommendation as to how the \$75 million of the Canadian advance contribution might be distributed. I should now like to give you below a slightly revised version of this recommendation (in Column 1) plus a suggestion (in Column 3) of how we might allocate total advance contributions to the Second Replenishment of say \$200 million, assuming that countries other than Canada contribute a further \$125 million.

	\$ million				<u>Total</u>
	Col. 1	Col. 2	Col. 3		
India (industrial imports)	50.0 ¹¹	75.0	125.0	0	175
Pakistan (various projects)	15.5 ¹	19.0	34.5	2	36.5
Other	9.5 ¹	31.0	40.5	128	168.5
Total	75.0	125.0	200.0	130	330

Of the \$200 million total, 62.5 per cent would be allocated to India, thereby covering in full the credit which we approved in principle last June, and about 17 per cent to Pakistan - i.e. nearly 80 per cent to the Indian sub-continent. However, looked at in the perspective of the two fiscal years 1968 and 1969, during which our total IDA credits would come to \$437 million (\$107 million signed in fiscal 1968, plus the \$130 million we already have available for commitment in fiscal 1969, plus \$200 million), India would get only 29 per cent and Pakistan (taking also into account their small participation in the \$107 million and the \$130 million) about 11 per cent, making 40 per cent for the Indian sub-continent. Still another way of looking at it - which would however be misleading since it would ignore the fact that India and Pakistan got little or nothing in fiscal 1968 - would be to say that of the IDA credits signed in fiscal 1969 (\$330 million), India would get 37.5 per cent and Pakistan 11 per cent, making 48.5 per cent for the Indian sub-continent.

The \$9.5 million allocated to "Other" countries in Column 1 in the table above would cover the following priority requirements:

	\$ million
Chad (livestock)	1.4
Ghana (fisheries)	3.0
Niger (agriculture)	2.5
Senegal (groundnut)	2.6
Total	9.5

As of 10/30
India will have accumulated \$8m of disbursement requests.

As compared with the list which I submitted to you in my memorandum of September 27, this list omits the proposed \$1 million potash engineering credit to Jordan, which has now been postponed for some time, and the \$2 million port credit to Liberia, which you said you would rather leave in its present status of "switched to Bank". I have substituted for these two a \$2.5 million credit to Niger for agricultural development.

The \$31 million allocated to "Other" countries in Column 2 of the table above would cover the following additional projects:

	<u>\$ million</u>
Uganda (agriculture)	4.5
Afghanistan (highways)	4.0
Korea (education)	12.0 ?
Dominican Rep. (agriculture)	6.0
Papua & New Guinea (agriculture)	<u>4.5</u>
Total	31.0

*- 1 ✓ Korea
+ 3 commitment
+ 9 India - Pak*

This would clean up all of the IDA projects for fiscal 1969 which were placed on the deferred list, outside India and Pakistan, except for the following:

	<u>\$ million</u>	
Malawi (power)	7.0	But we do not consider that Malawi's economic performance justifies IDA lending at the present time, and in any case Malawi stands very high on the "per capita" list.
Sudan (irrigation)	20.0	But it is quite uncertain when and if this project will be ready for action, and we have told them very definitely that we could not expect to proceed with it before the Second Replenishment becomes effective.

Of course, we did once list the Papua & New Guinea agricultural credit for action by the Bank with an Australian Government guarantee, but as you know, the Australians have refused to give this guarantee. We are proceeding with a \$1.5 million credit to Papua & New Guinea within the \$130 million already earmarked, and the further \$4.5 million would represent the balance of the originally contemplated agricultural credit.



DIRECTOR OF DEFENSE RESEARCH AND ENGINEERING
WASHINGTON 25, D.C.

487/1/25

16 OCT 1968

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



Dear Bob:

Following our conversation on water resources in India, I checked into the material developed by my staff last year. Here is a brief characterization of the situation as I understand it.

More irrigation is indispensable for the growth of India's agricultural production. Water supply is needed, of course, during the period of crop growth for profitable harvesting. But in India rain is available only during part of the year since the climatic conditions are monsoonal-- wet summers and dry winters. Therefore, water storage is necessary so that during the dry climatic regime, irrigation canals can supply the agricultural crops.

Irrigation is especially important in the semi-arid plains where wheat is the main crop. Under present conditions production of wheat is roughly 8-10 bushels per acre. We are told this can be increased to 20-30 bushels per acre with better irrigation, and to 50 or even 80 bushels per acre with improved irrigation as well as modern seed and fertilizer. As you know, West Pakistan has already made substantial progress along these lines.

Data available to us indicate that about 60 to 70 million acres are now under irrigation in India, though this is only about twenty percent of the total potential crop acreage. India's current five-year economic plan targets an ambitious increase of another 42 million in irrigation acreage.

U. S. assistance to India's water management has not been very extensive. Geological survey and agricultural teams have provided some advice on water resource management. And as you recall, Defense carried out a weather modification experiment in the Ganges River plains in the January 1967 dry season crisis when, unfortunately, few seedable clouds were available. I believe the largest program in which the U. S. is currently involved is the Beās Dam construction, a \$700 million project for which \$33 million from AID has been provided for purchase of U. S. equipment. I believe the Bank has provided another \$23 million to this project.

As we understand the situation, the biggest problem is the resistance of the Indian government to innovation in water management policies. Their traditional leadership in water resources dating back to the late 19th century, as well as cultural and political factors inhibiting intra-governmental cooperation, do not produce an environment hospitable to change. In fact, Indians often seem to believe their present irrigation systems are satisfactory.

