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President's Council Minutes,
· 1974 ·

Folder 12

821/12/1

President's Council Meeting, January 2, 1974



Present: Messrs. McNamara, Aldewereld, Alter, Adler, Baum, Bell, Benjenk, Broches, Cargill, Chadenet, Clark, Damry, von Hoffmann, Kearns, Stern, Wright

The discussion focussed on emerging analysis of the effects of the energy crisis on the world economy and the LDCs in particular. Two articles, one in the Washington Post and another in the New York Times, had been based on the Bank paper on the subject. Mr. McNamara asked Messrs. Clark and Stern to meet to decide how the Bank's results of analysis would be distributed and asked to be informed of who receives copies of the Bank paper. Mr. Cargill and others had received requests for the paper and Mr. McNamara asked that the requests be chanelled to Mr. Clark.

Mr. Stern reported from a meeting of the American Economic Association that a session on energy had concluded that the flexibility to substitute other sources of energy for oil is very small in the consuming countries. Saudi Arabia was regarded as the pivotal country in relations between OPEC and the west. There was no recognition of the effect on LDCs. Mr. Stern also commented that UNCTAD would be preparing for discussion of the energy problem at a meeting in Geneva in April.

An energy task force had been set up in the Bank to work on the problems of the effects of the energy crisis on developed countries and, in particular, their exports and aid policies; substitution for other sources of energy and for raw materials to fertilizer fibers and rubber; effect on economies of developing countries; the policies of the oil-producing countries; and the operational implications for the Bank. Mr. McNamara asked that there also be a study of the liquidity created by increased oil prices and the patterns of investments and capital markets that would develop as a result.

Drafts of the papers would be ready by January 15 for submission to Mr. McNamara by January 22.

Mr. McNamara asked that a diary be maintained of the projections issued by other reputable sources. Mr. Stern proposed that the Bank issue an information sheet regularly regarding projections and assumptions.

Mr. McNamara asked Mr. Benjenk to head a committee which would look at the political aspects of the use of increasing oil funds for development and, in particular, as to how the Bank and its President might act. Other members should be Messrs. Shoaib and Rickett.

The FY75 Budget was under preparation in P&B and would be reaching the Regions in the form of budget instructions within the near future. A number of issues were still to be resolved by Messrs. McNamara and Knapp. Two Regions had shown very large increases in lending for FY75. This would have to be reviewed. Another issue to be settled was to what extent sector and economic work should be expanded in FY75. Mr. McNamara recommended caution and consolidation. He was skeptical to the practical results of sector studies.

Mr. Cargill mentioned the allocation of field staff as a budget problem. There was discussion of the role of field offices and their costs and benefits. Mr. Chadenet was preparing a report which would be completed within a few weeks. Mr. McNamara said that the policy must be reviewed and compensation and housing be reconsidered.

AL
January 4, 1974

President has seen

821/12/2



President's Council Meeting, January 7, 1974

Present: Messrs. McNamara, Knapp, Aldewereld, Alter, Adler, Baum, Bell, Benjenk, Broches, Cargill, Chadenet, Clark, Chenery, Damry, Gaud, Kearns, Wright

Regarding the oil situation, Mr. McNamara said that Mr. Stern was having the DPS staff prepare a set of assumptions for the use of the Regions in their projections regarding traditions affected by the oil crisis in LDCs. These would be ready by Friday, January 11, and would be reissued frequently. Secondly, a working group was preparing terms of reference for a set of energy papers to be completed by January 15. Mr. McNamara asked to be involved in the work immediately thereafter. He asked that there be only one point of contact, namely DPS for the various projections on oil. He said he was skeptical to the task force approach and would consider creating a full-time group of 4-5 staff to work on energy issues.

Mr. McNamara asked Mr. Chenery to prepare by noon the same day a statement of the Bank's own projections of prices through 1980; price changes since the oil paper was issued; and a statement of estimates of future prices by others than the Bank. The effect on countries would be very important already in 1974.

Mr. Cargill said that he was assigning all his economists to work on the oil problem immediately.

Mr. Benjenk said he would have a first draft of an analysis of the oil situation from a political point of view in his Region ready by Tuesday, January 8.

Mr. McNamara said that Messrs. Ahmad and Al-Sharekh had expressed concern with the paper and criticized its assumptions and conclusions. Mr. Benjenk commented that they are mostly unhappy with the strong emphasis on oil compared to the other commodities which have increased rapidly in price. As a result of the discussion, Mr. McNamara emphasized that there must be a separation between the equity and politics of the problem on the one hand and the economics and impact of it on the other. The Bank was only qualified and authorized to deal with the latter set of problems.

Mr. Baum said that the U.S., U.K., and France would most likely go against the proposal for "Preferences to Domestic Contractors in LDCs." Mr. McNamara asked for a statement of why this is in effect much ado about nothing. Mr. Baum commented that some developing countries not scheduled to receive favorable treatment may oppose the proposal.

Mr. Clark said that a loan to Venezuela would raise the issue of that country's oil revenues. Mr. McNamara said that the loan would only be acceptable if there was a borrowing program and Mr. Ugueto, who had returned from Venezuela, would be consulted as to the results of his discussions. Mr. Alter cited a projection of $9 billion of oil revenue for Venezuela in 1974.

AL
January 7, 1974

President has seen

821/12/3



President's Council Meeting, January 14, 1974

Present: Messrs. McNamara, Knapp, Aldewereld, Alter, Adler, Baum, Bell, Benjenk, Broches, Chadenet, Clark, Chenery, Damry, Shoaib, von Hoffmann, Clarke, Kearns, Wright

Regarding the energy situation, Mr. McNamara said that a revised paper on the effects of the increased oil prices on developing countries would be distributed on January 15. The impact would be even more dramatic than that stated in the previous version. The IMF estimated that the current account deficit of all oil consuming countries would be $66 billion in 1974. The deficits for LDCs would be $25 billion, an increase of $15 billion over estimates which had been done for the increase in oil prices. The Fund was proposing a special facility to cover these large deficits but it was unclear exactly how it would operate, particularly for developing countries which would not be creditworthy for refinancing.

The issue of financing large deficits resulting from oil price increases would be discussed in meetings of G24 and C20 in Rome the following week and Mr. McNamara hoped that the groups would assign to the Bank and Fund explicitly to recommend action to cope with this situation.

Mr. McNamara had sent cables on January 12 to Minister Amouzegar of Iran, the Secretary-General of OPEC, Minister Al-Ateeqy of Kuwait and Minister Yamani of Saudi Arabia expressing the wish that there could be a meeting in the near future and requesting that they receive Mr. Benjenk who would leave shortly for a tour of those countries.

Mr. McNamara and others thought it likely that the Eurodollar market would be flooded by dollars resulting from oil revenues and that creditworthy countries would be able to borrow in that market in the short term. However, if developing countries do so, repayments will be very burdensome.

Guidelines for the Bank's work were being distributed. Mr. McNamara requested that they be used uniformly within the Bank even if there is disagreement. They will be revised eventually.

The possibility of price increases similar to those on oil for other commodities was discussed and Mr. McNamara said that at least the Bank should be careful not to say that other commodities cannot be used in the same manner as oil for pressure by LDCs on developed countries.

The Bank must reconsider its lending plans to countries such as Venezuela and Iran who no longer need Bank financing but very likely do need its technical assistance. The "Thailand Formula" should be considered.

Mr. Chadenet summarized the experience with the 1973 Annual Personnel Review. The previous year's review had been centralized with no guidelines for salary profile. In 1973 there had been greater delegation of the review decisions with profile guidelines. A limit of 30% had been placed on the number of staff rated "above average." The number of steps had been decreased to four and the salary increases resulting from high performance ratings had been relatively increased. A procedure for slowing down salary increases in the upper ranges of each grade had been designed. Each supervisor was instructed to discuss his evaluation of a subordinate before it was finalized. The result had been that the role of the Personnel Department had been at least as great as the previous year's. Ratings had been distributed more similarly in low and high grades.

President has seen

Issues to consider for next year's review would be what percentage of the staff should be rated "above average"; is the rating of 3% of staff as exceptional acceptable in terms of cost in morale of other staff; should the number or definition of categories be changed; should the Annual Personnel Review be spread throughout the year; and should the relationship between salary increases and the function of ratings be changed?

Mr. McNamara said that these proposals would be considered in detail when the report of the Annual Personnel Review in 1973 would be finished. He said that Bank had had an ad hoc committee of Directors considering procedures for salary review and a mode of cooperation with the Fund. Since the cost-of-living increase was reported to have been 9% in the last 12 months, there was bound to be conflict at the time of the salary review in April. Mr. Kearns said that newspapers reported the President considering large increases for the U.S. Government. Mr. McNamara asked Mr. Clarke for a note on the procedures followed by the U.S. Government.

AL
January 14, 1974

821/12/14



President's Council Meeting, January 21, 1974

Present: Messrs. McNamara, Knapp, Aldewereld, Alter, Adler, Baum, Bell, Benjenk, Broches, Cargill, Chadenet, Chaufournier, Clark, Chenery, Damry, Shoaib, von Hoffmann, Kearns, Clarke

Mr. Clarke discussed the proposal for variable working hours in the Bank. There was general agreement to the proposal, although several PC members expressed ideas about various modifications. It was agreed that Mr. Clarke would proceed to speak to the Staff Association officers about the proposal and to draw up an implementation plan with a three-month test period.

Mr. Kearns summarized suggestions for distributing the results of the reorganization assessment to all Division Chiefs and above. It was decided to raise the matter again after the detailed discussion among Messrs. McNamara and others directly concerned.

Mr. McNamara said that Mr. Benjenk would visit a number of oil-producing countries and the OPEC Secretariat mainly to collect intelligence about the intention of oil-producing nations regarding aid to LDCs. He would return early February.

Mr. Clark reported that the Financial Times had hinted at Mr. McNamara's approach to oil-producing governments.

There was some discussion about the possible forms of financing LDCs by the Bank and Fund and through other capital markets and institutions.

Mr. Shoaib mentioned that bilateral negotiations were going on between the oil-producing nations and developing countries. Mr. Anwar Ali may visit Washington and there would be a meeting in Lahore on February 22 to consider joint Islamic issues. Mr. McNamara said he may be able to stop there on his way back from the Pacific.

Mr. McNamara summarized what he had told Mr. M.M. Ahmad as he had left for Pakistan, namely that the Bank would be willing to extend the following assistance to oil nations:

1. Bilateral technical assistance;
2. Regional technical assistance;
3. Joint operations in formal or informal manner in financing development projects;
4. Borrowing surplus funds for the purpose of development; and
5. Serve as a channel for long-term concessionary aid in any appropriate form.

Mr. McNamara asked that the communique of the Committee of 20 and the speech by Secretary Shultz be circulated.

Mr. Benjenk said that the staff will be stretched by the work on energy. Mr. McNamara said he would be willing to give an unqualified guarantee of assistance to oil nations and make the appropriate rearrangements of the Bank's program.

President has seen

Mr. von Hoffmann said that Ambassador Ghorbal of Egypt had expressed a wish on behalf of the Egyptian Government for an expanded program in cooperation with IFC. Mr. McNamara encouraged Mr. von Hoffmann to accept the invitation of the Egyptians and to coordinate with Mr. Benjenk. Mr. von Hoffmann may visit Egypt in February.

Mr. McNamara said that a paper on energy would be completed in draft by February 22 and distributed to the Board on February 26 for discussion on March 12. He encouraged the Regional Vice Presidents to have their staff analyze the effects of the increased oil prices in their regions and distributed example of such an analysis for Asia. Mr. McNamara asked that the regional analyses be ready in one week's time to serve as in-put for the February 22 paper.

A longer-term study of the energy problem would be completed by June 1.

