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McNamara Papers

Memos for the record  
1979

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1771505





MEMORANDUM FOR THE DIRECTOR

Meeting on FY81 Budget, December 20, 1979

792/3/114

Present: Messrs. McNamara, Stern, Qureshi, Gabriel, Vergin

The meeting discussed P&B's paper on FY81 program and budget issues dated December 19.

Mr. McNamara commended P&B for an excellent job in formulating concept and procedures for the FY81 work program and budget. In deciding on the FY81 budget, management had to keep in mind that there was presently a strong feeling among EDs that the Bank should not increase in size; he referred to Mr. Ryrie's recent farewell statement to the Board. Mr. Qureshi argued that Mr. Ryrie was more concerned about further physical staff growth and not about growth of Bank lending. He agreed that management had to do some rethinking on the subject of physical growth. For example, the issues paper projected that the average loan size should remain constant over the next five years; in his view, an increasing project size was needed. The question was how to define a project; a program loan, for example, had to be an excellent project and would require substantial inputs of staff time. In his view, in the future any increment in staff should only be justified by new activities added to the Bank's work.

Mr. McNamara said that a, say, 4% output growth per year should result in a 4% minus X% increase in staff because of the fixed and semivariable cost elements. New activities undertaken would result in growth of non-fixed costs which, however, would be compensated by the fixed-cost base, resulting in keeping increases in variable costs in line with output growth. Further, Mr. McNamara questioned the small number of population and energy projects projected on page 6 of the issues paper. Also, he did not agree with the statement on page 14 that growth in the general support functions would be at a rate which will be a percentage point higher than the budget growth in the operating complex recognizing deferred demand and supporting new initiatives. He asked Mr. Gabriel to take this point out and to ask Mr. Paijmans to identify and detail his budget for future consideration. Finally, he said that he was reluctant to see expenditures for economic and sector work go up by 5% and for operational review and policy by 4% as indicated on page 15. These figures should be lowered to 2%. Messrs. Qureshi and Stern argued that the review of operations and policy would be a crucial activity, that the amounts involved were relatively small and affected several units. Mr. McNamara stated that he would not increase DPS policy work at this point in time. The matter was left for further consideration.

Mr. McNamara said that total Bank FY81 budget growth should be cut from 4.8% (page 15) to 4.4%. A 4.8% growth rate over a 3.6% output growth rate was excessive. In an environment of external constraints, the Bank would have to moderate budget growth. In this context, he was also concerned about the addition of the new GW building because the Bank would have to address carefully the issue of moderating growth and decentralization.

CKW  
January 15, 1980



Meeting with Status of Women Working Group, December 6, 1979

Present: Messrs. McNamara, Paijmans, Spiros Voyadzis, Graeme Donovan, and Misses Jerri Dell, Ann Duncan, Sylvia Browne, Darlene Hynes

The meeting discussed the Report on the Status of Women in the Bank, prepared by the Status of Women Working Group (SWWG) and dated October 1979.

In her introductory statement, Miss Dell pointed to the Bank's unsatisfactory performance in increasing the number of women in its staff and argued that the Bank's management was wary about making specific statements on the participation of women out of fear of triggering requests by other "special interest groups." In her view, women did not represent a special interest group. She emphasized that Mr. McNamara's support was needed in order to mount a major action program which would be more successful than past efforts.

Mr. McNamara replied that he would be prepared to make a strong statement in support of increased participation of women in the Bank. He asked Mr. Paijmans to formulate a proposal as to the format and timing of such a statement. He emphasized that he believed strongly in the principle of equality of opportunity, that the present unsatisfactory status of women in the Bank was a serious issue for management to deal with, and that the Bank was not yet sufficiently sensitive to the problem; however, he disagreed with the SWWG's statement that there had been no progress. In his view, given the many difficulties encountered in this field, the Bank had made good progress in dealing with the issue over the past 10 years. As a basis for more effectively addressing the widespread insensitivity of males and for developing an improved recruitment strategy, the Bank should first concentrate on putting together an adequate set of statistics which management and SWWG could agree upon. Among others, such data would have to provide for a breakdown of women's participation by function of staff and by OECD versus Part II countries. The functional breakdown was particularly important in order to distinguish between, on the one hand, those disciplines and functions where the Bank was doing poorly in terms of recruiting women but where this was due to the inadequate supply of qualified women in the outside world (e.g., port engineers) and, on the other hand, those disciplines and functions where the Bank's poor performance could not be explained by the unavailability of women professionals (e.g., economists). The distinction between OECD and Part II countries was also important; for example, it was much more difficult to recruit women professionals from sub-Saharan African countries than from Western Europe. He warned that there was almost a contradiction between the Bank's attempt to hire more sub-Saharan blacks and its attempt to recruit more women.

