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McNamara Papers

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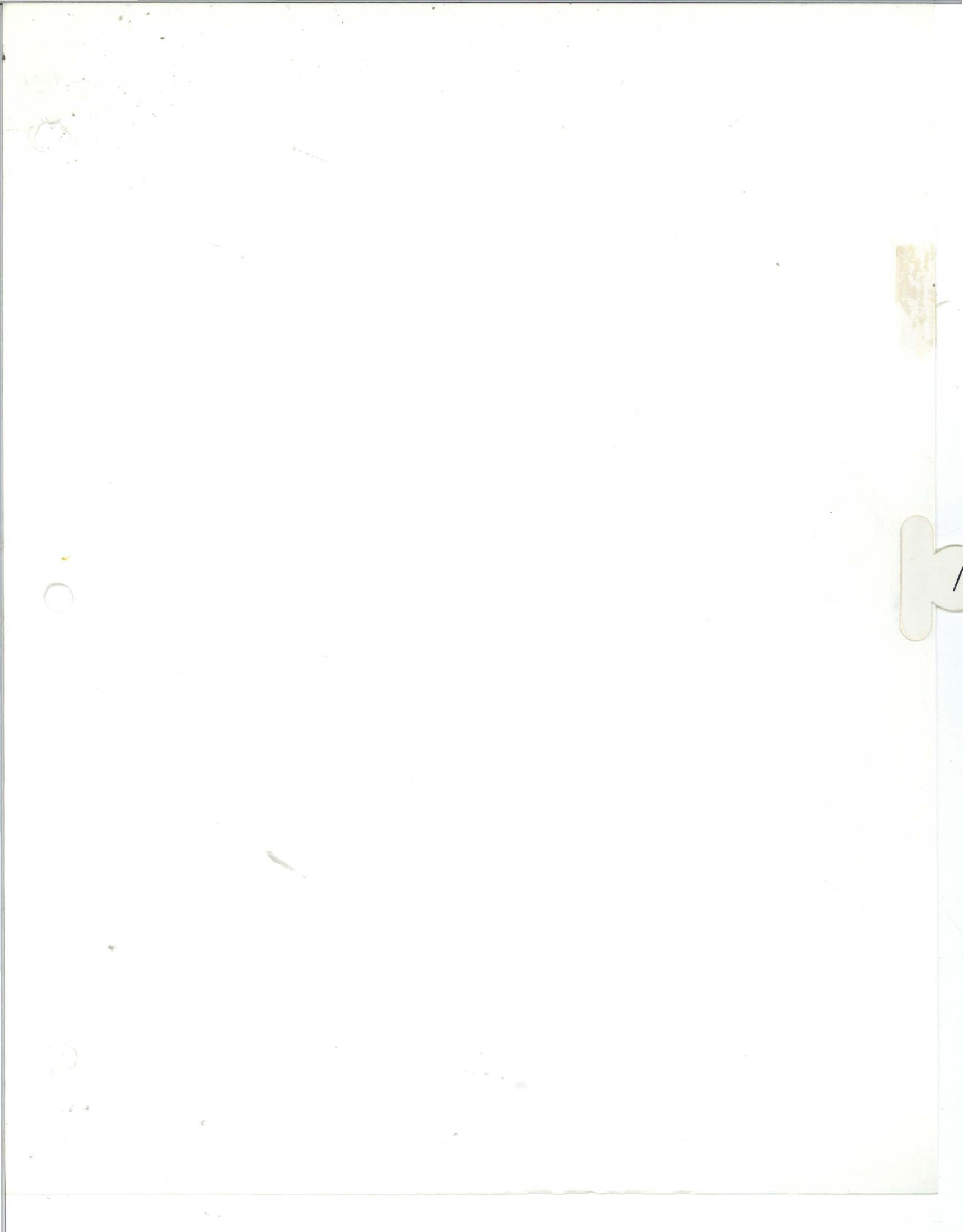
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OECD

OECD

- 2/7/69 (Paris) Andre Philippe, President, OECD Development Center
Ernest Parsons, Director, Development Assistance Department
1. 10/2/69 Emile van Lennep, Secretary-General
- 2/22/70 (Montebello) Emile van Lennep, Secretary-General
2. 3/17/70 (Paris) Emile van Lennep, Secretary-General
Mr. Kjellen, Chief of the Private Office of Mr. van Lennep
Andre Vincent, Head of the Directorate for Development Assistance
3. 3/17/70 (Paris) Ambassador Edwin C. Martin, Chairman, Development Assistance
Committee
- 4/10-12/70 (Bellagio & Ditchley Confs.) Ambassador Edwin C. Martin, Chairman, Development Assistance
Committee
4. 9/23/70 (Copen.) Emile van Lennep, Secretary-General
Mr. Decaux
- 11/12/70 Ambassador Edwin C. Martin, Chairman, Development Assistance
Committee
- 3/10/71 Emile van Lennep, Secretary-General - lunch
- 4/23-26/71 (Tide. IV, Lausanne) Ambassador Edwin C. Martin, Chairman, Development Assistance
Committee
Emil van Lennep, Secretary-General
Montague Yudelman, Vice President of the Development Centre
5. 9/25/72 Emile van Lennep, Secretary-General
Andre Vincent, Director
- 6/13/74 Emile van Lennep
6. 10/1/74 Emile van Lennep, SecGen,
Andre Vincent, Director for Development Assistance
- 12/7-8/74 (Tidewater, St. Donat, Que) Emile van Lennep, Secretary-General
Maurice Williams, Chairman, Development Assistance Committee
- 4/25-27/75 (Cesme, Turkey) Bilderberg:
Emile van Lennep, Secretary-General
- 6/12-13/75 (Paris-Dev. Cte.) Emile van Lennep, Secretary-General
7. 9/1/75 Emile van Lennep, Secretary-General
Hellmuth Fuehrer, Director of the Development Assistance Directorate

