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President's Council Minutes
1973

Folder 11

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President's Council Meeting, January 22, 1973

Present: Messrs. McNamara, Knapp, Adler, Aldewereld, Alter, Baum, Bell, Benjenk, Broches, Cargill, Chadenet, Chaufournier, Chenery, Clark, Demuth, Gaud, Shoaib

During Mr. McNamara's absence, the Tanzania small-holder tobacco project had met criticism from various U.S. sources, and the United States had abstained.

Chile had not paid its January 1 instalment and was apparently intending to default on its debt to the Bank.

Mr. Aldewereld reported that the Lebanese issue of 75 million Lebanese pounds had been oversubscribed by 10% and could therefore be considered a success. He also mentioned future borrowing operations in Germany, Japan and Kuwait. He advocated a long-term issue in the United States in FY74. Mr. McNamara asked that Mr. Rotberg keep a record of the behavior of issues for about eight weeks after their placement, comparing them with other issues on the European market. He said that the FY74 borrowing program should include both long- and short-term issues on the U.S. market. The FY74 borrowing program would need an upward revision.

In response to Mr. McNamara's question, Mr. Cargill reported that India's food grain shortage for 1973 was likely to exceed two million tons. The ceiling on the U.S. Federal Budget would create limits on wheat production in the U.S. in the fourth quarter of 1973. Mr. McNamara asked whether it would not be wise to contact the U.S. Government in order to induce an increase in the acreage planted, especially with rice. Mr. Chenery commented that the Green Revolution had been overrated and weather contingency had not been taken into account in crop projections. In addition the statistics were of short duration and poor quality, which may have given an over-optimistic picture of the results to date. Mr. McNamara asked Mr. Chenery to look into this problem and said that, while India had been criticized both for high stocks of food grains and high foreign exchange reserves, both were in fact proving insufficient.

Mr. Gaud had been asked questions as to the Bank's plan for assistance in Indo-China after peace had been achieved. Mr. McNamara said that the position to take would be that the Bank will do what its members ask, that we are financially and technically prepared and that we would like to cooperate with the Asian Development Bank. Mr. Cargill mentioned that the Secretary-General has set up a task force for aid to Indochina under the direction of Sir Robert Jackson.

Mr. Chenery reported from a five-week tour in South Asia, that he felt that IDA allocation to Indonesia was high in relation to that of Bangladesh. Mr. McNamara commented that Bangladesh would not be able to absorb more IDA funds in the next six to eight months and asked that IDA credits to all countries be processed as rapidly as possible. The adjustment of amounts allocated to individual countries could take place in FY74.

Mr. McNamara mentioned briefly his trip to West Africa and, in particular, the promise given to the Government of Togo that the Bank would give one of three answers on the CIMAO cement project by April 15; that the Bank would go ahead and attempt to put a project together, that it would have nothing further to do with the project, or that it would go ahead on certain conditions. He also mentioned the apparent high cost of credit to small farmers and asked Messrs. Chenery and Baum to make a study of the cost of credit. In Dahomey he had visited an agricultural project where a nutrition program had permitted an increase of the workday of the local population from four to seven hours.

AL
January 25, 1973

President has seen

821/11/2

President's Council Meeting, January 29, 1973

Present: Messrs. McNamara, Aldewereld, Adler, Alter, Baum, Bell, Broches, Cargill, Chadenet, Chaufournier, Clark, Chenery, Gaud, Shoaib, Hoffman, Wapenhans

Mr. Chadenet reported on the meetings which Mr. Knapp had held to discuss experience with the new organization. Mr. Kearns would be working on a number of problems which had been identified.

Mr. McNamara made two main points: first, that the Regional Vice Presidents should run their regions and make decisions without trying to second guess Mr. McNamara, Mr. Knapp, or anyone else. Papers should be written for the use of those who make the decisions. Secondly, he asked that maximum care be taken to make work programs and budgets correspond at all times.

Mr. Cargill pointed out that he would be unable to execute a 1.5 times larger IDA program in FY75 unless he is allowed to recruit during the current fiscal year.

Mr. McNamara said that supervision to the extent agreed upon would receive first priority and that there was too much slippage planned in the work program. The overprogramming in FY73 had been 60% on July 1, 1972. Under the new organization, there is a greater freedom for divisions and regions to make trade-offs.

Mr. Bell thought that some simple project should require less staff time than at present. Mr. Chaufournier expressed concern that the Directors have an understanding for austerity budgets but not for the corresponding realistic work program and that there is continuous pressure for more lending. Mr. McNamara agreed that this was a problem and pointed to the additional cost of lending to the least developed countries.

Mr. Chenery felt that the research budget was being held down arbitrarily. Mr. McNamara said that economic work related to lending operations was expected to increase at the same pace as lending but that the rest of research work is being kept constant until more is known about the program and priorities for economic work.

Mr. McNamara asked for a schedule of past and future economic missions with their destinations and the number of persons on each mission. He agreed with Mr. Chenery that we now know more about what an ideal basic economic report should contain but that new areas of work require greater manpower input. Although some may complain that we are not venturing into new fields as rapidly as desirable, there is a limit to the absorptive capacity of the Bank's organization and we must proceed cautiously.

Mr. McNamara mentioned that he would be going to the Middle East and to the U.K. and Germany and said he would need briefings for the latter two.

AL
January 30, 1973

President has seen

821 /11/3

President's Council Meeting, February 26, 1973

Present: Messrs. McNamara, Knapp, Aldewereld, Alter, Baum, Bell, Benjenk, Chadenet, Chenery, Demuth, Gaud, Rickett, Shoaib, Adler, Clark, Nurick, Weiner, Wright

Mr. Adler said that there had been little comment from the Directors on the Mid-Year Review paper. Mr. Reynolds had conveyed the U.S. opinion that operations should be allowed to spill over to the next fiscal year rather than be bunched at the end of FY73, and that a budget increase in FY74 was undesirable. Mr. McNamara asked Sir Denis and Mr. Shoaib to contact those Directors who had not expressed views on the Mid-Year Review paper. Sir Denis felt that the U.S. concern was that firstly they do not wish the Bank to expand further and secondly that bunching could lead to reduction in standards.

The question of pensions and salaries after the dollar devaluation would probably be raised in the Board. The Fund had already moved towards readjustment of pensions. Mr. McNamara said that this was contrary to the agreement of parallel policies and asked Mr. Shoaib to contact the Fund. He wished to place a paper before the Bank's Board before the Fund Board acted on the question and asked to be informed by the end of the day as to the exact status.

Sir Denis reported that Mr. Isbister had claimed that the GAO report had done some harm to the Bank and that the Directors may comment on it. Mr. McNamara asked Mr. Nurick to check which Directors had received the report and asked Mr. Aldewereld to assume responsibility for preparing a reply to the charges made by GAO. He also asked to be informed what had been said in the Joint Audit Committee on this subject.

Mr. McNamara felt that more thought had to be given to how the Bank's evaluation activity should be organized in response to pressures from outside. Should evaluation be made according to the standards of today or those of the time when a loan was made? How long after a loan has been made should the review take place? Should past or present operations be evaluated? The U.S. Congress had previously discussed proposals to formalize auditing of the Bank's activities, and Mr. Nurick was asked to circulate draft legislation to the PC and Mr. Chadenet to instruct Mr. Kearns to consider the organizational aspects of evaluation.

Mr. Chenery mentioned the seminar on adaptive technology which would take place that afternoon. Mr. McNamara asked Messrs. Baum and Chenery to give thought to what work is needed in the field of adaptive technology and how the Bank should approach it.

Mr. Chenery said that the choice of computer had been studied and the two alternatives were Burroughs or IBM. The Fund was in favor of continuing with the Burroughs equipment, but Mr. McNamara felt that both alternatives should be given objective consideration and that it would be very desirable to have joint computing operations with the Fund. The number of requests for computing work had increased drastically according to Mr. Chenery and careful screening was necessary. Mr. McNamara advised a cautious approach to new computer applications and suggested that priority be given to applications which are of a clear cost-saving nature.

An inventory of policy papers under preparation in the Bank would be distributed by Mr. Chenery. Mr. McNamara felt that too much research work is going on in the Bank of limited value to operations and said that eventually some should be cut down in order that everything which is produced can be assimilated.

President has seen

Mr. Baum reported from a panel discussion on the subject of "doing business with the World Bank" where even the comments of former critics were quite mild.

Mr. McNamara mentioned briefly from his trip to the Middle East that his conclusions were mainly twofold: that there was an emerging oil monopoly on the part of the producing nations and that the price of oil had not reached a monopoly level. Eventually the consumers in the West would have to pay. Second, there is a lack of planning on the part of producer nations on how to use the enormous future revenues from oil. The Bank should continue to borrow in the area in the future and relations will depend very much on personal contact. In London and Bonn Mr. McNamara had met with officials who had expressed support for the Bank's proposal regarding the Fourth IDA Replenishment. It was clear, however, that the United States would pose difficult problems in the negotiations and Mr. McNamara mentioned that he would be going to Canada the following week and later in April to Tokyo in advance of the May 1 meeting there, in order to enlist further support.

AL
February 27, 1973

President's Council Meeting, March 5, 1973 821 11/4

Present: Messrs. McNamara, Knapp, Aldewereld, Alter, Baum, Bell, Benjenk, Broches, Cargill, Chaufournier, Chenery, Gaud, Rickett, Shoaib, Adler, Clark

Mr. McNamara said that the recent issue of two-year bonds had been unexpectedly successful and that the amount had been increased with the Board's approval from \$200-\$240 million. The issue had been slightly oversubscribed at the higher level. In a four-year period the total amount outstanding of two-year bonds had increased from \$400 million to \$800 million. Recently the U.S. Government had become increasingly reluctant to further increases and to bond issues in general, and Mr. McNamara asked Mr. Aldewereld to seek a formula for future increases in two-year bonds avoiding recurrent U.S. objections.

Mr. McNamara said that the draft Financial Policy paper was an extremely complicated document and that it would have to be discussed thoroughly the following Wednesday before issuing to the Board.

The mid-year review of the Bank's operating program and budget by the Board had yielded comments from several Directors asking for a zero increase in next year's budget. In particular the U.S. had made this point and Mr. McNamara had repeatedly discussed with U.S. officials this irrational position. Mr. Baum commented that supervision and other activities which were a function of past commitments would absorb most of the staff increases. Mr. McNamara said that this would have to be accepted and that for activities which are not directly related to operations he had held staff growth to practically nil.

As a result of the parity changes, IDA's commitment authority had increased to \$1,200 million for FY73. Mr. McNamara said that Mr. Knapp would plan the use of these funds in collaboration with the Regional Vice Presidents. Mr. Aldewereld mentioned borrowing possibilities in Switzerland and Germany and advocated an increase of the FY73 borrowing program from \$1,575 to \$1,601 million. Mr. McNamara was favorable to the idea, in view of the need to building up gradually to a much higher borrowing level in FY78. This would imply holding larger liquid assets costing about \$5 million a year in terms of reduced net income. Mr. Aldewereld said that he would propose a borrowing program of approximately \$1,800 million for FY74 and would discuss this general level with Mr. Volcker and Finance Ministers of other countries in the near future. He had seen a tendency of the Japanese costs of borrowing increasing lately.

Mr. Benjenk asked what would happen to salaries and pensions after the recent currency realignment. Mr. McNamara said that the Bank and the Fund are studying jointly both salaries and pensions. The results would be available May 1.

Sir Denis Rickett mentioned the maintenance of value clauses of IDA commitments may be an issue in London and there may be call for deleting the clause. Mr. McNamara replied that this may be warranted if it led to the achievement of an over-all level of \$1,500 million per year in replenishment.

