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PUBLIC DISCLOSURE AUTHORIZED

President's Council Minutes,
Jan. - June 1971

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Records of President Robert S. McNamara President's Council minutes - Minutes 07

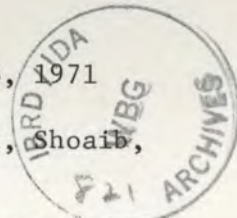
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821
ARCHIVES

821/7/1
President's Council Meeting, January 4, 1971

January 8, 1971

Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Chenery, Demuth, Shoaib, Adler, Clark, Mendels, Ripman, Gaud



Mr. Gaud reported that the Argentine Editorial CODEX project was facing immediate cash problems. IFC, and the seven other creditors, had each been requested to provide \$50,000 for working capital purposes. Mr. McNamara said he was reluctant to have IFC provide even such a small amount of funds to the project. He asked Mr. Gaud to see him later in the day.

Mr. Clark reported on his visits to Sweden, the Netherlands and the U.K. The governments in all three countries seemed more anxious than before to have their views on development matters known to the Bank. Mr. McNamara commented that, as official aid levels increased, the public would take greater interest in the use of these funds. The Bank Group would have to be responsive to this situation.

Mr. McNamara asked Mr. Chenery to prepare a technical note on the economy of Mainland China. Mr. Chenery thought Professor Perkins at Harvard could be asked to do this on a consultant basis.

Mr. McNamara also asked Mr. Chenery to study, and suggest action, on how the Bank best could address itself to the critical unemployment problems facing LDCs.

Mr. McNamara then mentioned that many of the new EDs felt there was a need for a change in the Board's role and also in its procedures. Mr. Knapp commented that several EDs had requested more emphasis on policy rather than project discussions in Board meetings. Mr. Tazi had also suggested standing Board committees, or ED working parties, which could review the details of each project, prior to such meetings. Mr. McNamara questioned their effectiveness in arriving at useful policy agreements. For example, EDs from LDCs should study the Board's discussion on such Pearson Report recommendations as the early warning system on external debt, and also the expansion of export credit facilities for trade among LDCs.

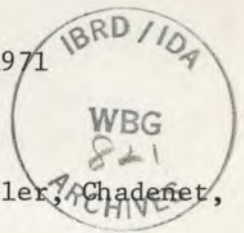
It was agreed that more frequent information sessions with individual EDs would be useful. Mr. Mendels would keep an up-to-date tabulation of contacts made between EDs and PC members. Mr. McNamara then asked Sir Denis, Mr. Demuth and Mr. Shoaib to form a committee which could review the role of the EDs and examine how the Board's business matters best could be conducted. They should plan to have a report ready in about 60 days.

Mr. McNamara asked to be reminded at a later date about the need to set up within the Bank a system which would improve the handling of confidential documents.

LEC

President has seen

82 117/2
February 1, 1971



President's Council Meeting, January 11, 1971

Present: Messrs. McNamara, Knapp, Chenery, Demuth, Sir Denis, Shoaib, Adler, Chadenet, Clark, Nurick, von Hoffman

Mr. Knapp pointed to the unfortunate publicity in the Washington Post concerning criticisms by IDB staff of IDB irrigation projects in Mexico. Mr. Chadenet summarized the experience of similar Bank projects and concluded that these could still be considered sound. Mr. McNamara commented on the delicate nature of staff audit reports on completed projects. He was particularly concerned about this potential difficulty with respect to the project evaluation work being undertaken by Mr. Willoughby and his staff.

Mr. Knapp said that the ExImBank was worried about IBRD's role in export financing. Mr. Wiczorowski had asked for information on this point and Mr. Knapp had prepared a reply which would also be circulated to PC members.

Mr. Chenery reported on his individual meetings with EDs on the program lending paper.

Mr. McNamara said that, upon his return from West Africa, he would wish to attend Division Chiefs' meetings in the various Projects Departments.

Mr. Demuth mentioned that his committee on Board procedures and project documentation had so far met individually with nine EDs. Mr. McNamara asked Mr. Demuth to give him a progress report before he left Washington Tuesday afternoon.

Sir Denis mentioned he had again discussed with Mr. Petty in the U.S. Treasury the method for transferring the Bank's profits to IDA. The Treasury had also reviewed the draft CIAP paper and had, for all practical purposes, cleared it. Mr. McNamara said Sir Denis could then transmit the study to CIAP over his signature, after he had examined the transcripts from earlier Board meetings to see what promises had been made with respect to Board clearances and distribution. Mr. McNamara said he was inclined to favor immediate distribution to all EDs.

Mr. Clark reported from his meeting with the EDs on the content of the 1971 Annual Report and the procedures for its clearance. It had been agreed that the Bank would do a special section on industrialization and would provide an analytical study of the external debt situation. There would be no Board meeting on the Report prior to June 15 and the EDs had accepted the Bank's suggestion that they do not try to edit Part II of the Report.

Mr. Knapp reported that the Bank's potash project in Congo/B was now considered a complete failure. Mr. McNamara asked Mr. Knapp to arrange for a comprehensive position paper on the project and its difficulties. Mr. Knapp said a report will be sent to the Board in early February.

Mr. McNamara then mentioned that, upon his return from West Africa, he would ask Mr. Willoughby to make a progress report to the Board on the work of his Unit.

LEC

821/7 13



February 2, 1971

President's Council Meeting, January 25, 1971

Present: Messrs. McNamara, Knapp, Broches, Chenery, Demuth, Shoaib, Gaud, Clark, Ripman, Baum

Mr. McNamara reported on his visit to West Africa.

Mr. Knapp said that a U.S. GAO delegation to Pakistan had been surprised to find that the USAID Mission knew little about Indus Basin operations. GAO was critical of the Bank for inadequate reporting, deliberate over-estimation of project costs, and because it allowed funds to be disbursed towards payment of customs duties. Mr. McNamara asked Mr. Broches to assume personal responsibility for seeing that the GAO charges were properly refuted. U.S. legislative history on these points should also be carefully examined.

Mr. Knapp mentioned that the ExImBank had circulated a draft report within the U.S. Government questioning the role of IBRD relative to export financing agencies. Mr. Knapp had met with the ExImBank President, Mr. Kearns, who expressed opposition to World Bank financing in the field of nuclear power and for industrial purposes such as steel mills (Brazil was a case in point). Mr. McNamara commented that this issue might become a major problem for U.S. Congressional action on the Third Replenishment. He asked Mr. Knapp to chair a committee consisting of Messrs. Broches, Demuth, Chadenet and Baum which would be looking into this matter. Technical notes should be prepared on the following topics:

1. "Fragmented" versus "turnkey" approach to the financing of development projects.
2. Examples of export financing of ineffective projects such as Ethiopia Power, Ethiopia Paper and Pulp, and Thailand SIAM Craft.
3. Analysis of the net cost to LDCs of different bidding procedures, and the effect of Bank policies on joint financing.
4. Issues involved in the Brazil Steel project.
5. Participation by U.S. consultants in establishing specifications under international competitive bidding procedures.

Mr. Demuth asked Mr. McNamara when he would wish to have a PC discussion of the policy paper on the Bank's reconstruction role. Mr. McNamara thought this could best be done after Mr. Demuth returned from vacation at the end of February.

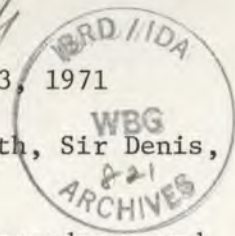
Mr. Ripman said he hoped to have the draft paper on general salary adjustments ready for submission to the President by the end of February.

LEC

821/7 14
President's Council Meeting, February 1, 1971

February 3, 1971

Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Chenery, Demuth, Sir Denis, Shoaib, Gaud, Clark, Ripman, Adler



Mr. Demuth mentioned that his committee's report on Board procedures and project documentation would be ready in draft by the middle of the week. It would then be distributed to the President and PC. Mr. McNamara asked Messrs. Knapp and Aldewereld to solicit the opinions of the Area and Projects Departments Directors as soon as possible. Hopefully a final report could be sent to the EDs before the end of the month.

Mr. Gaud reported on his visit to Canada last week. He had talked with the banking and business community about IFC, anticipating a larger Canadian involvement in private foreign investments in the future.

Mr. Knapp said that the technical notes which were being prepared by the staff in response to ExImBank criticisms would be ready by the end of the week.