- 9/28-29/75 Maurice J. Williams, Chairman, Development Assistance Committee
(Tidewater, Emile van Lennep, Secretary General
Germany)
- 1/6-10/76 Emile van Lennep, Secretary-General
(Dev.Cte.,
Kingston)
- 7/27/76 Maurice J. Williams, Chairman, Development Assistance Committee
8. 10/2/76 Emile van Lennep, Secretary-General
(Manila) Hellmuth Fuehrer, Director of the Development Assistance Directorate
- 12/4-5/76 Emile van Lennep, Secretary General
(Tidewater, Maurice Williams, Chairman, Development Assistance Committee
Japan)
9. 9/25/77 Emile van Lennep, Secretary-General
Hellmuth Fuehrer, Director of the Development Directorate
Maurice Williams, Chairman, Development Assistance Committee
- 12/15/77 Maurice Williams, Chairman, Development Assistance Committee
- 1/9/78 Louis Sabourin, President of the Development Center
- 3/23/78 Maurice Williams, Chairman, Development Assistance Committee
- 7/14/78 Maurice Williams, Chairman, Development Assistance Committee
(Lunch at IBRD)
10. 9/25/78 Emile van Lennep, Secretary General
Annual Mr. Fuehrer
Meeting
- 3/22/79 John Lewis, Chairman, Development Assistance Committee
Lunch
- 9/24/79 John Lewis, Chairman, Development Assistance Committee
11. 10/1/79 Emile van Lennep, Secretary General
Belgrade Mr. Fuehrer
12. 9/28/80 John Lewis, Chairman, Development Assistance Committee
Annual Meeting
13. 9/28/80 Emile van Lennep, Secretary-General
Annual Mr. Fuehrer
Meeting
- 3/16/81 Mr. Emile van Lennep, Secretary-General



ANNUAL MEETING 1969

RECORD OF DISCUSSION

O.E.C.D.

Mr. van Lennep, who had on the previous day assumed office as Secretary General of OECD, called to see Mr. McNamara on Thursday, October 2nd, at 9:30 a.m. He had with him Mr. Jean Cottier, The Deputy Secretary General, and Mr. Giretti, Assistant Secretary General (with responsibility for development).

Mr. McNamara, after offering his warm congratulations to Mr. van Lennep on his appointment, outlined for him the timetable which we had in mind for negotiations on the Third Replenishment. If fresh commitment authority was to be available not later than July 1st 1971 and if, as seemed reasonable, a year should be allowed for action by Parliaments, the negotiations should be concluded at the governmental level by the end of next summer. This would obviously be a difficult timetable to keep to, given the delay which might well occur in the formulation of an aid policy by the new United States Administration. The Commission under the chairmanship of Mr. Rudolph Peterson had only recently been appointed and was not likely to report before February or March next year. Nevertheless, we should do our best to persuade the United States Government to reach a decision without delay on its policy towards the Third Replenishment of IDA.

Mr. McNamara then described the study which we were making of a possible change in the capital structure of the Bank. The IMF had asked its Executive Directors to report by December 31st on the need for a general increase in quotas as well as for special increases for individual countries. The Bank's policy in the past had been to make adjustments in the Bank subscriptions of individual countries whose relative quotas in the Fund were changed. We were not obliged to take action in parallel with a general increase but we had, in fact, done so in 1959. At that time Fund quotas had been increased by 50% while the Bank's subscribed capital had been increased by 100%. The increase had, however, taken place entirely in the unpaid capital. If there were to be an increase now, it was his view that the case rested on a need for additional called capital to strengthen the debt equity ratio of the Bank in line with the general expansion of its operations. He did not know what the results of the study would be but his guess was that we should need an increase in the subscribed capital of the same order of magnitude as the increase in Fund quotas and that 20% of it should be available for call over, say, the next four or five years. The Bank would hope to reach a decision on this question within the next 90 days. He hoped that in the forthcoming negotiations the Bank Group would have the support of the OECD and of the DAC. He would certainly keep Mr. van Lennep informed.

A discussion followed on the work of the DAC and its relationship to the work of the organization as a whole, particularly discussions between Finance Ministers.

Mr. van Lennep agreed that it would be an advantage if the link between the DAC and the Council could be strengthened. He was examining the terms of reference of the DAC in order to consider whether they needed to be brought up to date in any respect. He wanted to bring Finance Ministers and Aid Ministers

President has seen

more closely together. Similarly, discussions on aid and trade should be better coordinated.

Mr. McNamara then described the steps which the Bank was taking to give careful study to the recommendations of the Pearson Commission insofar as they affected the work of the Bank Group.

Mr. van Lennep said that the Pearson Report would be discussed by the DAC at its high level meeting which would take place on 27th and 28th November next. It would be very useful if Mr. McNamara could attend that meeting.