AL
March 6, 1973

President has seen

President's Council Meeting, March 19, 1973

821/11/5

Present: Messrs. McNamara, Knapp, Aldewereld, Alter, Baum, Bell, Benjenk, Broches, Chadenet, Chaufournier, Chenery, Gaud, Rickett, Shoaib, Clark, Blaxall, Weiner

Mr. Knapp said that there would be a small bunching at the last Board Meetings in the third quarter as a prelude to a much larger one during the fourth quarter.

Sir Denis reported from the London meeting of Deputies on 4th IDA Replenishment. The purpose of the meeting had been to mobilize support for a higher replenishment figure and to pull the U.S. commitment upward. Of 16 attending nations, 13 had voiced support for 1500 million Smithsonian dollars. The French, Australian and U.S. delegations had not supported this high figure. The French had said that the U.S. must also commit itself. Australia felt that the figure was too high. The U.S. said they were unsure that Congress could take a position on multilateral aid by the summer and hinted at a figure of $385 million per year or about a 32% share of the replenishment. Congress is reportedly thinking of an independent audit mechanism for the international financial institutions. Mr. Knapp said Mr. Hennessy had called him before the meeting in order to say that he regretted being unable to attend but would be sending Mr. Larson and had mentioned that the U.S. would raise questions of deleting the maintenance of value clause, of auditing the Bank's activities and setting a norm for Bank salaries. Mr. McNamara asked that Sir Denis and Mr. Chadenet meet with Mr. Kearns to discuss some preliminary work on how to organize the audit function in preparation for future discussions.

Mr. Aldewereld mentioned an upcoming Swiss bond issue.

Mr. Chaufournier said that Le Monde had reported on institutional differences between the Bank and the FED regarding the Gabon Railroad where the Bank had withdrawn support since the project had been found uneconomic. Mr. Ferrandi who had met with Mr. Knapp and claimed to have no hand in the Le Monde article had apparently met with editors of Le Monde according to Mr. Chaufournier. Mr. Ferrandi had also told Mr. Knapp that the FED is committed to the project, just as the French are committed to the Concorde, i.e., events have gone too far for a retreat. Mr. McNamara asked Mr. Knapp to make a note of the conversation with Mr. Ferrandi and Mr. Chaufournier to obtain an exact translation of the Le Monde article.

Sir Denis said that the Committee of Twenty meeting had been postponed and would now take place on Thursday and Friday, March 22 and 23. The question of the link between reserve creation and development finance had been dropped from consideration. The meeting of the Ministers would take place the first two days of the following week. He thought the chances of a link with funds channelled through the international financial institutions were not good at the moment since all developing countries except India favored a direct allocation scheme. Mr. McNamara commented that the volume of SDR creations during the next five to ten years was unlikely to be very substantial in view of the excess liquidity feared by the rich countries.

AL
March 21, 1973

President has seen

821/11/6

President's Council Meeting, March 26, 1973

Present: Messrs. McNamara, Knapp, Baum, Bell, Benjenk, Broches, Chadenet, Chaufournier, Chenery, Rickett, Shoaib, von Hoffmann, Adler, Clark, Weiner, Wiese

Mr. McNamara mentioned that he had met recently with the Australian Commonwealth Treasurer and had raised the subject of IDA replenishment. The Australians had been negative in the previous IDA meeting, but both the Treasurer and the Ambassador in Washington had been favorably inclined and Mr. McNamara thought that it would be fruitful to try and influence both Australia and New Zealand towards a more positive attitude.

Sir Denis reported from last week's meeting of the Committee of Twenty. Discussion of the Link had been put off until the next meeting which would be most likely at the end of April. There had been considerable discussion as to whether the current situation is a permanent float or a temporary arrangement. In response to Mr. McNamara's question, Sir Denis said that a permanent float would require very little reserve creation in the form of SDRs, while, if it is temporary and the permanent system will be a controlled float or some more rigid system, the need for SDR creation may be larger. Mr. Emminger of Germany had given an interesting conclusion that, as a result of $10 billion of SDR creation, liquidity had in fact increased by over $20 billion. He had also proposed that the main factors of influencing recent currency crises had been first, the system of leads and lags, secondly, capital movements by the multinational corporations, thirdly, the movements of Euro currencies, fourthly, actions by smaller central banks and, finally, the "froth of speculation."

The Agenda for the Deputies Meeting had been first, an analysis of recent events, secondly, discussion of the possible controls on capital movements where the conclusion had been quite negative, especially that exchange controls were quite ineffective. Thirdly, there had been a discussion of the program for the future where some had held that reform must be slowed down in order to see what recent events really mean while others had advocated rapid reform to avoid further crises. Mr. Morse and his Vice Chairman had produced a useful report which will be the basis for the Ministerial Meeting, March 26-27.

Mr. McNamara mentioned that he had drafted a note to George Shultz on the Fourth IDA Replenishment which will be further worked on and eventually submitted after the current monetary talks have been concluded.

Mr. Chadenet mentioned holiday planning and said that there would be bridges to make holidays more useful around Christmas and Thanksgiving. He reported on the non-professional salaries, that the amount of increase was under consideration and the main thrust would be to reduce the maximum of the ranges for salaries. For professional salaries the McKinsey study had been completed by an updating study which had been done jointly by the Fund. There had been no problems with parallelism with the Fund on professional salaries and the Staff Association would be consulted when the studies had been completed. No contacts had been made with the U.S. Government yet. Mr. McNamara asked Mr. Chadenet to produce a time schedule showing exactly the work remaining and the time for consideration by various parties. Mr. Benjenk asked what would be done about pensions. Mr. McNamara replied that the May 1 proposal will at least contain the measures necessary to compensate for devaluation.

Mr. Broches said that Mr. Mendels would resign from his post as Secretary the following week but would remain in the Bank as a consultant until October 31. Mr. van Campenhout had asked to make a statement at the April 3 meeting and Mr. McNamara agreed that this would be appropriate.

President has seen

Mr. Chaufournier asked for and obtained Mr. McNamara's agreement that the signing of loans should not be postponed because of the absence of Executive Directors.

Mr. McNamara mentioned that he would be in New York at a Ford Foundation meeting Wednesday through mid-day Friday of this week and that Mr. Knapp would be in charge.

AL
March 26, 1973

821 /11/11

President's Council Meeting, April 30, 1973

Present: Messrs. McNamara, Knapp, Aldewereld, Benjenk, Broches, Cargill, Chadenet, Chaufournier, Chenery, Damry, Shoaib, Gaud, Blaxall, Clark, Kearns, Kirmani, van der Tak, Wiese

Mr. Chadenet reported that the Staff Association had had stormy meeting the previous week where the Executive Committee had been criticized for withholding from the delegates and staff information about the salary proposal. The Staff Association was preparing a paper for management in preparation for the Board Meeting to consider the compensation package. There were two points of criticism: first, as inflation accelerates there be an automatic salary increase when the cost of living index has increased 2%; secondly, there should be an end to all discrimination between professional and non-professional staff in eligibility to benefits. Mr. McNamara said that he would like to eliminate all differences, hopefully at the same time as the salary package is discussed and therefore put a paper to the Board as quickly as possible. He asked Mr. Damry to remind him to forewarn the Board under the point of "Other Business" at the following day's Board Meeting.

Mr. Chadenet said that the discussions with the staff had been effective in transmitting the essence of the compensation proposal and that he will compliment it by a question-and-answer paper to be finalized that day.

Mr. McNamara asked whether the Council members had heard any opinions from members of the Board. It was apparent that most Directors had not received instructions yet.

Mr. McNamara asked Messrs. Baum and van der Tak to be responsible for transforming the Mining paper into one which can be used as an action program. It was not yet decided whether the paper should eventually go to the Board as a Sector Paper.

Mr. Chenery reported from a visit to Bellagio where he had spent ten days with members of the University of Sussex to draft a paper on national planning and employment. This would be followed up by a Bank-Sussex conference in September.

Mr. Aldewereld reported from a meeting to discuss the Becker Report on the Bank's Pension Fund. The Becker Company evaluates a third of all private pension funds and, therefore, has a large background of material. Both our investment companies are doing well and our Fund in terms of performance is at the eighth percentile with a total return of 17% over calendar year 1972. The question has arisen whether we should invest overseas. The Ford Foundation has done so and the United Nations as well. Mr. Aldewereld proposed to contact the investment company managing the UN funds to put $10 million to that firm, primarily for investment abroad. Mr. McNamara asked Mr. Clark to provide him with the newspaper article which had discussed performance of investment funds and which had shown that over 12 years the large funds had given an average yield of 7.1%, while Standard & Poor's Index had risen 7.8% annually over the same period. Mr. McNamara emphasized that the Bank must not build into its projections for funding the Pension Plan an overoptimistic estimate of annual returns.

Mr. Broches mentioned his travel plans for Europe, Japan and Sweden where the arbitration tribunal for the Morocco dispute before ICSID would be held.

AL
April 30, 1973

President has seen

President's Council Meeting, April 23, 1973

821 /11/10

Present: Messrs. McNamara, Knapp, Aldewereld, Baum, Benjenk, Broches, Cargill, Chadenet, Damry, Gaud, Shoaib, Adler, Clark, Stern, Kearns, Kirmani, Knox, Thalwitz

Mr. McNamara reported from his recent trip to Japan that the Japanese Government is willing to raise its share of the Fourth IDA Replenishment to 9.76%, or equal that of Germany, of 1500 Smithsonian Dollars equal 1650 New Dollars. In case of a lower total Replenishment, the Japanese will hold to an equal absolute amount up to 11% of a lower Replenishment figure. Remains the U.S. to be dealt with. Mr. McNamara had sent a letter to Mr. Shultz.

Groundwork with the Japanese press had paid off and Mr. McNamara's luncheon with Japanese and foreign journalists had been a success. He had also appeared on a live television show with 20 million viewers.

Japan is cooling off on Vietnam aid and has shown the same attitude as with Mr. Goodman some time earlier. An aid mission is currently in Hanoi but the results are not known. Hanoi seems to have the same cool attitude both to multilateral and bilateral aid as previously. Mr. Soejima will follow this up.

As to a bond issue in Japan, Mr. McNamara said that he would be willing to go to the Japanese market perhaps some time in July, even if the cost is higher than available elsewhere as the Japanese have done so much for the Bank recently. Mr. Soejima would follow up and cable details.

Mr. Chadenet reported on compensation that the meeting with Department Directors had taken place as planned on Tuesday, April 17, and that the paper to the staff had been distributed that evening. The staff reaction over-all had been reasonably favorable but some Board members were unhappy with the procedure. Messrs. Isbister and McLeod had written memoranda to Mr. McNamara and reportedly Mr. Rinnooy Kan and Mr. Reynolds, and possibly Mr. Rota, were also unhappy. Mr. McNamara said that Directors were unhappy mainly because the paper to the staff of which they had seen copies did not specifically stress that the whole proposal was subject to Board approval. Mr. McLeod had been unhappy because he had not been able to receive extra copies of the Board paper and most of all since he had heard the staff speculate that the distribution of paper to the staff had been designed to circumvent the action by the Board. Mr. McNamara said that he would handle this problem with the Directors concerned.

Mr. Chadenet stressed that he had told the Tuesday meeting that the proposal was subject to Board approval and, upon learning about the Directors' memoranda, he had called all PC members to warn them to stress this fact in particular. Mr. McNamara said that Messrs. Damry and Shoaib would help him handle the problems with the Directors and asked Mr. Chadenet to assemble for him the papers distributed by the Staff Association indicating to whom the papers had gone.

Mr. Chadenet continued to say that the two main points of criticism had been the difference between the 6% increase to General Services staff and the 8% average to professional staff. Secondly, the FAO Cooperative Program had higher salaries on the FAO side and the professional staff disagreed with the grade matching. Mr. Stern said that there is a morale problem in Special Services since the F level had been increased by 20% but all other levels had received only 6%, thus eliminating the results of varying qualities of performance over past years. Secondly, G level personnel felt that it would now be much more difficult for them to be promoted to F. Mr. McNamara asked Mr. Chadenet to document Mr. Stern's questions and the proper answers as to the rationale for the proposal before any action was taken to change it.