Mr. McNamara asked Messrs. Aldewereld and Shoaib to organize for the January 31 discussion of the budget paper. He emphasized the need for a plan for the Bank's work even under conditions of extreme uncertainty. In future planning he would be willing to consider expanded financing on the basis of oil funds in the form of program lending.

Mr. McNamara said that he would be undertaking a trip to the Pacific area (Fiji, New Zealand, Australia, Papua New Guinea and Indonesia) starting February 5 for three weeks, although the time was inconvenient.

Mr. McNamara asked that Mr. Damry check carefully whether Singapore would in fact be capable of hosting a future Bank/Fund Annual Meeting and expressed the wish that a more typical developing country could be chosen.

AL
January 23, 1974

President's Council Meeting, January 28, 1974



Present: Messrs. McNamara, Knapp, Aldewereld, Alter, Adler, Baum, Bell, Broches, Cargill, Chadenet, Chaufournier, Chenery, Clark, Damry, Rickett, von Hoffmann, Clarke, Kearns, Merriam, Votaw

Mr. McNamara had just spoken to Mr. Benjenk in Iran, who said that, if the project for Iran is defeated on Tuesday, Iran would withdraw from the Bank, all according to the Prime Minister of Iran. Mr. McNamara said he had told the Secretary Shultz the previous week that the loan would go forward but that he would have to defer it if the U.S. so requests. If they do, he would reinstate it on the Thursday Board Meeting. He asked Messrs. Knapp and Clark to recommend whether a press release should be put out and, if so, what it should say regarding the Bank's discussions of financing in Iran.

Mr. McNamara repeated his public statement that the defeat of IDA in the House the previous Wednesday had been an unmitigated disaster. He had met with Secretary Shultz to discuss possible actions and had concluded that it was advisable to aim for Senate approval of the IDA proposal. Secretary Shultz had indicated that he would proceed with a statement of intent, hopefully before February 11. Mr. McNamara had had a meeting with Part I Directors who had mostly reacted by saying that IDA should not be renegotiated since that may well lead to a lower amount and since legislation was already underway in most governments. Mr. McNamara pointed out that Mr. Mahon had argued against 4IDA in the House and said that he was unwilling to support an amount larger than previously but this statement was then corrected in the Congressional Record to show $384 million per year amounting to $1152 millions per year of total replenishment.

Mr. McNamara asked Mr. Clark to distribute the Congressional Record of the meeting and for him and Sir Denis to prepare a briefing book replying to the many questions posed by Congressmen as documented in the Record. Mr. Chenery asked how Congress would be approached. Mr. McNamara said that it would be necessary to check who among the staff have contacts and to use those. He asked Sir Denis to check that the Treasury issues a statement of intent and he asked Mr. Merriam to draw up a plan for legislative action.

Mr. Chadenet reported on the studies of the pension policy and said that a major decision was that between net and gross pensions. He outlined four alternative ways of implementing a gross scheme with arguments for and against and raised the issue whether the change should be retroactive. Mr. McNamara said that the pension decision was very sensitive politically, since the upper salary brackets will benefit mostly from net to gross and the Bank's management could be accused of acting in its own interest. He said it may be necessary to find decision makers who would be unaffected by the decision.

AL
January 28, 1974

821/12/5



President's Council Meeting, February 4, 1974

Present: Messrs. McNamara, Knapp, Aldewereld, Alter, Baum, Bell, Benjenk, Broches, Chadenet, Chenery, Damry, von Hoffmann, Shoaib, Hoffman, Kearns, Schulmann, Weiner, Wright and Sir Denis Rickett

Mr. McNamara said he would be leaving the following day for a trip to Fiji, New Zealand, Papua New Guinea, Australia, Indonesia. In the meantime, the United States would be expected to issue a statement of intent regarding IDA and put legislation before the Senate for action in March.

He commented that consumers and producers of oil were still in confrontation. The previous weekend the U.S. Treasury had refused the Bank to issue $250 million worth of bonds in the United States while France was allowed to borrow on the order of $1.5 billion. He mentioned that a paper on energy was under preparation in the Bank and that Mr. Stern was in charge of it. He asked Sir Denis Rickett to continue to be in charge of all work on IDA and particularly the Fourth Replenishment.

Mr. McNamara said that, although the FY74-FY78 plan was not discussed by the Board, it should serve as a basis for the Bank's work until the revised version would be prepared in approximately 9-12 months' time.

Mr. Benjenk reported from a trip to the Middle East that the oil-producing countries still displayed a lack of understanding for the magnitude of the problem facing LDCs. In several places he had been accused of exaggerating the problem and focusing on oil producers rather than producers of other commodities which had also increased in price.

OPEC was working on an OPEC financial institution according to Mr. Benjenk. In Iran Mr. Benjenk had met a preference for bilateral programs. Iran had contacted Jordan, India and others. However, the Prime Minister had understood the problem and would discuss it with The Shah.

In Kuwait there was more activity on behalf of the LDCs and a mission had returned from East Africa. Kuwait had participated in the formation of an African-Arab development institution with an initial capital of $190 million. The Kuwait Fund was planning to step up its program of assistance. Mr. McNamara asked that Mr. Husain be in charge of presenting projects to the Kuwait Fund for joint financing.

Saudi Arabia seemed to have given little thought to aid programs. Messrs. Yamani and Anwar Ali disagreed on the use of the funds. The Minister of Finance was attracted to the idea of a Bank-managed fund to which Saudi Arabia could contribute, but he was also contemplating the establishment of an Islamic bank. The Minister of Finance had said he wishes to discuss with Messrs. Yamani and Anwar Ali before speaking to the King on the Bank's proposal.

Mr. McNamara asked that Mr. Benjenk put first priority on work on the oil situation and let subordinates handle day-to-day work in the EMENA region.

Mr. Chenery summarized the plans for papers on oil, one in February and a more comprehensive one in June.

AL
March 1, 1974

President has seen

President's Council Meeting, February 25, 1974

821 /12/6



Present: Messrs. McNamara, Knapp, Aldewereld, Alter, Adler, Baum, Broches, Clark, Chenery, Damry, Gaud, Rickett, Shoaib, Stern, Clarke, Lejeune, Rotberg, Wapenhans, Weiner, Wright, Kearns

Mr. McNamara summarized the results of his visit to Tehran where he had received the Shah's proposal and commitment for a program to help developing countries overcome the oil price increase. A transcript of a press conference would be distributed to the PC as the only written document. Specifically Iran had committed itself to contribute to a special facility of the Fund, purchase of Bank bonds, and a fund for development projects. For the last the commitment would be in the order of $150 million for the first year. Mr. McNamara had emphasized that the terms would need to be in accordance with DAC; 2% interest with 30-year maturity including 8 years of grace. He asked Messrs. Aldewereld and Rotberg to start thinking about borrowing in Iran. Mr. Aldewereld should contact Iran by March 15, and be prepared to go there shortly thereafter. The operation should be treated as the first of a series, with the hope of obtaining about $200 million a year net of oil disbursements. Due to the difference in interest rates, Mr. McNamara said the Iranians would probably prefer new bond issues rather than prepayment of old loans. He was cautious about denominating in rials, since that currency may move swiftly creating high currency risk. Iran may agree to lend in SDRs or in a packet of currencies. The interest rate should be a function of the currency of denomination and the Bank should definitely not pay more than the Fund for its loans. He suggested negotiating with Finance Minister Amouzegar or Central Bank Governor Yeganeh. If Iran hesitates on new bond issues, prepayment should be suggested.

Mr. McNamara said that, during his visit to Iran, the Minister of Agriculture had said that the Bank's lending was not necessary for Iran's agriculture. The statement had subsequently been retracted but it illustrated some of the problems. The Shah had welcomed the Bank's technical assistance connected with lending.

As to the format of the development fund, it would have an "independent" executive board of seven members picked by a board of governors from 14 candidates proposed by the Managing Director and President. There would need to be a management contract between the Bank and the IMF on one hand and the development fund on the other. A working party headed by Mr. Benjenk should be set up to formulate specific plans for the institution. The Shah wants to place the development fund on the March agenda for a meeting of OPEC. Mr. McNamara had asked Mr. Ugueto to enlist Venezuela's support for the proposal.

A transcript of the press conference in Tehran would be distributed to the Board the following day after an Executive Session.

Mr. McNamara said a budget overrun was likely in 1974. Particularly serious was the miscalculation of tax reimbursement of U.S. nationals. He asked the support of the PC to try and reduce the budget needed in FY75 which, at the moment, seemed to be 27% above the one approved for FY74 which would be unacceptable to the Board.

In Papua New Guinea Mr. McNamara had discussed creditworthiness and continued those discussions in Canberra. Papua New Guinea receives heavy budgetary support from Australia and is not creditworthy for Bank loans. The Australian Government was reluctant to provide guarantees but would be willing to discuss it further, possibly as a confidential side letter to Bank operations. In the meantime the Bank should plan on providing IDA funds to Papua New Guinea.

President has seen

In Indonesia the Government had not given much thought about the problem of increasing oil revenues and Mr. McNamara had told Mr. Wardhana that IDA must be cut down. He said that the Bank should be able to provide Indonesia with $3.00 per capita per annum of Bank assistance provided there is a solid development plan. He asked Mr. Weiner to give thought about planning for such a program.

President Sadat of Egypt had invited Mr. McNamara to come to discuss future cooperation with the Bank, particularly in planning of a development program.

Mr. Chenery said that Mr. ul Haq had returned to the Bank from Pakistan.

Mr. Baum said that the meetings in Rome with FAO had been successful despite Mr. McNamara's absence.

AL
March 1, 1974

821/12/7



President's Council Meeting, March 4, 1974

Present: Messrs. McNamara, Knapp, Aldewereld, Alter, Adler, Baum, Bell, Broches, Chadenet, Chaufournier, Clark, Damry, Gaud, Rickett, Kearns, Wapenhans, Weiner, Chenery

Mr. McNamara said that the third paper on energy would be issued that day. It was not a final statement neither of the situation facing developing countries nor of the Bank program. As to the program, there was a dilemma in working on the basis of a paper which had not been discussed by the Board. A new discussion of the five-year program was expected in about 12-months' time.

Mr. McNamara had just returned from Cairo where he had met with all economic ministers in Egypt and had had several private sessions with Finance Minister Hegazy. He had been impressed with the human infrastructure in Egypt compared to other developing countries. The main problem facing Egypt was to prepare a sound investment program and to alleviate the burden of high short-term debt service. The Bank may be able to finance equipment of a restored Suez Canal and assist the increase in use of industrial capacity.

He had met with President Sadat on Friday, March 1, and discussed with him the limits on IDA lending and the lack of creditworthiness for Bank lending. Future creditworthiness would be dependent on progress towards peace, a balanced investment program in relation to funds and priorities and limits on short-term credits. He had had breakfast with Mr. Kissinger on Friday morning which had given rise to some comment.

Mr. Gaud suggested that Mr. McNamara speak to Professor Mason who was leaving for Egypt shortly.

Mr. Aldewereld reported that the Bank's two-year bond issue had been subscribed to the amount of $258 million. Most Arab countries had not made any substantial increases. He also mentioned that there had been an attempt to place IDB before the Bank in raising money in Venezuela and, as a compromise, a joint signing was planned.

Mr. McNamara asked Mr. Chadenet to report on work towards a revised pension plan at the following week's President Council meeting which was fixed for Tuesday, March 12, at 9:00 a.m.

Mr. Broches mentioned that ICSID had just received its second arbitration case.

AL
March 4, 1974

President has seen

821/12/8



President's Council Meeting, March 12, 1974

Present: Messrs. McNamara, Knapp, Alter, Baum, Bell, Benjenk, Broches, Chadenet, Chenery, Damry, Rickett, Shoaib, von Hoffmann, de la Renaudiere, Clarke, Hoffman, Kearns, Merriam, Schulmann, Weiner

Mr. McNamara reported on progress in negotiating borrowings in Iran. An issue of $200 million for 12 years at approximately 8% was being negotiated. Mr. Benjenk said that the proposal for a development fund would be on the OPEC agenda as a second item after the oil price issue.