Mr. McNamara asked what would be the relation between the DAC high level meeting in November and the meeting of the OECD Ministerial Council in April 1970. He would not himself find it easy to attend the DAC high level meeting in November but he would certainly consider whether he could do so if the meeting seemed likely to achieve important results.

Finally Mr. van Lennep mentioned the references in Mr. McNamara's speech to the problems of urbanization and industrialization. The OECD Development Centre, under the direction of Dr. Yudelman, had done a good deal of work on these subjects which might be of interest to Mr. McNamara.

Mr. McNamara said that he would be glad to study the results achieved by the Centre.

D. H. F. Rickett
Vice President
October 8, 1969

OFFICE MEMORANDUM

I 3rd Referral
II 1st Referral
III 2nd Referral
IV Turkish contribution
is it possible to raise from DAC
attention at Nov DAC Mtg

TO: Mr. McNamara

FROM: Michael L. Hoffman *MLH*

DATE: September 30, 1969

SUBJECT: Organisation for Economic Co-operation and Development

You asked for a briefing on the Organisation for Economic Co-operation and Development (OECD) in preparation for your meeting with Emile van Lennep, the new Secretary-General of the OECD.

The OECD came into being in 1961, as successor to the Organisation for European Economic Co-operation (OEEC). The OEEC was established in 1948 by 18 European countries to advise in the allocation of Marshall Plan aid and to coordinate plans for the restoration of European economies. Its successor now has 22 members, the industrialized market economy countries of Europe, the Far East and North America: Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the U.K. and the U.S. Australia, although not a member of OECD, participates in the work of the Development Assistance Committee (DAC), a principal committee of the OECD, and Yugoslavia has a special status entitling it to participate in certain OECD activities.

The aims of the OECD, defined by its charter, are (a) to promote the highest sustainable economic growth and employment and in a rising standard of living in member countries; (b) to contribute to the sound economic expansion of developing member and non-member countries; and (c) to further the expansion of world trade on a multilateral, non-discriminatory basis. It is, in essence, a forum in which governments voluntarily submit to a moderate degree of review and mutual criticism of one another's policies, as affecting both their domestic economies and their roles in assisting the developing countries.

The top body in the OECD structure is the Council, on which all members are represented, and which has final authority with respect to all general policy and administrative decisions. Its decisions must be approved by unanimous vote. The Council meets from time to time at ministerial level and regularly at permanent representative level. (The outline of a multilateral investment guarantee scheme which formed the starting point for the Bank staff draft came to the Bank from the Council of the OECD.)

There is also an Executive Committee composed of 11 members designated annually by the Council, which considers questions to be submitted to the Council and carries out assignments at the Council's request.

Finally, there is the Secretary-General, who is the head of the OECD Secretariat and who acts as chairman when the Council meets at permanent representative level. Thorkil Kristensen, who is being succeeded tomorrow (October 1) by Mr. van Lennep, has been Secretary-General ever since the OECD was established (there were two predecessors during the OEEC period).

11/27-11/28 DAC Nov

The Bank Group's relations with the OECD are primarily through the DAC. However, there is a close working relationship between the Bank's European Office and the OECD's Development Department (which services DAC), and we have considerable interest in the work of the Economic Policy Committee and in the studies and research of the OECD's Development Centre (of which Andre Philip is now president), including the Centre's population program which started in late 1968. You will recall that we have worked out with the OECD a joint system of reporting on statistics of loans and grants by developed to developing countries.

The OECD is chairman of two consortia, for Turkey and Greece. The Bank is a member of the Turkish consortium, and participates in the Greek consortium, without being a full member. As I pointed out in my "Aid Coordination Review" memorandum last month, the Chairman of the Turkish consortium will be retiring in June and there is a possibility that the question of the Bank's taking over the chairmanship will be raised. The Greek consortium is not active.

CURRICULUM VITAE

Emile van Lennep

Born: 20th January, 1915, Amsterdam

Education:

1937 - Master's degree in law, University of Amsterdam

Career:

1940 - 1945 Foreign Exchange Institute, The Hague - Amsterdam

1945 - 1948 Netherlands Bank, Amsterdam

1948 - 1950 Financial Counsellor of the High Representative of the Crown in Indonesia

1950 - 1951 Netherlands Bank

Since 1951 Treasurer-General in the Netherlands Ministry of Finance. As such he was responsible for the formation of economic policy, in particular of financial, budgetary and monetary policy; also, in this capacity, he attended the annual meetings of the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA).

Member of the Board of Directors, KLM

Member of the Board of Directors, National Investment Bank.

International functions

- Chairman of the Monetary Committee, European Communities;
- Delegate to High-Level meetings of the Development Assistance Committee of OECD;
- Vice-Chairman, Economic Policy Committee (EPC) of OECD;
- Chairman, Working Party No. 3 of the EPC (charged with the promotion of better international payments equilibrium).

Secretary-General of the OECD: 1st October 1969

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OFFICE MEMORANDUM

TO: Files

DATE: March 19, 1970

FROM: Arthur Karasz *JK*

SUBJECT: Mr. McNamara's Official Visit to France, March 16-17, 1970; Meeting with Mr. Emile van Lennep, Secretary General, Organization for Economic Cooperation and Development.