Mr. Clark mentioned that in an on-going study of procurements under Bank Group operations the U.S. Treasury was examining the effects of alternative possibilities for changes in procurement policies. A draft would be ready by the end of February.

Mr. Broches said that a draft paper was now ready on the preview requirements for program lending negotiations.

Mr. McNamara asked that Mr. Willoughby plan to report to the Board on February 9 on the work of the Project Evaluation Unit.

Sir Denis said that the CIAP External Debt Study was now being transmitted to CIAP, to the Board and to Senior Staff. He also mentioned that, during talks he had had in Europe the previous week, it had appeared that there was perhaps some improvement in the willingness by European Governments to consider the SDR linkage to aid. At the same time it was clear that no significant action could be expected by the end of the Third Replenishment and that, therefore, the Bank Group should plan for a Fourth Replenishment. Sir Denis also said that, in view of the unwillingness by the U.S. Government to consider the proposed "Bank last" method for transferring profits to IDA, he had now prepared a new paper for Board distribution.

Mr. Aldewereld reported on borrowing possibilities in Germany and Japan. A recent review of the prospects for the FY71 lending program revealed that the IDA portion seemed relatively strong, but that likely Bank projects would only amount to \$1550 million. However, there were some important projects in the pipeline for South America which, with special efforts, might be ready before the end of the fiscal year, thus enabling the Bank to reach \$1800 million.

Mr. McNamara said that the Rumanian Government had on several occasions in the past expressed an interest in Bank membership. It had again approached the Bank informally and had asked if, as a beginning, the Bank might consider employing Rumanians on its staff. Mr. McNamara did not wish to reject this request outright and he asked Mr. Demuth to examine the proposal and suggest a reply after talking with Mr. Benjenk.

Mr. Escott Reid had been visiting the Bank for the purpose of finalizing a report to CIDA on the Bank. Mr. McNamara felt it was not appropriate to give Mr. Reid full access to the Bank when, as was now revealed, no copy of Mr. Reid's report would be made available to the Bank. Mr. Demuth was asked to follow this matter closely.

Mr. McNamara said that a mid-year budget review by the Board had been tentatively scheduled for February 23. However, he would not wish to set a firm date until he had studied carefully the draft prepared by P&B which would be ready on Tuesday.

LEC President has seen

821/715
February 10, 1971

President's Council Meeting, February 8, 1971

Present: Messrs. McNamara, Knapp, Aldewereld, Sir Denis, Adler, Clark, Ripman, Henderson, Hoffman, Nurick, Gaud

Mr. Knapp said that the recent criticism levied against the Bank by GAO appeared to have subsided, parallel with the resignation of the staff involved in the investigation. Mr. McNamara asked that Mr. Broches and Mr. Nurick continue to follow this matter closely and that the Legal Department remain the principal contact point with the U.S. Government.

Mr. Hoffman reported from an ACC subcommittee meeting which he and Mr. Henderson had attended. The most important thing that had happened during the meeting was Mr. de Seynes' announcement that the UNDP would not conduct country reviews. It would leave country performances to be judged by agencies such as the Bank and CIAP, and limit itself to a review of development efforts on global terms. In that exercise it was still uncertain what role the Tinbergen Committee would have. The UNESCO Commission report on the role of education in development would presumably be ready by this fall.

Mr. Adler mentioned that Mr. Weed, Mr. Wieczorowski's Technical Assistant, had asked for detailed information on Bank procurements. Mr. Knapp pointed out that it had been agreed that Mr. Baum would be the contact point for such enquiries. Mr. McNamara said it was extremely important to make sure that the Bank only had one contact point on matters of this kind. He asked Mr. Hoffman to review generally the manner in which information was being transmitted to the U.S. ED and to suggest the most appropriate way of handling that task.

Mr. Clark mentioned that he had received press enquiries about the ExImBank issue. He and Mr. Knapp would meet later in the day with a reporter from Businessweek. Mr. McNamara asked Mr. Clark to familiarize himself with the details of the Ethiopia Power Project, as an illustration of the type of difficulty which this issue involved. Mr. Aldewereld added that a recent road project in Thailand was another example.

Mr. Aldewereld said that the Pension Plan's Investment Committee would meet on Friday. Mr. McNamara said that eventually he would like to send annual reports to the Board on the performance of the Pension Plan investments. He also asked Mr. Ripman to include in the Board paper on general salary adjustments a comparison between the quality of the Bank's Pension Plan relative to that of others.

LEC

President has seen

821/16
February 18, 1971



President's Council Meeting, February 15, 1971

Present: Messrs. McNamara, Knapp, Chenery, Sir Denis, El Emary, Adler, Clark, Mendels, Ripman, Graves, Nurick, Gaud

Mr. Chenery reported that he had been preparing background briefs for Mr. McNamara's appearance before the U.S. Commission on International Trade and Investment Policies. Mr. McNamara had agreed, at Professor Frank's suggestion, to attend the Commission's meeting on February 25. Mr. Chenery said that the Commission should know that, in order to support UN growth targets for the LDCs, it would be imperative for them to put major emphasis on expanding exports of manufactured goods. Otherwise large-scale external debt roll-overs would occur. It was also clear that further analysis of the export problems of LDCs should clearly differentiate between oil-producing and non-oil-producing countries. Mr. McNamara thought the Bank would have to become much more involved in trade policies and practices in the future.

Mr. Chenery also mentioned that he had been surprised to find how limited interest there was within the Bank in long-term economic projections. He was trying to encourage Area Departments to proceed more actively into this field. The South America Department had made a good start.

Mr. Knapp commented on the unhappy news that the U.S. Congress might impose balance of payments safeguards on the U.S. contribution to the Third IDA Replenishment. He also referred to the Business Week article on the ExImBank controversy with IBRD. Mr. McNamara said that the U.S. should be informed that the Third Replenishment could not be renegotiated. He also asked Mr. Clark to consider carefully what action the Bank should take with respect to the Business Week article. He might perhaps be willing to have this matter discussed openly at a Board Meeting.

Mr. Clark reported from a UN meeting of Information Officers from the various agencies. The Deputy Information Chief of the UNDP had complained that the Bank was taking away business from the UNDP.

Mr. Nurick mentioned that he had heard from the U.S. Treasury that they had been satisfied with the information the Bank had sent them on the Indus Basin issues raised by GAO. He also said that a recent CECLA meeting in Brazil had denounced IIIA. Mr. McNamara commented that this should not in any way hold back further work on the proposal.

Mr. Chadenet said that Mr. Stedtfeld had called him to ask what action the Bank was contemplating to take with respect to the financing of nuclear power projects. Clearly this was due to German concerns about ExImBank pressures.

Sir Denis said that the Swiss Parliament was having hearings on its loan to IDA. Mr. Karasz would be present.

Sir Denis reported that Dutch aid officials visiting the Bank had reviewed possibilities for joint financing. They had been particularly interested in the ways in which SIDA and CIDA were cooperating with the Bank Group. Mr. McNamara said that, if nothing further were heard from the Dutch Government within the next 60 days, he would like the Bank to initiate contact with them on this matter.

Mr. McNamara circulated a draft schedule for FY72 Board Meetings. He asked PC members to comment on the schedule. Mr. Adler should review these comments and coordinate any revisions needed. Mr. McNamara then asked Sir Denis and Mr. El Emary to check with EDs on their reactions to the policy paper on the role of the Board and to the mid-year budget review paper.

President has seen

LEC

821/7/7
February 28, 1971

President's Council Meeting, February 23, 1971

Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Sir Denis, El Emery, Adler, Clark, Ripman, Henderson, Graves, Gaud

Mr. Knapp said that the NAC was in the process of discussing the U.S. Government's position on the IBRD-ExImBank issue. From what he understood, U.S. officials in general seemed to be in favor of Bank lending without the "lender of last resort" test, but many favored bilateral preference for the financing of steel mills. The internal Government discussions had even centered around whether or not the Bank's 15% preference rule should be abandoned. Mr. McNamara felt that the Bank was in need of better defense briefs on this issue. Mr. Chadenet had agreed to place a full-time staff member on this job. With cooperation from Legal Department, he would be responsible for monitoring these problems until such time when the issue had been fully resolved.

Mr. Graves reported that the East Pakistan Staff Fund had completed its negotiations with the East Pakistan Government on the use of the funds. The agreement would be signed next Thursday and a notice would be sent out to the staff immediately thereafter.