Mr. McNamara said that the previous week's discussion in the Fund of the special facility seemed to have indicated that it would take some time before it was established.

Mr. Benjenk said there was a prospect for a $70 million bond issue in the Arab Emirates to be denominated in local currency. Mr. McNamara welcomed the proposal but said the latter aspect was unacceptable.

Mr. McNamara said that the five-year program issued in December but not discussed by the Board was currently serving as a plan until changed. Now the impact of oil prices was so great that the country programs would need revision. A meeting was set up the following day to discuss how a new five-year program could be produced efficiently. Mr. Benjenk added that more staff may be needed for technical assistance to oil countries. Mr. McNamara said this was true and it would have to be determined if and when to start charging for these services.

AL
March 13, 1974

President has seen

821/12/9



President's Council Meeting, March 18, 1974

Present: Messrs. McNamara, Knapp, Aldewereld, Adler, Baum, Bell, Benjenk, Broches, Chadenet, Chaufournier, Damry, Rickett, Shoaib, von Hoffmann, Clark, Hoffman, Kearns, Merriam, Knox, Stern, Weiner

Mr. Aldewereld had just concluded negotiating a loan from Iran for $200 million, 12 years at 8%. Mr. McNamara said that the objective would be to borrow $200 million a year from Iran net of commitments. Mr. Aldewereld also said that Iran is willing to consider prepayment of existing loans. Mr. McNamara asked Mr. Aldewereld to contact Finance Minister Amouzegar by the end of April.

From OPEC it was reported that Venezuela had made a commitment to the IDB for some form of financial contribution. Mr. Benjenk said that the Secretary-General of OPEC had reported that the question of a development fund had been discussed at the recent OPEC meeting. There would be a working group meeting on the subject shortly and a paper would be prepared to be submitted to the General Assembly for its forthcoming meeting. It is possible that the Bank and Fund would be asked to manage an institution if one is set up. Mr. McNamara said that, since the United States had expressed concern that the Bank would be borrowing more expensively than it lends to Iran, he was keen to have the Iran proposal for prepayment to go through to offset the spread between borrowing and lending.

Mr. Stern reported from meetings in Europe of the Steering Committee for the Washington conference. The U.K., Japan and Denmark had been assigned to plan for a conference of producers and consumers.

Mr. McNamara had discussed the special General Assembly of the UN with Mr. de Seynes the previous week. No papers had yet been distributed or prepared and there was some concern that the Assembly may lead to acrimonious debate. He had given Mr. de Seynes a copy of the Bank's March 5 oil paper with the intention that it may be used as a basis for discussion at the conference. However, he would not release it before first consulting the Bank's Board. Mr. McNamara asked Messrs. Rickett and Shoaib to sound out the Bank's Board before the following day's discussion of the oil paper.

Mr. McNamara mentioned that a revision must be made of the five-year program for the Bank in order to produce a budget and borrowing program which would be acceptable to the Board in June.

Mr. Chadenet summarized the status of work on the Pension Plan and emphasized its inclusion as a part of the total compensation package. Mr. McNamara doubted that a full review could be made of the pension package and salary by May 1. Mr. Chadenet promised Mr. McNamara a paper on the salary question by the end of the week. This would then be finalized and put to the Board's committee on compensation.

Mr. Damry was asked to check possible conflict between the Bank's Annual Meeting and Ramadan and to form a committee with Messrs. Chadenet and Hoffman to report on entertainment at the forthcoming Annual Meeting, including Kennedy Center affairs and dinners.

Mr. McNamara would be appearing on Meet the Press on the following Sunday and had asked Mr. Maddux to prepare background material. He asked for assistance from Mr. Stern and Regional Vice Presidents.

Mr. McNamara said Mr. Merriam would be asked to discuss recent press leaks at the following week's President's Council meeting.

President has seen

Mr. McNamara asked the President's Council to direct particular attention to the fact that performance in terms of commitments had been miserable in the third quarter which would imply bunching problems in the fourth quarter.

AL
March 18, 1974

921/12/10



President's Council Meeting, April 1, 1974

Present: Messrs. McNamara, Knapp, Aldewereld, Adler, Alter, Baum, Bell, Chadenet, Chaufournier, Clark, Damry, Rickett, Shoaib, von Hoffmann, Kearns, ~~von Hoffmann~~, Stern, Wapenhans, Weiner

Mr. McNamara had met with Mr. Anwar Ali of Saudi Arabia who had said that Saudi Arabia was prepared to provide funds to the Bank "taking care of the Bank's future financing" and more specifically to lend the Bank immediately $120 million denominated in Riyals. Mr. McNamara said that it would be preferable to have the loans denominated in either SDRs or Riyals indexed in accordance with a package of currencies. A straight Riyal loan would be acceptable only if there were sure prospects for substantial amounts in future years and that those amounts would be denominated in other than local currency.

Mr. Shoaib said that Libya had expressed willingness to invest substantial amounts in the Bank, according to a report from Mr. El Fishawy. Sir Denis said that Mr. Anwar Ali had expressed earlier that Saudi Arabia was interested in a deposit facility with an international institution. The Fund had problems in accommodating this but Mr. McNamara said the Bank could probably easily arrange to receive such deposits.

Mr. McNamara reported from his Algerian visit that the Algerian leaders had had a very negative attitude towards the Bank, mainly because the Bank did not lend supposedly at the insistence of France and the U.S. and, secondly, because the Bank's refusal to finance oil installations had made the Algerians feel forced to deal with private firms they would have liked to avoid. Also the Bank's procedures for international competitive bidding were not attractive to Algeria. However, Mr. McNamara felt there had been some progress and President Boumediene had indicated that he would push for a more rapid OPEC action to help developing countries in the forthcoming meeting in New York in April. He had received tentative commitments that Algeria would provide the Bank with loan funds and that concessionary funds would flow through some form of OPEC facility.

AL
April 1, 1974

President has seen

821/12/11



President's Council Meeting, April 8, 1974

Present: Messrs. McNamara, Knapp, Adler, Alter, Baum, Bell, Cargill, Chadenet, Chaufournier, Chenery, Damry, Rickett, Shoaib, von Hoffman, Clark, Kearns, Wapenhans

Mr. McNamara announced a number of intended appointments resulting from retirement of officers. He intended to follow the procedure outlined for Board consultation in the case of appointment of officers. A paper would be distributed the same afternoon to the Board. He asked that the intended shift be kept in strict confidence by PC members until the Board Meeting had taken place. The persons retiring would be Messrs. Gaud, on August 31, Rickett, on October 4, and Aldewereld, on July 1. Mr. Gaud would be succeeded by Mr. von Hoffmann, Mr. Aldewereld by Mr. Cargill who would also assume the responsibilities currently with Sir Denis as of October 4, and as of the following week the responsibility for liaison with OPEC. Mr. Shoaib would give him all assistance necessary and compatible with Mr. Shoaib's health. Responsibility for contact with the Arab countries would involve both money raising and development finance.

The Asia Region would be split into two as of July 1. South Asia would be headed by Mr. Weiner, East Asia by Mr. Bell. In East Africa, Mr. Bell would be succeeded by Mr. Husain.

Mr. McNamara addressed the importance of following the Board procedure. He said also that many will be disappointed when learning of these appointments but it was absolutely necessary to appoint on the basis of merit alone.

Other moves as a consequence of the ones outlined would be discussed following the Board Meeting.

There should be a press announcement, probably in the form of making available the staff circular to the press.

AL
April 8, 1974

President has seen

821/12/12



President's Council Meeting, April 15, 1974

Present: Messrs. McNamara, Knapp, Aldewereld, Alter, Adler, Baum, Bell, Broches, Shoaib, Cargill, Chadenet, Clark, Chenery, Rickett, von Hoffmann, Kearns, Thalwitz, Wapenhans

Mr. McNamara summarized the proposal for salary revisions and asked the PC not to discuss them with staff. The intention was to keep real salaries whole of inflation. This would be controversial with governments. The Pension Plan would also be altered. The main change would be a revision from net to gross basis. The increasing cost of these measures would be substantial from $9 million per year plus an $11 million past service liability. The Board would be consulted initially through its Compensation Committee which would meet on April 26. The documentation would not be given to the Staff Association nor would they be informed of the exact content of the proposal.

Mr. McNamara said that the actual budget for 1974 would be $131 million and the requested budget for FY75 was $167 million. Such a large increase would be unacceptable and Mr. McNamara was aiming to cut $10 million from the requested total budget. He distributed a paper with a number of points suggesting measures to reduce the budget and there was general consensus that a 3% increase in productivity could be achieved.

Some activities could be slowed down. One example was operations evaluation. It would be necessary to charge for some services of the Bank in the future, such as technical assistance and possibly supervision. Countries would be asked to provide office and living quarters for Bank missions. Further suggestions should be given to Mr. Adler.

Mr. McNamara asked that Messrs. Knapp, Baum, Chenery, Fuchs, Cargill, Weiner, Yudelman, von Hoffmann and Qureshi meet with him on the fertilizer paper on Friday at 2:00 p.m.

There would be an Executive Session of the Board on compensation the following day.

Mr. Aldewereld announced that, upon his retirement from the Bank, he would become a partner of Lazard Freres in New York.

AL

President has seen

821/12/13



President's Council Meeting, April 22, 1974

Present: Messrs. McNamara, Knapp, Adler, Aldewereld, Alter, Baum, Bell, Cargill, Broches, Chadenet, Chenery, Clark, Damry, Gaud, Rickett, Shoaib, Weiner, Kearns, Wapenhans, Wright

Mr. Chadenet explained the complications of the compensation and pension issue as the Board committee was preparing to discuss it. The plan would be to submit a paper to the Board on April 30 for discussion May 21.

Mr. McNamara said that the U.S. position would be for a 6% increase tapered to zero above ED salaries. The U.K. was favorable to the pension reform but hesitated on salaries. The Bank had the advantage of a stated policy while the Fund had not and was facing trouble in its Board Meeting. In addition the Fund had given inaccurate information to its Staff Association which would create an impression that non-professional staff were underpaid, which was not the case. The situation there was turning into one of labor-management negotiations and there even had been rumors of plans for strikes. Mr. McNamara regretted this development since it would be unfortunate in an elite organization and would tend to be based on the lowest common denominator.

Mr. McNamara said that the health paper, which had reached him in draft form, presented several options for proceeding with lending for health. He favored the one which implied a gradual increase of attention to health problem in projects along the lines which had been followed previously.

Mr. McNamara commented on the small addition to Bank lending which had come out of the round of adjustments performed by the regions on the lending program. He suggested that this implied ignorance of the actual impact of oil and commodity price increases on the developing countries. The lending plans for FY74-FY78 stood currently approved at $13.7 billion and the compensation for inflation had led to a now requested budget of $22.4 billion, while P&B recommended $20.7 billion. There had been very little shift in lending between countries and sectors and the real value of IBRD loans would not increase more than 5% compared with the previous plan. A revised paper would be circulated to the PC on May 17 and Mr. Adler requested Mr. McNamara's decision on the composition of the lending program.

AL
April 23, 1974

President has seen

821|12/14



President's Council Meeting, April 29, 1974

Present: Messrs. McNamara, Aldewereld, Alter, Baum, Bell, Benjenk, Cargill, Chadenet, Chaufournier, Chenery, Damry, Gaud, Weiner, Nurick, Hoffman, Kearns, Schulmann Shoaib

There was discussion about the reasons for the Cabinet reshuffle in Iran. Some PC members suggested that Ministers had been demoted due to a lack of success of the Shah's development proposal.