My rather brief assessment leads me to believe that no new technology is needed to improve their water conservation and increase their total crop production. A hydrological and water budget survey should be made. Based on this survey, collection basins, check dams and flood control measures should be planned. The Army Corps of Engineers made such a survey for AID in Pakistan, which became the basis for the improved water resources management in that country. In the longer range, obviously, some major construction work on irrigation canals would be needed, some training for farmers would be required, the problems of fertilizer placement and distribution must be solved more satisfactorily, and the relationships between the introduction of new seeds and the use of new water systems must be emphasized. To help convince the Indians of the importance of taking actions, many people argue for computer-assisted studies of the overall costs and benefits of various possible alternative water systems.

Though other agencies have considerable experience in this area, we would be glad to help you wherever you wish. There are several people in OSD who I am sure would be interested in designing the needed studies, and the Army Corps of Engineers probably would be prepared to advise on field work.

Best regards. Please don't hesitate to give me a ring to discuss this further.

Sincerely yours,

S/ Johnny

John S. Foster, Jr.

30 Rockefeller Plaza
New York, N. Y. 10020

Room 5600



October 2, 1968

487/1/24

Dear Bob:

I thought your statement about the population problem was really terrific. I honestly believe that it will go a long way towards off-setting the Pope's Encyclical which to me can only be described as tragic.

Also I like so much the last three paragraphs of your talk in which you state "There is no cause for despair. There is every reason for hope." This is my own personal feeling.

You give all of us working towards the resolution of the population problem new hope and confidence. The apathy of national leaders has been a major block towards progress and your fresh and vigorous approach should stir rethinking within this group.

With every best wish for the success of your efforts, I am

Sincerely,

A handwritten signature in black ink that reads 'John'.

John D. Rockefeller 3rd

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

President has seen



30 Rockefeller Plaza
New York, N.Y. 10020

Room 2800

October 2, 1968

NSF/1/2N

Dear Bob:

I thought your statement about the population problem was really terrific. I honestly believe that it will go a long way towards offsetting the Pope's Encyclical which to me can only be described as tragic.

Also I like so much the last three paragraphs of your talk in which you state "There is no cause for despair. There is every reason for hope." This is my own personal feeling.

You give all of us working towards the resolution of the population problem new hope and confidence. The spathy of national leaders has been a major block towards progress and your fresh and vigorous approach should stir rethinking within this group.

With every best wish for the success of your efforts, I am

Sincerely,

John D. Rockefeller 3rd

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

1968 OCT -3 PM 10:46

COMMUNICATIONS
GENERAL FILED

President has seen

487/1/23

September 28, 1968



Dear Mr. Ahmad:

Thank you very much for your letter of September 3 about our efforts to expand the Bank's lending operations and the Pearson Commission.

I can well understand the concern that the delay in IDA replenishment and the reduction in other Consortium assistance has caused your Government. The position with regard to IDA replenishment is still unclear, and I was pleased to know from your cable of September 10 that you appreciate the Bank's willingness to provide Bank loans for the projects ready for financing, to accommodate the delay in IDA replenishment.

We agree with you that it will be desirable to compensate for this increase in Bank lending by adjusting the mixture of soft and hard loans in future years, and will be considering with you how this can be done.

I was glad to read your appreciative remarks about the Pearson Commission. Your offer to enlarge on your own proposals has been passed on to the Commission which, as you may know, will carry out its work independently from the Bank.

I am hoping to spend a few days in West Pakistan in mid-November and look forward to seeing you then.

With kind regards,

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

The Honorable M. M. Ahmad
Deputy Chairman
Planning Commission
Pakistan Secretariat No. II
Rawalpindi, Pakistan

CGM:RMcN:mss

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Irving S. Friedman and Sir Denis Rickett

SUBJECT: IDA - Unilateral Contributions

DATE: September 26, 1968

You asked us to make suggestions about how unilateral contributions to IDA might be secured from certain countries to meet the problem raised by the delay on the part of the U.S. Congress in agreeing to the Second Replenishment.

2. We attach a memorandum which has been prepared as a result of discussions which we have had with the General Counsel and the Treasurer and their Departments. The memorandum sets out in some detail the considerations by which the negotiations should be guided and the legal steps which would be necessary to bring the arrangements into effect.

3. In essence, however, we believe that the problem is relatively simple. Its main features are as follows:

(i) There are already indications that certain countries will be willing to make unilateral contributions in advance of the Second Replenishment. The only condition so far mentioned is the obvious one that such contributions should be regarded as discharging their liability pro tanto under the Second Replenishment as and when it becomes effective.

(ii) Our immediate need is for additional commitment authority. Credits entered into under this authority will, of course, lead to disbursements and, in the case of credits to India, to relatively rapid disbursements. The existing cash resources of IDA, however, amount to over \$400 million. These cash resources are there to meet slow disbursing IDA credits and will be mostly unused for years to come. If we can use these to finance disbursements arising from unilateral contributions, the calculations in the Annex to the memorandum show that there will be no need to call upon the cash committed under those contributions until November 1969.

4. There is, however, a possible obstacle to the use of our available funds; namely, the attitude of the United States to the use of these funds already contributed to IDA to finance disbursements arising from advance contributions to the Second Replenishment. We hope that the United States will not raise any difficulty about the use of these funds but we shall feel bound to consult them since drawings on existing resources will not be subject to the balance of payments safeguards which, at their insistence, were written into the Second Replenishment Agreement. They may point to the increased short-run impact on the U.S. balance of payments if existing IDA resources are used to finance disbursements arising from credit commitments entered into as a result of advance contributions made by certain countries to the Second Replenishment. However, we feel that there is a good chance of convincing the U.S. not to raise objections.

Do not consult the US until you review with me a schedule showing the IBRD & IDA cash & marketable securities balances, appropriately categorized, as of the end of each fiscal year 1963 thru 1971.