Mr. Broches said that he had met in Paris with officials of the phosphate company operating in Congo/B, and with French Government officials. He hoped to discuss the details of his discussions with Messrs. McNamara, Aldewereld and Chadenet very soon.

Mr. Aldewereld reported on his recent visit to Japan and the prospects for further bond issues in Tokyo. He also mentioned that the Japanese Government would like to see more high level visits by Bank staff in Tokyo.

Mr. McNamara distributed to PC a tentative schedule for non-project agenda items for Board Meetings in FY72. He asked PC members to address their comments on the proposed schedule to Mr. Adler.

Mr. McNamara also pointed to the memo to him from Dr. Sen on the processing of projects (dated February 16, 1971). Mr. Chadenet would prepare a reply to Dr. Sen which, while sympathetic to some of the objectives of his proposal, nevertheless should firmly reject the general thrust of his argumentation.

Mr. McNamara commented that there had been very little discussion in the PC of issues raised by the "5:30 Group." He hoped that issues would be brought to his attention as soon as they arose in the meetings of the "5:30 Group." He would then schedule them for PC discussion.

Mr. McNamara asked Mr. Ripman to make a study of whether there is a "flat pyramid" in the advancement opportunities for Bank staff.

Mr. McNamara reported that he had agreed to testify on Thursday for the U.S. Commission on International Trade and Investment Policies. A statement had been prepared with the help of Mr. Chenery and his staff. It should be distributed to PC members.

Mr. McNamara mentioned that in his Annual Meeting speech he intended to emphasize three major development problems: the external debt difficulties, the rapidly increasing menace of unemployment in LDCs, and problems of urbanization.

Mr. McNamara asked Mr. Aldewereld and Mr. Broches to review the adequacy of available guarantees for future Bank bond issues in the U.S. It should be ready no later than May 1 and in a form which would permit it later to be distributed to the Bank's underwriters.

LEC

President's Council Meeting, March 1, 1971

821/7/8
March 3, 1971

Present: Messrs. McNamara, Aldewereld, Broches, Chenery, Demuth, El Emary, Gaud, Clark, Cope, Ripman

Mr. Cope reported that negotiations with the Nigerians on the program loan revealed difficulties which would delay the project presentation to the Board.

Mr. Chenery mentioned that in the FY72 budget presentation the Bank's research work would be identified more clearly and on a consolidated basis.

Mr. Demuth reported that the U.S. Government had requested that Bank contributions for the Agricultural Research Consultative Group come out of profits, rather than from the Bank's administrative budget, and that such an allocation be submitted for approval by the Board of Governors.

Mr. Gaud mentioned that Mr. David Gill of Canada would become the head of the new Capital Market Unit in IFC. Together with Administration Department, he would work out the usual press and staff statements. Mr. McNamara asked Mr. Gaud to mention this point at Tuesday's Board Meeting. He also reminded Mr. Ripman that announcements about changes in the Bank's organizational structure or about appointments to Director and Deputy Director posts should never be issued before the Bank's EDs had been informed in a Board Meeting.

Mr. Demuth said that Mike Hoffman had returned from the UNDP meeting in Delhi reporting that it had not gone well and that the lack of leadership now was apparent. With the growing political influence in UNDP's decision-making, he had taken a pessimistic view with regard to UNDP's future. However, he had noted that the delegates spoke very highly of the closer Bank/UNDP cooperation which now existed, particularly with respect to country economic missions.

Mr. Clark pointed to a news item stating that the Chilean Government might reject Bank conditions for a power loan. He also said that President Nixon's recent statement on foreign policy made references to development aid. He would extract the relevant passages and distribute them to PC.

Mr. Ripman mentioned that the paper on employment compensations would be ready soon. Mr. McNamara said that he would wish to meet with Messrs. Ripman, Twining and Clarke later in the day to discuss what should be done with salary structure for EDs' secretaries.

Mr. Aldewereld reported on the outlook for the FY71 and FY72 lending programs. Mr. McNamara commented that action should be taken promptly to reduce the 268 projects scheduled for FY72 to a more reasonable level.

Mr. Aldewereld mentioned that the recent two-year bond issue had been over-subscribed. He also said that, when the President of the Westdeutsche Landesbank, Mr. Poullain, visited Mr. McNamara last Friday, he had indicated that Minister Schiller had agreed to let the Bank borrow DM500 million this calendar year.

Mr. McNamara asked Mr. Demuth to review the precis of Board discussions on the paper on Board procedures and then work out a work program for the staff from the points mentioned by EDs. He also asked that Mr. Adler, upon his return, be informed that the same thing should be done for the Board discussions on the mid-year budget review.

Mr. McNamara said he would schedule Board discussion on the disbursement paper on March 30. Mr. Mendels should send out a notice to this effect to the EDs. Prior to that meeting, Mr. Aldewereld should prepare a list of "tough questions" for Mr. McNamara.

President has seen

LEC

President's Council Meeting, March 8, 1971

821/719
March 30, 1971

Present: Messrs. McNamara, Aldewereld, Chenery, Demuth, Sir Denis, Shoaib, Ripman, Gaud, Cope, Clark, Nurick

Mr. Cope reported on the political situation in Pakistan. Mr. McNamara said that FY71 IDA projects for Pakistan should continue to be processed on schedule, but final decision on actual Board presentation this fiscal year would be taken later. In principle, he would be willing to increase India's share of IDA credits this year, should it not be possible to present the Pakistan projects to the Board in time.

Mr. McNamara said that U.S. IDA legislation was in serious difficulties, since it would not be passed before July 1. He would meet later in the day with Sir Denis to decide how it might be possible to generate some concern among other Part I countries regarding the resulting lack of IDA commitment authority beyond July 1.

Mr. Chenery mentioned his work on prospective economic planning. He had agreed with Area Departments that to begin with about 24 countries should be dealt with separately for the purpose of making long-term economic projections. He would then review both the capital needs of each LDC, and its capital availabilities. As a result the Bank should be in a position to express an opinion about the realism of UN targets on economic growth and capital needs. A draft paper would be sent to Mr. McNamara in the first week of April.

Mr. Nurick reported that the U.S. Treasury lawyers had expressed the opinion that Bank staff were not immune on the issue of U.S. Air Travel Taxes.

Mr. McNamara referred to the monthly timetable for Board action and said that too many slips occurred. Better discipline needed to be exercised on this point.

Mr. Aldewereld discussed progress on the FY71 and FY72 lending programs. At present the 268 projects have been scheduled for FY72. Mr. McNamara said that no more than 220 should be left in the program.

Mr. McNamara mentioned that Dr. Hannah had called him regarding the tentative U.S. position on Bank contributions to international agricultural research. Dr. Hannah had said he would argue in favor of leaving this matter to be decided by the Bank's EDs, rather than by the Board of Governors.

Mr. McNamara also asked Mr. Demuth to clear personally the content of all future Staff Newsletters.

Mr. McNamara said that Administration Department was presently discussing how the Bank could move towards more equality with the Fund on employment compensation policies and practices. He would discuss these difficult issues later in the day with Messrs. Demuth, Shoaib, Ripman and Sir Denis. Distribution of a Board paper should be no later than April 1.

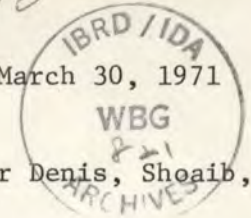
Mr. McNamara mentioned that he had lunched with CODAM last week. No new issues had arisen on that occasion, but it was clear that relationships between management and EDs needed to be cultivated carefully.

LEC

President has seen

821/7/10

March 30, 1971



President's Council Meeting, March 15, 1971

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

Mr. Chenery said he had discussed the shortage of economists with Personnel. The present 20% vacancy rate meant that 62 economists were needed. There was an obvious need for more intensive recruitment efforts. At senior levels it could not be expected that more than one-third of present vacancies could be filled by promotions. He had disagreed with Mr. Clarke on the attractiveness of the YP Program for some of the most able young economists. Mr. McNamara instructed Mr. Ripman to deal with this problem separately and to report to him of the action Personnel proposed to take.

Mr. Demuth reported that a delegation from WHO would be in the Bank on Wednesday to discuss the proposed IBRD/WHO Cooperative Program. Mr. McNamara asked Mr. Demuth to report to him as soon as the negotiations had been completed.

Mr. Clark said that the Bank-sponsored press tour of the Cameroons had been a great success.