The SWWG pointed to the importance of the "old boys' network" in Bank recruitment which made it even more difficult for women to be considered. Mr. McNamara agreed. The SWWG argued that more light had to be thrown on differentials in pay levels which existed in the Bank despite the fact that the males and females concerned carried out identical work. Also, more information was required on promotion practices. Mr. McNamara replied that the pay level differentials, if they existed, were totally unjustified and that a meaningful set of data disaggregating by function and experience levels would produce the necessary evidence. It was more difficult to analyze promotion practices because this would require a cumbersome case-by-case analysis; however, such an analysis should be carried out in cases where women felt discriminated against.



Finally, Miss Dell expressed her concern about F/I level staff. The promotion ratio of women at those levels to the J level was much lower than in the case of men. Mr. McNamara replied that the difficult issue of F/I staff was presently under study and that management had no answer yet.

It was agreed that:

- (a) the 1979 Report on Status of Women in the Bank would be discussed in the PC;
- (b) Mr. McNamara would make a strong statement on the issue at an appropriate time;
- (c) an adequate set of statistics, including comparative data for the UN agencies, ADB and IDB, would be developed by Personnel in cooperation with SWWG; and
- (d) SWWG would send Mr. McNamara a brief progress report by July 1, 1980, which would serve as a basis for a further meeting with Mr. McNamara; in the future, such meetings with Mr. McNamara (and, if he were not available, with Mr. Paijmans) should take place about twice a year.

cc: Mr. Paijmans

CKW  
December 10, 1979



Meeting on World Development Indicators, November 30, 1979

Present: Messrs. McNamara, Isenman, Chander

Mr. McNamara made the following points:

- (a) More timely data should be used for WDI 1980, particularly with regard to the social indicators such as population because the margin of error in providing projections for 1980 would be small; in the case of a number of economic indicators, e.g., trade, the margin of error would obviously be greater and projections could only be used more conservatively;
- (b) Group totals should be inserted in several of the tables;
- (c) Although raising the potentially sensitive issue of implicitly projecting annual inflation rates for each OECD country, the inclusion of projections of ODA flows in national currencies would be further considered;
- (d) ODA figures should show the distribution of aid by donors and point to the share going to the poorest countries;
- (e) WDI 1980 should add a table containing GNP per capita by country in index number terms from 1960 through 1990, i.e., presenting projections by individual countries.

With regard to the latter point, Mr. Chander replied that so far the WDR had not presented income projections by country. Mr. Isenman added that this would raise sensitive issues as to the realism of country growth projections, both within the Bank and vis-a-vis governments. Mr. McNamara admitted that publication of country projections might cause problems but that these projections should be prepared anyway for the internal use of the Bank. It should then later be considered whether these projections would be published as part of the WDI.



Meeting on Preparation of Speech to the Overseas Development Institute, London,  
November 30, 1979

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Present: Messrs. McNamara, Clark, Haq

Mr. Haq proposed that the speech should deal with:

- (a) The nature and dimensions of the adjustment process in LDCs;
- (b) The prospects for increasing the magnitude, distribution and reliability of concessional aid flows, and should also assess private capital flows to LDCs;
- (c) The Brandt Commission Report which will be available in the first quarter of 1980; and
- (d) Mr. McNamara's recommendations for addressing the issues which would represent a contribution towards "beginning the 1980's on a good note."

As to timing, the speech should not be delivered before May 1980 because P&B's presently on-going analysis of flow of funds would not become available in its entirety before March 1980, because the full impact of the likely December OPEC oil price increase would have to be fed into the projections (which would take a few months), and finally because the Brandt Report would probably become available only in March.

Mr. McNamara replied that he agreed with the proposed scope and content of the speech. He agreed tentatively with the May date but decided that he would commit himself to giving the speech only with an advance notice of 6-8 weeks. He agreed with Mr. Haq's observation that Europe would be a good platform for delivering such a speech.

CKW  
December 3, 1979



792/3/110

Meeting on Northeast Brazil, September 21, 1979

Present: Messrs. McNamara, Stern, Ardito Barletta

The meeting discussed the Region's proposal for expanding the Bank's office in Recife.

Mr. McNamara said that in principle he was in favor of moving ahead; however, (i) the request should first be processed through P&B; and (ii) the Brazilian authorities should only be told after they have taken the action required on their side.

Mr. Ardito Barletta reported that Messrs. van der Meer, Skillings and others had recently met with Minister Delfim Neto and the Ministers for Agriculture and Interior; at that meeting, it had been decided to follow most of the Bank's recommendations. Minister Delfim Neto would probably send a letter to Mr. McNamara next week outlining the action to be taken by the Brazilian Government.

Mr. Stern also argued in favor of waiting for Brazilian action on SUDENE before committing the Bank to expansion of its office. The decision taken by the Brazilian Government still to channel funds through a number of ministries was a bad one.