The UN Special General Assembly seemed to generate a "June 15 Fund" for quick disbursements to the LDCs hardest hit by increasing oil and commodity prices. This fund would include the EEC scheme for $500 million, the Iran scheme and some funds from Norway. Not commitments had yet been made by the donors. Mr. McNamara said he had offered the Bank's services to administer such a fund and had agreed to meet with the Secretary General after the General Assembly was over. It was ironic that the Group of 77 was writing the resolution which would require commitment of Part I countries.

Mr. Benjenk said that the OPEC Secretary General claims that OPEC may have a scheme operational in September.

Mr. McNamara said that the meeting of the Compensation Committee of the Board the previous Friday had gone reasonably well with only one country, the U.S., opposing a 10.2% increase in salaries. The chances of passing would be good. The shift from net to gross basis for computation of pensions had also received support but there had been firm opposition to retroactivity which would therefore have to be reconsidered. A memo would be circulated to the Board shortly. The discussion in the Fund had proceeded much along the same lines.

Mr. McNamara said he wished to meet with Messrs. Baum, Chenery and others to discuss the implementation of the Nairobi Speech.

AL
May 1, 1974

# Record Removal Notice

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**File Title**
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President's Council Meeting, May 13, 1974

Present: Messrs. McNamara, Knapp, Alter, Adler, Baum, Bell, Benjenk, Chadenet, Chaufournier, Clark, Damry, Gaud, Shoaib, Nurick, Stern, Kearns, Weiner

Mr. Stern reported from his visit to Paris that the C20 meeting on transfer of resources had agreed on proposing a joint committee of the Bank and the Fund to deal with that particular aspect of monetary reform. There would be a draft proposal in two weeks for the ministers to consider in June.

The DAC Chairman had sprung a new scheme on a recent meeting where he proposed alleviation of the burden imposed on developing countries by increased oil prices through massive debt rescheduling.

OECD estimates of demand for energy through 1980 showed that, at the present price, the growth rate of imports of oil would be 1% per year for OECD countries. At higher prices it may be negative. This implied that production plans of oil producers would conflict with demand growth and that a major shift to internal energy sources was in fact expected to proceed more quickly than previously projected.

Mr. McNamara said the compensation paper had been distributed and there were differences in proposals between the Bank and the Fund. Mr. Chadenet was asked to report on ED reactions in due course.

Mr. McNamara said that the initiative by Secretary General Waldheim, emanating from the Special General Assembly of the UN, was proceeding, headed by Mr. Prebisch who would work on both the long- and the short-term schemes. Messrs. Stern and Haq would be the points of contact in the Bank to provide data which had been promised to Mr. Prebisch.

Mr. McNamara said that the paper on the five-year program and the FY75 budget would be completed in draft by May 17. Some items had still been left unresolved and would be for another two weeks. This would include IFC where a change in the counting procedures was contemplated.

Mr. McNamara said that the FY75 budget was already at the upper limit for acceptability and that the impact of inflation on the budget and the five-year program was very strong. The five-year program now showed an increase from the previous version at the end of 1973 from $13 billion to $22 billion of commitments over the coming five years. However, the real growth in commitments would be small and this led to the conclusion that it was necessary to deal increasingly in real terms rather than current terms. Total real growth would be 7.6% over five years for the Bank while IDA would show a decrease of 1% in the Fourth Replenishment over the Third Replenishment, all in real terms.

Mr. McNamara emphasized that a capital increase would be necessary soon to enable the Bank to complete the projected program. No transfer to IDA was envisaged and this would receive opposition in the Board. There would probably also be opposition from some countries to the Bank program as such.

AL
May 15, 1974

621/12/17



President's Council Meeting, May 20, 1974

Present: Messrs. McNamara, Knapp, Baum, Bell, Benjenk, Broches, Shoaib, Chadenet, Chaufournier, Chenery, Clark, Damry, Gaud, Weiner, Kearns, Knox, Schulmann

There would be a meeting of Regional Vice Presidents and Mr. Baum on the five-year program with Mr. Knapp on the following Wednesday at 3:00 p.m. (the meeting was subsequently changed to 10:30 a.m. Wednesday). Mr. McNamara said he would try to attend. Mr. McNamara had set a meeting for 11:00 a.m. the following Friday to review the financial aspects of the Five-Year Program paper. The views of others not involved in these two meetings should be submitted to Mr. Schulmann by Thursday afternoon.

Mr. McNamara mentioned that the terms for a new loan from Iran had been negotiated at $150 million for 12 years at 8%.

Mr. Chadenet reported from the previous week's meeting of the IMF Administration Committee which had endorsed a 10.2% flat salary increase, although some Directors had requested tapering. A final paper was being circulated for a Board Meeting on May 22. In another meeting in the Fund, Canada, the U.S. and Australia had been reluctant to agree on retroactivity and the Fund's actuarial consultant had been asked to recalculate the actuarial assumptions for a deferred decision on retroactivity at the end of May.

Mr. McNamara said he was worried about the effect of rapid inflation on the Bank's Pension Fund and asked that the fund's sufficiency be recalculated with assumptions of inflation over a long time period.

Mr. Baum said that Mr. Rudolph Peterson had had discussions with the Iranian Government which had been interested in multilateral institutions and expressed a willingness to contribute to the Consultative Group for International Agricultural Research.

Mr. Chenery reported from a visit to Egypt that the Bank is receiving excellent cooperation from the Egyptian Government, but that there would be quite some time before a coherent plan was presented.

Mr. Broches reported from a visit to EIB that that institution was wrestling with the same problems of raising capital and dilution of equity.

Mr. Weiner reported that Mr. Diamond had just returned from two successful aid consortia meetings in Europe.

AL
May 21, 1974

821/12/18



President's Council Meeting, June 3, 1974

Present: Messrs. McNamara, Knapp, Alter, Adler, Baum, Bell, Benjenk, Broches, Cargill, Chadenet, Chaufournier, Chenery, Clark, Damry, Gaud, Sho Kearns, Weiner

Mr. McNamara mentioned the possibility that, after the favorable vote of the Senate on the Fourth IDA Replenishment, it may be possible to induce the House to act rather quickly. This would also be advantageous, since several Treasury officials would be leaving shortly and no longer be available to work on the legislation. Mr. McNamara hoped that a subsequent action by the House would be sufficient to trigger ratification on the part of the U.S., but this was not certain.

Mr. McNamara said the paper on the Five-Year Program and the FY75 Budget would be issued the following day for Board discussion July 9. The paper was a great improvement over the previous program but raised a number of major issues, such as the appropriate size of Bank lending and the creditworthiness of the Bank and its borrowing countries. The program showed an increase to more than double the previous program in current terms to compensate for inflation. In fact, ODA for most countries was declining in real terms. The strategy would be to obtain approval for the new plan and then to start work on the specific issues facing the Bank, many of which were in Mr. Cargill's area. Mr. McNamara had received a memo discussing these points from Mr. Cargill but had not had time to incorporate them into the program paper.

Mr. McNamara said he would be giving a speech to a group of religious leaders in Aspen at the end of the week.

Mr. Chenery said that the revised energy paper due in July was underway and the ensuing discussion about the assumptions behind the paper led Mr. McNamara to ask the Regional Vice Presidents to look carefully into what assumptions they are making about the extent to which developing countries will be facing serious financial difficulties in 1974 due to increased oil prices and be sure that the Bank's assumptions are not too optimistic.

AL
June 3, 1974

821/12/19



President's Council Meeting, June 10, 1974

Present: Messrs. McNamara, Aldewereld, Adler, Baum, Benjenk, Broches, Chadenet, Chaufournier, Chenery, Damry, Gaud, Clark, Goodman, Kirmani, Wiese, Kearns

Mr. Aldewereld reported from a trip to Japan and Europe. The Japanese are worried about the lack of growth of their economy and inflation in excess of 20%. Growth is expected to accelerate to a rate of 6% at the end of 1974 and inflation is expected to decrease.

In Europe all government officials and bankers Mr. Aldewereld had met were concerned about the stability of the banking system, due to the large short-term deposits by oil countries and long-term credits to several countries including Italy and the U.K.

Mr. McNamara asked that Messrs. Aldewereld and Chenery consider the format of a monthly report on the functioning of the "recycling" mechanism of the banking system and that the first report be submitted by July 1. Secondly, he asked for a formula to be worked out to determine the amount of offset borrowing necessary in oil countries. Thirdly, he asked Mr. Adler to keep a record of progress on concessionary aid commitments by OPEC countries.

There was some discussion of the proposal which Secretary William Simon had mentioned in a recent speech that a body of governors be formed to consider aid and monetary matters as they applied to the Bank and IMF. The proposal was confusing in that it stemmed from the C20 results but had suddenly come to include also the World Bank, not only the IMF.

Mr. McNamara said that he had attended two meetings in Aspen over the past weekend, the first of religious leaders who had shown a great interest in action on behalf of IDA and who would be willing to assist in the effort to get the Fourth IDA Replenishment through the House. There had been quite some disagreement as to whether existing institutions are appropriate for the aid cause. The second meeting was one of TV executives who were discussing development. A producer of soap operas wished to include aid as a theme and may contact Mr. Clark. The discussion had touched upon climatic changes and Mr. McNamara asked that a paper he had received be distributed to the Directors for information. He also asked Mr. Chenery to ensure that scientific information of importance to the Bank be made available to management.

Mr. Broches reported that the committee on OPEC participation in the Bank had met but not decided on a formal work program. Mr. McNamara asked that the main issue to be addressed be the contribution of funds by OPEC countries to the Bank Group in whatever form that may take.

Mr. Chadenet reported that Mr. McNamara had met with the Executive Committee of the Staff Association. The Executive Committee was placed in a difficult position since it had agreed with management to reduce retirement age from 65 to 62 but then had been criticized for this agreement by its delegates. The meeting of the delegate assembly after the meeting with Mr. McNamara had been calm and reasonably constructive and the compensation package had not even been a main issue. Mr. McNamara said that he had emphasized that there will be no automaticity of salary increases in response to inflation and that there will be transition rules for the change in retirement age. He was concerned about the conflict between the interests of professionals and non-professionals as members of the same Staff Association.

AL
June 10, 1974

President's Council Meeting, June 17, 1974



Present: Messrs. McNamara, Knapp, Alter, Adler, Baum, Bell, Broches, Shoaib, Chadenet, Chaufournier, Clark, Chenery, Damry, Rickett, Bart, Kearns, Goodman

Mr. Knapp reported from a visit to Europe where he had attended the Annual Meeting of the BIS which had given some insights into the current thinking on European capital markets. He had visited London where he had made a speech containing a statement relating to the artificially low interest rates in developing countries which had raised some eyebrows. He had had a discussion with officials of the ODA and Treasury which had received the Bank's Five-Year paper and gave it very favorable reception on the basis of a first reading. In Paris he had met with Treasury officials and described some of the changes in the French administration.

Mr. McNamara said that during the same week he had met with several finance ministers and discussed with each one the Bank's Five-Year Plan. He asked that Messrs. Rickett, Shoaib and Damry canvass the Bank's Board as to views on the Five-Year Plan.

Mr. Knapp said that Bangladesh had accepted assuming a package of Bank loans formerly given to Pakistan on the terms of five years of grace, thirty years maturity and an interest rate computed as an average of the rates on the old loans. Mr. McNamara asked Mr. Goodman to give him a note on the rescheduling operation and the disputed amounts of loans to Pakistan. Mr. Knapp said that the press reports on the India consortium meeting had been wrong and Mr. McNamara said he would expect a note from Mr. Diamond upon his return stating the results of the meeting.

Sir Denis reported on the C20 meeting recently completed in Washington. Of particular relevance to the Bank was the technical group on transfer of resources which initially had been given a wide terms of reference which it had not been able to fully discharge. A new proposal had been floated for the establishment of a development council to continue the work on transfer of resources and other topics related to aid concerning the Bank and the Fund. Mr. Stern commented that the technical group had been too high level for technical discussions and too low for decisions.