Mr. Broches mentioned that agreement had been reached in Paris with Rene Larre that the "force majeure" clause in the Congo/B potash project would not be applied. At the same meeting Mr. Larre had indicated to Mr. Broches his uneasiness about the Bank's external debt study. External indebtedness difficulties were in his opinion largely a U.S. problem.

Mr. Ripman said that after references to the need for a staff association in the recent Newsletter a group of staff members had visited him to say they hoped the views of the staff would be taken into account in setting up such an association. He had underway a study of staff associations in other international organizations. It would be ready in about six weeks. Mr. McNamara urged Mr. Ripman to finalize the report earlier. It was then agreed that it would be ready within four weeks.

Mr. McNamara mentioned that, on the matter of employment compensations, he was now inclined to favor a move by the Bank towards full equality with the Fund, except in those few cases where the Bank for obvious and clear reasons could not follow the Fund's practices. Once this had been achieved the Bank should use its influence to ensure that both it and the Fund in the future managed to reduce their discrepancies with other international organizations on compensation matters.

Sir Denis said that, since there was no likelihood of the U.S. Congress passing the IDA bill prior to July 1, advance contributions from other Part I countries would be necessary.

Sir Denis also mentioned that the Latin American debt study was being revised and that the general external debt study would be ready at the end of March. Mr. Chenery thought it would be useful to instruct the staff working on the general study to prepare background notes on the issue of debt roll-overs. Mr. McNamara said that such notes should be prepared by Mr. Chenery's own staff, and in such a way that it would be done on a highly confidential basis.

Mr. Shoaib reported that the Mekong Committee, which had visited the Bank the previous week, had expressed its satisfaction with the Bank's role in Mekong affairs.

President has seen

Mr. McNamara said that during a luncheon with Secretary Stans the ExImBank issue had been discussed. He thought the Commerce Department was persuaded that the Bank did not discriminate against U.S. suppliers. He had agreed to keep the Secretary informed of the Bank's staff work on this matter.

Mr. McNamara mentioned that Mr. Southard had been concerned about inadequate Bank cooperation with the Fund. He had mentioned lack of notification of the Bank's intent to undertake program lending in Nigeria. However, Mr. Chauffournier had reported that he had excellent cooperation with the Fund's Africa Department and that he had kept the Director of that Department fully informed of all work on the Nigerian program loan. Irrespective of the merits of this case, Mr. McNamara thought senior staff should be particularly sensitive to the need for close cooperation with the Fund on all matters of common concern.

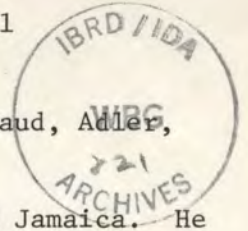
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821/2/11

March 30, 1971

President's Council Meeting, March 22, 1971

Present: Messrs. McNamara, Knapp, Broches, Demuth, Sir Denis, Shoaib, Gaud, Adler, Ripman, Baum, Henderson, Lind



Mr. Knapp reported on his visit to Argentina, Brazil, Peru and Jamaica. He mentioned that the Minister of Finance in Brazil, and also other Government officials, had said that Brazil would wish to apply international competitive bidding arrangements for their steel projects, irrespective of whether the Bank would be involved. During his visit to Peru, some uncertainties had appeared as to whether the Yugoslav Government had agreed to take over the financing of the Bank-prepared irrigation project.

Mr. Demuth mentioned that negotiations with the WHO delegation had resulted in full agreement about a new cooperative program between the two institutions. Mr. McNamara asked Mr. Demuth to report on this point to the Board next Tuesday.

Mr. McNamara expressed concern about the amount of overtime that some Bank staff members apparently undertook. He asked Mr. Ripman to prepare an analysis of overtime work from the sign-up sheets at the Guards' Desks, particularly to see how such overtime work was distributed among the staff. It would also be useful to compare that evaluation with data from the special overtime recording system which the Projects Departments had in existence.

Mr. McNamara reported on his recent meeting with Mr. Watanabe. The ADB apparently maintained very high appraisal standards with a relatively small staff. Mr. McNamara asked Mr. Adler to study the ADB and IDB on this point.

Mr. McNamara said that a draft Board paper on proposed changes in employment compensations would be sent to the President's Council at the end of the week.

Mr. McNamara mentioned that for some time there had been a feeling among staff that inadequate channels of communications existed between them and the Bank's management. Apparently the Bank was the only international organization without a staff association. While this matter was being studied by Administration Department, Mr. Ripman should prepare an interim report before the end of the month on what position the Bank should take on this problem.

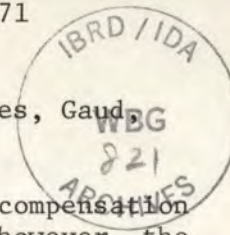
LEC

President has seen

821/7/12
March 31, 1971

President's Council Meeting, March 29, 1971

Present: Messrs. McNamara, Knapp, Aldewereld, Sir Denis, Shoaib, Broches, Gaudin, Adler, Clark, Henderson, Ripman, Hoffman



Mr. McNamara mentioned that he planned to schedule the staff compensation paper for Board discussion on April 15. Before it could be finalized, however, the Pension Committee should review the proposed changes in the Retirement Plan. It was agreed that Mr. Shoaib would call a meeting with the Pension Committee for this purpose later in the day (4:00 p.m.).

Mr. McNamara also asked that a copy of the petition from a group of Bank secretaries be distributed to each PC member.

Mr. McNamara reported on a meeting he and Mr. Shoaib had had with Messrs. Schweitzer and Southard last Friday. With respect to staff benefits, the two sides had virtually reached full agreement. However, on the issue of a general salary increase, the Fund had stated that it could not at this time propose an increase other than 6.4%. Consequently, Mr. McNamara had decided that the Bank would have to follow.

Mr. McNamara further mentioned that full agreement had been reached with the Fund that a committee consisting of Messrs. Shoaib, Southard and the Bank's and Fund's Directors of Administration would review at an early stage all future proposals regarding changes in staff compensation matters, in order to ensure that the two institutions from now on adopted a joint approach to such matters.

Mr. McNamara also said that he had asked Mr. Ripman to report to him through Mr. Shoaib. He had done so in order to ensure that Administration Department would be administered more efficiently than had been the case in the past.

Mr. McNamara asked PC members to send their comments on the draft paper on the Bank's liquidity position to Mr. Adler by end of business on Tuesday.

Mr. Broches mentioned that IMF had informed the U.S. Treasury that it would not agree that U.S. travel tax could be imposed on Fund staff. It would also impose difficulties for the Fund because of differences of opinion among its member countries as to how to interpret the Fund's Articles of Agreement. The Bank was adopting a low profile on this issue.

Sir Denis mentioned that a meeting of the Part I country representatives on the IDA voting adjustment paper, originally scheduled for April 15, would be rescheduled at a later date in light of the need for a full Board meeting that day.

Mr. McNamara said the work on the FY72 budget had revealed that many of the Bank's Departments had prepared work programs which were not very realistic. The Department Heads should take great care to ensure that administrative expenditures were being held down to a minimum.

Mr. McNamara reported that Mr. Bihute had sent him a note in which he had expressed concern about possible further Bank lending to Portugal. Mr. McNamara had asked Messrs. Shoaib and Benjenk to prepare a reply to Mr. Bihute.

LEC
President has seen

President's Council Meeting, April 5, 1971

8217/13
April 6, 1971

Present: Messrs. McNamara, Knapp, Aldewereld, Demuth, Sir Denis, Shoaib, Gaud, Adler, Clark, Henderson, Nurick, Ripman

Mr. Knapp reported it now appeared possible to finalize a financing arrangement for the Brazilian steel industry to the satisfaction of all parties involved. The Bank had agreed to drop its proposal for joint financing, while the ExImBank had abandoned its idea about "competitive plant" financing. Instead, orders of about \$180 million would be placed on the basis of competitive bidding among bilateral lenders. The balance would be financed jointly by the IDB and the Bank.

Mr. Demuth said that the recent meeting of the Inter-Agency Consultative Board had not been very useful. At another meeting arranged by FAO on the role of agro-industries in development, there had been general dissatisfaction with progress made so far. Mr. Demuth also mentioned that the WHO/IBRD Cooperative Program had now been satisfactorily completed.

Mr. Gaud said that latest reports from Argentina indicated that the CODEX Editorial project might be kept out of bankruptcy. There was some possibility that parts of the enterprise would be sold off as separate units.