48711/22 9/28 Messrs Friedman & Rickett

Please proceed as you have suggested, adjusted to take account of my comments. If you question or do not understand my suggestions, please discuss with me.

WEG. I

RD

ARCHIVES

R. New

September 26, 1968

5. If there were to be any difficulty over the use of existing resources, this would mean that unilateral contributions would have to be encashed more rapidly than would otherwise be the case.
6. To bring these arrangements into effect a resolution by the Board will be needed empowering IDA to accept such unilateral contributions and recording an understanding that they will be treated as discharging in advance a corresponding amount of the Second Replenishment obligations of the countries in question.
7. You will see from the memorandum that on certain assumptions it may also be necessary to make amendments to the Procedural Memorandum attached to the Second Replenishment Agreement. We would hope that it would not be necessary to discuss this in detail with the Part I countries at this stage. We should, however, have to be ready to do so if they raise it.

Att:

ISF
DRAW

Should we not prepare such a resolution and present it to the Board for approval.

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IDA Interim Arrangements

I. Introduction and General Considerations

The delay which has already occurred in the approval of the IDA bill by the U.S. Congress and the lack of any indication that early approval is likely have prompted the Governments of Canada, the United Kingdom and other countries to consider interim arrangements which would permit IDA to continue operating on a relatively substantial scale. The following paragraphs examine the possibility of working out such arrangements.

2. The most urgent problem that these arrangements would have to solve is the present inadequacy, in relation to needs, of the commitment authority of the Association. On the basis of arrangements in effect on September 24, 1968 IDA commitment authority is only \$16 million (\$91 million if the \$75 million transfer from the IBRD is included). Other essential aspects of the interim arrangements that should be considered are:

the timing and the form of the payment to IDA of the committed amounts; and the disbursement of the monies so provided. Although these two aspects raise a number of problems their solution is facilitated by the availability of funds deriving from the First Replenishment and from other sources^{1/} and because of the discretion which the management can exercise as to the timing, volume and type of credits granted (slow-disbursement or quick-disbursement type), in using the authority which would be received under the interim arrangements.

^{1/} See Annex

3. Two basic, and in some ways conflicting, considerations would guide the framing of these arrangements. On the one hand they ought to have a distinct "interim" nature in the sense that their coming into being and their implementation should not only assume, but also not prejudice, the enactment of the Second Replenishment. This has a bearing on the number and importance of the participating countries, the amounts involved, and the procedural and publicity aspects. On the other hand, the possibility ought to be borne in mind that the Second Replenishment might never be enacted, and for this reason the arrangements should be framed in such a way as to be able to live a life of their own.

4. Against this background we have to consider in particular what amendments, if any, need to be introduced in the operating features of the Second Replenishment Resolution and more particularly of the Procedural Memorandum, and how easy it would be to secure agreement to them.

II. The Main Features of the Steps Suggested

5. The interim arrangements would have to be worked out rapidly, with a minimum of formalities and publicity, a minimum of technicalities in the written texts, and with a relatively small number of Part I countries. Subject to these conditions the aim would be to obtain the largest possible commitment authority, and also to make it possible for other Part I countries to accede to these arrangements later, if the Second Replenishment were delayed for a considerable period.

6. The main features of the proposal are outlined below:

Countries. We have already had a firm offer from Canada as well as an approach from the United Kingdom; and other likely contributors are Denmark,

Norway and Sweden. The possibility should be further explored of the participation of the Netherlands, even though this seems at present doubtful. From a practical point of view it would seem necessary to seek the advice, however informal, at an early stage of the U.S. Government as to whether, because of these arrangements or any attendant publicity about their possibility, there would be a risk that the U.S. Congress would delay indefinitely the approval of, reject or reduce the amount of, the IDA bill. Further soundings could also be taken of some other major contributors such as Germany, Japan and Italy both as to what they might be prepared to do and their reactions to unilateral action taken by others.

I do not believe we should seek their advice instead we should advise the USG that not all things are being decided by them and they are staying informed

7. Timing. Should the discussions with Canada, the United Kingdom and the Scandinavians develop favorably the aim would be to reach an understanding with as many countries as possible at least on the substance of the arrangements by the end of the week of the Annual Meeting. No action by one country would be held up for others, if at all possible.

Let's try to get Canada's \$75 million told down "irrevocably" before proceeding with any other country

8. Amounts. As indicated earlier what matters most in the immediate future is the amount of the commitment authority to be received by IDA under the arrangements. The timing of the payment of the notes and the encashment of them would be less important.

9. The aim would be to obtain from the five countries commitment authority for the full amount of their three year contributions (including supplementary contributions) which add up to \$285.36 million. There are indications, however, to the effect that the United Kingdom may wish to give commitment authority only for a relatively small part of its three year contribution. In such a case the commitment authority received by IDA certainly would be less than \$200 million. The Swedish Government might feel that they

have already played their part by making a Special Supplementary contribution which is not conditional on the Second Replenishment becoming effective.

10. Normally IDA would expect payments of notes in three annual instalments in amounts equal to a third of the total, and the timing could be the same as that provided for in the Second Replenishment, (except for Norway's supplementary contribution), namely in November of 1968, 1969 and 1970. IDA would, however, be prepared to accept payments at a faster rate either by shortening the time period or by making the first and second payments higher than the equal annual instalment.

11. The amount of the drawings (encashment of notes) prior to the effectiveness of the Second Replenishment would be determined by procedures to be worked out. There are several procedures which could be used. (a) It could be provided that no drawings would be made on the unilateral contributions before the effectiveness of the Second Replenishment unless IDA's other available resources were exhausted; (b) these contributions could be assimilated to existing IDA resources (subscriptions, Bank transfers, first replenishment funds, etc.) and be drawn on pro rata with these resources as IDA needs funds; (c) or these contributions could be kept separate to be drawn on pro rata to cover disbursements on credits entered into under this new commitment authority.