In response to a question Mr. McNamara said there was little news on the progress towards a UN emergency fund. Mr. Prebisch would be returning to the U.S. shortly and Mr. McNamara estimated that the Fund would receive approximately $600 million for one year of operation.

The Bank had made good progress in negotiating borrowings with OPEC countries. Venezuela was committed to a package of $500 million for 1974 or up to 12 months, with the first $100 million in the form of an 8% loan over 10-12 years.

Mr. McNamara said that references to relation with OPEC countries, particularly as to offset borrowing, must be carefully worded in project documents intended for the Board. A case in point had been a water supply loan to Ecuador where he had asked that a paragraph describing offset borrowing activities be deleted on the grounds that it was too vague. Mr. Knapp maintained that Ecuador should not be a full offset country.

Mr. Chenery mentioned that the revised energy paper would be finished by the end of the week and comments were invited up to Friday afternoon.

Mr. Broches said that litigation under the procedures of ICSID may take place between Jamaica and the aluminum companies over the recent tax increases announced by Jamaica. He had given instructions to Messrs. Merriam and Clark as to what the press may be told.

Mr. McNamara said that Mr. Chadenet, as part of his work, would be available for special assignments requiring senior executive resources. He had headed a mission to Pakistan to survey the effects of the recent floods and could, for example, work on the negotiations between countries regarding the waters of the Euphrates River.

AL
June 18, 1974

President's Council Meeting, July 1, 1974



Present: Messrs. McNamara, Knapp, Alter, Adler, Baum, Bell, Chadenet, Chenery, Damry, Husain, Rickett, Weiner, Shoaib, Bart, Kearns, Merriam, Nurick, Wright, Gaud

Mr. McNamara said that the fiscal year 1974 had yielded excellent results in terms on the quantity and quality of Bank lending as indicated by a total of $4.5 billion of loans by the World Bank Group and a total of 174 projects for the Bank and IDA. He also commented on the dramatic readjustment process which had been subject of much discussion after the increase in oil prices. The Bank Group had been the source of much of the thinking on this subject, but he was still disturbed by the fact that there was little understanding by the United States and other Part I countries of the need to recycle increased oil revenues for the benefit of poor countries.

Mr. McNamara said that the revised paper on energy would be completed soon and scheduled for discussion on July 30. He asked the Regional Vice Presidents and others to read and prepare well for this discussion, and to raise any important points in advance.

Mr. Shoaib said that he was worried by the recycling problem and the risk of breakdown of the world monetary system. He suggested that the Bank proceed with its own work to make proposals to improve the situation. Mr. McNamara said that he was concerned that the United States had held down the Bank and Fund in terms of proposals for dealing with the effects of increased oil prices.

Mr. McNamara continued to compliment the staff for the good work performed in FY74. Bunching had been considerably reduced and he stressed the need to maintain the plan for Board presentation of projects in the first quarter of FY75. He felt that processing capacity probably exceeded the 196 projects planned for FY75 and encouraged the Regions to try for higher results. Price contingencies are often insufficient and they should be adjusted in planned projects. Mr. Baum pointed out that the projects currently under preparation are receiving adequate attention in this regard. Mr. McNamara stressed that he still was strongly opposed to financing cost overruns.

The Fourth IDA Replenishment would come to a vote in the House the following day. Mr. Merriam said that he had counted 170 votes for out of a probable 350 present. Mr. McNamara said that this was not a comfortable situation and, if the outlook was not good, then a vote would be deferred until after the July 4 recess which would bring the IDA Bill into competition with impeachment and appropriations bills for the House's attention.

Sir Denis Rickett reported that, following the notification by Canada and Kuwait, advance contributions would be available. The British, German and Japanese Governments were considering their contributions which could be made available by the end of July.

Mr. McNamara said that a meeting of aid administrators was apparently taking place in Stockholm, but without the participation of the World Bank, USAID, OECD or DAC. Otherwise it seemed to constitute the Tidewater group. He asked Mr. Chenery to obtain a report of the results of the conference from Mr. Haq who had participated in the capacity of LDC representative.

Mr. Adler said that the Swedish Government was apparently holding up notification of 4IDA pending news about possible actions in Vietnam. Mr. McNamara said that they should be quickly informed that the meeting on Vietnam had been postponed and, therefore, provided no obstacle to their notifying. He asked Sir Denis to handle this.

Sir Denis reported that the British were in support of the Bank's Five-Year paper and would probably propose an additional program after discussion in the Bank's Board.

Mr. McNamara said that Mr. Charles Cooper would replace John Hennessy at the Treasury.

There was a discussion of the Bank's creditworthiness criteria where Mr. Bell questioned them saying that they were probably too conservative, and Mr. Shoaib said that the staff does not understand the criteria well enough to explain to member countries. Mr. McNamara said that the Bank's management had not disentangled its thinking on creditworthiness.

AL
July 1, 1974

821/12/21



President's Council Meeting, June 24, 1974

Present: Messrs. McNamara, Knapp, Aldewereld, Alter, Baum, Bell, Shoaib, Chadenet, Chauforunier, Chenery, Clark, Damry, Gaud, Bart, Kearns, Nurick, Weiner, Schulmann

In view of the increase in interest rates with AA utilities selling at 10% in the United States, Mr. McNamara said that the Bank should probably take the opportunity to borrow $1 billion from Saudi Arabia which had been offered to be arranged over the next two weeks.

Mr. McNamara said that the preliminary results for the outcome of FY74 was a total of $4.5 billion if IFC was included with 174 projects for the Bank and IDA. Mr. Aldewereld added that his preliminary review had indicated that the FY75 pipeline of projects was more certain than had been the case in FY74.

Mr. McNamara said that the Fourth IDA Replenishment was due to come before the Rules Committee the following day and may go to the Floor of the House either on the Thursday of this week or the following Thursday. The Gold Amendment currently attached to the IDA Bill may be an asset or a liability, depending on how the debate goes.

The Bank had become involved in negotiations over Romania's old debts to the U.S. and U.K. One project had been placed before the Board and two were waiting to be sent forward. Mr. McNamara's inclination was to proceed with the two projects on the assumption that debt negotiations would not be an obstacle.

Mr. Chenery pointed out that, under the present conditions of high inflation, the concepts of ODA and grant element were becoming outmoded. Mr. McNamara said that rapid inflation supported the case for increasing Bank loans which, under current circumstances, were concessionary.

Mr. Clark reported that Mr. Prebisch had come back to New York without any firm offers for contributions to his special program. The closest to a commitment had come from the EEC which had spoken about $500 million if the U.S. and Japan were prepared to contribute the same amount each and if OPEC countries would add an additional $1.5 billion. This was unlikely. Mr. Clark felt that there would be disappointment and accusations towards the developed countries and international institutions for not contributing. Mr. McNamara said he was not as pessimistic but expected a small emergency program to result from Mr. Prebisch's efforts.

AL
June 24, 1974

President's Council Meeting, July 8, 1974

821/12/14



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

In the aftermath of House approval of the Fourth IDA Replenishment, Sir Denis reported that there would most likely be a Senate-House conference and that an amendment had been introduced to the effect that the United States should vote against loans to countries which acquiring nuclear capability, unless they sign a non-proliferation treaty. If one believed statements by Mr. Reuss on the House floor, notification could be immediate but this would not be likely to take place before the Administration has checked with Appropriations Chairmen.

Sir Denis also reported that German Development Minister Eppler had resigned the previous evening and that Mr. Egon Bahr had been appointed as his successor. Mr. Eppler had resigned over a cut in the German aid budget and this seemed to indicate a shift in German policy. The cable received from Mr. Eppler stating that Germany would make an advance contribution was unclear in that it specified that a substantial number of other countries must also be willing to do so. This may place Germany at the end of the queue. The U.K., Holland and Japan are all waiting for each other to act.

Mr. McNamara explained that the C20 had request him and Mr. Witteveen to prepare parallel resolutions to establish a joint committee dealing with a wide range of subjects including transfer of resources. He had met with Mr. Simon the previous Thursday and with Witteveen on Friday. The United States is of the view that the Committee should constitute itself early and have its formal meeting in the week of the Annual Meeting of the Bank and the Fund. A meeting of Deputies could take place the Sunday preceding the Annual Meeting. The United States has indicated that it would contribute nothing in financial terms but possibly food. On the other hand, it considers that the oil producers have an obligation to meet the needs of the most seriously affected countries. Mr. Simon would be leaving for the Middle East shortly and was planning to send a memorandum to donor countries. Latin Americans seem to favor the early establishment of the Joint Committee on the assumption that it would increase the chances of the realization of a link between SDRs and aid. Mr. McNamara said that the objective of the Bank should be that the developing countries receive as much aid as possible on favorable terms and, secondly, that there should be an orderly recycling of oil revenues.

The United States wished to cancel the meeting of the Technical Committee on the Transfer of Resources August 12-14. It had been agreed in C20 that the Bank would give the Committee its July energy paper. The Committee would then refer it back to the Bank and Fund, recommending action.

Mr. Clark asked what relation all of this had with the Prebisch Committee. Mr. McNamara said that it was largely unrelated. Mr. McNamara said that it was possible that the UN effort would result in a $500 million contribution from the EEC. The U.S. had made no commitment. Mr. Benjenk added that Mr. Cheysson had said that the EEC has drafted language to allow the Bank to be the disbursing agent for the EEC funds which will possibly be channeled through the UN.

Mr. McNamara asked Mr. Chenery to obtain a summary of the amounts committed by the EEC and others to the UN fund, including contributions from oil producers. Messrs. McNamara and Witteveen would attend a meeting and lunch with Mr. Waldheim on July 15 in New York to discuss the UN effort.

Mr. Knapp said that in view of the fact that the U.S. was planning to contribute food the Bank should know more about the conditions for approving contributions of PL480. Mr. McNamara asked Messrs. Clark and Nurick to investigate the rules for PL480.

Mr. McNamara said that the United States was resisting approval of the Five-Year Program for the Bank Group. The main reason given was that it would advance the date on which a capital increase would be necessary, since the U.S. would not feel able to participate.

Mr. McNamara had met with underwriters in New York on July 3 and they had told him that it would be quite possible to raise $1 million per year in the U.S. market for the Five-Year Program as proposed. They had urged that the Bank maintain higher liquidity. Most of the underwriters had also felt that the lending rate should be increased and that the Bank should continue not participating in debt rescheduling.

Mr. McNamara said that PC members should read the energy paper to be issued the following day. He said he would like to get together with Mr. Adler to set up a mechanism for projecting ODA commitments and disbursements by Part I countries. He felt that the Bank is overstating what is happening in 1975 to 1976. ODA disbursements necessary to maintain a reasonable growth rate in developing countries will increase to $30 billion per year by 1980. An increase in commitments must be made much earlier and Part I countries must be made to understand this.

Mr. McNamara said that the United States was considering recommending holding future Bank lending to FY75 levels in current terms. He asked Messrs. Damry and Nurick to work out an extension of commitment authority to allow for delay of the budget discussion. He asked Mr. Ljungh to draft a covering memorandum to the energy paper.

Mr. Nurick noted the soft U.S. position in response to Jamaica's increasing bauxite taxes. The United States had not opposed loans to Jamaica in the World Bank. Mr. McNamara did not believe that this was a general softening of U.S. policy.

AL
July 10, 1974

B 812/12/15



President's Council Meeting, July 15, 1974

Present: Messrs. McNamara, Knapp, Alter, Chenery, Kearns, Chaufournier, Wiener, Bell, Baum, Husain, Clark, Adler, Benjenk, Chadenet, Rickett, Broches, Cargill, Shoaib and von Hoffmann

Mr. McNamara said he would be meeting that day with Secretary General Waldheim in New York and subsequently dining with Prime Minister Williams of Trinidad and Tobago.