Mr. Clark mentioned that copies of Miss Hayter's book criticizing the Bank would be distributed to PC members by Tuesday afternoon. Mr. McNamara commented that this book, as well as the article written by Mr. Barnet in Sunday's Washington Post, indicated that the matter was likely to be discussed more widely in the future. He asked Mr. Clark to prepare a clear statement of Bank policy on these points. It should point to the institutional and policy reforms which the Bank attempts to support under its projects and should also mention the shift of emphasis in Bank lending towards such areas as East Pakistan and Northeast Brazil.

Mr. Nurick pointed out that the Bank's involvement in enclave projects had long been queried. However, on that point, he thought the Bank could be proud of its record, as it had supported measures that were designed to protect the development objectives of the recipient country. Mr. McNamara asked Mr. Clark to prepare a special brief on enclave projects.

Sir Denis mentioned that Mr. Ohlin's redrafting of the paper on external indebtedness problems was now ready. It was perhaps a little too technical and academic and did not bring clearly out policy recommendations.

Mr. Aldewereld mentioned that the staff survey of Bank procedures for competitive bidding and their effect on U.S. suppliers had already brought out some interesting points. Further work was being done.

Mr. Aldewereld also discussed progress made in recasting the FY72 lending program. He noted that the Bank should carefully review the staffing requirements and the organizational resources needed to back up the proposed work program. Mr. McNamara commented that the management should be particularly alert to the need to avoid excessive overtime work. He was considering asking Administration Department to establish certain arbitrary limits on overtime work. However, he would much prefer that Department heads on their own control this work. The working programs of each department must be fully integrated into the budget framework. It must also be clearly understood that the budget provides the absolute limits on administrative and operational expenditures.

Mr. McNamara reminded PC members to bring to his attention issues discussed by the "5:30 Group."

Mr. McNamara asked Mr. Aldewereld to attempt to schedule Board discussion of the disbursement paper at the same time as the discussion of the Bank liquidity paper, i.e., April 20.

President has seen LEC

821/7/14

President's Council Meeting, April 12, 1971

Present: Messrs. McNamara, Knapp, Aldewereld, Chenery, Demuth, Sir Denis, Shoaib, Gaud, Adler, Clark, Ripman, Nurick

Mr. Knapp reported on the Pakistani payments crisis. While the Government had now apparently agreed to devalue the rupee, IMF was no longer prepared to support the tentative policy package negotiated last fall. The Government had asked the Bank for a debt moratorium, but the Bank had answered that it was not willing to do so and had, moreover, blocked further uncommitted disbursements on existing projects in Pakistan.

Mr. Nurick mentioned that, during the rescheduling exercise for India, Mr. Skjerdal, the Nordic ED, had objected to the legal opinion given by Mr. Broches regarding the method by which the Bank agreed to participate. Mr. Nurick pointed out that, although the Bank had at that time promised to prepare a report on that issue, this had so far not been done.

Mr. McNamara asked Mr. Adler to prepare a short note on the guarantee commitments by principal Part I countries towards IBRD bond issues. It should be in the same format as the presentation given in Mr. McNamara's speech to the New York Bond Club.

Mr. Chenery reported on his visit to Africa. He was impressed to learn that the Bank was considered a major force in development of the African countries he had visited, and that it was very much welcomed as such. However, some criticism had arisen--that the Bank's system of operations was wasteful to the recipient country, that there was a lack of coordination between missions, that the Bank focussed too narrowly on projects, that the Bank seemed to be a risk-minimizer, and that there was little spill-over of knowledge arising from the Bank's appraisal methods. The Government of Ghana had informed him that it very much wished to have an IBRD ResRep in Accra.

Sir Denis mentioned that a letter had gone out last Thursday to the Part I Country Governments soliciting advance contributions to the Third IDA Replenishment. He also mentioned that the revised version of the external debt study would be ready at the end of the week.

Mr. McNamara asked Mr. Nurick to examine how a transfer to IDA from FY71 Bank profits could possibly take place earlier than at the time of the Annual Meeting, perhaps as early as July 1. Once a report had been drafted, it should be scheduled for discussion in the PC.

Mr. Shoaib said that most EDs had expressed their agreement to the general principle of having the Bank move up to the Fund level with respect to staff compensations. However, they were somewhat worried about the 10% increase in budget costs and queried whether the 1.8% productivity increase was justifiable at this point in time. Mr. McNamara said he would meet later in the day to discuss these and other related points with Messrs. Shoaib, Ripman, Clarke and Christoffersen.

Mr. McNamara informed Mr. Chenery that, during the recent Board discussion on the supplementary finance proposal, he had agreed to have the Bank's economic staff study the particular development problems facing countries relying primarily on a single export commodity. He had promised that such a study would be ready prior to the time of the Fourth IDA Replenishment.

President has seen

Mr. McNamara asked Mr. Nurick to follow carefully the proposal made by Dr. Sen at the last Board Meeting, that as a condition for Bank lending only joint venture enterprises would be eligible to participate, in competition with local suppliers, under bidding for Bank-financed contracts. Mr. Aldewereld was asked to prepare a paper on this proposal.

Mr. McNamara also asked Mr. Aldewereld to prepare a paper on the local contractor capabilities in India, with specific references to the irrigation projects there.

Mr. McNamara said he had talked to Mr. Muller about the FY72 work program of the computer unit. He had asked him to ascertain what types of operations the computer undertook and from whom they were requested. Perhaps it would be necessary to set a maximum ceiling for computer operations until an orderly work system had been worked out. Mr. McNamara reiterated that none of his own work needed to be put on a computer. All job requests to the computer unit should be judged on their own merits, irrespective of who submitted the request.

Mr. McNamara also pointed out that the FY72 research workload for FY72 was very large. A careful re-examination of the needs for such research had to be done, particularly since the Bank had not yet established a Research Council. He would authorize a smaller than requested research budget for next year, but would be prepared to use the contingency fund for this purpose, as the need arose.

Mr. McNamara mentioned that the problem of malnutrition and its effects on development had been studied at the Brookings Institution. Apparently the UN was becoming more interested in this issue and a UN panel discussion on malnutrition would be held in early May. The Bank was to be represented by Messrs. Graves and Takahashi. Mr. McNamara foresaw eventually the need for a separate section somewhere in the Bank's staff to deal with the problems of malnutrition.

LEC
April 13, 1971

821/7/115
President's Council Meeting, April 19, 1971

Present: Messrs. McNamara, Aldewereld, Chenery, Demuth, Sir Denis, Shoaib, Cope, Nurick, Gaud, Ripman, Lind, Adler

Mr. McNamara mentioned that Part I Country Governments were divided on whether the Bank should contribute funds to support the operations of international agricultural research institutes. He asked PC members to comment upon the draft paper prepared by Mr. Demuth; Messrs. Aldewereld and Cope in particular should examine carefully its recommendations. Thereafter Mr. Demuth should approach, through Sir Denis and Mr. Shoaib, EDs from Part I countries to solicit their advance approval. Mr. McNamara said he was not willing to submit the paper to the Board unless it was clear that at least 75% of Board members and Bank votes would support his recommendation.

Mr. Adler said that during a recent visit to Canada CIDA officials had expressed interest in closer project cooperation with the Bank. CIDA presently had difficulties finding enough development projects, and had large volumes of funds undisbursed. Mr. McNamara said that prior to his departure for London on Wednesday he would discuss with Messrs. Knapp, Aldewereld and Demuth how the Bank could help CIDA on this matter.

Mr. Gaud reported that Mr. David Gill had reported for duty.

Mr. Gaud mentioned that IFC had reasons to believe that an orderly solution might be possible regarding the problems of CODEX Editorial in Argentina. Further details were expected in a few weeks' time.

Mr. Lind mentioned that a Swedish delegation from SIDA would be in Washington all week.

Mr. Ripman mentioned that staff members interested in a staff association planned to have it established by March 1972.

Mr. McNamara said he was disturbed to hear through Mr. Carriere that the French Government would be opposed to increasing the level of Bank commitments in the future. It was inconceivable that such a limitation ought to be put on Bank lending, particularly since in that case a negative capital flow between the Bank and LDCs would result soon. He said it was important to have other EDs speak up at tomorrow's Board Meeting in favor of higher commitment levels for the Bank.

Mr. McNamara said he would discuss the draft external debt study with Sir Denis before he left on Wednesday.