Mr. van Lennep was accompanied by Mr. Kjellen (Chief of the Private Office of Mr. van Lennep); Messrs. Benjenk and Karasz attended for the Bank.

The conversation started with matters relating to the recent conference in Monte Bello, Canada. Mr. McNamara then made a short reference to his visit to the French Government.

The coming 60-80 days will be critical in U.S. aid. People are disenchanted with bilateral aid so that to at least maintain, if not increase U.S. aid, more should be channelled to multilateral institutions. In order to attain this in the U.S. the stimulus from Germany, Japan and France will be extremely important. France has an evident interest that multilateral aid be maintained at a satisfactory level and it should be the job of the French Government to push both Germany and Japan into that direction.

The conversation then turned to the forthcoming Ministerial Meeting of OECD. Van Lennep explained that he would like the meeting to deal with two main subjects:

- (1) Subjects relating to the OECD area (present and future prospects, mainly the area of the ministers of finance);
- (2) Policies for cooperation with developing countries in the 1970's (targets for financial aid, replenishment of IDA, trade preferences - to be followed by a general discussion of a strategy for DD II. Subject of both the ministers of finance and the ministers of development.)

./.

March 19, 1970

Mr. van Lennep then mentioned some details of the official program on May 20-22. There might be a dinner to be offered by Giscard d'Estaing on May 20, a working luncheon by van Lennep on May 21 and maybe a dinner for the ministers on May 21. The subject of IDA might be brought up at the dinner of May 21.

Van Lennep will be visiting Washington in the beginning of April. He may then be informed of the name of the U.S. Representative to the OECD forthcoming meeting.

cc: Mr. McNamara ✓

AK:mcl

6



4

9/23
October 8, 1970

MEMORANDUM FOR RECORD

Meeting with Mr. van Lennep, Secretary-General of OECD, Wednesday, September 23, 1970, at 6:25 p.m.

Present: Messrs. McNamara, Knapp, Demuth, van Lennep and Decaux

Mr. van Lennep said he was most grateful for the Bank's assistance in OECD's efforts to untie aid. He also mentioned that OECD had underway studies on external indebtedness problems. These studies would be made readily available to the Bank. Mr. van Lennep felt there was need for close cooperation between the Bank and OECD in this field.

Mr. McNamara mentioned that in August the French Government had suggested that the Bank, at the 1970 Annual Meeting, arrange a discussion among Governors from donor country members of what efforts should be taken to improve aid coordination. Mr. McNamara had informed the French that it was too late to arrange such a discussion and had suggested instead that OECD/DAC might undertake to organize a high-level meeting of this kind. Mr. van Lennep said he had not heard about this French proposal. It was obviously a major area of interest to OECD and DAC. Mr. McNamara asked Mr. van Lennep not to mention this point when he met with French officials. Clearly, OECD/DAC was an appropriate forum for a meeting of this kind.

Leif E. Christoffersen

cc: Mr. Demuth

President has seen

OFFICE MEMORANDUM

TO: Files

DATE: 19th March, 1970

FROM: Arthur Karasz

SUBJECT: Mr. McNamara's Official Visit to France, March 16 - 17, 1970:
Meeting with Ambassador Edwin C. Martin, Chairman of the
Development Assistance Committee.

Present for DAC were: Mr. Martin and Mr. André Vincent, Head of the Directorate for Development Assistance. Messrs. Benjenk and Karasz attended for the Bank.

Ed Martin told us that at the OECD Ministerial Meeting next May, Mr. VannLennep wanted to discuss two sets of subject matters, some relating to the economic outlook for the OECD countries and some relating to "development" topics. To do this, he hopes to be able to "sandwich in" the development ministers between the discussions of the ministers of finance.

Several points relating to the recent meeting at Monte Bello were discussed. Ed Martin thinks the subjects under discussion at Monte Bello will be discussed again, hopefully before November, 1970.

The Peterson Report was then discussed. It is evident that there will be less bilateral aid in the U.S. than before. To get the same amount for aid purposes, multilateral will have to be increased. Mr. McNamara pointed out that DAC will have an important role in trying to push the U.S. to give more to multilateral channels. Ed Martin agreed and pointed out that this is exactly the subject which will be discussed at this week's DAC meeting.

As far as more general subjects are concerned, there will be a meeting at Ditchley, England, next month in order to discuss the Peterson Report. There is no hope that the U.S. will accept the 0.7 percent as Government official aid. Secretary of the Treasury Kennedy, in his Chicago speech, pointed out that he was against the 1 percent target as well as against the 0.7 percent target. "Quality is more important than targets".

Mr. McNamara pointed out again the role of France, Germany and Japan in influencing the U.S. to increase its aid. Their tactics should perhaps be to use the antagonism existing within Congress on problems of aid and to stimulate the U.S. by their own action.

Ed Martin ended by saying that he was hopeful that the question of untying will also be brought up at the forthcoming meeting of the OECD Ministers.

c.c. Mr. McNamara. ✓

Boards of Governors · 1972 Annual Meetings · Washington, D.C.