III. Relations with the Second Replenishment

12. The unilateral contributions would be made with the intent of supplying IDA with commitment authority and funds if needed, for disbursement in advance of the effectiveness of the Second Replenishment. If the Second Replenishment never becomes effective these contributions would not be returned to the contributing members but would continue to be used by IDA. However, if the Second Replenishment does become effective, it would be contemplated that these contributions would be treated as part of the contributions required under the

Second Replenishment and the contributing countries will almost certainly require a clear assurance to this effect. The arrangements for the unilateral contributions would, therefore, have to be consistent with those for the Second Replenishment. Because of the carefully elaborated way in which Second Replenishment contributions may be drawn on by IDA, fitting these unilateral contributions into the Second Replenishment involves some problems.

13. The basic resolution providing for the Second Replenishment requires IDA to use the contributions in the manner set forth in an attached Procedural Memorandum. This basic resolution empowers the Executive Directors to modify the Procedural Memorandum, but such modifications cannot result in the acceleration of the draw down of a member's contribution without that member's consent. The Procedural Memorandum provides for the drawing of Second Replenishment funds only to meet "disbursement requirements on Second Replenishment Credits and to maintain an appropriate working balance". Second Replenishment Credits are defined as those entered into after the Second Replenishment becomes effective and those credits deemed by IDA to have been made from the Swiss loan and from Bank transfers authorized after June 30, 1968. To the extent that the unilateral contributions are drawn on to cover disbursements under credits entered into prior to the effectiveness of the Second Replenishment they will not be available to meet disbursement requirements on Second Replenishment Credits, and they cannot, therefore, be used in the manner set forth in the Procedural Memorandum.

14. To fit the unilateral contributions into the Second Replenishment two approaches could be followed; no matter which of the three methods of disbursement set out in paragraph 11 is decided on, each of these approaches would require a modification of the Procedural Memorandum. Because these modifications could

result in accelerated drawings on the members which did not make unilateral contributions, the consent of these members would have to be obtained. 1/

15. First, the Procedural Memorandum could be modified by expanding the definition of Second Replenishment Credits to include credits deemed by IDA to be made from resources provided in anticipation of the Second Replenishment. Disbursements on these new credits until payment of the regular Second Replenishment contributions would be governed by one of the procedures worked out as described in paragraph 11 above. The change in the definition of Second Replenishment Credits would mean that under paragraph II(b) of the Procedural Memorandum the United States contribution could be drawn upon, up to the amount of its pro rata share of any drawing, to finance United States procurement under these credits.

16. A second possibility would be to amend paragraph I of the Procedural Memorandum to permit Second Replenishment contributions to be drawn on to cover disbursements on credits entered into prior to the effectiveness of the Second Replenishment. Paragraph II(b) of the Procedural Memorandum would also be amended so that the United States contribution could be drawn on to finance United States procurement under these credits occurring after the effective date of the Second Replenishment.

17. Under these alternatives, further changes might be needed in the Procedural Memorandum if countries making unilateral contributions wanted account to be taken of drawings against these contributions before the effectiveness of the Second Replenishment. This could be done by amending paragraph II of the

1/ If sufficient new funds, such as Bank transfers, would become available to IDA to meet disbursements made on credits entered into on the basis of the unilateral contributions and these unilateral contributions were, therefore, not drawn on, no change would be necessary in the Procedural Memorandum.

Procedural Memorandum to provide either (i) that contributions of such countries be drawn upon pro rata to that part of their contribution which was undisbursed at the time the Second Replenishment becomes effective or (ii) that such contributions not be drawn upon at all until contributions which had not been accelerated had been drawn upon in the same proportion.

18. We would not make a final choice between these alternatives now but could explore in discussions with the countries concerned which course is likely to be more generally acceptable.

Carry-Over

19. Depending on the amount and nature of the credits granted under the commitment authority deriving from the unilateral contributions and on the terms of such contributions, the disbursements against these credits could require funds faster than could be provided by drawings on these contributions. Funds for such disbursements will be available from initial subscriptions and first replenishment contributions which have been assigned to slow disbursing credits. However, these resources are drawn on pro rata to each country's contribution, and this in the case of the United States would mean that its initial subscription and first replenishment contribution would be drawn upon for its share of each drawing regardless of the source of the procurement to be financed. The United States, assuming that this share would be substantially in excess of procurements, raised this problem in the Second Replenishment negotiations and as a result the Carry-Over provision in paragraph IV of the Procedural Memorandum, as explained in paragraph 13 of the covering report, limits the funds which can be used to finance disbursements on Second Replenishment Credits to those derived from transfers of Bank profits authorized before July 1, 1968 and not utilized, IDA profits and the 10% portion of subscriptions. It is therefore possible that the

United States may object to our "borrowing" 90% funds and first replenishment contributions to cover disbursements on the new credits. This, therefore, is a question which should be discussed at an early stage with the U. S. Administration.

ANNEXIDA Cash flows under interim financing

This note gives a preliminary review of the possible sources of cash for disbursement under the credits which may be extended on the basis of the proposed unilateral interim contributions. The calculations illustrate cash flows under two alternative levels of interim contributions, as follows:

Level A

(Unilateral interim contributions of \$350 million)

It is assumed that IDA receives new commitment authority through interim contributions of about \$350 million (which together with about \$130 million of presently unused commitment authority and about \$310 million proposed to be switched from IDA to Bank lending, would cover the \$790 million IDA lending program for fiscal 1968/69). Total IDA credit commitments in 1968/69 might thus reach \$480 million (\$350 million plus \$130 million). Of this amount \$250 million would be in quick-disbursing credits to India.