Mr. McNamara asked PC members to study carefully P&B Table III on the projected borrowing requirements for coming years' lending programs.

Mr. McNamara mentioned that Board discussion of the Bank disbursement paper had been delayed at the request of two EDs. He would ask the Secretary to reschedule a meeting on this paper after Mr. Aldewereld's return from his Far East visit in the second half of May.

Mr. McNamara asked Messrs. Chenery and Demuth to decide on appropriate representation for the Bank at the UN Panel on Malnutrition scheduled for early May. Mr. McNamara said he was not sure that a formal statement by the Bank delegate would be necessary but he thought a senior member of the Bank staff should be present throughout all meetings.

LEC

4/20/71

President has seen

821/7/116 May 7, 1971

Present: Messrs. McNamara, Knapp, Chenery, Demuth, Shoaib, Adler, Clark, Ripman, Nurick, von Hoffmann (later joined by Mr. Broches)

Mr. Knapp reported on the recent Paris meeting of the Pakistan Consortium. Pakistan had declared a moratorium on all external debts as of May 1, apparently except those of the Bank. The meetings did not decide on any specific action by the donor countries. No new meeting of the Consortium would be held until the IMF had had an opportunity to appraise the economic situation. The Fund had asked the Bank to provide two or three staff members on their next country mission to Pakistan--but a date had not yet been set for its departure. Mr. Knapp also mentioned that Mr. M. M. Ahmad, Deputy Chairman of the Planning Commission, would arrive in Washington around May 7. He said that no further Bank/IDA disbursements would be made against new letters of credit for existing projects in Pakistan. Mr. McNamara added that this latter point should be held in confidence by the PC only and no mention whatsoever should be made of this delicate point to any of the Bank staff.

Mr. Chenery mentioned that Mr. Hayes had now reported for duty. He also said that tentative agreement had been made to have the Colombia and Korea country economic reports published. However, there were wide differences of opinion within the Bank staff as to the merits of such action. Mr. McNamara asked Mr. Clark to consider what would be the most appropriate format for these reports. Mr. Clark should send him a note explaining his proposed decision, together with details of suggested time schedule, proposed distribution channels, total costs, and suggested retail price.

Mr. Chenery also reported that he had now set up a Research Committee to coordinate the Bank's research work.

Mr. Demuth said that 18 out of 21 EDs would support the President's memorandum on Bank support of international agricultural research institutes.

Mr. Adler mentioned that the Dutch had agreed in principle to support advance contributions to IDA. Sweden, however, had indicated they might have to wait until October.

Mr. McNamara mentioned that during his visit to Britain it had become clear that the U.K. would not make their proposed advance contribution contingent on action by others. He thought perhaps Sir Denis should go to Germany to discuss with the Government there whether they could support advance contributions.

Mr. Ripman reported that the staff assembly which is considering the establishment of a staff association had elected Mr. Chaffey as President. Its new officers were working closely in cooperation with the Administration Department.

Mr. Ripman also mentioned that the staff compensation paper had on the whole been favorably received by the staff. Mr. Demuth did not think so and said that several departments had voiced severe criticisms of the compensation changes. Mr. McNamara asked the PC to keep him closely informed of staff reaction to this paper.

Mr. McNamara also asked Mr. Ripman to complete the study comparing the fringe benefits of the Bank and the Fund with those of other international organizations.

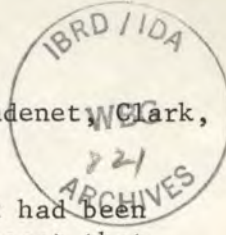
Mr. McNamara mentioned that the Swiss Government would have to act quickly to obtain approval for advance use of the Swiss loan to IDA. Mr. McNamara asked Mr. Broches to call Ambassador Jolles before the end of the day and also subsequently cable him with details about what changes needed to be made in the Swiss loan agreement.

Mr. McNamara then reported on his visits to the ACC meeting in Berne, the Tidewater meeting in Lausanne, and his visit to Spain.

President has seen

President's Council Meeting, May 10, 1971

821/7/17



Present: Messrs. McNamara, Knapp, Broches, Chenery, Demuth, Shoaib, Chadenet, Clark, Adler, Ripman

Mr. McNamara referred to Sunday's news story that a settlement had been reached between the UAR and the U.S. on the external debt issue. This meant that further IDA lending to UAR could be continued.

Mr. McNamara asked PC to read the private report prepared by Mr. Escott Reid (for CIDA) on the Bank and its operations. Mr. Demuth was asked to extract the substantive points in the report and to coordinate studies which should result from these points.

Mr. McNamara mentioned his plans for the preparation of his speech to the 1971 Annual Meeting. An important part of this would be to have Mr. Chenery organize three separate seminars on the topics of unemployment, malnutrition, and trade and industrialization.

Mr. McNamara also pointed out that the draft Board paper on the FY72 Budget would be ready later in the day. PC members were asked to submit their comments to Mr. Adler by Friday afternoon. Mr. McNamara would expect to clear it before he left for Nigeria on Saturday.

Justice Arthur Goldberg had called Mr. McNamara on the phone to enquire whether the Bank would be willing to assist the Government of Guyana settle its nationalization dispute with ALCAN. Mr. McNamara had responded that the Bank would only do so if both parties requested that the Bank become involved.

Mr. McNamara said that time schedules for completion of staff work should only be set after consultation with the people actually involved. Mr. Chadenet said that he would specifically talk to the Projects Departments Heads about this point.

Mr. Knapp mentioned that Mr. Lajous had written a memo to Mr. Tornqvist responding to criticisms that Mr. Tornqvist had made during the Board Meeting on the Mexico Livestock Project. Mr. Knapp said he had tried to discourage Mr. Lajous, and also other EDs, from resorting to this type of communication. Mr. McNamara saw no danger at present with this procedure and suggested that Mr. Knapp not take any further action on this point unless the volume of such memoranda increased considerably.

Mr. Clark referred to Mr. Klackenberg's recent visit in the Bank. Mr. McNamara had subsequently written a letter to Mr. Klackenberg inviting a delegation from the Swedish Parliament to visit the Bank in the fall.

Mr. Adler mentioned that, apart from Sweden, there had been very little interest among Part I country governments to change the voting structure established in IDA.

Mr. Adler also mentioned that the U.S. Government had approached him enquiring what the effects would be if the U.S. Administration did not try to push any further in favor of the U.S. capital increase in the Bank. Mr. Knapp asked Mr. Clark to prepare a background note on the history of the U.S. participation in the Bank's capital increase.

LEC
May 11, 1971

President has seen

President's Council Meeting, May 24, 1971

821/7/18



Present: Messrs. McNamara, Knapp, Broches, Chenery, Demuth, Sir Denis, Shoaib, Gaud, Adler, Chadenet, Clark, Ripman

Mr. Knapp mentioned that the UAR Government had not been able to expedite the debt settlement issue. Thus the \$30 million tentatively allocated to UAR this fiscal year might have to be redistributed to other countries. He also reported on the situation in Pakistan. The Government had come through with its May 15 payments to the Bank. This had led the Bank to continue disbursements without restrictions on existing projects. A Bank mission would be sent to East Pakistan in the first week of June. Its findings would be made available to the participants of the Indian Consortium meeting which would meet in Paris during the third week of June. Mr. Knapp also mentioned that Pakistan was now much more forthcoming in allowing international agencies to participate in relief action.

Mr. McNamara said he had informed Mr. M.M. Ahmad of the Bank's conditions;

Firstly, there should be a UN presence in East Pakistan.

Secondly, the Government must have available a financial plan for the country's total development needs and there must be a favorable environment for the effective use of aid.

Thirdly, there would be no further meeting of the Pakistan Consortium until the Bank had had full access to East Pakistan.

Fourthly, development assistance must be effectively utilized in East Pakistan.

Mr. Chenery mentioned he was organizing three seminars on subject matters which would be discussed in Mr. McNamara's 1971 Annual Meeting speech. The first, on nutrition, would be held on Thursday.

Mr. Chenery also mentioned that he was finalizing arrangements which would increase Bank cooperation with research institutes in LDCs.

Mr. McNamara noted that, during his African visit, both faculty and students at Ibadan University appeared to have a totally wrong image of the Bank. There was need for better channel of communications between universities and Bank staff.