President has seen

Mr. Benjenk said that questions had come up regarding the matching, particularly in relation to FAO Cooperative Program personnel, and the suggestion had been made that the Bank should compare itself on professional salaries with consulting firms. Secretaries had not been resentful of the difference in salary increases but argued that, after increases in parking fees and medical insurance costs, the raise would not be much larger than the 4.8% cost-of-living increase. Others had asked why the change had not been made retroactive to March 1. Mr. Gaud suggested that in the future average salary would not be published since it appeared that only 15% of IFC Grade D professionals are above the average salary. Mr. Broches reported that the differences in increases had not been a major issue. Someone had asked whether it would be possible to have two cost-of-living adjustments a year and the Legal secretaries had claimed that their counterparts in Washington are paid higher than any U.S. Government secretaries.

Mr. McNamara asked that all cases of compensation widely different from that of the Bank be brought to the attention of Messrs. Chadenet, Clarke or Paijmans.

Mr. Baum asked that, if in fact inflation in 1973 turns out to be 8% and the U.S. Government decides to give its employees 5% salary increase, what would the Bank do? Mr. McNamara replied that he could not give an answer today.

Mr. Cargill said that Projects people from Europe had no incentive at present to make the move to Washington on a salary basis. Mr. Stern concurred on the basis of a recent recruitment trip by Mr. Tims. Mr. Adler said that Germany is considering subsidizing the salaries of staff going to international institutions paying less than German organizations. Mr. McNamara asked that he transmit the details of this scheme to Personnel Department. Mr. Chadenet commented that the Fund's argument in its Board paper about real income had not been raised by Bank staff.

Mr. McNamara asked Mr. Adler why there were only some 59 staff on the FAO side of the Cooperative Program when the budgeted figure was 70. He offered to send a letter to Mr. Boerma if that were necessary.

AL
April 23, 1973

President's Council Meeting, April 16, 1973

821/11/9

Present: Messrs. McNamara, Knapp, Aldewereld, Baum, Benjenk, Broches, Cargill, Chadenet, Chaufournier, Damry, Gaud, Shoaib, Adler, Hoffman, Kearns, ~~Wiese~~, Stern

Mr. McNamara enquired about the health of Messrs. Bell and Alter who were both hospitalized.

On Mr. McNamara's request, Mr. Chadenet summarized the contents and procedure of the paper to the staff regarding compensation which would be distributed that day. Mr. McNamara said that, for the first time, it is said explicitly that the Bank has as its policy to pay more than other organizations. This may draw criticism from Directors. Mr. Chadenet continued to explain the contents of the paper and said that it would be distributed for discussion on Tuesday, April 17, at 2:15 p.m. by the Department Directors. Then would follow a number of meetings by those Directors and Vice Presidents as well with staff in the various organizational units. Mr. McNamara left it to the Vice Presidents to determine what format the meeting should take but with the requirement that no meeting be larger than 15-20 people, that they be structured in accordance with organizational units and not segmented into professional versus non-professional staff, that the meeting be conducted by someone well acquainted with the subject matter, and that the Vice President let Mr. Chadenet know how he intends to handle it. Mr. Chadenet would make special arrangements for those on mission and for the Bank's overseas offices.

Mr. McNamara said that during the previous week a Director had voiced criticism against a project under preparation. Mr. McNamara asked that those concerned be sure to let Messrs. Baum, Knapp and McNamara know when Directors voiced critical comments against projects so that it could be determined early whether a special review would be required as provided for in the procedures.

Mr. McNamara said that he had received a message from the Japanese Government that it was favorably inclined to the Fourth IDA Replenishment and would be willing to contribute a substantially higher share than previously.

Mr. Hoffman reported from meetings of ACC, IACB and the UN Environment Agency in Geneva. Mr. Strong had conducted his meeting skillfully and shown that he was going to be an independent member of the UN family. For IACB there had been difficulty in filling the one-day Agenda. Mr. Maheu had criticised the UNDP for bureaucracy and slowness of procedure. Mr. Boerma had described a bleak situation regarding foodstocks and cautioned against the consequences of another poor crop. Mr. Hoffman said that the Bank still had problems with relations with other agencies in population field, particularly with WHO, and said that he would come with a proposal for improvements.

Mr. Chadenet mentioned that a great number of expense accounts are overdue. Mr. McNamara asked him to devise a procedure which would be adhered to.

Mr. Broches mentioned that the late payment of debt by the Bank's borrowers was increasing. Mr. McNamara asked Mr. Aldewereld to analyze the pattern of delinquencies and to make a proposal for action, including charging interest on interest overdue.

AL
April 17, 1973

President has seen

821 /11/8

President's Council Meeting, April 9, 1973

Present: Messrs. McNamara, Knapp, Aldewereld, Baum, Bell, Benjenk, Broches, Chadenet, Chaufournier, Chenery, Damry, Rickett, Shoaib, Adler, Lind, Weiner, Wiese, Kearns, von Hoffmann

Mr. Aldewereld said that the German bond issue under consideration would cost the Bank 6.55% and the outlook was good for its placement. In fact there was possibility of getting more money at similar low cost. He mentioned that the German authorities had shown keen interest in the Bank's operations. Mr. McNamara asked Mr. Lind to obtain a description of the reorganized Finance, Economics and Development Ministries in Germany.

Mr. Chadenet summarized the staff compensation package and said that the Fund had sent its paper to the Board and that the Bank's would be distributed that day. The Fund Staff Association had sent its views to the Managing Director who had distributed the memorandum to the Board. The Fund's discussion would probably take place May 7 and the Bank's on May 8. Messrs. McNamara and Schweitzer had met the previous week to iron out the last differences and the packages were now more or less parallel. He went on to describe in more detail the proposals in the Board paper.

Mr. McNamara went on to mention some of the very severe difficulties in making comparisons between salaries and judging fairness. He anticipated problems with the non-professional staff, since the average increase was lower than for the professional staff. On the other hand, governments were criticizing the Bank for paying salaries which were too high both for professional and non-professional staff. Mr. Chadenet said that the Staff Association felt that, when the differences between professional and non-professional staff were to be decreased, there should not be such a difference in pay increases. Mr. McNamara said that it is necessary to explain to the staff that they are being paid more than the staff of other organizations and that, if this is not possible to explain, then there is no justification for paying more. He mentioned that there are certain real abberations. He asked that such great differences in pay be reported to Mr. Chadenet who would analyze the reasons.

Mr. Chadenet described the new proposals for changed benefits and Pension Plan. Mr. McNamara asked that information be gathered as to what the remainder of the UN system is doing for pensions. Board approval would of course be a condition for the whole package to become effective and it would do so from May 1 regardless of when it is considered. Mr. McNamara asked Mr. Kearns to write a paper direct to the staff which would inform the substance of the proposed package which would be completed that week and distributed to the staff early the following week.

Mr. McNamara mentioned that he would speak about the possible roles for the Bank in Indochina at the following week's PC meeting.

AL
April 17, 1973

President has seen

President's Council Meeting, Monday, April 2, 1973 821 /11/7

Present: Messrs. McNamara, Knapp, Aldewereld, Baum, Bell, Benjenk, Broches, Chadenet, Chenery, Clark, Damry, Rickett, Shoaib, von Hoffmann, Adler, de la Renaudiere, Weiner, Wiese

Mr. McNamara introduced Mr. Damry who would take over Mr. Mendels post as Secretary and be a member of the President's Council.

At Mr. McNamara's request, Mr. Chadenet outlined the situation regarding pensions and compensation. He said that the Pension Plan would provide for a choice between dollars and local currency as means of payment. There would be a cost-of-living adjustment for all payments. The new format would be retroactive for current pensioneers. Mr. McNamara said that this was the only change which would be included in the Board Paper to be presented by May 1. Funding and other changes consequent to this one would have to be dealt with later.

Regarding compensation Mr. Chadenet said that the published cost-of-living index for the Washington area had risen by 4.8% from February 1972 to February 1973. For non-professional staff the Bank would recommend and increase of 6%. Some of the reasons for a higher increase in the cost of living was that the devaluation had created a new picture and that the U.S. Government is the main competitor and high payer in the Washington area. The Staff Association would not be satisfied and does not favor comparison to the U.S. Government. The intention would be to pay about 5% more than the U.S. Government, although this would be the first time that this is explicitly stated. It would be quite possible that the Bank would in the future try to devise its own cost-of-living index since the official one had major disadvantages. The ranges of staff salaries compare well with the Government ranges at the lower end. While the ceilings are appreciably higher, they would only be increased by 3%.

For professional salaries there had been studies by McKinsey and internally in the Bank. After parallelism had been agreed upon, the Fund had made a study with the assistance of individuals hired as consultants to work with Fund staff. The main conclusion had been that the Bank is paying too much at the upper ranges and too little at the bottom. As a consequence there would be an increase of 11% at the lowest salary levels, tapering off to an increase of 3.3% at the top. Mr. McNamara stressed that this would lead to controversy with almost all parties concerned: the U.S. Government, other governments, the Staff Association, the Fund, various factions of the staff. The Bank, as opposed to the Fund, will allow salaries of staff to exceed those of Directors.

Mr. McNamara continued that the U.S. Government would argue that it is the highest paying employer in the world and essentially equal to the private sector in the U.S., and therefore the Bank should not pay more. The French civil service is paid less but Caisse Centrale and other bilateral agencies are being paid more and community agencies in the EEC, such as the European Community Commission, the European Investment Bank and the Bank for International Settlements, are paid more than the World Bank. These arguments would be difficult to put in one simple paper, especially since the understanding of these issues is incomplete in the Bank and even less perfect outside.

Mr. Baum commented that the top salaries in the U.S. Government are paid mostly to political appointees who have made their fortunes elsewhere and that private industries pay substantially higher. Mr. McNamara said that the Bank's proposal would compensate for the compression created at the U.S. higher levels.

Mr. McNamara closed by saying that the main responsibility of the Bank's management is to maintain the Bank as an attractive place to work.

AL
President has seen April 3, 1973

3227/1/12

President's Council Meeting, May 7, 1973

Present: Messrs. McNamara, Knapp, Aldewereld, Alter, Adler, Benjenk, Cargill, Chadenet, Chenery, Chaufournier, Clark, Damry, Gaud, Rickett, Shoaib, Kearns, Kirmani, Nurick, van der Tak

Sir Denis reported from the Fourth IDA Replenishment Meeting in Tokyo that 13 of 16 participating countries had supported a replenishment of $1500 million Smithsonian per year. Among the 13, Belgium had, in fact, supported 1500 million current dollars. Germany had increased its share and could possibly go even further if Mr. McNamara would write a letter to Minister Eppler. The French had pledged $75 million of unspecified date and it was likely that it could be made Smithsonian dollars equalling $83 current dollars. Australia viewed the replenishment level as too high, but it was clear that the delegation had not referred the decision to the Minister. The United States had asked for a postponement of the next meeting to the middle of July. Maintenance of value or auditing had not been discussed. The documents constituting the agreements would have to be written in parallel with further negotiations, according to Mr. Nurick.

Mr. McNamara mentioned a forthcoming trip to Italy, where he would meet with Messrs. Carli and Andreotti, and to Bellagio and Tunisia. He mentioned that Dr. Berelson had written a paper in preparation for the conference which showed a depressing picture of the state of population work in the world.

Mr. McNamara said that the FY74 budget paper must be issued by May 14. He asked for comments from the President's Council to Mr. Adler by 5:00 p.m. that day. He stressed the importance of the passage dealing with auditing where he sought a compromise with the proposals of the United States. The functions of audit and evaluation would be transferred to Mr. Shoaib.