Mr. McNamara concluded that, if the Brazilians showed the necessary political will, an expanded cooperation on rural development in the Northeast was a very attractive proposition for the Bank.

CKW  
September 24, 1979



792/3/109

Meeting on the Organization of Work on the Future Role of the Bank, September 21, 1979

Present: Messrs. McNamara, Stern, Qureshi

Based on an approach paper, prepared by P&B and dated September 20, 1979, and a list of issues and questions to be addressed, prepared by Mr. McNamara, the meeting discussed the approach to be taken in organizing work on the role of the Bank in the 1980s.

Mr. McNamara said that the following three questions would have to be addressed: (i) what should management's approach be to organizing and conducting work on the Future Role of the Bank; (ii) how should staff be involved; and (iii) how should the Board be involved? He suggested that the above-mentioned papers be considered further and that another meeting be organized after the Belgrade Annual Meeting. With regard to (i), he had questions as to P&B's approach of carrying out an over view analysis; such a comprehensive approach would probably not help the Bank to focus better on the institutional issues to be faced in the '80s. In his view, the various future role issues could be isolated without a basic re-examination of the development problem being required. He would therefore recommend a set-of-issues approach. For example, Mr. Haq's suggestion of planned program lending could be dealt with by a paper which could be put together in about a month's time.

Mr. Qureshi said that the approach recommended by P&B's paper was not just a "P&B approach." In preparing the above paper, discussions had focused on the development issues to be faced in the future, then the possible Bank contribution in terms of addressing these issues, followed by an assessment of present Bank policies, in turn followed by an analysis of required change in these Bank policies. The paper outlined an attempt to provide the necessary framework for all the issues to be faced. He agreed that there was a sufficient number of "knowns" which would make a compartmentalization of future needs by country groups, etc., possible. In other words, it would be possible to identify a set of 15-20 issues which could be dealt with separately. The advantage of conducting a broader framework analysis would be that, for example, the issue of further growth of the Bank could be better addressed. He personally believed that the Bank should continue to grow. However, the question was whether the means for further growth would be available in the future.

Mr. McNamara replied that it was not so much the means of growing but rather the means of servicing that would require attention. In other words, one had to examine whether the Bank would be able to provide the financial resources, technical assistance and intellectual leadership commensurate with the needs of the developing countries. He was clear on the problem and challenges but not on the instrumentalities.

Again, Mr. Qureshi said that the work on the Future Role of the Bank could of course be done in terms of addressing key issues in isolation. However, the Bank was now such a major force in international relations and therefore so exposed to political pressures that a broader analysis of the future environment in which the Bank would have to operate appeared to be desirable. Mr. McNamara replied that one could give a group of people, say, three weeks to write such a foundation paper, taking account of the political factors; but he doubted that this would have much impact on the decisions to be made as to, for example, the future composition of Bank lending. A group of senior people would need to focus on how the Bank should change its output and services.



Mr. Qureshi said that such an analysis should dig in to what the future market for the Bank's output and services should be. Mr. McNamara said that he would not spend much time analyzing the market. Rather emphasis should be on analyzing how the Bank could better serve that market.

Mr. McNamara urged that others should not be brought into the work on the future of the Bank before a plan and time schedule had been established. In particular, a plan was needed as to how to inform and involve the Board. Mr. Stern argued that consideration of the tactics for dealing with the Board should be an important factor determining the organization of the work. P&B's paper was much too logical and mechanistic. It seemed to say that, unless one could not produce a picture of the world, the role of the Bank could not be extracted. The Bank knew what its market was. The Board could be told that management had conducted extensive analyses of the issues and was now at a point where issues papers could be put to the Board. Such a piecemeal approach would give the necessary flexibility. If, on the other hand, the Board would become involved in determining the over-all concept, a broader framework paper was clearly required. However, such an approach would easily create political turmoil in the Board and the staff. Mr. McNamara agreed; he concluded that work could start on two or three issues, that this group should resume about October 15, and that the PC and the Board should then be brought in before November 15. Mr. Qureshi agreed; P&B's paper could be translated into a set of issues papers and he could then reach agreement with Messrs. Chenery and Stern on how to cooperate in organizing the work.

CKW  
September 26, 1979



792/3/108

Meeting on the Future of Central America, July 31, 1979

Present: Messrs. McNamara, Stern, Barletta

Mr. Barletta said that the recent overthrow of the Somoza Regime in Nicaragua would have far-reaching implications for Guatemala, Honduras and El Salvador. There was indication that guerrilla action in Guatemala and El Salvador had been boosted by Nicaraguan events. The Caribbean could also become involved; reportedly the Cubans were already training militias in some islands, e.g., Grenada. Two options were available for the Central American Governments: either to tighten their regimes or to open up; the latter was the better but more difficult policy. If the former course of action were pursued, the Central American scene would become extremely unstable. In his view, the situation had reached a point beyond control by the economic measures available to the Bank, but the U.S. Government, Mexico and the Andean Group should be able to do something.