Disbursements can be projected roughly as follows, assuming that the quick-disbursing credits to India will disburse at \$12.5 million per month beginning as of May 1, 1968.

Table A1
Estimated Disbursements*
(\$ million)

	<u>Through</u> <u>Oct. 1969</u>	<u>Nov. 1969 to</u> <u>Oct. 1970</u>	<u>From</u> <u>Nov. 1970</u>	<u>Total</u>
1. On quick-disbursing credits	225	25	-	250
2. On regular credits	25	45	160	230
3. Total disbursements	<u>250</u>	<u>70</u>	<u>160</u>	<u>480</u>

* This table does not take account of cash availabilities and credits which depend upon the effectiveness of the second replenishment.

Possible sources of cash may be compared with disbursement needs as follows:

Table A2
Cash Availabilities Compared to Needs *
(\$ million)

	<u>Through</u> <u>Oct. 1969</u>	<u>Through</u> <u>Oct. 1970</u>	<u>Total</u>
Cash availabilities (cumulative)			
a) IBRD transfer, etc. ^{1/}	100	120	130
b) Unused carryover ^{2/}	<u>275</u>	<u>175</u>	-
Sub-total	375	295	130
c) Proposed interim contributions ^{3/}	<u>115</u>	<u>235</u>	<u>350</u>
Total	490	530	480
Cash needs (cumulative) ^{4/}	250	320	480

-
- 1/ IBRD transfer recommended for Oct. 1968 and special supplementary contributions. Does not include allowance for any IBRD transfer in 1969 or 1970.
- 2/ This is that part of the carryover of the 90% portion of original subscriptions to IDA and of the contributions to the first replenishment, (both of which are subject to the rule of pro rata drawings) which are not expected to be needed for disbursement under existing credits.
- 3/ Interim contributions are here assumed to be paid in three equal installments in November of 1968, 1969 and 1970.
- 4/ From Table A1.

* This table does not take account of cash availabilities and credits which depend upon the effectiveness of the second replenishment.

From the preceding table it appears that it may be necessary to encash little, if any, of the interim contributions (of \$350 million) before November 1970, if the carryover is used; and the converse is also true. After that date the interim contributions would probably have to be encashed, but it would not be necessary to use carryover. The prospective discussions with donors should help clarify which are the more acceptable means of financing.

Level B

(Unilateral interim contributions of \$200 million)

It is here assumed that IDA receives new commitment authority of about \$200 million, which is an estimate of what may become available at an early stage in the discussions on interim financing. Total IDA commitments in 1968/69 would thus reach \$330 million (\$200 million plus \$130 million). Of this amount \$125 million would be quick-disbursing credits to India.

Table B1
Estimated Disbursements*
(\$ million)

<u>Disbursements</u>	<u>Through</u> <u>Oct. 1969</u>	<u>Nov. 1969 to</u> <u>Oct. 1970</u>	<u>From</u> <u>Nov. 1970</u>	<u>Total</u>
1. On quick-disbursing credits	125	-	-	125
2. On regular credits	25	40	140	205
3. Total disbursements	150	40	140	330

Table B2
Cash Availabilities Compared to Needs*
(\$ million)

<u>Cash availabilities</u> <u>(cumulative)</u>	<u>Through</u> <u>Oct. 1969</u>	<u>Through</u> <u>Oct. 1970</u>	<u>Total</u>
a) IBRD transfer, etc. ^{1/}	100	120	130
b) Unused carryover ^{2/}	275	175	-
Sub-total	375	295	130
c) Proposed interim contributions ^{3/}	65	135	200
Total	440	430	330
Cash needs (cumulative) ^{4/}	150	190	330

1/, 2/, 3/ See notes 1/, 2/, and 3/ to Table A2.

4/ From Table B1.

* This table does not take account of cash availabilities and credits which depend upon the effectiveness of the second replenishment.

From the preceding table it appears that it may not be necessary to encash the interim contributions (of \$200 million) before November 1970, if the carryover is used; and the converse is also true. In the ensuing year, carryover would nearly suffice, but some of the interim contributions would probably have to be encashed.

487/1/21

September 18, 1968



Dr. Roger Revelle
Harvard University
Center for Population Studies
Cambridge, Mass. 02138

Dear Dr. Revelle:

We have carefully considered the suggestion in your letter of July 28 that the studies at Harvard of the Ganges-Brahmaputra River Basins be continued and expanded. Clearly such an expansion cannot be undertaken without the full knowledge and cooperation of India and Pakistan but there does not yet seem to be a willingness for those countries to cooperate in the manner you propose. In the circumstances, I do not see how such studies could proceed.

However, in order to avoid the loss of what has been done and the dispersion of the Harvard team, the Bank would be willing to consider a modest contribution to help Harvard continue its Ganges-Brahmaputra studies. Would a further contribution by the Bank of, say, \$15,000 to \$30,000 enable you to keep things going usefully for about one year?

I believe it would be advisable, upon your return from Austria, for you and perhaps some of your staff to come to Washington to give the Bank a report on the work completed during the summer and to explore whether our suggestion is practical.

Sincerely,

(Signed) Robert S. McNamara
Robert S. McNamara

BChadenet:RMcN:mss

Cleared in substance with Mr. Cargill

- cc: Mr. Aldewereld
- Mr. Evans
- Mr. Sadove
- Mr. Steckhan

1) Mr. McNamara: Mr. Chadenet would like to discuss this first with Mr. Sadove (who knows all about this) upon his return around September 5. Mr. Chadenet feels there is no great urgency from the Bank's point of view. Is this agreeable? I shall watch this in September.
 July 31, 1968
 ABS 8/13

Dr. Roger Revelle
 Harvard University
 Center for Population Studies
 9 Bow Street
 Cambridge, Massachusetts 02138

Dear Dr. Revelle:

Thank you very much for your letter of July 28, with enclosure, on the subject of water resource development in the Ganges-Brahmaputra Basin.