Mr. Chenery summarized results from a recent study on income distribution where different weights had been used when adding together the increases in income of various percentiles of the populations of a number of developing countries. The preliminary conclusions were that progress towards a more equal distribution of income had been slowest in Mexico, Brazil, India and Panama, while it had been best in Ceylon, Colombia, Costa Rica and Korea. The same type of methodology used in this study could be applied to and analyze the distributional effects of projects and to yield shadow prices. Mr. McNamara emphasized this topic must be discussed inside the Bank and possibly with outside advisors. It would feature in his 1973 Annual Meeting speech.

AL
May 14, 1973

President has seen

President's Council Meeting, May 14, 1973

821 /11/13

Present: Messrs. Knapp, Aldewereld, Adler, Alter, Benjenk, Chadenet, Chaufournier, Chenery, Damry, Gaud, Rickett, Shoaib, Kearns, Kirmani, Nurick, van der Tak, Weiner

Mr. Shoaib said that the possibilities of alternative means of travel to Nairobi, including charter flights, is being investigated in cooperation with the Fund. He mentioned various air fares and the possibility of providing incentives for staff to choose a less expensive alternative. The Fund had not been favorable to purely directing its staff to use a less expensive class of travel but would be interested in exploring various alternatives. Mr. Benjenk mentioned that a charter flight may be difficult to arrange since several staff members are planning to combine operational missions with the Annual Meeting. Mr. Chadenet volunteered to travel Economy Class but said that the imputed cost of staff time would have to be calculated if there were to be an incentive scheme including extra travel days. Mr. Adler mentioned the incentives provided at the time of the Annual Meeting in Tokyo.

Mr. Chadenet reported that the amount charged for lunches in the Bank's Dining Room have been criticized during Senate hearings on the second tranche of 3IDA.

Mr. Adler said that there appears to be a raw materials boom throughout the world, with prices soaring for most commodities except tea. He suggested the preparation of a paper on the balance-of-payment impact of high commodity prices on various countries. Mr. Chenery agreed and said he would look into this matter.

Mr. Gaud apologized for introducing a new item--Editorial Codex--on the following day's Agenda. An offer had been received from BNDE which needed action within five days. He also mentioned IFC financing of a housing bank in Colombia, and admitted that the category of housing to be financed was of higher standard and cost than desirable.

Mr. Chenery said that the economic reporting system is yielding its first fruit in terms of basic economic reports. Mexico would be the first country covered and there would be 14 to 15 basic reports per year. The first reactions from member countries were very favorable.

AL
May 15, 1973

President has seen

821 11/14

President's Council Meeting, May 21, 1973

Present: Messrs. McNamara, Knapp, Aldewereld, Alter, Adler, Baum, Benjenk, Cargill, Chaufournier, Chenery, Clark, Damry, Gaud, Rickett, Shoaib, Clarke, Kearns, Kirmani, Nurick

In response to Mr. McNamara's question, Mr. Clarke said that the reception of the salary package has been wholly positive and most of the discussion had subsided. Mr. Benjenk asked when the grading decisions would be made. Mr. Clarke said that this would happen quite soon. Mr. Shoaib proposed that there be a question and answer paper on the salary package but Mr. McNamara felt that this was not necessary.

In response to Mr. McNamara's question, Mr. Cargill reported on the status of possible Bank involvement in Indochina. Preliminary discussions had taken place with Directors of countries which are potential members of an aid group for Indochina. The reaction had been mixed. The U.S. was in favor of a group, while the U.K had been conditionally in favor if it was broadly based and had apparently been cautious in view of its EEC membership. Canada was against a group, felt it was premature, since a war was still going on. Germany had not said anything. Japan was against commitment to South Vietnam unless aid is also planned for North Vietnam. The Nordic countries were against any move at that time and said that the North Vietnamese situation would need clarifying. Talks had been going on between the U.S. and North Vietnam in Paris but had been suspended three weeks earlier. Dr. Kissinger was in Paris discussing with Le Duc Tho. Ambassador Sullivan, whom Mr. Cargill had met when he passed through Washington, had been optimistic about the outcome of those talks. For the time being, the Bank would intend to wait. It was apparent that meetings which had been proposed for May 30th or June 14th were premature. Mr. McNamara added that the Bank's reconnaiscance mission would be arriving in Saigon as of that day.

Mr. Gaud asked about the situation in Peru. The Peruvian Government had recently expropriated parts of the fish-meal industry. Mr. Alter said that payments were being offered but mostly in the form of bonds and only partly in cash. The Bank is negotiating a loan to Peru and Mr. Gaud mentioned that IFC was in the process of preparing the large Cuajone project.

Mr. Benjenk reported on the Algerian situation where the French represented by GENAPI had met with representatives of the Algerian Government. The Bank would submit loans to its Board in June and this would possibly provoke a French abstention.

Mr. Baum reported that Mr. Sommers had studied the Bank's procurement policy and particular cases disputed by Canada. Mr. Sommers' conclusion was that the procedures for international competitive bidding are sound but he had several suggestions for improvement. A draft would be circulated to the Regions within one week.

Sir Denis reported that the meeting of C20 had been concluded. It was clear that the LDCs at present oppose a link channel through the international financial institutions and the U.S. is also against a link. Positions are hardening in this regard. Mr. McNamara asked about the results and Sir Denis said he had no details but an outline document would be circulated shortly.

Mr. Chenery described the Policy Review Committee mechanism. A meeting would take place on the staff level on the first paper to be submitted to the Committee. The topic would be lending to high-income countries. The paper would then be circulated to the Committee and a meeting would take place if Mr. McNamara so wished.

Mr. McNamara said that the Seminar on Land Reform had been very successful and recommended Council members to read notes and the papers which would be distributed.

President has seen

Mr. McNamara reported from his participation in a meeting on population in Bellagio. Representatives of the UN agencies, the Ford and Rockefeller Foundations, USAID and other groups had been present. A paper prepared by Dr. Berelson had reached the conclusions that the data to evaluate progress in population is inadequate but that this data points to great ineffectiveness of population programs. Dr. Berelson thinks that 60% of the results are due to social and economic change and only 40% to deliberate population programs. The Bellagio Conference had concluded tentatively that an international group should be formed for coordinating and monitoring on progress in population worldwide. Mr. Hopper had suggested patterning the group after the International Consultative Group for Agricultural Research, but Mr. McNamara felt that the purpose is somewhat different, and the main constraint is not shortage of funds.

Mr. McNamara had visited Italy and met with Messrs. Andreotti and Carli.

He had also visited Tunisia and mentioned the lack of participation of the lower-income groups in recent economic growth and the poor performance of the education system despite the high expenditure on that sector.

Mr. McNamara mentioned that Mr. Vienot would be leaving the Bank on July 1 but that a replacement had not yet been announced.

AL
June 4, 1973

821/11/15

President's Council Meeting, June 4, 1973

Present: Messrs. McNamara, Knapp, Alter, Bell, Benjenk, Chadenet, Chaufournier, Chenery, Gaud, Shoaib, Adler, Clark, Damry, Kearns, Nurick, van der Tak, Weiner

Mr. Chadenet reported from a trip to Europe where he had spoken to the FIDIC meeting of consultants in Amsterdam. He had made two main points: first, that the consultants must be more careful in making cost estimates, and second, that they should include analysis of capital labor substitution in the use of shadow pricing. He had also made a brief visit to Kreditanstalt in Germany and had studied their system of "flex time" whereby staff are required to be present during a certain core of hours during the day but can arrive and depart on flexible hours, providing they put in the stipulated total time. The Kreditanstalt experience was extremely favorable. The Fund had instituted a less flexible version of flex time, due to bottlenecks at parking entrances. Mr. McNamara asked to be provided with a note on flex time in general and the system implemented in the Fund in particular.

Mr. McNamara said that cost overruns are a serious problem and he felt strongly that the Bank should not finance cost overruns except in very special circumstances, in order to maintain the incentive for realistic cost estimates. There is a tendency for consultants and borrowers to "buy into a project" through making initial low unrealistic estimates. Mr. Shoaib said that the discipline should be on the Bank for realist cost estimates. Mr. Benjenk advocated exceptions for devaluation cases to which Mr. McNamara agreed. Mr. Bell named the Kariba North project as a case where it is hard to determine whether the consultant or the contractor is at fault. Mr. Chaufournier said that new fields would require greater allowance for contingencies and more flexible financing policy. Mr. Adler said that there is a tendency for project size to increase as the fiscal year progresses. Mr. McNamara agreed and said that he was sure that the FY74 program would not be implemented in terms of number of projects even if it were in terms of amount. For FY73 it appeared as if 150 projects for $2,800 million would in fact become 143 projects for $3,200 million. He said the Bank's projections in this regard must be more accurate .

Mr. Kearns said that he had studied staff meetings and asked for information as to how they are conducted. The analysis shows that there are three categories of staff meetings: first, large-scale meetings, second, department meetings and, third, first-line supervisor staff meetings. He felt that the third kind was the most important and also the most neglected. Many supervisors felt they are a waste of time. He suggested that the participation of each manager be limited to two staff meetings a week--one conducted by himself and one conducted by a higher level manager. He suggested reducing the frequency of large meetings, since they first did not seem to be effective because of their size and the varying categories of staff included, and, second, that they tended to undercut the management authority of lower managers. He suggested to the PC stressing the need for first-line supervisor meetings and for Council members to drop in on these meetings in their areas. Mr. McNamara said that, given the complexity of the Bank which, at the end of FY74, would have 4,000 people working on 1500 activities, good management is essential. He felt that the reorganization had given the opportunity for improved management but that some of the opportunities may not have been grasped.

Mr. McNamara said that USAID would be holding a spring meeting on agricultural credit based on 14 volumes of material. He had asked a selective set of articles to be sent around to the PC members. The main conclusion appeared to have been that credit alone is not a sufficient condition for success of rural programs.

Mr. McNamara said that the U.S. Administration had suggested Mr. Sethness to Congress for approval as Executive Director for the United States. Mr. Sethness comes from the Paris Office of Morgan Stanley and appeared to be young, bright and able. Secretary Schultz intends to see that he has access and communication with

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Treasury Department. Mr. McNamara said that is important that the Bank act through the ED or at least keep him informed about contacts with the United States Government and that he and others had been deficient on this score.

The following day's Board Meeting would include a discussion of the FY74 Budget and he asked to meet with Messrs. Shoaib, Adler and Damry to discuss views of Directors and presentation of the Budget.

Mr. McNamara asked Mr. Clark to be responsible for circulation of interesting memoranda on outside activities to the President's Council.

A larger number of projects was scheduled for June than could be processed during that month. Mr. McNamara asked Mr. Knapp and others to see to it that those projects which were ready but could not be processed in June be scheduled for July and the documents circulated.

AL
June 4, 1973

821 /11/16

President's Council Meeting, June 11, 1973

Present: Messrs. McNamara, Knapp, Aldewereld, Adler, Baum, Bell, Benjenk, Broches, Chadenet, Chaufournier, Chenery, Damry, Gaud, Kearns, Knox, Weiner

Mr. Aldewereld reported from visits to Holland, Belgium, Switzerland and France. The conclusion was that the capital markets of these countries are open to the Bank. In the Netherlands the present cost would be about 8%; small placements could be made on the guilder market at a cost of about 6.75%. In France resident issues would cost about 9% and non-resident issues 7.75%. In Switzerland the Bank is on the calendar for a SF450 million (about $146.3 million) issue in October at a cost of 6.4%. A private placement could be made on the Swiss market for $150 million at a cost of 6.81% including a quite substantial commission. A roll-over would be implied. The next cheapest market would be the German one where nine-year money could be obtained at about 6.9% through a placement with the Deutschebank. Messrs. McNamara and Aldewereld agreed that the Bank should stay away from the U.S. market as long as possible to strengthen the balance-of-payments argument.