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Cable Address:

INTERMEET
WASHINGTONDC

September 25, 1972

TO: Files

FROM: J. Burke Knapp *JK*

SUBJECT: Annual Meeting Interview with OECD

9/26

Mr. McNamara met with Mr. Emile van Lennep, Secretary General of the OECD, today for a general discussion of collaboration in our work. Mr. Vincent of the OECD and I were also in attendance. Among the points raised were the following:

1) Mr. van Lennep inquired about the status of discussions in our Board on the subject of investment insurance and asked if there was anything the OECD might do at this point to accelerate action by the developed countries in this field. Mr. McNamara explained that obstacles were still being encountered in formulating an agreement on this subject but said he thought that no useful purpose would be served by further OECD intervention at this time.

2) On the question of expropriations Mr. McNamara deplored the lack of a common approach to the problem and said he would welcome any OECD action in developing a common policy in this field although he noted that efforts along these lines had not so far received much encouragement from the member countries of OECD. Mr. Vincent explained the background of OECD work in drawing up an international charter for the flow of private international investment but agreed that nothing concrete had been accomplished in designing a policy to meet problems of expropriation when they arose. Mr. van Lennep said they would consider this question further.

3) Mr. McNamara emphasized the concern expressed in his recent speeches regarding the growth of external debt of developing countries and Mr. van Lennep agreed that this was a very serious problem on which they would like to be helpful. He suggested the possibility of calling together meetings of the creditor countries (including representatives of their export credit agencies) to consider the problems in this field. Mr. Vincent

President has seen

said that for this purpose they were hoping to receive external debt projections from the Bank but that this material had been unfortunately delayed. He emphasized the responsibility of the borrowing countries to keep their external debt obligations within desirable limits. Mr. McNamara responded by referring to the need for creditor countries to maintain surveillance of both the quantity and quality of the export credits which they provide.

cc: Mr. McNamara
Sir Denis Rickett
Mr. Broches
Mr. Chenery

JBKnapp:ism

October 1, 1974

Note for the File

Mr. McNamara and Mr. Knapp met privately with Mr. van Lennep, Secretary-General of OECD and Mr. Andre Vincent, Director for Development Assistance.

There will be no formal memorandum of conversation.

B.M.M.

B. M. Moore

7.

MEMORANDUM FOR THE RECORD

Meeting with Delegation from OECD, September 1, 1975

Present: Messrs. McNamara, van Lennep and Fuhrer

Mr. van Lennep said that the OECD Council had decided to establish two ad hoc high-level groups--one on commodities and the other on economic relations with LDCs. The latter would concentrate on transfer of technology. Mr. Fuhrer gave Mr. McNamara a copy of the group's first report.

Mr. McNamara said that the Bank had not worked on transfer of technology but had done some work in appropriate technologies, particularly with respect to labor-intensive road building. He urged Mr. Fuhrer to contact Mr. Jaycox. Mr. McNamara said that the group on commodities would be particularly relevant in view of Mr. Kissinger's speech the same day in the U.N. Special Assembly. Mr. Fuhrer said that Mr. Preston at the OECD was working on commodities and he would be happy to send his studies to the Bank.

SB
September 9, 1975

8.

MEMORANDUM FOR THE RECORD

Meeting with OECD
October 2, 1976

Present: Messrs. McNamara, Van Lennep and Fuehrer

Mr. Van Lennep wondered whether IDA 5 could get some help from the North South Dialogue. Mr. McNamara said that it would be very important to get support for IDA from the North South Dialogue. Mr. Van Lennep asked whether the size of the possible OPEC contribution still was a problem to the U.S. Mr. McNamara said that the U.S. had become more realistic on this point, and that progress had been made with respect to contributions from the capital surplus oil exporting countries.

Mr. Van Lennep said that energy resources development in LDC's was intensively discussed in the Energy Commission of the CIEC. He wondered whether a fund for energy development similar to the IFAD could be set up for DAC donors co-financing energy programs with the World Bank in middle income countries. Donors would be interested in this since their financing of energy development in this way would count as official assistance to developing countries. The U.S. State Department was interested in this plan. Mr. McNamara said that a separate fund was undesirable, and probably unacceptable to the U.S. and Germany. Instead, the capital bases of the World Bank and the Regional Banks could be expanded to provide additional financing for energy development.

Mr. Van Lennep said that the concessional aid of the DAC countries would increasingly be directed towards the poorest countries. Mr. McNamara strongly agreed with this approach.

Mr. Van Lennep said that a real dialogue was lacking in Paris. Mr. McNamara pointed to his discussion of the need for a "basic understanding" in his Governors' speech and said that such an understanding was required if the aid effort of the DAC countries were to continue and be strengthened.

Mr. McNamara hoped that some of the issues raised in the North South Dialogue could be further discussed in the Development Committee. Mr. Van Lennep

said that the Development Committee should first be made suitable for such discussion, but otherwise agreed.

Mr. Van Lennep said that he functioned as unofficial coordinator of the G-8 in the CIEC.

Finally, Mr. McNamara had a short private conversation with Mr. Van Lennep.

SB

October 3, 1976

MEMORANDUM FOR THE RECORD

Meeting with the OECD. September 25, 1977

Present: Messrs. McNamara, van Lennep, Maurice Williams and Fuhrer

Mr. van Lennep enquired about the Brandt Commission. Mr. McNamara said that Mr. Brandt was anxious to initiate work but not if there were widespread opposition to the Commission. Tanzania, Indonesia, Ghana and India already supported the Commission and Mr. Brandt would obtain the views of other LDCs during his present visit to Washington and New York. Mr. McNamara urged Mr. van Lennep to give his support to the Commission. Mr. van Lennep indicated that he would be pleased to do so.