I will revert to this matter again upon the return of Mr. Chadenet, Director of our Projects Department, from his vacation on August 5.

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara



8/14
 O.K. - but I would like to reply to Revelle by mid-September
 L. H. C.

2) ~~Murriel please bring out~~ Sept. 9

cc: Mr. Chadenet (with copy of incoming letter)

called Chadenet who has a meeting on that tomorrow afternoon
 ABS 8/14
 ABS 9/10

3) ~~Murriel please bring out~~ Sept. 13
 ABS 9/10

SALdewereld:mc

Mr. Chadenet called to announce a paper on the matter and also to provide a letter for Mr. McNamara's signature by mid-September
 ABS 9/12

487/1/20

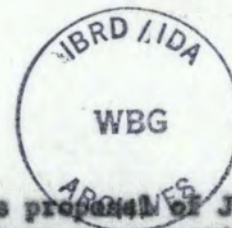
R-745

Mr. Robert S. McNamara (through
Mr. S. Aldewereld)

September 16, 1968

B. Chadenet B. Chadenet

Ganges-Brahmaputra Basin Studies
Proposed by Dr. Revelle of Harvard



I am attaching a draft reply to Dr. Revelle's proposal of July 28, 1968, which you acknowledged on July 31. I had a telephone conversation with Dr. Revelle on August 15 and it was left that we would pursue the matter upon his return from Austria in mid-September.

Dr. Revelle proposes an extensive field program of data collection and engineering studies for the Ganges-Brahmaputra Basins: "... we have come to realize that our analytical studies would be much more valuable if they were closely related to a more comprehensive investigation (which) could best be undertaken by the Bank. It would take several years and would require the goodwill and cooperation of the governments of India and Pakistan."

Dr. Revelle proposes that under the supervision of the Bank there would be a group working from Harvard with Bank teams and consultants in India and Pakistan. India and Pakistani counterparts would be assigned to participate closely in the studies.

Dr. Revelle has estimated the cost at \$367,000 annually for the Harvard portion of the studies. In addition, the cost of the Bank staff and Bank consultants and the cost to India and Pakistan could at least equal this amount. The total budget would thus reach or exceed \$800,000 annually and the studies would require several years.

Messrs. Evans and Sadove and I have reviewed Dr. Revelle's proposal and have reached the following conclusions, with which Mr. Cargill agrees. As the proposed extension and expansion of the Harvard program cannot be undertaken without the full knowledge and cooperation of India and Pakistan, and as the evidence of a willingness to cooperate has not yet been demonstrated in these countries, the Bank cannot support Dr. Revelle's proposal.

In order to avoid the loss of what has been done and the dispersion of the Harvard team the Bank could consider making a modest and confidential contribution to help Harvard continue its Ganges-Brahmaputra studies. We could explore whether a further Bank contribution in the \$15,000 - \$30,000 range would enable studies to continue in Harvard for - say - one year. If this is found to be possible and useful, we could agree on what exactly should be done within an agreed budget.

We should invite Dr. Revelle and some of his staff to come to Washington to give us a progress report on the work completed during the summer under our confidential \$17,200 contribution and to discuss the suggestion made above.

Attachment
BChadenet:jfh
c.c. Messrs. Aldewereld, Cargill, Evans, Sadove, Steckhan

MS 9/17

DRAFT
EChadenet:jfh
September 16, 1968

Dr. Roger Revelle
Harvard University
Center for Population Studies
Cambridge
Massachusetts

Dear Dr. Revelle:

We have carefully considered the suggestion in your letter of July 28 that the studies at Harvard of the Ganges-Brahmaputra River Basins be continued and expanded. Clearly such an expansion cannot be undertaken without the full knowledge and cooperation of India and Pakistan but there does not yet seem to be a willingness to cooperate in the manner you propose. In the circumstances, I do not see how the Bank could support the expanded studies.

However, in order to avoid the loss of what has been done and the dispersion of the Harvard team, the Bank would be willing to consider a modest contribution to help Harvard continue its Ganges-Brahmaputra studies. Would a further contribution by the Bank of - say - \$15,000 to \$30,000 enable you to keep things going usefully for about one year?

I believe it would be advisable, upon your return from Austria, for you and perhaps some of your staff to come to Washington to give the Bank a report on the work completed during the summer and to explore whether our suggestion is practical.

Sincerely,

Robert S. McNamara

Cleared in substance with Mr. Cargill
c.c. Mr. Aldewereld
Mr. Evans
Mr. Sadove
Mr. Steckhan

487/1/19

9-05-68



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



OFFICE OF THE PRESIDENT

Thursday

Dear Prime Minister

I want to tell you again how
much I both appreciated and enjoyed
your hospitality last evening. I
share the enthusiasm and excitement
with which your colleagues view the
future of Canada under your leadership.

Sincerely
Bob McNamara

Copy of handwritten letter
to Prime Minister Trudeau
Ottawa, Canada
dated September 5, 1968

after 9 am
Sept 23 1968
23 rd

487/1/18

August 27, 1968

Dear Mr. Towe:

On behalf of Mr. McNamara who is at present away from Washington, I should like to acknowledge receipt of the official invitation to Mr. McNamara to visit Ottawa for informal talks on September 4. Mr. McNamara will only return to this office on September 3 and I am sure he would like me to thank, through you, the Secretary of State for External Affairs for the invitation and to accept it.