Mr. McNamara said that he had spoken to the Board on the deficiency of the presentation of the Bank's financial commitments in a time of moving exchange rates. On the lending side commitment projections would have to be increased from $13.5 billion to $16.5 billion over the coming five-year period to take full account of the devaluation of the dollar. However, disbursements would not increase as much and it would not be necessary to readjust the borrowing program substantially at this time. However, he felt that it was necessary to make individual plans for borrowing in specific countries. The changes in the U.S. competitiveness and terms of trade of the developing countries as a result of devaluations had not yet made itself felt.

Mr. Chadenet mentioned that construction work was going on on the bridges connecting various buildings within the Bank block and all building cafeterias would soon be accessible to Bank staff which would alleviate congestion.

Mr. Chenery mentioned that two seminars would be held on the subject of income distribution with the participation of the University of Sussex. Mr. McNamara and the President's Council were invited. The timing would be established after consultation with Mr. McNamara.

On the subject of the FY73 lending program, Mr. McNamara said that it looked as if 148 projects would be brought to the Board for a total commitment of $3.4 billion. Referring to the bunching problem he said that in the future schedules which show heavy concentration in the month of June cannot be accepted. The rule of a maximum of ten projects per week would be maintained and, consequently, ten projects had been deferred from June to July. He hoped that these could be scheduled firmly for the first week of July. He said that for FY74 he felt that for the first time it would be possible to reduce the bunching, since the Regions now have full control over the scheduling of manpower and can monitor their own programs. Mr. Knapp felt that the present fiscal year ended in a "desparate scramble" to get a maximum number of operations to the Board and he felt that this was undesirable. Mr. McNamara agreed and said that the Bank is out of balance and there must be either a decrease in lending programs or an increase in manpower. He had asked Mr. Adler to work on this problem as part of the CPP review process. He also emphasized that the rules for negotiations, Board presentations, signature and effectiveness must be the same throughout the fiscal year. However, it may be possible to change those rules. He agreed with Mr. Weiner's suggestion that we must analyze where in the project process delays occur. He also agreed with Mr. Chaufournier's suggestion that, since most changes in

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in project schedules take place under pressure, it would be useful to have a greater number of pressure points over the year and quarterly scheduling may be the solution. Mr. McNamara asked Mr. Adler to analyze how much the Bank is paying for the substantial overprogramming involved in the operations program and asked that he consult with the Regions on this subject. Mr. Aldewereld pointed to the considerable achievement in terms of number of projects in relation to the initial plan for FY73 compared to the previous year.

Mr. Knapp pointed to the fact that IDA commitment authority would be lower in FY74 than in FY73 and this must be reassessed in terms of the projects to be brought forward.

On Mr. Baum's suggestion, it was agreed to reconsider the table of reasons for delay included in the budget memorandum since it had elicited the number of uninformed remarks and tenuous conclusions from the Board.

AL
June 12, 1973

821 111/17

President's Council Meeting, June 18, 1973

Present: Messrs. McNamara, Knapp, Aldewereld, Adler, Baum, Bell, Cargill, Chadenet, Chaufournier, Clark, Chenery, Damry, Gaud, Shoaib, Nurick, Kearns, Knox, Votaw

Mr. Clark reported from a visit to England. In London he had met with the National and Grindley's Bank which, together with Barclay's Bank, had convened its overseas managers for a seminar. There had been considerable interest in how to give credit to farmers in developing countries. Lord Aldington who had led the meeting had commented on good experiences with IFC. Mr. Clark said that other meetings had been worthwhile as well. He had spoken to the Royal Institute of International Affairs and the Oxford International Affairs Course. There was great interest in World Bank affairs but the Bank appeared remote to Europeans who are more concerned about the squabble over aid which is going on in Europe. Mr. Clark encouraged PC members to stop in Europe to speak to groups in order to inform about the Bank.

Mr. Knapp reported on the previous week's discussion with the Chilean delegation which had come to seek a way out of the stalemate resulting from Chile's failure to make payments on loans falling due from January 1, 1973. If the situation persisted, it would have to be reported as the Bank's first default. The situation was particularly disturbing since Chile had continued payments to other organizations, including the IDB. There had been correspondence between the Chilean Government and the Bank and the Chilean delegation led by a high official had been sent to the Bank. The Chileans had said that they came to negotiate on "integral relationship" on the premise that Chile had obligations as a member of the Bank but also rights including that of obtaining loans. They argued that Chile is creditworthy, or at least will be when the new economic plan comes into effect shortly. On the subject of compensation, they had said that this is an "extra-constitutional" matter on which the Bank should not have a policy. The delegation had said that Chile would resume its debt service if an "integral relationship" could be extablished but that unfortunately the foreign exchange situation is extremely tight so Chile could only pay contingent upon a promise of no negative resource transfer.

Eventually, a settlement had been reached but at some cost to the Bank. A new economic program would be reviewed by a Bank mission in July, including projects for possible future financing. On compensation, Chile and the Bank would agree to disagree and the issue will have to be taken into account when it arises in the course of the Bank's consideration of loans. There had been no commitment made on the part of the Bank as to what position it would take. A computation had been made of the debt service over the next two years as compared to projected disbursements. In 1973 disbursements would fall short of repayment by $3 million and in 1974 the difference would be $7 million. In order to avoid a negative transfer, the Bank will plan to increase the amount of two loans by a total of $5 million to cover interest during construction. This proposal will be presented to the Board in three to five weeks. Secondly, the Bank will prepare a loan for technical assistance and pre-investment studies amounting to $5 million to be presented to the Board before the Annual Meeting in September 1973. Chile on its part will resume payments by July 1, and the backlog of payments from the first half of 1973 would be made up by the end of 1973. Mr. Knapp hoped that this could be negotiated so as not to constitute a lump sum paid at the end of the year. He commented that the creditworthiness issue as a lending criterion would not be serious, since the loans were of moderate size. The compensation issue would prove more difficult.

Mr. McNamara commented that the Chileans had insisted on linking lending to the promise of no negative resource transfer over a five-year period, which the Bank had refused. They had also suggested that, even if Mr. McNamara did not wish to make

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this kind of proposal to the Board, the Board should nevertheless consider it. He had responded that the Board cannot consider a proposal which is not recommended by the President. Despite this initial adamant position on the part of the Chileans, the negotiations had been handled very well, much thanks to Mr. Knapp, and Mr. Tersoglio who had made a number of trips to Santiago and served as a communication link. He asked the Council members to keep this matter confidential.

Mr. Gaud said that representatives of CODELCO, the state copper mining company of Chile, would be arriving to discuss greater government involvement in the Minera Sagasca Mine where IFC had an interest. Mr. Gaud also asked what position the Bank was going to take in Peru in view of improving relations with Chile. Mr. McNamara said that no strict analogy should be drawn but that the Bank is working on a loan to Peru and he commented in general that he will refuse to withhold loans on expropriation grounds if the country of which the expropriated party is a national is itself providing credit to the expropriating nation. This may be a very divisive issue with the Board and Mr. McNamara hoped that it would not come to a head. Mr. Nurick commented that the U.S. may be on shaky legal ground since it had not acted in accordance with the Gonzales Amendment which requires the United States to vote against any proposal in international institutions where there is an unsettled expropriation issue. Mr. McNamara asked that preparations be made for a thorough review by the Bank's management of the U.S. legal history on expropriation before the first loan to Peru comes before the Board in July.

Mr. Clark suggested that the Bank have a public fallback position regarding loans to Chile and Peru and Mr. McNamara asked that Mr. Clark start work on this immediately in cooperation with Messrs. Knapp and Nurick, but that no press release be issued on the contemplated increase in the loan amount to Chile for interest during construction. However, a press release would have to be issued for the technical assistance loan.

Mr. Chenery said that Council members had received a quarterly inventory of policy papers. Two papers were presently under consideration by the review committee, one on lending to high income countries and the other on retroactive financing. The first would be discussed in a meeting with Mr. McNamara on July 17 and the second had been sent by Mr. McNamara to Mr. Knapp for final comment. Mr. Chenery also said that there would be a seminar on income distribution the following Wednesday at 11:00 a.m. Mr. Baum said that the Bank's Population Panel would be meeting on Wednesday and Thursday. Mr. McNamara asked to be informed of the exact times.

Mr. McNamara mentioned his forthcoming visits to the Ford Foundation on June 27-29 and to Jamaica and Trinidad & Tobago the following week.

Mr. Adler mentioned that the meeting on IDA Replenishment would take place in Washington on July 9 and 10.

Mr. Cargill said that, prior to the recent meetings of the Pakistan consortia in Paris, it was clear that the United States had lobbied hard for Bank participation in debt rescheduling and most country delegations had spoken for it. Mr. Cargill had told the meeting that this issue had been considered by member countries at the Bank's recent Board discussion of Financial Policies and had been settled against the Bank's participation.

AL
June 19, 1973

821/11/18

President's Council Meeting, June 25, 1973

Present: Messrs. McNamara, Knapp, Aldewereld, Adler, Alter, Baum, Bell, Cargill, Chadenet, Chenery, Clark, Damry, Gaud, Rickett, Shoaib, de la Renaudiere, Nurick, Votaw

In response to Mr. McNamara's question, Mr. Alter reported that the Peruvian Consultative Group meeting in Paris had been constructive. The United States had said it hoped to be a full participating member next year. The Finance Minister had said that the fishing industry would be duly compensated for expropriation. Mr. McNamara asked Mr. Knapp to contact Mr. Hennessy who had promised him a report on the status of U.S./Peru relations as of the previous Friday.

Mr. Chenery asked about the status of the Link in C20 deliberations and Sir Denis Rickett said that there were several questions regarding the Link. First, it is uncertain as to how much reserve assets will be created which the Link could use. Secondly, some nations are opposing it. For example, the U.S. may be against it, since using of Link resources for development aid would possibly require Congressional approval on a periodic basis and therefore make liquidity creation more difficult. Germany and Japan were expected to agree with the U.S. as would the Swedes and the Dutch. The British and the French were in favor of a Link. Thirdly, there is the question of what kind of Link. The Group of 24 had convened before the last meeting of C20 and come to the conclusion that the Link should be of "type B" channeling resources directly to LDCs in the form of higher quotas. Mr. Kafka was a main spokesman for the LDCs and a lobbyist as well. There had not been great interest in the Bank paper which, it had been felt by many, had been superseded by the position of G24. On the other hand, Mr. Morse had made a statement to the effect that a "type A" Link should be a condition for implementation of any Link scheme.

Mr. McNamara asked what proportion of new liquidity would go to the developing countries and what this would amount to. Sir Denis did not know but mentioned the figure of $1 billion. Mr. Adler said that at present about two-thirds of reserve creation go to the developed countries and one-third to the LDCs. A possible outcome is that the total is increased by one-third and all of this is allocated to the developing countries which would leave developed and developing countries with equal shares of newly created reserves. Mr. Chenery said that the main reason why developing countries were skeptical to a scheme which allocated Link resources through international financial institutions was the fact that the Bank had been rigid on the form of lending which would leave Latin America short in the distribution.

Mr. Knapp said that the new U.S. aid proposal for an export credit scheme was getting underway. In the course of discussion, it had been suggested that the limit for per capita national income be increased from $200 to $375 paralleling the criterion used for IDA eligibility. Mr. McNamara asked who will run the new scheme. Initially the ExImBank had been proposed but now it seemed more likely that USAID would administer it. The Administration was trying to devise a scheme which would not require annual Congressional review. Mr. McNamara asked that Messrs. Chenery, Clark and Adler organize an analysis of the consequences of the scheme, including a calculation of the funding requirement for a 3%-4% interest subsidy for $1 billion of fund lent over 20-30 years. He cautioned that the study should be made without probing too much into U.S. Government work at the time of Fourth IDA Replenishment.