Mr. van Lennep said that DAC would initiate a study of basic needs focussing on the additional support required from the developed countries and hoping that the LDCs would themselves take the initiative to formulate basic need programs. Mr. McNamara said that formalization of a basic needs approach was required, including quantifiable goals and time periods for implementation. He hoped that the Development Committee, after having received the world development program would issue a statement of endorsement of the basic needs approach, including a requirement for individual LDC plans and additional financial support from external donors. He said that it would be useful if the OECD would contact Mr. Stern on cooperation in the studies of basic needs.

Mr. van Lennep said that the OECD would increase its research on trade issues and particularly on the employment effects of trade expansion in the developed countries. To a large extent the effects of expanded LDC exports to developed countries could be offset by increased exports from the developed countries but policies for such an approach were lacking. Mr. McNamara said that trade issues have not been adequately studied by such bodies as GATT and UNCTAD and he hoped that the OECD and the Bank could cooperate in this matter. He urged the OECD to contact Messrs. Stern or Chenery or Mrs. Hughes to coordinate the studies. Mr. van Lennep said that he hoped to have a policy discussion of trade issues in the OECD in the early spring of 1978.

Mr. van Lennep enquired about the U.S. attitude towards the Bank. Mr. McNamara said that, while the Administration strongly supported the Bank, Congress remained a problem.

cc: Mr. Stern

SB
September 27, 1977

OFFICE OF THE PRESIDENT

Meeting with the OECD Delegation, September 25, 1978

Present: Messrs. McNamara, van Lennep, Fuehrer

Mr. McNamara said that the Bank would appreciate OECD's advice on how to improve its activities both in the financial field and in its policy work where a large potential remained untapped. How should Bank activities, e.g., the WDR, evolve over the next 10-15 years? What should the Bank do in the trade area where OECD had superior expertise? What should the Bank do on capital flows where the figures of future requirements were shocking as indicated by his speech? What was OECD's involvement in these areas?

Mr. van Lennep replied that OECD had only limited resources for its work on LDC issues of development. The total number of professionals was about 500-600 of which a large percentage worked in the Statistics Departments. There was a small high-quality staff engaged in thinking on the future of OECD/LDC relationships. This constituted a good beginning. The Development Center had originally studied internal problems of LDCs, but this had now been reoriented towards studies on the interrelationships between industrialized and poor countries. Messrs. Sabourin and Berthelot who were heading that unit needed a close working relationship with their counterparts in the Bank. Mr. McNamara suggested that they should work closely with Mr. Chenery.

Mr. van Lennep expressed his hope for increased OECD input into future WDRs. OECD was also involved in preparing the technical discussions of WDR I in different fora. Mr. McNamara promised to have copies of the WDR sent to OECD at the time it was distributed to the Board, i.e., around mid-June.

Mr. van Lennep said that the Development Committee members had to be better informed about the issues requiring their attention. At present there was no dialogue or fruitful discussion of such issues. With regard to cofinancing, OECD was working on a proposal for investments in structural bottleneck areas of LDCs. Mr. McNamara said that he had asked Mr. Stern to follow the cofinancing work of other agencies. He had talked to Mr. Clausen of the Bank of America about the issues involved. In the energy field, the French, Canadian and U.S. Governments were urging the Bank to play a more active role. The problem was mainly the financing gap in exploration and the Bank was presently working on this. Mr. van Lennep said that the International Energy Agency in Paris was doing useful work on these issues. With regard to additional financial flows to LDCs, he felt that the OECD plan was superior to the proposal advanced by the Mexicans. Mr. McNamara said that he would like to know more about the International Energy Agency. The possibility of a consultative group to support exploration through international agencies and private companies should be explored. Mr. van Lennep said that OECD was ready to play an active role.

Mr. van Lennep said that OECD was conducting a study on trade with NICs which would be discussed with experts at the end of October and then be presented to LDC officials. This was an area for OECD/Bank cooperation. Also, work was required on the management of interdependence in the trade field and on the organization of markets where such an organization was really required, e.g., the Steel Committee.

cc: Mr. Chenery
Mr. Karaosmanoglu

CKW
October 17, 1978

10

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OFFICE OF THE PRESIDENT

Meeting with Mr. Emile van Lennep, OECD, in Belgrade, October 1, 1979

Present: Messrs. McNamara, van Lennep, Fuehrer

Mr. van Lennep enquired about Mr. McNamara's reaction to his statement before the Interim Committee on the situation of the poorest LDCs which simply could not adjust to the drastic changes in the world economy. Mr. McNamara said that he agreed with that statement. He asked for OECD's views on how the foreign account deficits of oil-importing LDCs, which were projected to double from \$25-\$50 billion between 1978 and 1980, could be financed. Mr. van Lennep replied that OECD was also very uneasy about that situation; the issue was on the DAC agenda for November. His organization was presently thinking hard about new approaches to an international development framework. In the course of that work, OECD was also assessing the 0.7% aid target and considering whether the international community should not agree on a special target of concessional aid to the poorest countries. Of course, one would have to define which countries belonged to that group. Mr. McNamara said that he would like to see the establishment of such a special target because it would focus the world's attention more sharply on aid performance vis-a-vis the poorest countries. Mr. van Lennep said that such a target could be introduced into the international development strategy presently being formulated. The group of poorest countries, of course, would have to include India and Pakistan. Mr. McNamara added that one would also have to start thinking about inclusion of China. He pointed to Vice Premier Gu Mu's statement on Fund and Bank membership as reported in last Saturday's issue of the Herald Tribune. By all counts, the PRC was still a very poor country and it was interesting to note that, for UN purposes, the Government had recently released its income per capita figure which was \$153.00. In his view, it was now time for the Bank to address the issue of China's membership.