Sincerely,

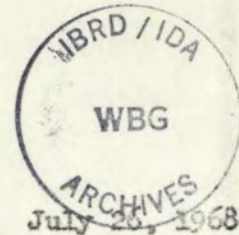
Rainer B. Steckhan
Personal Assistant to Mr. McNamara

P. M. Towe, Esq.
Charge d'Affaires, a.i.
Canadian Embassy
1746 Massachusetts Avenue, N.W.
Washington, D.C. 20036

RBSteckhan:ml

487/1/17

DECLASSIFIED
SEP 25 2012
WB ARCHIVES



Dear Mr. Secretary:

I have appreciated the opportunity to discuss with you my plans and the prospects for World Bank borrowing in the United States and elsewhere during the current fiscal year. I am sending a request by separate letter for approval by the United States pursuant to the World Bank's Articles of Agreement for a \$250 million bond issue in the United States on September 17, 1968. In accordance with our discussion I wish to summarize certain points indicating the full compatibility of the requested action with the U.S. balance of payments program.

Overall the Bank's activities have resulted in significant benefit to the U.S. balance of payments, both in recent years and historically. Our estimate for the fiscal year just ended shows a net of plus \$140 million in this connection, and, taking into account our prospective borrowings outside of the United States, there is a reasonable prospect that this favorable factor for the U.S. balance of payments will be even larger in fiscal year 1969.

In this connection, let me assure you of my intention to continue the Bank's policy of cooperation with the U.S. balance of payments program. To this end the Bank will invest the full proceeds of the new borrowing in a manner that will have no adverse affect on the U.S. balance of payments this year and will keep such funds so invested in the United States through fiscal year 1970 and for as long thereafter as practicable.

As you know, Mr. Woods, in a letter of April 18, 1966, stated that the proceeds raised in the U.S. from World Bank bond issues made in January 1965 and June 1966 would be invested so as to prevent any adverse effect from the borrowings on the U.S. balance of payments until December 31, 1967. The Bank still holds these proceeds so invested. In his letter of February 17, 1967 he stated his intention to so invest the proceeds of the March 1967 bond issue to prevent any adverse affect on the U.S. balance of payments, at least until mid-January 1969.

The Honorable
Henry H. Fowler
Secretary of the Treasury
Treasury Department
Washington, D.C. 20220

The Honorable
Henry H. Fowler

- 2 -

July 26, 1968

On March 11, 1968 he stated his intentions to so invest the proceeds of an issue made later that month, so as to avoid any adverse effect on the U.S. balance of payments, at least until mid-January 1970. I can assure you of my intention to continue to hold such proceeds of these previously issued bonds in such investments so as to avoid adverse effects on the U.S. balance of payments for as long as practicable, at least through fiscal year 1970. Similarly, I plan to hold other assets now so invested by the Bank for as long as practicable. In this connection, consultation with the U.S. Treasury on these investments from time to time should be mutually beneficial, and I am sure that you will find it helpful to receive timely information on them. I am instructing my staff accordingly.

The proceeds of a bond issue in the U.S. will provide what I believe to be a necessary increase in the Bank's cash and securities position in light of the very substantial present and prospective size of our lending operations. It is my hope to maintain at least this level of cash and securities over the years ahead, and this should facilitate the above.

I have reviewed with you the continuing and intensified effort of the Bank to raise needed substantial amounts of new capital and also to spread reliance on the capital markets of as many of the Bank's members as practical. At the same time, I am mindful that this has an important bearing on the U.S. balance of payments position now and over the longer run. Accordingly, I want to confirm my intention that the Bank make its best efforts, looking to FY 1970 and subsequent years, to increase its borrowings outside the U.S. so that the net borrowings in such areas would at least match in amounts any bond issues in the U.S. net of that year's contractual repayments.

Sincerely,

Robert S. McNamara

ISFriedman:rgw
July 26, 1968



Record Removal Notice



File Title President's papers - Robert S. McNamara Chronological files (incoming) - Chrons 02		Barcode No. 1771532
Document Date Jul 19, 1968	Document Type Memorandum	
Correspondents / Participants Denis Rickett to Robert S. McNamara		
Subject / Title IDA Policies - Control of Counterpart Funds		
Exception No(s). <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		
Reason for Removal		
Additional Comments 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.
		Withdrawn by Sherrine M. Thompson
		Date Nov 9, 2012

487/1/15

July 17, 1968



The Rt. Hon. Lester B. Pearson
541 Montague Place
Rockcliffe Park
Ottawa, Ontario
Canada

Dear Mr. Pearson:

Ever since I came to this office on April 1 I have been concerned with the problem of how to create an adequate long term strategy for the development of the poorer nations in partnership with the richer nations. I began by taking a five-year look ahead at the Bank's own operations and have found that we shall need to expand our operations as much as two-fold if we are to play our part in meeting the clearly identifiable needs of the developing world.

Now I am facing the broader problem of how to mobilize effective opinion in the "North" behind an adequate development program. My predecessor, George Woods, suggested that the Bank should sponsor, but not control, a study, by 10 or 12 eminent men, of the past decade of development, and make recommendations, based on the lessons of the past, for the next two or three decades.

I would like to ask you to consider the possibility of chairing this committee. With your prestige and your known interest in the problems of development I believe you could make an enormous impact on opinion around the world and particularly in those key countries which need to be convinced of the urgency of the problem and the possibility of a solution.

I am most conscious that you have just retired from one of the most arduous tasks in the world, and deserve a rest, but I believe that this may strike you as too important a challenge to turn down. We at the Bank would, in any case, give all the help that we could in the way of secretariat, research, meeting places, etc.

There are many points which remain to be decided -- how to choose the other members, how to organize the staff studies, how to safeguard the Committee's independence while ensuring it has all the contact it needs with the Bank, the D.A.C., the U.N. Economic and Social Agency.