Mr. McNamara said that he agreed with this analysis but that he did not see where the Bank could come in. He had stayed out of these countries for 11 years because their governments were immovable, oppressive and corrupt. In his view, it was unlikely that these governments would follow Mr. Barletta's option two, and, if they did, it was unlikely that they would succeed; they probably had reached a point of no return. If Central America became Marxist, a dangerous situation would be created, not so much for the U.S. as for Mexico, the Caribbean and other Latin American countries. Governments had to deal forcefully with the fundamental social issues of the Hemisphere rather than reacting politically in an excessive way, as had been the case in the past when Castro came to power. In particular, Mexico with its strong anti-U.S. feelings had to build a defense through social programs. He concluded that there was presently nothing the Bank could do in Central America and that he himself could not do anything beyond his role as President of the Bank; he had to be particularly careful because Secretary of State Cyrus Vance was his friend and his son-in-law was President Carter's Central American specialist.

Mr. Stern agreed. For example, in the case of Guatemala, the CPP discussion had concluded that the Government was short-sighted and the Bank had no influence at all. Politically it would be important to bring the Marxists into the hemispheric system in order to moderate them.

With respect to the new Nicaraguan Government, Mr. McNamara said that the Bank should take a neutral stance and provide support if requested.

CKW  
August 2, 1979



792/3/107

Meeting on IDA Commitment Authority, July 25, 1979

Present: Messrs. McNamara, Qureshi, Stern, Damry, Gabriel, Asser, Wood, Murli, Knapp

The meeting discussed P&B's draft paper on IDA Commitment Authority.

Mr. McNamara said that, as a principle of accounting theory, income and expenditures should be accounted in the same period. If this were the case, there was no reason for reducing IDA commitment authority or for shifting IBRD resources to IDA earlier. The Bank had experienced IDA deficits in the past, but IDA had been subsidized and not been charged on a full-cost basis. His conclusion would be not to do anything at this point in time but ensure that the anticipated income will cover the recorded administrative expense.

Mr. Qureshi agreed that the commitment authority should not be adjusted. However, one would have to consider how large the deficits should be allowed to be from a political and image point of view. Some EDs, e.g., Messrs. Ryrle and Mentre, would argue that the increased IBRD income should lead to an increased IDA transfer.

Mr. Stern argued that the transfer of Bank assets would be purely a paper transaction, not affecting the quality of IDA, commitment authority, etc. The question was whether the Bank should carry the burden. Mr. Knapp said that at present the IDA donors subsidized the Bank because of the "Bank last" principle. He agreed that no action should be taken on the IDA deficits and that this position should be explained on the basis of the timing. The Bank should not subsidize IDA.

Messrs. Asser and Damry agreed that no action should be taken. Mr. Damry said that this would be acceptable to the EDs.

Mr. McNamara said that a note should be prepared which would record that future papers would contain a footnote, stating that the deficits of IDA were due to mismatches between the incidence over time of IDA administrative expenses and IDA income.

CKW  
July 31, 1979



792/3/106

Policy Review Committee Meeting: Basic Needs in Shelter, July 11, 1979

Present: Messrs. McNamara, Qureshi, Stern, Chenery, Baum, Barletta, Knox, Clark, Chaufournier, Hopper, Kirmani, Adler, Haq, van der Tak, Churchill, Burki

Mr. Stern reported that an earlier OVP meeting had concluded that this was an excellent paper and that the paper's suggestions were fully acceptable. Mr. Chenery commented that the general orientation of the paper was excellent in focusing on a package approach. The paper could be published. The quantifications contained in the document were not very essential for the analysis and recommendations and could possibly be excluded from a published version. Mr. Qureshi commented that this was a very difficult area from an operational point of view because of governments' unwillingness to act and institutional weaknesses. Mr. Barletta commented on the need for developing subsidization criteria for basic needs programs and the paper's analysis of the employment implication of shelter programs. Mr. Knox said that the paper should point out how private finance could be mobilized for such programs. Mr. Churchill agreed that the constraint was usually not the lending of money to the poor (e.g., through mortgage banking systems) but rather the problem of obtaining financing for such programs. Mr. Kirmani said that, in the case of East Asia, upgrading programs (e.g., Indonesia's Kampung improvement program) had been more successful than the creation of new housing. Mr. Churchill replied that the Indonesian Kampung improvement programs built on the failure of Government to provide public lands for new housing development schemes.

Mr. McNamara emphasized the importance of ensuring self-financing of low-cost housing programs. He asked (a) Mr. Baum to finalize the related paper on water supply by October 1, (b) Mr. Haq to develop a policy approach on subsidization for basic needs programs, (c) Mr. Clark and Mr. Haq to formulate a plan for publishing the series of basic needs papers, and (c) Mr. Chenery to send him a note on the feasibility of updating every year the constant dollar base for the data used by the Bank.