Mr. van Lennep argued that the institution of an aid sub-target as outlined above would make it more difficult for the OECD nations to object to increased aid efforts because such aid would be targeted at the poorest countries. Also, it would make a clear distinction between those countries and the middle-income countries, e.g., Turkey, which did not need concessional aid. He considered the OECD's promotion of the co-financing idea to have been a success.

Mr. McNamara said that he foresaw increased questioning of private bank lending to LDCs because of deteriorating debt-equity ratios and governments' attempts at regulation, in view of the banks' rising balances of receivables. On the other hand, loans to countries such as Turkey could be considered less risky than 10-20 years ago because of the influence of the Fund and other international agencies on government economic policies.

Mr. van Lennep said that he was encouraged by the progress made on re-financing Turkey's debt. He was grateful for the Bank's contribution to this undertaking. With respect to energy financing, he felt that there was a certain lack of enthusiasm on the part of OECD governments. Mr. McNamara said that he was surprised to hear that; France and the U.S. were certainly very supportive of such financing. Of course, the necessary technical assistance was difficult to acquire. Mr. Maurice Strong was presently organizing a non-profit technical assistance company in this field. So far, the Bank's recent energy program was moving magnificently; he mentioned Pakistan as an example.

Mr. McNamara enquired about OECD's projections of future oil prices. Mr. van Lennep said that OECD was still following a "coward" approach, namely, assuming a stable oil price in real terms for the '80s; however, privately the OECD staff projected a 7% real increase per year, i.e., doubling of prices over the next decade.

Mr. van Lennep asked for Mr. McNamara's view on the work of the Development Committee and on how this work would relate to the UN proposal for renewed global negotiations. Mr. McNamara said that yesterday's Development Committee session was the first really good meeting; the LDC governments were clearly using the Development Committee as an important mechanism. In his view, it was wrong that there was no counterpart in the North to the G-77 which made it impossible to develop a dialogue. Mr. van Lennep agreed. The OECD would have to prepare common positions for the North and not allow, for example, the UK to get away with their present views. Mr. McNamara encouraged Mr. van Lennep to explore with the OECD members the possibilities for the OECD to organize its constituency's role in the Development Committee and to deal with the G-77. Mr. van Lennep said that, as a first step, he had organized a North/South working group within the OECD; technical work for the Development Committee could be undertaken by that unit.

cc: Mr. Chenery
Mr. Qureshi
Mr. Gabriel

CKW
October 18, 1979

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OFFICE OF THE PRESIDENT

Meeting with Professor John Lewis, Development Assistance Committee, September 28, 1980

Present: Messrs. McNamara, Lewis, Benjenk

Mr. McNamara apologized for the inconvenience caused to Annual Meeting observers by the PLO controversy. He then explained the large incremental demands on the future lending program of the Bank due to structural adjustment lending, energy production in LDCs, change of representation of China, and higher-than-anticipated inflation rates. These incremental demands had to be financed in a non-budget burdening way. The present PLO stalemate did not help in this endeavor. He hoped that DAC could help in the process of reaching agreement among Bank member countries on expanding the Bank's lending program. At present, not even the IDA VI replenishment had been approved by all members and the U.S. had not yet put forward legislation on the IBRD general capital increase.

Professor Lewis said that there was the danger of a classical stalemate development. The Bank would have to break out of that situation by pursuing several partial schemes rather than aiming at a big global scheme. If the U.S. election went one particular way, he would expect that enormous difficulties would lie ahead. Mr. McNamara agreed. If a new U.S. Government came in, nothing would happen for some time to come because the new Government would need time to be formed.

10/09
Professor Lewis said that he hoped that OPEC countries would undertake increased development efforts on their own. Mr. McNamara replied that OPEC lacked technical capacity for carrying out a substantially increased lending program. Professor Lewis added that the distribution of OPEC aid was very skewed and did, for example, not include India. However, ODA distribution of OECD countries was also skewed, except in the case of the Bank.

Mr. McNamara then explained that roughly \$10 billion of additional Bank lending was required by 1985 over and above the \$20 billion presently planned; this 50% increase consisted of about \$1.5 billion for higher-than-anticipated inflation rates, \$1.5 billion for additional structural adjustment lending, \$4 billion for energy lending in that year, and \$3.5 billion for China. With regard to IDA, no additional resources could be expected for FY82-FY83. Therefore, a partial solution would be to shift some IDA-recipient countries to IBRD. Professor Lewis enquired whether India would be moved. The country was doing quite well which proved that forced self-reliance worked. Mr. McNamara said that certainly not the entire India program would be shifted from IDA to IBRD. He added that India had received quite some external help in its development efforts.