Mr. McNamara distributed a draft schedule of policy discussions by the Board for the coming 12-month period. He asked the Council members study the schedule and contact Messrs. Damry or Ljungh regarding changes before it is distributed.

Mr. McNamara quoted a statement by Mr. Isbister regarding the relations between the Board and the staff of the Bank. He asked that Council members keep in

President has seen

close touch with Board members and that the staff presenting a project to the Board be well prepared, anticipate questions from the Board and listen closely to questions asked by the Board, but also be prepared to say they do not know the answer to a question. Mr. Baum mentioned procurement as one area needing detailed briefing of the staff. Mr. McNamara asked Regional Vice Presidents to be careful in choosing the staff member presenting a loan. Mr. Cargill said that Mr. Isbister is probably taking an extreme position within the Board. He felt the staff should be willing to admit mistakes but we must also take into account that young staff members presenting loans are nervous. Mr. Chadenet thought the schedule would improve the Board's feeling of participation, but also asked that Council members observe rules of courtesy towards Directors. Mr. Clark mentioned the Annual Report as an example where Directors feel that they participate in the process.

Mr. McNamara asked that he and Mr. Knapp be informed of questions from the U.S. Government posed to various parts of the Bank, particularly if they were of a more significant nature.

AL
June 25, 1973

821 / 11 / 19

President's Council Meeting, July 2, 1973

Present: Messrs. McNamara, Knapp, Aldewereld, Adler, Baum, Bell, Chadenet, Chenery, Damry, Gaud, Rickett, Shoaib, Clark, de la Renaudiere, Diamond, Kearns, Knox, Nurick, Votaw

Sir Denis reported on a meeting between Messrs. McNamara, Knapp and Rickett, with Messrs. Volcker and Hennessy of the U.S. Treasury. According to Sir Denis, there were three options for the completions of 4IDA Replenishment negotiations. The first would be not to sign any papers until authorizing legislation has been passed in the U.S. Congress. The second would be to ask Congress for a "sense of the Congress" resolution to support notification to international institutions and IDA in particular. The third would be a commitment by the Administration itself on the basis of consultations with Congress.

There would be no postponement of the IDA meeting planned for Washington in July and the United States was expected to say something tentative. Mr. Hennessy had suggested that a figure of U.S. contribution should be mentioned only in the corridors. The United States had posed a number of conditions:

1. Contribution of a maximum share of 33.3%;

2. Congressional support would depend on the contribution to aid to Indochina. A figure of $450 million had been mentioned as the Bank's share for CY74-CY77;

3. Audit of Bank operations must be independent;

4. Removal of the maintenance-of-value clause;

5. A future leveling off in the size of IDA replenishments in real terms;

6. Restraint on the administrative budget;

7. A reduction of the differences between U.S. and Bank salaries;

8. Due consideration of the U.S. position on expropriation in Peru; and

9. A reconsideration of the Bank's position on debt rescheduling.

It had become clear in the meeting that not much progress was being made in Congress on authorizing legislation for 3IDA. Not much could get done without strong Presidential support.

Mr. McNamara stressed that he had made the general point that the Bank could not do anything which is not in the interest of all member countries. Mr. McNamara summarized a number of additional points made during discussion, all of which are contained in a memorandum from Sir Denis Rickett.

Mr. McNamara asked the PC not to discuss this meeting with anyone. His plan was to try to wrap up the IDA Replenishment negotiations by the Annual Meeting in September. However, Congressional action by that time would be impossible. He concluded by saying that negotiations had come a long way but were still far from complete.

AL
July 16, 1973

President has seen

821/11/20

President's Council Meeting, July 9, 1973

Present: Messrs. McNamara, Knapp, Aldewereld, Alter, Baum, Bell, Chadenet, Chaufournier, Clark, Damry, Gaud, Shoaib, Stern, Blaxall, Diamond, Kearns, Nurick, Votaw

Mr. McNamara summarized the position of the United States on the Fourth IDA Replenishment. In summary it was acceptance of a level of replenishment of $1200 to $1500 million where the U.S. would assume one-third, provided certain conditions were fulfilled.

There was discussion of the $1 billion Export Promotion Bill being discussed by U.S. Congress. It was not yet out of the House Committee and many problems remained before possible passage. The reflow of funds on which it would be based would not be needed initially but would go back to AID. It was doubtful whether the DAC would count it as ODA. In principle the interest rates should disqualify it but the decision is a political one.

Mr. Nurick mentioned that the Hickenlooper and Gonzalez Amendments may be discarded.

Mr. McNamara said that he would not tolerate U.S. opposition to Bank lending when capital is flowing in or being guaranteed by the U.S. He asked Mr. Alter to keep information up-to-date, particularly on Peru and Chile.

Mr. Bell said that it may be useful to look at the whole picture of IDA allocation. Mr. McNamara said that the situation is no different from the time of CPP reviews. Only a small amount of overprogramming is acceptable and he had asked Mr. Adler to analyze this problem. The planning has been weak and has resulted in overprogramming. The overcommitment in FY73 would lead to a shortfall of funds in FY74 which means that the program must be cut back somewhat.

AL
July 17, 1973

President has seen

President's Council Meeting, July 16, 1973

821/11/21

Present: Messrs. McNamara, Knapp, Aldewereld, Alter, Baum, Bell, Cargill, Chadenet, Chaufournier, Chenery, Clark, Damry, Gaud, Rickett, Shoaib, Blaxall, Kearns, Nurick, Votaw

Sir Denis Rickett reported from the recently concluded meeting of delegates for the Fourth IDA Replenishment. There had been considerable pressure on the United States to make a more firm commitment but with little result. On other fronts, Australia had agreed to take a 2% share of any replenishment figure. The French had stood firm at 83 million current dollars which would lead to a decrease in France's share.

There had been considerable criticism of the U.S. delay in stating a firm position. Mr. Hennessy had stated 31% as an initial bid for the U.S. share and had stated a number of other conditions and warned about the possible delay in the ratification.

The Swiss had envisaged an amount of a loan in excess of the SF180 million previously stated. South Africa had committed itself to increase its share which had decreased in the two previous replenishments. The Netherlands may increase its share.

The maintenance-of-value provision had led to extended discussion with division among the delegates. The staff would be working on a paper on this topic for the next meeting.

The next meeting could possibly take place in London to discuss only the maintenance-of-value issue. The U.S. may be ready to state a firm position by the Annual Meeting in Nairobi, since it realizes that failure to do so would cause it considerable embarrassment.

There was a discussion of the pros and cons of three versus four-year replenishment periods in relation to the process of Congressional approval in the United States.

Mr. Chenery reported from a visit to Brazil where he had spoken to a group of 400 people at a meeting sponsored by the BNDE. He had mentioned the inequities of income distribution and the failure of 80% of the Brazilian population to benefit from the economic growth of the last decade. He had stated that the Bank would focus increasingly on this over the next few years. Those who had spoken had agreed. Finance Minister Delfim Netto had been present but had made no comment. In response to Mr. McNamara's question, Mr. Chenery said that the Bellagio report on income distribution was expected to be completed by August 10.

Mr. McNamara said that he hoped to distribute by the end of this week papers pertaining to a new form of cooperation with Chile. He had understood that the United States had been against this move and was lobbying for support to oppose it. Mr. McNamara commented upon the untenable U.S. position in this regard, since the United States had been giving military and other assistance both to Chile and Peru over a period when it had firmly opposed all Bank action in these countries.

In response to Sir Denis's question, Mr. Cargill said that the aid to India which was reportedly cut off by the United States is not necessarily completely ended. The report was partly a result of Ambassador Moynihan's attempts to settle the outstanding rupee debt problem and Mr. McNamara said that it was likely that he had found a formula acceptable to the U.S. and India.

Mr. McNamara distributed copies of a draft Annual Meeting speech requesting comments from Regional Vice Presidents on policy issues from Messrs. Knapp, Aldewereld, Chenery and Broches on the whole speech and from others on portions which they may

President has seen

wish to comment on, by Wednesday, July 25.

He requested that Messrs. Chenery and Blaxall conduct accuracy checks on the figures and statements in the speech and that these checks be documented in papers which could be used for reference. He emphasized that he wished to have only the views of the members of the President's Council and that no further distribution of the speech be made at this point.

AL
July 16, .973

President's Council Meeting, July 23, 1973

Present: Messrs. McNamara, Knapp, Alter, Adler, Baum, Broches, Cargill, Chadenet, Chenery, Damry, Rickett, von Hoffmann, Husain, Hoffman, Kearns, Thalwitz, Votaw

Mr. Chadenet outlined the program to eliminate the differences in staff benefits. The Fund had been hesitant for mostly political reasons. The cost would now be some $320,000 a year which could be reduced to $200,000 if the repatriation would be tourist rather than first-class. Mr. Clarke had sent a paper to the Fund outlining the Bank's position and Mr. Chadenet recommended going ahead even if the Fund hesitates. Mr. McNamara agreed with this position.

Mr. Knapp outlined the situation regarding Peru and Chile and said that a $25 million loan for agricultural credit to Peru was ready for distribution but that Peru and the United States had requested it not be distributed. The U.S. had not opposed but abstained in the IDB on a credit to Peru. If the United States does not oppose a loan they will have to explain why they take this position. Regarding Chile work is going on to prepare documents for Board presentation in accordance with the agreement with Chile. Mr. von Hoffmann mentioned that the IFC was in negotiations with CODELCO regarding a partial takeover by Chile of a mining project where IFC had an interest.

Mr. McNamara mentioned that, at the Annual Meeting of the African Development Bank, the World Bank had come under criticism and he asked that a memorandum from Mr. Please be distributed to the PC. He was concerned that the Bank's image in Africa be maintained and stressed the importance of heading off unfair criticism. Mr. Husain mentioned that the Minister of Finance of Zambia had been present and critical of the Bank. Mr. McNamara asked that investigation be made as to who had made comments and that their governments should be contacted in some form.

Mr. Broches reported from a trip to Europe where he had lunched with members of APPI including Mr. Lindgren, a Swedish banker and prominent official from Shell. APPI is critical of the Bank's expropriation policies but seems mostly interested in maintaining a dialogue and not pressing for major changes.

Mr. Knapp mentioned that an article in the Sierra Club Bulletin had precipitated a reaction from Congressman Reuss who had asked for a GAO investigation of the Bank's activities in tropical forestry projects. Mr. Reuss had sent a letter to Mr. McNamara who had replied in detail but the GAO investigation was going ahead anyway and the GAO was asking for a number of documents and possibly planning to visit a project in Kenya which, incidentally, was not applicable because it was not concerned with tropical rain forests. Mr. McNamara asked that a meeting take place after PC to discuss the matter.

Mr. McNamara mentioned that the chairmanship of CGIAR, which had been held by Mr. Demuth up to date, would be transferred to Mr. Baum as of November 1973 and Mr. Hoffman would act as vice chairman.

Mr. Chenery asked for reactions on the Board Seminar about Capital Labor Substitution in Civil Works. Mr. McNamara said that it was a mistake to distribute the large working paper which could not be digested by Board members but that the presentation had been good. In the future only well-digested papers should be distributed to the Board.

Mr. Hoffman said that Ambassador Ed Martin is not continuing as Chairman of DAC, possibly because the U.S. is not intending to continue its financial support. A Canadian could be a suitable successor in terms of nationality.

President has seen

Mr. Knapp commented on the negotiations between the U.S. and India to eliminate the large account of counterpart funds which the U.S. maintains with Indian Central Bank and how wise it was that IDA was not set up to deal in counterpart funds.

Mr. McNamara mentioned the planned Part II country meeting on the Saturday following the Annual Meeting in Nairobi.