CKW  
August 1, 1979



792/3/104

Meeting on Board Discussion of Lending Rate, July 9, 1979

Present: Messrs. McNamara, Qureshi, Damry, Gabriel, Wood

Messrs. Qureshi and Wood reported that the Japanese and German positions were close; they argued that the automaticity options for the lending rate formula had not been fully explored by the paper; also, they did not quite understand the reason for bringing the issue to the Board at this point in time; however, the summing-up draft seemed to be acceptable to the Japanese. Mr. Fried would state that Treasury was uncomfortable with the "rush," though the paper constituted a step in the right direction. He would ask for circulating the summing-up note to the Directors after the meeting and would enquire why the new approach had not been described as being an improved formula. Several Part II EDs would ask for postponement of application of the new formula to January 1, 1980.

It was concluded that postponement of the Board meeting would not be desirable, that a decision should be reached at tomorrow's meeting, and that application of the new formula probably should not be postponed to January 1980.

CKW  
July 11, 1979



792/3/105

Meeting on Paper on Allocation of IBRD Income, July 9, 1979

Present: Messrs. McNamara, Qureshi, Damry, Nurick, Stern, Gabriel, Wood, Applegarth

Mr. McNamara made the following points:

- (a) the paper should not deal with the IDA deficit; this issue required more thought and should be dealt with in a separate paper;
- (b) both papers should be considered by the same Board meeting to be scheduled for August 7; they should be distributed to the Board on July 17;
- (c) he was inclined to transfer only \$100 million for FY79 in order not to prejudge future use of increased Bank income and not to become locked into a higher level of transfers;
- (d) the Bank needed to establish clearly both pre-risk and post-risk income objectives;
- (e) the justification vis-a-vis the Board of keeping the transfer at \$100 million should be that management did not want to recommend an increase over previous levels until the Governors' vote on the general capital increase would have been obtained;
- (f) as one possibility for using IBRD's increased income more meaningfully, management should consider setting up a technical assistance subsidiary which would constitute a blend of IDRC, ISTC and other similar institutions and to which IBRD funds could be transferred; and
- (g) the IDA deficit paper should portray the deficit not as a cash flow problem but as a shift in commitment authority, i.e., a reduction in the present year's commitment authority which would be compensated for in future years.

It was decided that a recommendation would be made to the Board to transfer \$100 million to IDA out of IBRD FY79 income.

CKW  
July 12, 1979



Meeting on Lending Rate Paper, July 6, 1979

Present: Messrs. McNamara, Qureshi, Damry, Gabriel, Wood

The meeting discussed objections raised by Executive Directors to the proposals of the lending rate paper. Messrs. Looijen, Fried and Kurth had problems with the proposal. Several EDs had shown a lack of understanding of what the proposed change implied, and had enquired why the change had to be introduced at this point in time. Mr. Kurth argued that management had not sufficiently demonstrated that an improved automatic formula could not be found; the Germans were concerned that, under the new approach, they would always be left in the role of the "financial conservatives." Mr. Murayama had found the paper analytically deficient.

Mr. McNamara said that, if the EDs wanted more time to understand and discuss management's proposal, he was willing to defer Board consideration of the paper. As a first step, a seminar instead of a formal Board meeting could be organized. However, management had to be clear that (a) the Bank had to move away from the present formula, and (b) it would be difficult to reach agreement on any other formula.

It was agreed that a draft summing-up statement would be prepared which would be tried on the EDs on Monday before deciding on whether to postpone the Board meeting or not.

CKW  
July 12, 1979



Meeting on PLO Observer Status, Administrative Tribunal and Other Compensation Matters, July 5, 1979

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Present: Messrs. McNamara, Cargill, Damry, Nurick, Paijmans, Qureshi, Stern, Sommers

PLO

Mr. Damry recommended that management should not take a stand on whether to grant observer status to the PLO for the forthcoming Annual Meeting in Belgrade. The issue should be decided by the Board. Mr. McNamara said that management had to guard the interests of the institution; in his view the PLO intended to politicize the institution and was not interested in Bank financing or technical assistance; therefore it was not in the interest of the institution to grant observer status. Mr. Nurick reported that, in the case of the IMF, a draft paper to the Board took a legalistic stance, arguing against observer status on the basis of (a) the purpose of the Fund, and (b) past practice. Mr. McNamara said that he would put emphasis on (b).