Professor Lewis said that he was delighted that Mr. McNamara intended to come to the Tidewater meeting in Kuwait. He then showed Mr. McNamara a draft letter to the participants laying out the program for the meeting, but adding that the program was still too diffused at this point. Mr. McNamara suggested focusing on the need for obtaining additional flows of financial resources to LDCs, rather than dealing extensively with the North/South dialogue. Professor Lewis said that he would like to address more candidly the OECD/OPEC deadlock. Mr. McNamara observed that OPEC certainly owed something to the 67 countries which did not vote on the resolution on PLO observer status put forward by the U.S.

In response to a question by Professor Lewis, Mr. McNamara said that, before the PLO controversy emerged, OPEC had been cool to the Bank's initiative of an energy affiliate. Now OPEC reaction was cold. Saudi Arabia had seemed to be more interested in the proposal than Kuwait.

As to the participation in the Tidewater meetings, Mr. McNamara expressed the view that these meetings had been weakened by opening them to participants from the South. The problem Tidewater had to face was inaction of the North and not the North/South dialogue. Nevertheless, Tidewater could push the Bank and the Fund in the right direction. Professor Lewis argued that Tidewater also had to deal with the matter of bringing the South along; otherwise there would be "blood on the floor."

CKW
October 8, 1980

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OFFICE OF THE PRESIDENT

Meeting with Mr. Emil van Lennep, Secretary-General, OECD, September 28, 1980

Present: Messrs. McNamara, van Lennep, Fuehrer, Benjenk

Mr. McNamara apologized for the inconvenience caused to Mr. van Lennep by his no-observer status at the Annual Meeting. He then explained the serious PLO controversy. As to the future role of the Bank, he said that there was need for substantially larger capital flows from now to 1985; the Fund and the Bank would have to play an important role. The Bank's present lending program was based on 1977 projections; in addition higher-than-anticipated inflation rates, energy, structural adjustment lending and China represented additional needs. As to energy, 10 million barrels per day could be added to present LDC production during the 1980s. Of those, one-third would not be undertaken if there were no additional financing from the Bank, the Fund and others. The Bank's energy program should be doubled from \$13 billion to \$25 billion; in 1985, this energy program would require about \$4 billion of additional lending. The addition of China would lead to additional lending requirements of about \$3.5 billion by 1985. Structural adjustment lending would require the addition of \$1.5 billion over and above presently planned levels. Finally, higher-than-anticipated inflation rates would require \$1.5 billion of additional lending in 1985. As a result, there was an additional demand for roughly \$10 billion of Bank lending by 1985 over and above the level of \$20 billion presently planned.

10/09
At the same time, there was presently very little support for increased ODA from OECD nations. Therefore the Bank would have to pursue the alternative course of leveraging its capital through changing the gearing ratio, increasing subscribed (but not paid-in) capital, and establishing an energy affiliate. He would be anxious to have Mr. van Lennep's comments and advice.

Mr. van Lennep said that OECD's analysis of what lay ahead was roughly identical to the one put forward by Mr. McNamara. The continuing impact of real oil price increases had to be financed. He was unhappy about development assistance performance of most countries, with the exception of Germany and Japan. He was disappointed that the Brandt Report had not tackled the issue of how to increase development financing in developed and developing countries. With regard to energy, governments were willing to take action. OECD had done some work on how to finance increased energy production in LDCs and in industrial countries, but the Bank's plan was much broader. With regard to the least-developed countries, no additional assistance was in sight, although their incremental needs amounted only to \$5 billion to \$10 billion.

Mr. McNamara said that a partial solution would be to move a number of present IDA recipients into IBRD; Egypt and Indonesia were easy examples. Sub-Saharan Africa was a disaster case, with negative per capita growth rates projected for the coming five years.

Mr. van Lennep said that Mr. Al-Hamad, who for domestic political reasons was also the main man behind the PLO controversy, argued that it became increasingly difficult for OPEC to ensure their peoples' support for large aid flows. Mr. McNamara added that Mr. Al-Hamad had been a most constructive thinker on development; however, since the PLO conflict had emerged, that role was falling behind.

Mr. van Lennep said that, in the future, OECD would have to do much better homework on the North/South issues than in the past. In the case of OECD, both foreign ministry and finance ministry officials of member countries met frequently. Most foreign offices were not sufficiently involved in Fund and Bank matters. As a result, they said the wrong things at the UN in New York. Starting this fall, OECD would undertake a major effort to tackle North/South issues in a political and strategic way; the industrial countries had to sit together and formulate their own strategy, rather than only reacting to initiatives of the South as they had done in the past. Yesterday he had convinced Secretary Miller that this was necessary; he would also talk to the Germans. Possibly the G-10 of the OECD could also deal with Bank issues rather than leaving these issues entirely to DAC. The G-24 approach in the case of the Fund had been sensible, namely, to present a joint paper to the Fund rather than taking the issue to the UN. So far the G-10 had simply reacted by objecting to the proposals. In the future, OECD countries would have to deal with these issues in the Bank and the Fund in a negotiating fashion, concentrating on reasonable demands. But most OECD central banks were unaware of the political setting and rather naive in their political reactions.

In response to a question from Mr. van Lennep, Mr. McNamara said that the May Development Committee meeting in Gabon should focus on examining the pace at which the Bank was addressing the issues which lay ahead. Past experience with the Development Committee had not been too good. He hoped that the focus of the Committee could be sharpened in the future.

CKW
October 8, 1980