Mr. McNamara asked Messrs. Alter and von Hoffmann to coordinate closely in dealings with Chile and to keep Mr. Knapp and himself fully informed of plans for operations there.

An article had appeared in the German Handelsblatt saying that the Bank was attempting to mop up large quantities of oil revenues and putting into question the wisdom of planning for more than two years. The material most likely came from the German Government. Mr. McNamara commented that German aid had been cut, over which Eppler had resigned; the same was happening with the US aid commitments, which was very unfortunate in times of inflation, and was bound to result in a decreasing ODA as a percentage of GNP over the next few years.

Mr. McNamara said that his Governor's speech for 1974 was underway and he had asked Messrs. Chenery and Clark to review outlines.

Drafts for the charter of the Development Council of the Bank and Fund were being circulated and he asked Messrs. Broches, Knapp and Kearns to address themselves to this question.

Discussions about the elections of Executive Directors had led to the risk of a decrease in the number of African or Latin American Directors and possibly a suggestion for creation of a 21st seat on the Board in order to stave off conflict at the Annual Meeting. Mr. McNamara asked that the Bank management take the firm position that there should be three African and three Latin American Directors, that there should be no 21st seat created, and that everything possible should be done to keep Spain within the group it is currently in, to avoid a shifting of countries between groups.

Mr. McNamara asked Mr. Adler to prepare a short note of alternative ways of getting the 5-year program of the Bank approved, consistent with the views of the US and Germany that it should only be a two-year program. Secondly, he asked Mr. Adler to prepare a paper on split interest rates.

Mr. McNamara mentioned that he would be visiting Libya starting August 6 and subsequently Venezuela during the same month, accompanied by Mr. Cargill.

AL
July 15, 1974

821/ 12/16



President's Council Meeting, July 29, 1974

Present: Messrs. McNamara, Knapp, Alter, Adler, Broches, Cargill, Chadenet, Chaufournier, Chenery, Clark, Damry, Rickett, Weiner, von Hoffmann, Kearns, Lejeune, van der Tak, Votaw, Wapenhans

Mr. Cargill reported that and Mr. McNamara would be visiting Libya and Venezuela in the coming two weeks. In Libya the topics of discussion would be borrowing by the Bank from Libya and the possibility of Libya participating in a capital increase. In Venezuela negotiations had advanced quite far regarding a loan of $500 million to be drawn in two tranches with an interest rate of 8%. The interest rate was important in view of its influence on future negotiations with other lenders. The question of denomination had raised some problems. Initially the Bank had asked for a maximum of 5%-10% to be denominated in bolivares. Now the Venezuelans wanted 20% and the Bank may agree to that, if it is understood that future borrowings will be in dollars.

Mr. McNamara said that the following day the Five-Year Program would be discussed in the Board. The U.S. would be opposed to approving a five-year program on the basis that it is impossible to plan for such a long time under present uncertain circumstances. Language would be prepared to deal with less than full approval. Mr. McNamara emphasized that the Bank needs a five-year program whether it be approved by the Board or not. He urged members of the President's Council to be present at the Board discussion but felt that not many staff in addition would be needed.

Mr. McNamara passed around the draft of his 1974 Governors speech and asked the PC members read it carefully and give their comments by August 2. Regional Vice Presidents and Mr. von Hoffmann need not spend a great amount of time on it. There was some discussion about the assumptions and consequences of various statements in the speech.

Mr. McNamara said that there had been a number of unfortunate leaks lately of the Bank's Five-Year Program paper and the paper on Prospects for Developing Countries. He emphasized that there must be an understanding with the staff and with member governments that the Bank documents are not for distribution to the press. He asked Mr. Chadenet to form a committee, consisting of himself and Messrs. Cargill, Broches and Clark, to propose how this problem can be dealt with.

AL
July 29, 1974

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

# OFFICE MEMORANDUM



TO:

DATE: August 5, 1974

FROM: Michael L. Hoffman MLH

SUBJECT: Notes on President's Council Discussion on August 5 - Consultative Group on International Agricultural Research



The President called attention to the meetings last week of the Consultative Group on International Agricultural Research, the Directors of the various International Centers and the Technical Advisory Committee. He said he was impressed with the quality of the presentations by the Center Directors and felt that this Group was on increasingly solid ground. It started with only two going Centers and two in the process of development but was now financing nine and an important new activity in the shape of the Genes Board which would be responsible for preserving valuable characteristics of forms of plants that might otherwise disappear. Many characteristics such as disease resistance were stronger in wild strains than in milder ones. The Group is now raising nearly $50 million a year, very sizeable operation. It has been adding new donors. The TAC endorse three new activities; a Middle East Research Center to be located in Lebanon/Syria with branches in either Iran, Tunisia or Algeria. It will clearly be necessary to mobilize some oil money if this Center were to develop to any extent, and there is also a proposal for a good intelligence system which he thought was likely to have to depend on foundation support; and a fertilizer research network based on some facilities of the U.S. Tennessee Valley. He commended the work of Messrs. Baum, Graves and Cheek for making the CGIAR an effective instrument for development.

Mr. Hoffman mentioned the fact that Iran is expected to become a donor very shortly and will be prepared to support not only the Middle East center but the world wide program of the Group.

Messrs. Knapp, Alter, Adler, Baum, Broches, Chadenet, Chaufournier, Damry, Gaud, Hoffman, Lejeune, Stern, Votaw, Wapenhans and Weiner.

President's Council Meeting, August 12, 1973

Present: Messrs. McNamara, Knapp, Schulmann, Kearns, Stern, John King, Gaud, Lejeune, Alter, Rotberg, Damry, Broches, Hoffman, Thalwitz, Votaw, Wapenhans, Diamond

The Venezuelan bond issue in the amount of $500 million is settled except for Cabinet approval which is expected today or tomorrow. Mr. Broches was asked to follow up.

There was a discussion of pricing of the 2-year Central Bank bond issue. The current spread between Treasuries and Agency bonds is exceptionally high. Probably Treasury best guide. Libya agreed to borrowing ($300 million) in principle. Discussions will follow. Libya would like technical assistance; Peter Cargill will be point of contact.

EStern

August 12, 1974

President's Council Meeting, September 9, 1974

Present: Messrs. McNamara, Knapp, Alter, Adler, Baum, Bell, Benjenk, Broches, Cargill, Chadenet, Chaufournier, Damry, Rickett, Weiner, Shoaib, von Hoffmann, Merriam, Stern, Wiehen

The Development Committee would be discussed by the Board the following day. Mr. McNamara asked for a meeting immediately after PC to discuss the outlook. The Bank had circulated a draft resolution which was the basis for discussion. The U.S. had suggested extensive amendments. The Boards of the Bank and Fund would be ill-prepared to consider the issue. Of particular importance was the degree of independence of the Secretariat and the appointment of a head of the Secretariat.

Mr. Knapp said that technical problems had arisen during the filling of the Tarbela Dam reservoir which was now being emptied to examine damage to tunnel entry gates. A meeting had been convened for the end of September to discuss action. Mr. Weiner said that Messrs. Melmoth and Howell are responsible in the Bank. Mr. McNamara discussed the issue briefly with Messrs. Knapp and Baum after the PC meeting.

Mr. Knapp said that briefings were being prepared for the Annual Meeting and there were no great operational issues envisaged. The Development Committee, the Fourth IDA Replenishment and the election of Executive Directors would be the main issues.

Sir Denis reported on 4IDA that the bilateral aid bill was held up in Congress over the conflict between Greece and Turkey. The Administration would have to consult directly with Congress on the IDA Bill. U.S. contribution may not be available until March 1975. Advance contributions were expected to last until February 1975.

Mr. McNamara asked for a memo from Sir Denis in preparation for his lunch with Secretary Simon the following Wednesday. The memo should state what Mr. McNamara should say publicly at the Annual Meeting on the subject of 4IDA. Mr. Merriam added that President Ford was likely to address the Annual Meeting which would provide some leverage for passage of the Bill.

Mr. McNamara said that $500 million had been successfully obtained from Venezuela but that relations with OPEC countries was still a major problem. He reminded Mr. Alter of the Bank's obligations to provide technical assistance to Venezuela, particularly for the national investment fund which was being established and was expected to lend $4 billion in the coming year. Mr. Kearns would help the fund get organized. Mr. McNamara said he would do anything reasonable to provide Venezuela with the assistance necessary.

Mr. Shoaib reported from his visit to the Middle East that oil countries were on the defensive. They were suspicious of foreign bankers of which there were many. The Arabs feel accused of causing the oil crisis and do not appreciate advice on how to invest their money. Conversations had led to hours of talk about their grievances, for example regarding World Bank lending to Israel. Saudi Arabia, which is the key country, is favorably inclined but slow in making decisions. It is likely that the Bank could borrow $1 billion there. Kuwait would be second in importance and there relations have been strained due to the fact that the Annual Meeting is placed in the month of Ramadan which prevents Finance Minister Ateeqy from coming to Washington. Abu Dhabi will follow the most conservative country of Saudi Arabia and Kuwait. Qatar has not yet been approached for financing.

Mr. McNamara asked Messrs. Shoaib and Damry to work with the Fund on the timing of the 1975 Annual Meeting to avoid Moslem holidays if possible. He asked Mr. Shoaib to reread the section of the Annual Meeting speech concerning OPEC.

Mr. Stern reported on the UN Emergency Fund. The UN had issued a list of 28 most seriously affected countries and decided that the definition of concessional funds would be those which were quick disbursing and with a grant element of at least 25%. The EEC criterion for 1/5 matching of funds seemed to be fulfilled. OPEC commitments are large in 1974, amounting to some \$3.5-\$4 billion. The outlook for UN efforts is uncertain and no work has yet been done on the long-term fund which was to be started early 1975.

Mr. Knapp said that Mr. Marei's proposal for a food fund was not receiving extensive support.

Mr. Cargill reported that the central bank bond issue which closed on August 26 had been oversubscribed to \$294 million above the total amount of \$200 million. The interest rate was 9%. Saudi Arabia had subscribed to \$50 million and had been allocated \$30 million. The U.K. had subscribed to none.

Mr. Benjenk said that during a recent visit to Egypt the officials there had been upset about the Bank's attitude in negotiations on the Suez Canal loan and the Bank had been accused of obstructing enlargement of the Canal. The issue seemed to be settled but Mr. McNamara asked Mr. Benjenk to draft a cable to Mr. Hegazy for his signature.

AL
September 9, 1974

821 (12/20



President's Council Meeting, September 16, 1974

Present: Messrs. McNamara, Knapp, Alter, Adler, Baum, Bell, Benjenk, Broches, Cargill, Chadenet, Chaufournier, Stern, Clark, Damry, Husain, Rickett, Weiner, Shoaib, Qureshi

Mr. Clark reported from the UN Population Conference in Bucharest where he had led the Bank delegation. The outcome of the Conference was a victory for those developing countries which advocated economic and social development as the main remedy to the population problem and which accused developed countries of advocating family planning schemes as a means of dominating the third world. The Vatican and Argentina had lobbied successfully to remove the important clause concerning access to family planning from the draft resolution. Mexico had lobbied among Latin American countries for family planning. There had been great solidarity in voting among countries of the Group of 77. The net result had been a serious set-back for the programs of UNFPA and IPPF. Mr. Clark said he had been appalled by the bad organization of family planning institutions and by the patronizing attitude of the mostly white anglosaxon representatives of those institutions.

Mr. McNamara wondered why the reply had not been given to the opponents of family planning that, in the case of countries such as India and Bangladesh where economic progress would be slow, there is no alternative to a family planning program. He asked that Mr. Clark check how India, Indonesia, UAR and Bangladesh voted on the resolution. In conclusion he felt that the conference had been a major political event in the spirit of the special UN General Assembly.