In response to a question, Mr. Damry said that the Board would be split very badly on this issue of granting observer status to the PLO. He would therefore favor not taking the matter formally to the Board but rather letting Mr. El-Naggar soften the issue. Mr. McNamara agreed. Without formal action, management should try to get 51% of the Board votes against the request on grounds of being contrary to the interest of LDCs. He would raise the issue with Mr. Larosiere, arguing that (a) it was not the practice of the institutions to grant observer status to such organizations, (b) granting observer status would not be in the interest of the institutions, (c) the issue would split the Board badly, and (d) the matter should therefore not be formally put to the Board.

Supplemental Payments by Governments to Staff Members

Mr. McNamara asked Messrs. Paijmans and Nurick to prepare a draft paper to the Board on the issue of supplemental payments by governments to staff members by July 12.

Administrative Tribunal

The meeting discussed Mr. Nurick's draft of alternative legal clauses on the jurisdiction of an Administrative Tribunal.

Mr. Sommers urged that management should concentrate on the substance of the alternatives, rather than the drafting of alternative legal clauses.

It was decided to consider alternatives (a) and (c) to constitute the true alternatives and to write the paper more as a policy paper than a legal document. The paper would be prepared by July 12 and an informal meeting with EDs would be convened before the August recess.

Application of Tax Reimbursement Formula

In response to a question by Mr. Stern, Mr. McNamara said that a draft paper was scheduled to be produced by July 27. Mr. Wood's paper constituted a committee draft and its analysis was not satisfactory. He urged Mr. Paijmans to give high priority to the three issues of (a) procedures for applying the new tax reimbursement



formula, (b) establishment of an administrative tribunal, and (c) initiation of a new comparator study on compensation. A review of the Bank's new travel policy could be postponed.

CKW  
July 11, 1979



792/3/101

Meeting on FY80 Budget, July 5, 1979

Present: Messrs. McNamara, Qureshi, Gabriel

Mr. McNamara asked Mr. Qureshi to initiate work on formalizing hindsight review procedures for IBRD borrowing operations. The cost of issues, taking account of exchange rate changes, had to be analyzed and, in particular, the opportunity costs of each non-U.S. issue had to be established. Initially, the analysis should cover FY78 and FY79. The review was important because of the constant Board concern about borrowing in the right currencies.

It was agreed that the following issues required further attention: (i) increase in size of average IDA credit; (ii) ceiling on commitment authority given by the Board; the present flexibility could be reduced from 10% to 5%; (iii) ceiling on budget expenses given by the Board; the margin should be 1%-2%; (iv) DPS research versus policy work, particularly FY79 budget overruns on policy work; (v) IDA deficit; (vi) the use of alternative deflators and the broader issue of how to operate the Bank in an inflationary environment; (vii) bunching; (viii) budget expenses on external relations; (ix) increase of 20% in personnel costs between FY79 and FY80; and (x) adequate deflator for staff cost per man-year.

CKW  
July 11, 1979



Meeting on FY80 Budget, July 4, 1979

Present: Messrs. McNamara, Cargill, Qureshi, Damry, Stern, Gabriel

It was decided to sum up the consensus of this morning's Board discussion in the following way:

1. There was a desire that management review with the Board the size of the FY80 IBRD lending program at the time of the mid-year budget review in light of the progress in obtaining approval of the general capital increase in the Board of Governors;
2. The lending terms would be reviewed in light of the general capital increase, but not before the general capital increase would have been approved by the Board of Governors;
3. The Bank would continue to look for opportunities for program lending which facilitated the adjustment process and supported development programs;
4. The IDA \$3.5 billion lending program for FY80 should be considered to be a ceiling;
5. Management would undertake efforts to reduce bunching; however, no ceilings should be given to the Board (Mr. McNamara asked Mr. Gabriel to examine FY80 debunching possibilities for LAC and EMENA; if bunching remained below 42% for the fourth quarter of FY80, an arbitrary limit could be avoided); and
6. Every effort would be undertaken to expand private cofinancing activities. (Mr. McNamara asked Messrs. Stern and Qureshi to work on this issue; he was inclined to let the finance staff make initial contacts and provide the umbrella for the VP Operations to make the deals.)

With regard to cofinancing, Mr. Qureshi said that (a) the Bank had to ask itself whether it offered an inducement, (b) according to prevailing liquidity situations, private banks were more or less interested; and (c) the Bank had not used its muscle yet on this issue. Mr. Stern pointed to the fact that the problem was not on the supply side; for any project, the Bank received 60 cofinancing offers. However, he admitted that, in the case of most countries, it was difficult to establish whether these offers constituted additional amounts. Mr. McNamara said that, if he were assured that these amounts were additional, he was willing to expand the number of projects and to increase expenses in order to bring cofinancing operations about. Mr. Qureshi argued that there was clearly additionality in terms of the terms of such cofinancing operations.

CKW  
July 11, 1979



792/3/99

Meeting on Administrative Tribunal, June 22, 1979

Present: Messrs. McNamara, Damry, Nurick, Stern, RClarke

The meeting was convened in preparation of the informal meeting of EDs on the issue of establishment of an administrative tribunal.