Mr. Chadenet reported that a difficult procurement problem had arisen under the Kidatu Power project in Tanzania. Two firms, one a Swedish and the other a German, had both submitted almost equal bids. Both the Government and the consultants had favored the Swedish firm and the Bank had found no reason to object to this selection. However, the German ED had raised strong objections. Mr. McNamara said that a note should be written stating the nature of the problem and analyzing what commitments the Bank had undertaken under the legal documents. It should also spell out the reasons why the Bank had agreed to the position taken by the consultants and the Government.

Sir Denis reported from his further discussions with UK officials on an advance contribution to IDA. It now appeared that the British Government would make it a condition of such a contribution that the Bank would be able to muster a total of about \$350-\$400 million and that the Germans would participate. While he visited Bonn he was surprised to hear that the British Minister had not been instructed to pursue this matter with the German Government. The Germans were in principle willing to agree to an advance contribution but found it difficult to take a final decision on

President has seen

this matter because of over-all budget problems. Officials of the Nordic countries were meeting in Oslo this week to discuss, among other things, their position on IDA. With respect to the Swiss loan, it now appeared doubtful that it could be finalized before later in the year. Mr. McNamara asked Sir Denis to call Ambassador Jolles on the telephone and discuss the situation directly with him.

Mr. McNamara said that contingency plans would have to be worked out with respect to other financing alternatives for IDA. One possibility was a transfer from Bank profits earlier than usual. Another approach would be to continue approving IDA projects in FY72 with a contingent paragraph inserted in the resolution of approval that funds would only be available after the Third Replenishment had been ratified.

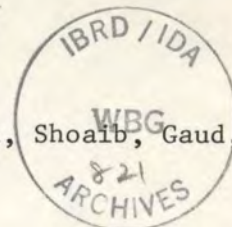
Mr. McNamara mentioned he would be participating next weekend in a meeting in Wyoming of Anglo-American Parliamentarians. The topic to be discussed was Development and Africa.

Mr. McNamara then reported on his recent visit to Nigeria and Ghana. He had agreed with the Ghanaian Prime Minister that the Bank would set up a ResRep in Accra. In Lagos he had been impressed with the high caliber of the Bank's Resident Mission. He was surprised to hear that the ResRep was only classified at a "B" level. He asked Mr. Shoaib to re-evaluate present operational relationships between Headquarters and resident missions and, if necessary, call in an organizational expert to suggest how to improve their effectiveness. Mr. McNamara thought perhaps some supervision functions should be placed with the Resident Missions. As an experiment one Resident Mission could be allocated supervision responsibilities in a particular sector. Mr. Chadenet should work closely with Mr. Shoaib on this matter.

LEC
June 10, 1971

President's Council Meeting, June 1, 1971

821/7/18



Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Chenery, Demuth, Shoaib, Gaud, Adler, Clark, Twining

Mr. Knapp mentioned that the U.S. ED had called him in the morning to tell him that the U.S. intended to abstain in the vote on today's Board presentation of the Bolivian Livestock project.

Mr. McNamara mentioned that, during the discussion of the Indian projects on today's Agenda, Mr. Chenery should be prepared to report on the proposed staff study of the employment effect of tractor mechanization in India.

Mr. Clark mentioned that the draft Annual Report was being sent to all PC members. He hoped they would submit their comments as soon as possible.

Mr. Shoaib mentioned that the Delegate Assembly for a proposed Bank staff association planned to elect 10 members to an ad hoc committee which could review employment compensation and other related matters, until a formal Association was established. The President of the Assembly worked very closely with Mr. Shoaib.

Mr. McNamara said that Mr. Chenery's paper on Bank lending in the '70s was being distributed to the PC and would be discussed soon at a PC meeting.

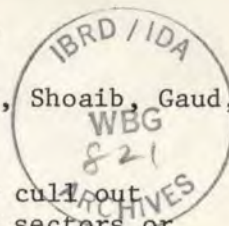
Mr. McNamara mentioned that during last weekend's meeting of the Anglo-American Parliamentarians much interest had been shown in the work of the Bank, although a good deal of ignorance was apparent. The Bank should perhaps give more thought to the idea of establishing standards of performance by which to compare international organizations. To begin with the Bank might consider expanding the exchange of information between itself and the regional development banks, e.g., the level of liquid reserves, rate of return of liquidity holdings, and manpower requirements. The Bank needs a policy on the exchange of information with other agencies. Messrs. Demuth and Adler were made responsible for pursuing this matter.

LEC
June 9, 1971

President has seen

President's Council Meeting, June 7, 1971

821/7/19



Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Chenery, Demuth, Shoaib, Gaud, Adler, Clark, Ripman

Mr. Aldewereld said he would be looking at the '72 program to cull out unlikely starters, and to see if there were any gaps either in terms of sectors or areas. He would be having meetings this week and for the next few weeks on this.

Mr. Gaud said that there was a troublesome IFC project concerned with Chilean copper. The company is largely owned by Continental Copper of New York; the Bank has a 10% interest and about \$10 million are at stake. The workers for sub-contractors who have been working on temporary jobs are demanding severance pay amounting to perhaps half a million dollars. The Government has come down in their favor, and will vote their part of the stock in favor of paying them. This sort of copper firm is too small to nationalize but will be harrassed in this sort of manner so as to force the foreign investor out.

Mr. Demuth said that he had started to have conversations with the IADB about the exchange of information. The IADB was enthusiastically in favor of this.

Mr. Clark said that he had had conversations with Mr. Ripman about the starting of a Staff Newspaper to replace Bank Notes. It would have more material about what the Bank was actually doing in the field, and would have to be something which was perfectly capable of being put into the hands of the public, though its original audience would be the Bank staff.

Mr. Adler said that he had had a telegram on Friday from Sir Denis Rickett saying that he hoped that they might get some advance payment on IDA from Japan. He had informed Martin Lynch of this since he was in the room at the time. It might well help to move the British. The Japanese at the moment were concerned about getting rid of the amount of yen they owed on the Second Replenishment.

Mr. Shoaib spoke about conversations that he had been having with Executive Directors on the subject of their attending consortium and consultative group meetings. There were some points of substance and some points of protocol. On substance it was agreed that EDs should only attend such meetings if they were requested to do so by the country which they represented and which was the subject of the meeting. Area Directors should not get themselves trapped into asking the Government in question to request the presence of an ED. On matters of protocol Mr. Kochman was asking that EDs should be treated as at least the equals of the Area Directors. Mr. Shoaib had replied that the Chairman of the Consortium was the Number 1 at the meeting. The Executive Director was a member of his country's delegation not the Bank's. There were some smaller points of protocol--such as who rode in chauffeur-driven cars--which Mr. McNamara left to Mr. Shoaib to try and settle.

Mr. McNamara said that he had lunched on Thursday with Secretary Connally. Also present from the Bank were Messrs. Knapp and Aldewereld. He noticed that Mr. Connally kept on coming back to the question of treatment of such countries as Peru and Bolivia which had expropriated American property. Mr. Connally had said that certainly President Nixon should attend the Annual Meeting, but when Mr. McNamara suggested that he should be able to announce considerable progress on IDA at that time Mr. Connally let the subject drop. It was apparent from this lunch that there is going to be a considerable problem in getting access to the American market.

President has seen

Mr. McNamara also said that on Friday he and Mr. Benjenk had met with U Thant. The King of Jordan had asked for the help of the UN and the World Bank in settling some parts of the Middle Eastern imbroglio. It was left that Mr. Benjenk and Mr. Narasimhan would work together. U Thant had expressed his pleasure at the way the World Bank seemed to have handled Mr. M.M. Ahmad since he was now much more willing to accept UN supervision of relief, etc., in East Pakistan. Mr. McNamara reiterated that he saw a great deal of trouble ahead over Pakistan, and for that reason was considering the possibility of not attending next weekend's meeting at Bellagio.

Mr. McNamara raised the matter of congressional or parliamentary people coming to investigate the Bank. He felt that they could not be turned down, nor could they be given a completely free hand. He asked Mr. Broches in conjunction with Messrs. Clark and Merriam to work out a procedure.

A small group remained to discuss the subject of disbursements and also the subject of Bank lending in the 70s.

WDClark:ml

President's Council Meeting, June 14, 1971

821/760



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

Mr. Gaud mentioned that the Bank's Legal Department was preparing Board documentation for a proposed new Bank loan to IFC. He would like to send this paper to the Board in June for action early in July.