Mr. McNamara said that Mr. Anwar Ali of Saudi Arabia would be arriving in the Bank that week and that there were plans to negotiate a loan of the order of magnitude of $1 billion.

Mr. McNamara said that an article by Mr. Hirsch in the New York Times on Chile had implied that the US has veto power in the Bank and that the Bank was a tool of the United States in overthrowing Allende. He emphasized that it is necessary to show that the Bank was not involved in the downfall of Allende and is not dominated by the United States. He asked Mr. Clark to contact Mr. Hirsch. He had also noticed that Le Monde had carried several articles critical of the Bank. He asked Mr. Clark to contact Le Monde as well.

AL
September 18, 1974

President's Council Meeting, September 23, 1974

Present: Messrs. McNamara, Knapp, Alter, Adler, Baum, Bell, Benjenk, Cargill, Chaufournier, Clark, Damry, Husain, Rickett, Weiner, Shoaib, von Hoffmann, Nurick, Stern, Twining

Mr. von Hoffmann reported that Finance Minister Ateeqi of Kuwait had said in a conversation that his intent was to make chiefly equity investments and that IFC could help Kuwait in third countries in this regard. There had been some bitterness about Egypt turning down a cement plant project proposed by Kuwait.

Mr. Damry reported that groupings of countries were likely to stay approximately the same in the Bank's election of Executive Directors. South Africa was as of the present left out and would be represented in Washington by a resident representative with ambassadorial rank. Some six Directors were likely to be replaced.

Mr. Benjenk said that Foreign Minister Soares of Portugal had visited Mr. McNamara to discuss possibilities of Bank assistance to Portugal after the political change. Mr. McNamara had explained the reasons for the Bank not lending and said that Bank assistance would be possible if economic policies were progressive. Mr. Benjenk would go to Portugal in the near future to prepare for a subsequent economic mission.

Mr. Clark said that the Bank's Annual Report was now public and had been reviewed in several papers which had called it gloomy.

Mr. McNamara asked about the prospects for more U.S. food aid. Mr. Stern said that apart from President Ford's intervention at the UN the previous week there were no firm plans for an increase and that increases, if any, would come in the form of higher value but not volume since prices had increased.

Mr. McNamara said that the Bank's projections of oil prices had been largely vindicated, since prices have drifted slowly downwards since January due to the reduction in spot prices.

Mr. Stern reported that the Development Committee resolution had meet the approval of the Fund Board and was being sent to Governors of the Bank and Fund.

AL
September 23, 1974

821/21/22 File



President's Council Meeting, October 2, 1974

Present: Messrs. McNamara, Adler, Baum, Bell, Broches, Cargill, Chaufournier, Chenery, Damry, Husain, Rickett, Shoaib, Weiner, Hoffman, Stern

Mr. McNamara had convened the meeting to discuss points to be included in his closing remarks at the Annual Meeting. Mr. Hoffman was asked to provide a revised draft.

AL
October 2, 1974

821/12/23



President's Council Meeting, October 8, 1974

Present: Messrs. McNamara, Alter, Adler, Baum, Bell, Benjenk, Cargill, Chadenet, Chaufournier, Chenery, Clark, Damry, Husain, Weiner, von Hoffmann, Kearns, Nurick, Clarke

Mr. Chadenet reported from his visit to Tarbela. During the filling of the dam, a gate had jammed, which in turn had led to damage to the tunnels and the dam had had to be emptied to permit assessment of damage. The basic cause seems to be failure to secure bolts which held rails for the dam gates. The cost of repair would be in the range $40-$60 million. The production loss of wheat in the area downstream would cost Pakistan between $150 million and $600 million. Repairs could probably be completed by July 1975. President Bhutto had ordered that no time was to be wasted on allocating the blame.

Mr. Clarke described the situation as to inflation and possible salary increases. Last year's increase in November had been 4.4%. At that time food had risen by 13% over the last six months. Currently the over-all inflation had been 6.2% over the last six months but this was not as extraordinary as the previous year, particularly since food had not been an outstanding item. Arguments for an increase would be the protection of staff against erosion of real income and the expectations which had already built up within the staff. These arguments applied particularly to lower-paid staff. On the other hand, for lower-paid staff, comparison must also be made to the U.S. Government where only 5% increase had been granted recently. Mr. Clarke recommended that there be no increase at the present time and that this be explained carefully to the staff. If an increase were judged necessary, he recommended 6.2% to be tapered at higher incomes.

The Fund was proceeding to plan for a 6.2% increase and its administration committee was meeting the following Thursday. Mr. McNamara asked that, before there was a meeting of the Bank's Compensation Committee, he receive data on the actions and policies of other organizations. He commented that the Bank should not have an overly privileged staff but it must pay adequately to attract and keep competent individuals.

October 9, 1974

821/22/24



President's Council Meeting, October 14, 1974

Present: Messrs. McNamara, Knapp, Alter, Bell, Benjenk, Cargill, Chadenet, Chaufournier, Damry, Husain, Shoaib, Weiner, von Hoffmann, Stern, Hoffman, Kearns, Nurick, van der Tak, Sommers

Mr. Sommers introduced the discussion on communications within the Bank by saying that there is definitely dissatisfaction among the staff with the vertical communications. He proposed three general lines of action. First, management at all levels must give priority to communications and the top management must set an example for others. Second, there must be better awareness of responsibility for communications in assigning persons to positions in the Bank. Third, there must be more clear assignment of responsibility for communications. He proposed that Mr. Chadenet be responsible for communications as a part of management and that Information and Public Affairs Department be responsible for written information material.

Mr. Sommers said that it is not possible to get good results if communications procedures are imposed from the top. It may be worthwhile establishing advisory groups at a lower level.

In response to Mr. Knapp's questions, Mr. Sommers said that the report had been distributed to quite a number of people and he felt that it should be distributed among managers from division chiefs up.

Mr. Benjenk said he had tried an internal press conference the previous week which had been quite successful. He and several others emphasized that communications is a management responsibility.

Mr. Chaufournier said that while previously managers had been selected on the basis of technical competence it was now necessary to put more emphasis on ability to communicate. He also said that the programming and budgeting exercises in the Bank seemed to the staff to place undue emphasis on speed and performance in completing programs. Mr. Cargill agreed that in budget discussions there were considerable problems in communicating the philosophy of budgeting to the staff of the Bank.

Mr. McNamara emphasized that the Bank exists only to the extent that it can serve the purposes of development. There must be specific objectives and means of monitoring their fulfillment. He advocated greater independence for managers to take on their own decisions.

Mr. Hoffman said that Board discussions should be better reported to the staff. Mr. McNamara asked Mr. Chadenet to look into this.

Mr. Kearns said that policy decisions are not adequately communicated to the staff. This should be made a standard practice.

Mr. von Hoffmann said that, although IFC is small and therefore communications are reasonably easy, horizontal communications among persons doing similar work is poor. Also IFC has an identity problem in relation to the Bank which threatens morale. Finally, the awareness of cost constraints is not widespread among senior IFC officials.

Mr. Alter said that more should be done to communicate to the staff the essence of policy issues. He named Chile as an example. Mr. McNamara asked that any upcoming policy issues which may need discussion with the staff be brought to Mr. Chadenet's attention.

Mr. Knapp said that horizontal communications are important and advocated a newsletter. It was agreed that this, however, should not substitute for direct communication.

Mr. Chadenet said that it was important to realize that it is middle management responsibility to communicate, not that of top management, since they would have only limited time to devote to this activity.

Mr. McNamara summarized by making Mr. Chadenet responsible for communications in the Bank drawing on Information and Public Affairs when necessary. There would be quarterly discussions of status of communications with the next report and discussion due about the 15th of January, 1975.

On another subject, Mr. Chadenet reported that the paper by Mr. Kearns on streamlining of Board procedures would be taken up by a committee under Mr. Sommers.

AL
October 15, 1974

821/12/25



President's Council Meeting, October 21, 1974

Present: Messrs. McNamara, Knapp, Alter, Adler, Baum, Bell, Benjenk, Cargill, Chadenet, Chenery, Husain, Weiner, Shoaib, von Hoffmann, de la Renaudière, Hoffman, Kearns, Nurick, Fowler

Mr. McNamara had asked Mr. Chadenet to distribute a paper on the Personnel Review for discussion at the meeting.

Mr. Clarke introduced by saying that the new proposals were mainly a system for defining and monitoring personal job objectives, a separation in time between performance review and merit increases, change in the role of second-line supervisors in the evaluation process and a proposal to establish salary increase for exceptional performance as twice that for fully satisfactory performance. Also there was a proposal for annual reviews of performance on the anniversary date of appointment.

Most PC members spoke and the consensus seemed to be that:

1. Job objectives were difficult to formulate but an attempt should be made to implement that suggestion.

2. A separation in time between performance review and merit increase was seen as advantageous from the point of view of workload on supervisors.

3. There was considerable discussion about how the merit increase should be structured in order to give incentive to the best performers to stay and a disincentive for the worst.

In addition there were suggestions that the performance review should be biannually, at least for senior staff, and that there should be procedures for moving managers away from positions which they had held for some time if they are not qualified for further promotion so as to provide room for promotion of others.

In a meeting later with Messrs. Chadenet, Clarke and Kearns, Mr. McNamara decided that the Bank should benefit from the advice of someone with experience from personnel management from other large nongovernmental organizations. It was agreed that Mr. McLaughlin of McKinsey & Co. should be asked to review the Bank's statement on Personnel Performance procedures and the merit increases. Particularly he should address himself to the extent to which other organizations give as much as 95% of their staff regular merit increases and to what extent the Bank's system allows it to identify the best performers and the worst and to act to move them in desired directions.

AL
October 21, 1974

President's Council Meeting, November 4, 1974

Present: Messrs. McNamara, Knapp, Alter, Adler, Baum, Bell, Broches, Chadenet, Chenery, Clark, Husain, Shoaib, Qureshi, Diamond, Fowler, Kearns, Paijmans, Wright

Mr. McNamara said that the Bank's negotiations with Saudi Arabia regarding a major loan had been set back by the unfortunate heart attack of Mr. Anwar Ali.

Mr. Baum reported from the previous week's meetings of the CGIAR that total pledges now amount to $46 million compared to budget needs of somewhat over $45 million for 1975. The increase in the following year would be some 30%. There had been support and pledges from Arab countries. So far the Asian Development Bank and Japan had not contributed as had been hoped and Mr. McNamara commented that contributions from Japan may be a year away. He asked that Regional Vice Presidents pay attention to the national linkages of CGIAR institutes which need developing.

Mr. Baum said that the group had decided against support for a food institute. Mr. McNamara said that the Ford Foundation was planning to go ahead with the institute anyway at an annual cost of $1 million. He saw it as a useful focal point for thinking similar to the Institute for Strategic Studies.

Mr. Baum said that there had been a decision to go ahead with the Middle East Research Center but that no oil country had made a firm pledge as yet. Several had said that they would provide financial backing only if the center were located in that country. Mr. Baum stressed that there would be no further discussion of the location but that would be determined by the Secretariat. Mr. McNamara said that he felt strongly that the Bank should take the position that there would be no center if OPEC countries do not contribute money.

Mr. McNamara asked Mr. Baum to follow the debate in the World Food Conference in relation to CGIAR and report back to PC. Mr. Baum said that the Board would probably wish to have a report on the World Food Conference as a whole.

Mr. Chenery reported from a meeting on population research where it had been apparent that there would be a reduction of funds devoted for this purpose and a demand by financing institutions for more stringent priorities. He felt that the Bank had already gone a long way in this regard. Mr. McNamara said that monitoring of projects in order to obtain data and feedback on results was a very important task and he asked that Messrs. Baum and Chenery work on guidelines for the Bank's work.

Mr. McNamara said that he would be visiting Syria, Jordan and Turkey in the period November 9-21. Mr. Knapp would be in charge except for a short period when both would be absent, where a special arrangement would have to be made.