Mr. Nurick reported that the joint management/staff Conference on Bank/Staff Rights and Obligations had considered the issues paper prepared by Mr. Nurick to be a good document. So far there were only preliminary reactions from the staff side of the Conference. Mr. McNamara asked Mr. Nurick to determine, together with Mr. Paijmans, management's position as to the status of the management representatives on the Conference. One possibility would be to state that management representatives were on that Conference only to identify the issues which then had to be presented to and decided upon by the Board.

As to today's meeting with EDs, he would point out that there was no pressure from the Fund Staff Association for establishing a tribunal. Messrs. Rota and El-Naggar would probably recommend Option (d), whereas many others would favor (a). Mr. Damry added that the EDs might suggest creating a standing committee of EDs on compensation matters, including the issue of the tribunal.

Mr. Stern suggested first consideration of where to come out; probably a draft resolution on the establishment of a tribunal should be sent to Governors not later than March 1980. After today's initial discussion, the Directors would probably have to be taken through a series of further deliberations. Mr. McNamara agreed. The next meeting, to be held by mid- or late-July, should focus on the central issue of jurisdiction which might well turn out to be the only one to go through an iterative process of consultations with the Board. He argued that a draft resolution to the Governors should go forward no later than the end of the year.

Mr. Damry said that Messrs. El-Naggar and Rota would recommend joining the UN Tribunal mainly because of the invidious task of selecting judges. Mr. McNamara said that he was inclined to set up the Bank's own tribunal and not to link to either the ILO or the UN Tribunal.

Mr. Stern said that, if the tribunal were instituted to deal only with disciplinary cases, it was not worth the effort. As in the case of governments, an over-ruling of the tribunal by "legislature" would always be possible. Mr. Nurick disagreed. In contrast to governments, the Bank was not immune and the Board could always be over-ruled by courts which could attach the Bank's assets.

In response to a question by Mr. McNamara, Mr. Nurick said that Mr. Lloyd Cutler had seen the issues paper and is now favoring Option (d), i.e., an approach similar to the UN. Mr. McNamara emphasized that he did not want the Bank to end up as a "UN-type institution," for example, with regard to country quotas.

CKW  
June 26, 1979



Meeting of Policy Review Committee on Nutrition, Basic Needs and Growth, June 13, 1979

Present: Messrs. McNamara, Stern, Chenery, Baum, Damry, Barletta, Benjenk, Chaufourmier, Hopper, Husain, Wapenhans, Vergin, Haq, Yudelman, Burki, Berg, Donaldson, Mrs. Boskey

Mr. Stern said that the paper, which had been prepared by the Agriculture and Rural Development Department, had been discussed at an earlier OVP meeting. The general view had been that in nutrition the Bank did not have much basis for judging which projects work. Rather than involving itself in a major sector effort, the Bank should contribute towards raising consciousness of government and include food and nutrition aspects in its economic dialogue in order to achieve more national commitment in countries than the Regions felt existed. At present, there was, of course, a trend in the Bank of being concerned about the increasing complexity of projects; however, in the field of nutrition, components work and pilot projects rather than large projects appeared to be desirable. The paper contained an interesting analysis of the experience with food subsidy schemes which seemed to have a higher pay-off than expected. However, governments had to be careful in adopting such policy. With regard to Bank operations, the Regions were presently not well-equipped to build nutrition into their economic and sector work. Competence and capacity had to be gradually built up through selective involvement.

Mr. McNamara commented that the paper illuminated the problems and issues very well. As a next step, the Bank had to consider where to move in this field. He asked for preparation of a five-year Bank program for nutrition including consideration of sector work, nutrition projects and nutrition components work. The program should be based upon needs identified, willingness of governments to accept Bank support, and the Bank's ability to provide assistance. It should contain a careful analysis of government capacities as well as lending amounts and staff resources to be allocated by the Bank. The program should be prepared by the fourth quarter of this year. The paper was not adequate in examining the Bank's experience derived from undertaking 3-4 projects and 30-40 nutrition components; the program to be prepared should therefore be based on a statement on these lessons of experience. The importance of sector analysis and of advice on economic policy should be stressed. He concluded that he was leaning towards doing something in nutrition, although he did not preclude the conclusion that the Bank should not move ahead in this field because of poor past experience. Possibly, a program of the size of the proposed health lending program should be considered.

Mr. Baum argued that the paper should not be expected to serve two masters; it had not been designed as a policy paper but simply as the first of a series of papers on basic needs. He agreed that the time was ripe to assess the Bank's nutrition work. The present reconsideration of the Bank's health policy was a good vehicle because the combination of nutrition and health (as well as nutrition and education) seemed to be the most promising package. A different approach involved nutrition in the formulation of agricultural policy, and a residual need for programs supplying food to underprivileged groups of the population would remain; there had been a number of successful food subsidization programs.