AL
July 25, 1973

821/11/23

President's Council Meeting, July 30, 1973

Present: Messrs. McNamara, Knapp, Aldewereld, Adler, Alter, Baum, Broches, Cargill, Chadenet, Chaufournier, Chenery, Damry, Rickett, Shoaib, ~~von Hoffmann~~, Hoffman, Husain, Kearns, Votaw

At Mr. McNamara's request, Mr. Hoffman summarized the agenda for that week's meeting of the Agricultural Research Consultative Group. One of the main issues would be the financing of agricultural research. Mr. McNamara interjected that financing is an extremely important aspect and that he had approved a ceiling of 10% of the current year's total budget which would amount to some $32 million, meaning $3.2 million from the Bank. In view of the stringent budget attitude of the U.S. Government and the large U.S. foundations, it was likely that the full amount of the Bank contribution would be utilized. He also mentioned that several centers would be coming into operation, the one on rain-fed agriculture in Hyderabad, India, and later one to deal with livestock disease in Africa. Still more centers may need to be created over the coming five years. He emphasized the need to raise sufficient funds so that financial constraints do not cause vital research to be postponed or world food production to suffer.

A suggestion had been raised from several sources including UNCTAD that the consultative group should also get involved in non-food products. So far this had been resisted and Mr. McNamara and others agreed that the centers should focus on food. The regional banks should be involved to the extent possible.

Mr. Aldewereld reported from a visit to Japan where money markets were showing increasing interest rates. He mentioned that the Bank's bonds were in very high standing in the Japanese capital market and that the Bank had been the first in Japanese history to price its bonds with consideration to market conditions. Japanese bankers are showing continuing interest in Bank borrowing in the future and large amounts are likely to be available. Japanese officials had mentioned that developing countries were becoming concerned about the exchange risk on funds disbursed by the World Bank in the form of strong currencies such as the yen.

Mr. McNamara asked the Regional Vice Presidents to inform himself and Messrs. Knapp and Aldewereld on complaints from member countries in this regard and that Mr. Aldewereld assume responsibility for reporting on the exchange risks and debt burden to Mr. McNamara. He would enlist the support of DPS which is already working on this problem.

Mr. Aldewereld said that the Bank could expect in the order of 100 billion yen to be available from Japan in the coming year and asked that Mr. McNamara and others be prepared to discuss this subject in Nairobi. He also mentioned that the Japanese in particular and other money market agents as well were concerned with the maintenance of a continuing relationship between source and borrower. Mr. McNamara said that, after the Fourth IDA Replenishment has been negotiated, he would like to initiate negotiations on formulas for guaranteed access to markets. If Japan can be the first country to enter into such an agreement, Germany could well follow.

Mr. Shoaib reported from a visit to Libya where he had negotiated a bond issue of $100 million. The negotiations had taken place in the midst of political turmoil over the futile attempt for a union between Libya and Egypt. The Libyans had been interested in the Bank's work in the Arab world and complained about the lack of success of Libyan candidates for EDI courses. Mr. McNamara commented that it may be necessary to give special treatment to such cases where the Bank is asking considerable action on the part of governments which wish to have candidates in EDI.

The bond issue would be for 30 million Libyan dinars, equalling about $100 million, at 7-5/8% interest for 10 years. Printing and coupons may cost another three-four basis points. It would seem likely that the Libyans would wish to continue its relationship with an annual bond issue by the Bank. They had also been interested in assistance from the Bank in analyzing their future financial situation as well as that of the Arab world as a whole. Discussions would be resumed in Nairobi.

Mr. McNamara commented that borrowing costs during the past year had increased more than expected which could possibly lead to a future necessary increase in the lending rate. He also mentioned that oil-rich countries were starting to analyze their total resource flows and that the IMF was working with the Arab Fund through a seconded official. The Bank had promised assistance as well. He asked that a revised forecast for oil revenues be prepared in time to serve as a briefing for the Annual Meeting in Nairobi. Mr. Shoaib mentioned that he was assembling a working group between the Bank and the Fund for the oil problem.

Mr. McNamara mentioned that he would be on vacation for one week starting August 20 and for two weeks in November and he emphasized that, although he would be paying calls on the Governments of India and Nepal, the November trip was a private trip for which he would pay himself.

Mr. McNamara emphasized again the importance of senior members of the Bank staff to maintain courteous relations with the Executive Directors who, in several instances, were dissatisfied with the treatment they receive. He also asked that no contact be taken with Japan without keeping either Messrs. Aldewereld or Rickett informed. They would subsequently inform Mr. Soejima.

AL
July 30, 1973

Record Removal Notice

The World Bank Group Archives & Records Management

File Title	Barcode No.
Records of President Robert S. McNamara President's Council minutes - Minutes 11	1770824

Document Date	Document Type
August 7, 1973	Minutes

Correspondents / Participants

Subject / Title

President's Council Meeting, August 6, 1973

Exception(s)

Prerogative to Restrict

Additional Comments

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	Date
Shiri Alon	24-Feb-17

821/11/25

President's Council Meeting, September 10, 1973

Present: Messrs. McNamara, Knapp, Aldewereld, Baum, Alter, Bell, Benjenk, Broches, Cargill, Chadenet, Clark, Damry, Gaud, Rickett, Shoaib, Blaxall, Clarke, de la Renaudiere

Mr. McNamara asked Mr. Chadenet to outline an issue regarding salary policy. The question was whether, assuming a constant merit increase, there should be a shift of annual salary increases to put heavier weight on seniority. This would in fact be the effect of the removal of the "70th percentile rule" which provided that staff would receive merit increases only every two years after reaching the 70th percentile of the salary range. Mr. McNamara said that he would ask Messrs. Knapp, Shoaib and Sommers to give their recommendations.

Mr. Benjenk said that the majority of staff are in the upper half of the "A" and "B" ranges and the removal of the rule would therefore be important and accelerate salary increases and transfers into other ranges. Mr. McNamara said that he was concerned that above-average performers be properly recognized and that the Bank does not tie marginal staff to it through a system which gives substantial seniority salary increases. Mr. Baum commented that rapid growth in the recent past had allowed rapid promotion but that opportunities would be decreasing in the future with slower organizational growth. Mr. Stern agreed and said that a more rigid organization would require more formal recognition of performance.

Mr. McNamara said that he had discerned enough skepticism to the proposal to conclude that there should be no transfer of funds for raises from the upper 30% performance category (exceptional and very good) to the lower categories.

Mr. McNamara mentioned discussions he had had the previous week with Bank staff and representatives of the sponsoring foundations for the Agricultural Research Consultative Group. The matter would be further discussed at the Department Directors Meeting.

The policy paper on tea which was to be discussed the following day would be endorsed by most countries but East African Directors were expected to oppose it strongly.

Relations with Chile were not expected to be a major issue during the Annual Meeting, since Chile had decided to request a postponement of Board presentation of the proposals for assistance.

The conference of non-aligned countries was drawing to a close. The Bank had been mentioned unfavorably on several occasions and there had been discussion of the establishment of a development bank by these nations. Mr. Clark was asked to provide the full statement on this subject.

Mr. Benjenk expressed concern about a draft paper codifying the relationship between Executive Directors and the staff and said that such a sensitive issue should not be codified and could lead to Directors placing demands of an unreasonable kind on the staff. Mr. Cargill agreed with this view. Mr. McNamara said that for the survival of the institution it is necessary to keep Directors informed and working productively. They should not be pushed into an operative role but must receive proper assistance. Mr. Shoaib said that there is a common feeling among most Directors that the staff is deficient in relations with Directors. Mr. McNamara concluded that some form of written document must be circulated.

Mr. Aldewereld said that the performance during the first quarter of the fiscal year in terms of projects approved had been substantially better than the past and that the outlook was also good for the first half of the fiscal year. Mr. McNamara attributed this mainly to the fact that the programs were the Regions' own.

President has seen

AL
September 11, 1973

Minutes of the President's Council Meeting
September 23, 1973

On IDA negotiations Sir Denis Rickett said he was working on a proposal which countries could submit to their Parliaments - the USA may not be able to complete even authorization by June 1974. This could lead to a breakdown of IDA operations. He said that USA must understand that this is their problem as part owners of IDA.

The USA was attempting to introduce a new procedure which would reduce the agreement to a memorandum of the meeting, not to be voted upon by the Bank Board - Sir Denis had stressed that there must be a firm commitment which must be reviewed by the Bank Board and the results of the Board's discussion be conveyed to the Governors. He then told of a number of alternative approaches which USA had tried.

Mr. McNamara had impressed upon Mr. Schultz that although USA supports the replenishment there is little chance of legislation in time, particularly if both authorization and substantive appropriation are needed for ratification. Mr. McNamara had emphasized the serious danger to IDA's existence and had said he refused to continue as President of bankrupt organization. He said he was prepared to make a statement in his speech which he then read before the Council. He realized the risk that such a statement would involve. In the following discussions the statement was amended to avoid direct reference to the USA.

Mr. McNamara asked Mr. Cargill to keep the October 16 date for a meeting on Indo-China despite the uncertainty over IDA.

Mr. McNamara asked Messrs. Clark and Adler to work out the response to African criticism regarding IDA allocation.

Mr. Alderwereld mentioned borrowing opportunities in Japan and Venezuela.

Sir Denis asked Mr. McNamara to see Mr. Turner of Canada and ask that Canada not decrease its share of the replenishment.

Present: Mr. R. McNamara
Mr. R. Chaufournier
Mr. I.P.M. Cargill
Mr. M.P. Benjenk
Sir Denis Rickett
Mr. M. Shoaib
Mr. J.B. Knapp
Mr. W.C. Baum
Mr. B.R. Bell
Mr. G. Alter
Mr. Ernest Stern
Mr. S. Aldewereld
Mr. J.H. Adler
Mr. A. Broches
Mr. P.N. Damry
Mr. B. Chadenet
Mr. W. Clark
Mr. J.E. Merriam
Mr. W.S. Gaud

AL

September 27, 1973

821/11/27

Minutes of President's Council Meeting
September 26, 1973

Present:		
	Mr. R. McNamara	Mr. I.P.M. Cargill
	Mr. W.S. Gaud	Mr. B.R. Bell
	Mr. B. Chadenet	Mr. A. Broches
	Mr. R. Chaufournier	Mr. G. Alter
	Mr. M.P. Benjenk	Mr. S. Aldewereld
	Mr. M. Shoaib	Mr. W. Clark
	Sir Denis Rickett	Mr. P.N. Damry
	Mr. W.C. Baum	Mr. J.H. Adler
		Mr. M.L. Hoffman

Sir Denis Rickett was applauded for successfully achieving agreement on a fourth IDA replenishment of $1,500 million per year. Mr. McNamara said he was satisfied with the advance in the US attitude to IDA over the last two weeks, but that legislation is still far away. However, several governments had expressed readiness to take emergency action.

Mr. McNamara said he intended to mention IDA and the emphasis on small farmers and income distribution in his closing remarks. He asked for suggestions on other topics. Mr. Benjenk said that private enterprise had not figured in Mr. McNamara's speech at all but Mr. McNamara said that this is not the forum.

Mr. Baum suggested that Mr. McNamara clear up misconceptions such as the one that rural projects will necessarily be small, low return projects which will require IDA funds and will not contribute to growth. This had been mentioned in the Nigerian speech.

Sir Denis Rickett suggested that Mr. McNamara mention that emergency measures for IDA would be discussed with donor governments.

Mr. Clark suggested a response to Mr. Kibaki's suggestion for a Committee of 20 on aid.