Mr. McNamara pointed to a recent analysis of the structure of non-professional salaries in the Brookings Institution. Comparable Bank data showed that the Bank was often paying 25% more than Brookings for the same job. At the same time there was no indication that Brookings had any difficulty hiring non-professionals. He urged Administration Department to carry on its study of Bank employment compensations compared to those of other international and relevant national organizations. It should not only analyze salary levels but also compare particular jobs within each institution. The new staff association ought to be sensitive to this issue. In the future it might well be necessary to hire an outside management firm to consult the Bank's management on further compensation changes.

Mr. Aldewereld reported that the Swiss Banking Corporation had suggested a doubling in the amount of the current Swiss bond issue. Mr. McNamara had decided not to do so, giving as reasons the difficulty of obtaining formal clearance by the Board within the time required. Mr. McNamara asked Mr. Aldewereld to re-examine the intricate procedures for floating Bank bond issues in Switzerland. These were not advantageous to the Bank and perhaps some change in the procedures could be agreed upon with the Swiss authorities.

Mr. Aldewereld mentioned that 255 projects still remained in the operational program for FY72. He was currently working with the Area Department Directors to have this number reduced. Prior to the Annual Meeting, he also hoped to have a realistic estimate for the FY73 operational program.

Mr. Aldewereld also reported on discussions Mr. Rotberg had had with the Rothschild banking group in London on a proposed large bond issue in the eurodollar market. Another banking group had also been interested in organizing such an issue.

Mr. Aldewereld mentioned that later in the day he would discuss with Mr. Shoaib the possibility of delegating some supervision functions to resident missions.

Mr. McNamara had read the draft urbanization paper over the weekend. While in many respects it was an improvement over previous Bank papers on this problem, it still failed to isolate clearly what the Bank did not know about the urbanization problem. He asked Mr. Chenery to assume responsibility for proposing what should be done with it and to outline a time schedule for further action. He would like to discuss these points with Messrs. Knapp, Chenery and Aldewereld some time before July 1.

Mr. McNamara also mentioned that Mr. Willoughby would soon have two draft reports ready on the work of his program evaluation unit. He was reluctant to pick another country for in-depth treatment before Mr. Willoughby's work on Colombia had been properly evaluated. He was in any case not inclined to consider East Africa as the country case for this purpose. In principle he favored looking at the effectiveness of projects in a more "narrow" project context. Perhaps a series of DFC projects might be looked into.

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President's Council Meeting, June 21, 1971

Present: Messrs. McNamara, Knapp, Aldewereld, Chenery, Demuth, Shoaib, Gaud, Clark, Ripman, Nurick, Blaxall



Mr. McNamara said that he would schedule for discussion at next week's PC meeting a proposal submitted by Administration Department regarding sabbatical leave for Bank staff. Messrs. Shoaib, Chenery and Demuth should meanwhile examine the proposal carefully.

Mr. Chenery said that his study group had reviewed the Bank's system of economic reporting and would submit recommendations for certain changes. Mr. McNamara asked that it also take into account scheduling considerations.

Mr. Demuth said he was finalizing a memorandum on the role of resident missions within the Bank's organizational structure.

Mr. McNamara mentioned that Mr. Rinnooy Kan had submitted a memo reaffirming his criticism towards IFC's Aliaf Nylon project in Iran. Before circulating this to the Board, he would ask Mr. Gaud to prepare a statement on IFC's reasoning for supporting this project.

Mr. Shoaib said the Bank would commission a study by outside consultants to review the Bank's employment compensation policies. Mr. McNamara commented that the importance of such a study was to obtain an objective judgment by a non-interested party.

Mr. Aldewereld reported that the Japanese bond issue had been oversubscribed. A Belgian issue was planned for September. Last week the U.S. Treasury had also seemed prepared to allow the Bank to float a U.S. bond issue in July.

Mr. McNamara referred to Mr. Aldewereld's recent memo on the FY72 lending program and asked that it be distributed to all Area and Projects Department heads. A revised program, resolving present differences of opinion between Area and Projects Departments, should be ready by July 1.

Mr. McNamara asked Mr. Shoaib to establish a system for evaluating overtime work by Bank staff. It was important that the Bank establish a clear policy on this point and that it be properly implemented.

Mr. McNamara complimented the interim paper on urbanization prepared by the Special Projects Department last week. Mr. Chenery suggested that the paper be distributed to the Board for information. Mr. McNamara agreed.

Mr. McNamara asked Mr. Chenery to examine whether it would be appropriate for Departments other than the Projects Departments to be responsible for preparing the Sector Program Papers. He should also consider whether it might be useful to have an outside panel reviewing these papers.

Mr. McNamara mentioned that a case of discrimination against women on the Bank's professional staff had been brought to his attention last week. He asked that Mr. Shoaib examine this incident carefully and to make sure that Department heads did not follow policies or procedures that discriminated against women. Mr. Shoaib said that he would prepare a note for Mr. McNamara on this point.

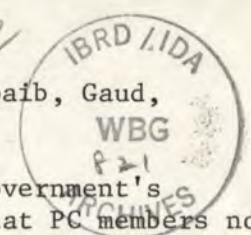
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June 21, 1971

President has seen

President's Council Meeting, June 28, 1971

821/7/22



Present: Messrs. McNamara, Knapp, Aldewereld, Chenery, Sir Denis, Shoaib, Gaud, Adler, Clark, Ripman, Nurick, Hoffman

Mr. Knapp commented on recent news stories about the U.S. Government's reluctance to Bank loans to Bolivia and Guyana. Mr. McNamara urged that PC members not discuss this problem outside the Council. Mr. Knapp said the U.S. had indicated it might oppose the Bolivian Pipeline project which would be presented to the Board next week, and perhaps also the Ecuador Power project scheduled for Board action in August.

Mr. Chenery said the Research Committee had reviewed FY72 research work to be contracted by outside consultants. There had been surprisingly uniform agreement among committee members as to the allocation of this research work. A subcommittee would also review the activities of the Development Research Center. Mr. McNamara asked Mr. Chenery to circulate the Committee's report to PC members.

Mr. Chenery also mentioned that the Economics Department had employed a biochemist on a one-year contract to act as the Bank's expert on scientific matters, including giving advice on nutrition problems. He would also act as a link between the Bank and the international scientific community. Mr. McNamara asked that one of his major duties be to review the needs of LDCs for science and technology.

Mr. Chenery also mentioned that the Economics Department had now been re-organized. Its divisions would be more closely aligned to the various Projects Departments. Mr. McNamara said that these divisions ought to have inputs into the sector papers.

Mr. Clark mentioned that a draft had been prepared of the first issue of the Bank staff newspaper. To begin with it would be issued monthly.

Mr. Ripman reported on the case mentioned by Mr. McNamara last week regarding sex discrimination within the Bank. It appeared that the Deputy Director of the Department concerned had acted without consultation with the Director who was absent. Upon the latter's return the problem had been straightened out and he assured Mr. McNamara that the Department would alter its previous opposition to the hiring of female professional staff. Mr. McNamara asked that Administration Department make sure that the Bank's employment policies are properly implemented.

Sir Denis reported that the Danish Government had now authorized advance contributions to IDA. He also said he planned to meet with representatives of the Part I countries some time before August 1 to discuss FY72 IDA allocations. Mr. McNamara asked him to set a date promptly for the meeting, preferably by Thursday, so that EDs would have adequate time to be prepared for the meeting.

Mr. McNamara asked Mr. Shoaib to encourage Part II country EDs to vote in favor of the requested commitment authority for IDA projects after July 1. Sir Denis mentioned that Mr. Törnqvist had proposed an amendment to the resolution, asking that the President, before signing, review whether any substantive changes had been made in the project, and, whenever such changes had occurred, resubmit the project to the Board. Mr. McNamara said that he would agree to this and asked that the revised resolution be sent to EDs as quickly as possible.

Mr. Aldewereld reported on capital market developments in the U.S., Germany, the Netherlands and Switzerland.

President has seen

Mr. McNamara said he would meet later in the day to discuss the two policy papers on the proposed transfer of Bank profits to IDA, and on the Bank's lending rate. He hoped to send these papers to the Board on July 1 for a meeting on July 13, i.e., slightly ahead of previously announced schedule.

The PC then briefly discussed the proposed sabbatical leave policy for Bank staff. Some concern was expressed on the difficulty of allocating these leave privileges equitably among eligible staff members. It was finally agreed that Board approval be sought for the new sabbatical leave policy.

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June 29, 1971