Mr. McNamara said that there had been a serious slip during the last month in the FY75 program and asked Regional Vice Presidents to ensure that this does not continue to threaten success of FY75.

Mr. McNamara said that there had been discussions about the Bank's assistance to India in a difficult situation and that Sir John Crawford had agreed to examine the problem and report orally and in writing before Christmas in preparation for a discussion with Finance Minister Subramaniam in January.

AL
November 4, 1974

821/12 b7



President's Council Meeting, November 18, 1974

Present: Messrs. McNamara, Alter, Adler, Baum, Bell, Broches, Cargill, Chadenet, Chenery, Shoaib, von Hoffmann, Diamond, Fowler, Hoffman, Kearns, Merriam, Paijmans, Wiehen, Yudelman, Wright

Mr. Hoffman reported from the World Food Conference that there had been an obvious split in the U.S. delegation with Senators openly holding a position different from the Administration. In summary, however, the outcome of the Conference had been very much as proposed by Mr. Kissinger in his speech.

First, there had been a decision to establish an international fund for food production. The resolution had been sponsored by OPEC countries. The fund would be operational when the UN Secretary General finds that it has enough additional aid money and is able to operate for some time. Mr. Hoffman commented that the problem is that 85% of the need is in South Asian countries and a large portion of the production is in a small number of industrialized countries. The Secretary General will be calling for a pledging session. There had been no mention of the need in terms of amounts per year. The resolution provided for disbursement through the World Bank and regional banks.

Second, there had been established a World Food Council to be named by ECOSOC and staffed and supported by the FAO. A Secretary General, separate from the FAO management, would be selected. It had included the Soviet Union which is not a member of FAO. Under the World Food Council there were provisions for, first, a world food security committee, to be established by the FAO council, a food aid coordinating body, and finally, a consultative group on food production and investment. The latter would be formed by the joint efforts of the World Bank, FAO and UNDP. Mr. McNamara asked that Messrs. Hoffman and Yudelman provide him with a paper suggesting how the consultative group should be formed. He also asked that Mr. Hoffman send a draft cable for him to sign, congratulating Mr. Marei on his accomplishment as Secretary General of the Conference.

Mr. Hoffman mentioned that Mr. Amouzegar had sponsored a sensible resolution on a connection between population and resources which had been supported by a large number of developing and developed countries. There had also been a number of other resolutions, several of which had not been finished by the time he and Mr. Yudelman had left.

Mr. McNamara said that Mr. Kissinger had made an important and interesting speech in Chicago the previous week and asked that Mr. Hoffman distribute it to the President's Council. Mr. Simon would be holding a speech that day, discussing among other things how recycling could be performed.

Mr. Chenery reported on his cooperation with the U.S. Project Independence. The U.S. seems to be moving away from the pure strategy of reduction of oil prices and the work of Project Independence staff shows that a \$7-\$8 equilibrium price for oil up to 1980 seems to be reasonable in view of the relation to cost of alternative sources of energy. He also mentioned that Brookings would be holding a meeting on short-term adjustment problems.

Mr. Baum said that the Board Seminar on non-formal education had been held the previous Thursday. Mr. Sethness had taken all opportunities to promote the view that the Bank should not lend for education until it knows better how. Messrs. McNamara and Baum strongly disagreed with this view in education as in other sectors where the U.S. had expressed similar opinions.

Mr. McNamara gave some impressions of his recent trip to Syria and Jordan and, in particular, commented on the large human resource base of both countries.

Mr. Broches said that several Directors had raised questions on the Bank/Germany cooperation agreement which had been sent for information. Second, there had been discussion of the Bank's policy on local-cost financing. Mr. McNamara said that a paper would have to be prepared on the subject although it had been discussed by the Board before.

AL
November 18, 1974

821/12428



President's Council Meeting, November 25, 1974

Present: Messrs. McNamara, Adler, Alter, Baum, Broches, Chadenet, Chaufournier, Chenery, Shoaib, Kearns, HAdler, Diamond, Fowler, Hoffman, Goodman, Kirmani, Paijmans

Mr. McNamara said that the Financial Policy Paper which was due to be distributed to the Board on December 10 was very important and he asked that the members of PC discuss it with him on December 4 at 10:00 a.m. He asked that the paper not be distributed beyond the PC, since several tentative and sensitive proposals were made there.

Mr. McNamara commented on the extensive slippage of projects at the end of the first half of FY75 and asked the Regional Vice Presidents to give this particular attention.

Mr. Broches reported that there had been no opposition to the draft German Cooperation Agreement circulated among Directors.

Mr. Chadenet reported that from Tarbela there was still uncertainty whether it could be repaired in time and new problems had arisen.

Mr. Chaufournier reported from a trip to West Africa that there were encouraging signs of rehabilitation of agriculture after the drought. He also commented on the strong support the Bank was receiving in West African countries. During his visit to Lagos, the Nigerian Government had agreed to loan the Bank amounts corresponding to Bank loans to that country and to take up a capital increase.

Mr. Chenery reported that there would be two seminars that week at the Brookings Institution, one on oil adjustment and the other on inflation. Experts were in agreement that governments are reinforcing economic troubles through bad policies.

AL
November 26, 1974

President's Council Meeting, December 2, 1974

Present: Messrs. McNamara, Knapp, Adler, Alter, Baum, Benjenk, Broches, Chadenet, Chaufournier, Clark, Husain, Shoaib, Weiner, von Hoffmann, Kearns, Stern, Gabriel, Kirmani, Kanagaratnam, Fowler, Rotberg

Mr. Knapp reported from his visit to Africa where he had attended the Tenth Anniversary of the African Development Bank. He had visited the Ivory Coast and discussed the cement plant project where there was agreement that sponsors need to be changed. In Niger he had found the President able and sensible. There were signs of agricultural rehabilitation. In Nigeria he had received a very cordial welcome from top Government officials and discussed lending and borrowing programs. There were problems with project execution but an encouraging shift in investment towards agriculture and transportation supporting it. Nigerian officials had been enthusiastic of the idea of joint financing with the Bank.

Malawi is a favorite child of the Bank but increasingly run as a family farm. The President is keen to proceed quickly with a very large forestry project about which the Bank may have reservations.

In Kenya he had discussed a program loan and projects for food production. The project pipeline this year is large and will require substantial work. Mr. Husain added that the East African Community is not working well and the agreement reached between the Bank and the member Governments is falling apart.

In Paris Mr. Knapp had met with Mr. de la Rosiere, Head of the French Treasury, who had shown himself very sympathetic to the Bank.

Mr. Rotberg reported on an upcoming record-size issue of $500 million to be discussed by the Board the following day. $300 million would be for five years at an estimated cost of 8.27%, and $200 million for 10 years at an estimated cost of 8.43% for a total of 8.35%. The pricing would take place Tuesday, December 10.

Mr. McNamara said that the total of Bank borrowings over the present fiscal year would be likely to exceed the borrowing program. Mr. Rotberg added that there was a promise from Nigeria to provide $240 million and a borrowing from Trinidad & Tobago to be discussed the following day.

Mr. Shoaib reported that the Saudi Arabian Government had agreed to lend the Bank $750 million at 8-1/2% for ten years. Mr. Cargill will be signing the issue on his arrival in Saudi Arabia.

Mr. McNamara said that advancing borrowing as would be the case through these large operations may be quite advantageous in that there would be no cost but instead in fact a gain from reinvesting these borrowings short-term. The crucial issue would be whether the borrowing rates would decline at a later date.

There was a brief discussion of the Population Progress Report where Mr. Benjenk asked if there had been experiments with financial incentives in population programs. Dr. Kanagaratnam said that small schemes were underway in India and Singapore but the Bank had not been involved. Mr. Kirmani asked for a broader discussion of delays in Bank projects. Mr. McNamara said that delays and evaluations are problems which are understated in the report. He said that he, Mr. Knapp, Mr. Baum and Dr. Kanagaratnam would discuss the report in more detail at a future date.

AL
December 2, 1974

# Record Removal Notice

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| File Title | Barcode No. |
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| December 9, 1974 | Minutes |

**Correspondents / Participants**

**Subject / Title**
President's Council Meeting, December 9, 1974

**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.

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| Shiri Alon | 24-Feb-17 |

President's Council Meeting, December 16, 1974

Present: Messrs. McNamara, Knapp, Alter, Baum, Bell, Benjenk, Chadenet, Chaufournier, Chenery, Clark, Damry, Husain, Shoaib, Weiner, von Hoffmann, Gabriel, Nurick, Kearns, Schulmann, Rotberg

Mr. Rotberg reported that the Bank's recent bond issue was trading favorably in the New York market and had apparently been correctly priced. \$20 million were left unsold. One underwriter had sold \$100 million. The funds would be received January 9. Mr. McNamara welcomed the results and asked that the statement by one of the underwriters that the Bank had raised \$2 billion of the bond issues in the U.S. each year should be put in writing and filed.

The Saudi Arabian issue of \$750 million had been signed by Mr. Cargill according to Mr. Shoaib. The King's Council was due to act on the matter shortly and The King had announced at the signing that it was Saudi Arabia's duty to contribue to development.

Mr. McNamara said that the Financial Policy paper was an important document which all PC members should read and know. In particular it was important to understand that the \$260 million income objective for the end of the decade was computed as the necessary income to guard against certain contingencies.

Mr. Knapp said that the U.S. was hedging on the currency permission for the offset loan from Nigeria which, in itself, was a formality. The reason was that the U.S. was opposed to the Bank borrowing there. In a discussion with Mr. Cooper, Mr. Knapp had received the U.S. views on offset borrowing. The U.S. had requested that no more offset operations be completed before the discussion of the Financial Policy paper January 21, 1975.

Mr. Knapp had given the conventional argument that offset borrowing corresponds to an equivalent amount of lending by the Bank. The U.S. had argued that, when an OPEC country lends funds to the Bank, it is in fact only a transfer from holdings of Treasury Bills to holding of Bank bonds and does not burden that country's foreign reserve holdings. On the other hand, it gets an additional loan from the Bank. The discussion had been inconclusive and Mr. Knapp had initiated a paper meeting these arguments which would be handed to the U.S. He said that the U.S. may not oppose the Nigerian operations, however. Mr. McNamara asked Messrs. Shoaib, Damry, Gabriel and Cargill to give thought to this problem well in advance of the meeting January 21. Mr. Knapp added that the U.S. was favorably inclined to buy-back operations, although in principle there was no difference.

Mr. McNamara asked Mr. Schulmann to analyze the reasons for the FY75 loans of the Bank exceeding the program by \$1 billion, although there had been no increase in the number of projects. He asked for a note to be sent to himself, Mr. Knapp and the Regions. He pointed out that the IDA program was advancing less favorably and indicated that, if funds could not be used in countries where they had been allocated, there must be reallocation.

Mr. Chenery reported that the Development Committee Chairman had not contributed greatly to preparations for the January meeting. Mr. Costanzo seemed to set his objective at agreeing upon terms of reference for 1975 and reviewing the results of efforts made for the most seriously affected countries.

Mr. Chenery mentioned that the IMF interest rebate scheme seemed similar to the Third Window idea of the Bank. Mr. McNamara pointed out that it is additional to the Fund's other resources but that it needs, as would a Third Window, financial support and a reserve for losses.

Mr. Chadenet reported from a visit to Tarbela that planning for the rehabilitation of the dam is better but that the time is extremely tight for completion before the summer floods. Repairs and additional works necessary would cost \$50-\$80 million.

Mr. McNamara complimented Mr. Chenery on his article due to be published in Foreign Affairs and suggested that he schedule a seminar on the adjustment problems of countries in the face of higher oil prices.

Mr. McNamara mentioned his plans to take leave during Christmas at which time Mr. Knapp would be in charge.

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December 16, 1974