AL

September 27, 1973

Record Removal Notice

File Title	Barcode No.
Records of President Robert S. McNamara President's Council minutes - Minutes 11	1770824

Document Date	Document Type
October 18, 1973	Minutes

Correspondents / Participants

Subject / Title

President's Council Meeting, October 8, 1973

Exception(s)

Prerogative to Restrict

Additional Comments

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	Date
Shiri Alon	24-Feb-17

Record Removal Notice

File Title	Barcode No.
Records of President Robert S. McNamara President's Council minutes - Minutes 11	1770824

Document Date	Document Type
November 6, 1973	Minutes

Correspondents / Participants

Subject / Title
President's Council Meeting, October 29, 1973

Exception(s)
Prerogative to Restrict

Additional Comments

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	Date
Shiri Alon	24-Feb-17

821/11/30

President's Council Meeting, October 30, 1973

Present: Messrs. McNamara, Knapp, Aldewereld, Alter, Adler, Baum, Bell, Benjenk, Broches, Cargill, Chadenet, Chaufournier, Clark, Stern, Damry, Gaud, Rickett, Shoaib, Kearns

Mr. McNamara had called the meeting especially to discuss the approach to the proposed salary increase to compensate for cost-of-living which was to be discussed by the Board that day. Several governments including the United States, U.K., France and Australia were opposed to a salary increase at this time, and votes against the proposal or abstentions would be likely. By way of compromise Mr. McNamara mentioned that the existing salary ranges could be maintained as an interim measure or the raise could be limited to a specific amount such as $750 or the proposed percentage, whichever is less. He voiced a number of arguments for and against which the governments may raise and said that, if the measure could only be pushed through with a small margin in a vote, he would be inclined to withdraw the proposal and come back to the Board later with a revised one.

AL
November 6, 1973

President has seen

President's Council Meeting, November 5, 1973

Present: Messrs. Aldewereld, Alter, Baum, Benjenk, Broches, Cargill, Chadenet, Damry, Shoaib, von Hoffmann, Blaxall, de la Renaudiere, Hoffman, Lejeune, Stern, Kearns

Mr. Chadenet summarized the preceding week's Board discussion of Bank salaries. The proposed 4.4% increase at lower salaries tapered to lower percentages for higher salaries had received criticism from the Board as appearing to be an automatic increase for inflation which would have an inflationary effect itself. A new proposal had been submitted to the Board for discussion on November 6 which also started with a 4.4% increase for lower salaries but with alternative ceilings at higher salaries.

Mr. Stern mentioned that the working group of the C20 on transfer of resources to developing countries had met the preceding week. Led by Brazil, the LDCs had listed a number of topics for discussion with the general purpose of increasing aid flows. No decisions had been taken. One problem which would be discussed was the equalization of exchange risks among borrowers. Mr. Aldewereld mentioned that the paper on the subject had been distributed to borrowers for comments but no reaction had been received so far. The paper would be distributed in its latest version to members of the PC.

The CGIAR had met for a pledging session the previous week and Mr. Baum said that a total of $33 million had been pledged which appeared to be sufficient to cover the budgets of the member institutes for CY74. However, for CY75 the need will increase drastically. France had emerged as a contributor with $100,000.

Mr. Shoaib said that pressure from the United States for independent audit was still being exerted on the Bank and he was having discussions with the U.S. ED on what measures could be taken to satisfy the U.S.

AL
November 7, 1973

President's Council Meeting, November 20, 1973

Present: Messrs. Aldewereld, Adler, Alter, Baum, Benjenk, Broches, Cargill, Chadenet, Chaufournier, Damry, Rickett, Shoaib, Gaud, Lejeune, Stern

Mr. Adler summarized the situation regarding hearings on 3IDA in Congress.

Mr. Chadenet mentioned that the United Way Campaign had resulted in contributions totalling $13,000 for the first week which was half way through the campaign. This was not encouraging and he asked PC to mention the campaign again to their staff.

Mr. Chadenet said he was worried about communications within the Bank. He had seen in a note on a Vice Presidential meeting on November 6 that the Operational Vice Presidents did not feel that they understood or had been consulted regarding the recent salary increase. Mr. Chadenet reminded of previous discussions in the PC on the subject and stressed that management must be fully behind proposals in order for them to get acceptance among the staff. He also mentioned several occasions where Mr. McNamara had discussed very firmly with the Board in Executive Session the necessity to have the Bank pay competitive salaries at all levels in order to maintain the unique quality of the organization. Mr. Benjenk rejoined that what the Vice Presidents had been saying was that, come May, the taper must be reviewed. If it isn't, the credibility of the Bank's salary policy will be in question. Mr. Shoaib pointed out that Mr. McNamara had made the point that food prices had gone up more rapidly than other categories and this affected all staff members about equally in absolute terms which was a justification for identical increases. Mr. Adler asked whether a joint Board committee on salaries was being established. Mr. Aldewereld said that it was under discussion but that this was a procedural mechanism unrelated to the present discussion. Mr. Chadenet said that the May review of salaries will include both cost-of-living and competitiveness considerations.

Mr. Aldewereld summarized borrowing possibilities. First, there was to be a bond issue in Kuwait the following week of the order of magnitude $85 million - $100 million at reasonable cost. Mr. Ugueto had gone to Caracas to discuss the possibility of an issue in Venezuela. He also mentioned future prospects in Germany and Japan.

AL
November 26, 1973

President has seen

Record Removal Notice

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File Title	Barcode No.
Records of President Robert S. McNamara President's Council minutes - Minutes 11	1770824

Document Date	Document Type
November 26, 1973	Minutes

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Subject / Title

President's Council Meeting, November 26, 1973

Exception(s)

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Shiri Alon	24-Feb-17

Record Removal Notice

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File Title	Barcode No.
Records of President Robert S. McNamara President's Council minutes - Minutes 11	1770824

Document Date	Document Type
December 3, 1973	Minutes

Correspondents / Participants

Subject / Title
President's Council Meeting, December 3, 1973

Exception(s)
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Withdrawn by	Date
Shiri Alon	24-Feb-17

821/11/35

President's Council Meeting, December 10, 1973

Present: Messrs. McNamara, Knapp, Alter, Baum, Bell, Benjenk, Cargill, Chadenet, Chenery, Gaud, Rickett, Shoaib, Adler, Clark, Damry, Nurick, Kearns, Thalwitz

Mr. McNamara asked Mr. Benjenk to give an account of the visit of the Minister of Industry and Oil of Algeria. Mr. Benjenk said the Minister was an old adversary of the Bank who had had an acrimonious meeting with Mr. Woods and was convinced in a doctrinaire fashion that relations between Algeria and the Bank could never be very good. Intellectually he seemed somewhat convinced of the Bank's good intentions thanks to our work in Algeria in recent years. In a meeting with Mr. McNamara on December 6, he had given a long criticism of the Bank's procurement policies and project selection criteria. He and the Algerian Executive Director had felt regret at the outcome of the meeting and proposed a subsequent meeting on December 9. Again the Minister spoke at length, this time about the oil crisis and relations between oil-producing and consuming countries. He claimed that all the developed countries need do is to be more sympathetic to Arab views in the Middle East crisis to be able to lift the embargo. In the long term the solution would lie in a closer relationship between the industrialized countries and those oil producers which are in need of investment and technical assistance in excess of their oil revenues. Those countries would be mainly Algeria, Venezuela and Iran. Close commercial ties would virtually eliminate the risk of a break in oil supply. For countries not dependent on outside capital, such as Saudi Arabia and Kuwait, there excess funds must be drained into funds established for the purpose of development of poor nations. The Minister was disappointed with the lack of interest on the part of developed countries in the first group of oil producers.

Mr. McNamara had asked about the effects of the energy crisis on the developing countries, particularly large consumers such as India, Thailand and the Philippines. The Minister gave evidence of little thought about this problem and hinted at the possibility of bilateral agreements. Mr. McNamara said that he was disturbed by the apparent lack of concern for the problem facing developing countries and he asked that Messrs. Shoaib and Clark work out a statement of the likely users of excess oil funds in the form of the establishment of development funds and through bilateral assistance. He said that a recent estimate in the Bank of the needs of the developing countries for foreign exchange to purchase oil was $5 billion in 1973 and projected at $26 billion in 1980, of which $16 billion would constitute an increase in oil prices in relation to other goods. This did not take into account the increase in goods based on petroleum or requiring large amounts of energy in their production. Mr. McNamara had been at a Tidewater conference over the weekend and said that he was interested to learn first of a planned UN food conference in November 1974, not to be sponsored by FAO. He asked that Messrs. Baum and Yudelman provide the Bank's support. Secondly, he had learned of a UN resolution for a special session of the General Assembly in 1975 to make an assessment of the status of aid. He felt that the Bank should give its support and asked Mr. Chenery to work on this.

Mr. Chenery asked if there could be a report on the Bank's new personnel procedures and Mr. Cargill agreed, suggesting that thought be given to ways of streamlining the process which was very time-consuming. Mr. McNamara asked Mr. Chadenet to give a report in January when the annual cycle had become completed.

AL
December 10, 1973

President has seen

President's Council Meeting, December 17, 1973

821/11/36

Present: Messrs. McNamara, Knapp, Adler, Baum, Bell, Benjenk, Cargill, Chadenet, Clark, Chenery, Damry, Gaud, Rickett, Kearns, Nurick, Thalwitz, Wiese

Mr. Knapp reported that there was a sentiment in the Board for postponement of the Chilean proposals. A Fund economic mission had submitted its report and the Fund was proceeding to plan a standby of $80 million. A letter of intent was ready for distribution to the Fund Board. The German Director in the Bank was heading a group of Directors urging postponement until end-January or possibly until the meeting of the Paris group on debt rescheduling in February or March. Mr. Knapp was against tieing Bank lending to the debt discussions. Mr. Raoul Saez, representing Chile, had discussed with Mr. Knapp the possibility of a postponement and reacted negatively. Mr. McNamara would meet with him later in the day to try and gain his acceptance.

Mr. McNamara asked for a table on the status of Chile's debt for the past year and one year into the future, including the effects of the pending operations and the payments made.

In general Mr. McNamara said his aim had been to avoid controversy and this now seemed possible until January when there would be a likelihood of a solution supported by a large majority.

Mr. Nurick that expropriation was not likely to be an issue since expropriated U.S. mining companies conceded there was progress on compensation.

Mr. McNamara asked Mr. Chenery to ensure that the paper on oil projections would be completed and distributed by DPS the following Friday. It showed among other things that an increase in the foreign exchange spent on oil imports by the LDCs from $5 billion in 1973 to $26 billion in 1980. Such funds were unlikely to be available and, therefore, other solutions must be found. Oil price projections increased from $3.60 to $8.00 in the same period.

Mr. Chenery said he planned to set up a task force to look into the further implications of the oil crisis. A committee was due to meet that afternoon. Mr. McNamara asked that Sir Denis Rickett be a member of the committee and that he would work on liaison with the Fund. Mr. McNamara wished that the work of the committee focus on the effect on developing countries and further on the distribution of liquidity and on the production of fertilizer and food. He agreed with Mr. Bell that the Bank must employ a petroleum expert and with Mr. Baum that the energy crisis would require revisions in the Bank's lending decisions.

Mr. Cargill commented that the Green Revolution in Asia would receive a serious blow from the increase in oil prices.

Mr. Bell mentioned that a conflict was arising between the Government of Zaire and the Union Miniere mining company over ownership of subsidiaries in Zaire.

Mr. Chadenet mentioned that the ad hoc committee of the Board on compensation had met twice and was considering procedures for salary reviews. He also said that the Bank was considering flexible working hours.

Mr. Baum said that after his visit to Canada he had concluded that relations were improving with less focus there on the Bank's procurement procedures. Mr. McNamara asked him to draft a note from him to Mr. Turner.

Mr. Wiese said that tourism trade in the Caribbean had taken a sharp downturn due to decrease in aifline flights and hesitancy of U.S. tourists.

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December 17, 1973

President has seen