Would it be helpful to you to have a preliminary discussion of all this with William Clark, who was involved in the inception of this concept in his days at the Overseas Development Institute, and is now helping me

The Rt. Hon. Lester B. Pearson

- 2 -

July 17, 1968

to handle it here? He would be delighted to come up to Ottawa at your convenience and talk about this with you.

I very much hope you will give this your favorable consideration.

Sincerely,

Robert S. McNamara

WClark:RMcN:mss

OFFICE MEMORANDUM

487/1/14

TO: Mr. Robert S. McNamara

DATE: July 12, 1968

FROM: J. Burke Knapp

SUBJECT: Draft Discussion Papers on IDA Policies

During the past week Denis Rickett, Raymond Cope and I have spent a great many hours talking with Executive Directors (singly and in groups) regarding the Draft Discussion Papers on IDA Policies. Please find attached a set of memoranda prepared by the Secretariat recording the views expressed by Executive Directors in these matters. Also attached are three tabulations of views expressed by the Executive Directors on policy issues raised in these papers.

This material is rather spotty, especially the tabulations, but perhaps it will assist you in getting a first impression as to the net results of these preliminary consultations with the Executive Directors.

Denis Rickett, Raymond Cope and I have been conferring today as to the conclusions which we should draw from our discussions as regards revision of the Draft Discussion Papers, and in particular as regards whether you should now table any more specific recommendations on these subjects. I will report our views to you on Monday but in the meanwhile might tell you that they are in brief as follows:

1. As to the geographical distribution of IDA credits, a large majority of our Directors do not believe that we should try to impose some preconceived pattern of distribution by countries or by geographical areas, except in the case of India and Pakistan. A large majority also accept the figures which you have proposed for India and Pakistan (the British are a notable exception). There is a wide spectrum of views regarding the "criteria", with many Directors emphasizing the poverty test and others emphasizing the performance and the project test. There would be considerable sympathy (led by the United States) for increasing the \$250 limit to \$300. Otherwise, however, there is little need to redraft the paper.

*what do the
British*

*would incl.
what nations*

2. As to the IDA lending terms, there is also a wide spectrum of opinion and there is certainly no clear consensus for any of the "hardening up" alternatives which we have suggested for consideration. Some countries (notably the United States) are much opposed to any change from present practice. I think that in this situation much importance will be attached to any recommendation which you may desire to make, and I would like to discuss this with you on Monday. The present paper on the subject also seems to require very little change.

President has seen

3. As to the control of counterpart funds, there does seem to be a general consensus that IDA should be at least protected against ill-informed criticism and that some direction of these funds into approved expenditures would at least serve this purpose. The paper on this subject is being rewritten and I will show it to you on Monday.

My own feeling is that if we get the revised papers out early next week, we can, with all of the preliminary talks that have taken place, proceed with their consideration at the Board Meeting on July 23. I must say, however, that I have no idea how long the discussion of these papers may still require.

P.S. Also attached for your convenience are copies of your previous memoranda to the Executive Directors about IDA policy matters.

Attachments

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: July 12, 1968

FROM: J. Burke Knapp *JBK*SUBJECT: Draft Discussion Paper on Rate of Commitment of IDA Funds

487/1/73

how strongly

I met yesterday with the "Part I representatives"^{1/} to review the Draft Discussion Paper on the above subject. Attached is a copy of the Secretariat's record of the views expressed by the Executive Directors, as well as a redraft of the paper, which should now be circulated to the full Board of Directors. In brief, the conclusions of the paper were endorsed by everybody except Germany, Japan, Australia and South Africa.

The concept of a backlog to be attributed to fiscal 1968 was universally accepted. Even those who dissented from the recommendation on the future rate of commitment said that they wished this backlog had been larger so as to diminish the future problem.

As regards the proposal to make credit commitments at the rate of \$530 million a year over the next two fiscal years, the Messrs. vom Hofe, Suzuki and Stone were opposed; Suzuki and Stone felt that the figure should be \$400 million. All of them argued that it would be better to have a "cushion" of uncommitted funds on June 30, 1970 in case the third replenishment were delayed; they also made much of the point that a \$530 million level of commitment in fiscal 1969 and fiscal 1970 would prejudice the level of the third replenishment. Stone was the ringleader of this group - at least he talked the most - and even said that if the \$530 million figure were adopted, he would be opposed to any Bank transfer to IDA this year.

This last position was not very logical since the whole group accepted the proposal that the agreed level of commitment should be increased by the amount of any additional resources received by IDA during fiscal 1969 and fiscal 1970 from Bank transfers or other sources.

Some remarks were made about specific language used in paragraphs 3, 4 and 5 and these have been taken into account in the redraft.

Several Directors expressed skepticism as to whether IDA could commit \$530 million in this fiscal year. I pointed out that there was no doubt about the absorptive capacity of India and Pakistan up to the limits we had established, and that we felt every reasonable confidence that we could commit the remaining \$250 million on sound projects outside of India and Pakistan.

^{1/} In fact, most of these were the Part I Directors; the US sent Hirschtritt from the Treasury, and the Netherlands sent their Minister from the Embassy here rather than Lieftinck.

President has seen

There is no doubt that the "Part I representatives" appreciated being consulted on this paper before it was circulated to the full Board. In fact, the German Director complained to me the day before the meeting that the question of "geographical distribution" was not also on the agenda. I told him that although we were discussing this matter with all of the Part I Directors individually or in small groups, I had no objection to his raising it at the meeting. As you will see from the record of the meeting, we also spent some time (perhaps an hour) in hearing expressions of view on this subject. I am sending you a separate memorandum giving a general report on the reactions of the Directors to the paper on Criteria for the Distribution of IDA Funds. I told the "Part I representatives" that we expected to have a further meeting with them, perhaps in September, to review the IDA lending program for the forthcoming fiscal year.

cc: President's Council
Mr. Cope
Mr. Cavanaugh