Mr. Chaufourmier argued that the Bank needed a more solid understanding of the linkages between nutrition and other sectors of the economy before committing itself to a five-year program.



Mr. Chenery commented on the present status of the Bank's basic needs work. Implications for the next step were similar for all papers prepared so far, namely, that the complex interactions with other sectors and the range of institutional settings had to be explored more carefully. So far, the Bank had looked carefully only at the examples of Brazil, Sri Lanka, and Indonesia. A second set of country studies seemed to be required which would look into sector interactions and operational implications on a country-by-country basis. Mr. Haq added that linkages and complementarities would be addressed by the basic needs overview paper presently under preparation. One lesson seemed to be that not all sectors could be taken on simultaneously.

Mr. Yudelman expressed the view that the Bank was in the forefront of work on nutrition. One interesting aspect of the paper was that it linked consumption and production. An important finding was that in many countries food subsidies were very high and amounted to 20% of the budget. This pointed to the important role of national policies for nutrition.

Mr. Chaufournier urged that enough room should be left for staff entrepreneurship. Nutrition work should not be over-programmed. Mr. Stern said that, in the Bank's components work, there were only targets of opportunity which required considerable entrepreneurship of staff. At some point, this approach had to be made more systematic.

CKW  
June 18, 1979



792/3/98

Meeting on Administrative Tribunal and Staff Relations, June 12, 1979

Present: Messrs. McNamara, Stern, Qureshi, Damry, Nurick, Paijmans, Sommers

Mr. McNamara introduced the discussion by saying that Mr. Paijmans believed strongly that the issues paper on the institution of an administrative tribunal should first go to the management/staff conference on legal rights; after receiving the views of the conference, the paper might then be revised and sent to the 20 EDs for an informal meeting. The paper would of course receive wide distribution if made available to the conference and it was essential to take out any words which might be used against management by the Staff Association and its lawyers. Mr. Stern enquired why the paper could not be sent simultaneously to the Board and the conference. He argued strongly for simultaneous distribution because (a) the delegation of powers from the Governors and the Board of Directors to a tribunal was an issue for the Board to decide and it was not appropriate to get management into a negotiating position with the conference; management should argue that it had only done staff work; and (b) if the paper went to the conference, it would also go immediately to the EDs. Mr. Paijmans replied that it was the Staff Association's understanding that only joint recommendations of the conference and the Legal Department would be forwarded to the Board. The Staff Association was under the impression that the management/staff conference had a clear mandate from senior management to that effect, as stated by the terms of reference. Mr. Qureshi argued that the paper did not contain any definitive recommendations of management but presented only issues and alternatives.

Mr. McNamara said that this paper should be viewed simply as an issues paper and that it was for the Board to decide on the establishment of a tribunal. In his meetings with the Staff Association and the conference, Mr. Paijmans should emphasize that management would not send any recommendations to the Board without previous consultation with the Staff Association, and that management will submit any recommendations received from the Staff Association to the Board. Mr. Paijmans should also state that he would have an issues paper for the deliberations of the conference in about a week's time. He asked Mr. Paijmans not to talk to the conference about the issues contained in the paper before the Board would have met on Friday, July 6. This informal meeting with the EDs should be characterized as only discussing the issues. At a later point, it should also be stated to the Staff Association that it was not for management but for the Board to decide on the delegation of powers from the Board to the tribunal.

The meeting then conducted a page-by-page review of Mr. Nurick's revised draft. Mr. McNamara asked Mr. Nurick to revise the paper in light of the comments received by Thursday night (June 14).

Mr. McNamara said that senior management had so far not properly handled the issues of legal rights of staff and establishment of a tribunal, as well as staff relations more generally. Management needed expert advice on these matters, particularly from a tactical point of view because these were problems of labor relations rather than legal issues.

Mr. Stern said that the issues to be addressed were not all that technical; the Bank was a fairly unique environment and outside experts would not be of much help. Management was not prepared yet to deal with the issues; for example, the problems had never been clearly laid out in an issues paper format. The situation should not be handled as a crisis; rather the Bank needed staff to deal with the issues on a more continued and systematic basis. It could be inflammatory to



go and hire a big name; therefore, this approach should not even be explored until the internal side had been sorted out, i.e., the receptacle had been developed.

Mr. Qureshi said that the Bank needed someone with experience with international institutions. It was important to know how the same problems were being dealt with by other institutions.

Mr. McNamara said that he had assumed that Mr. Paijmans himself would, for the time being, function as "Director for Staff Relations." Mr. Stern seemed to believe that the Bank needed an assistant to Mr. Paijmans on staff relations. In his view, such a person would in turn need outside counsel. The Bank had not yet systematized its staff relations and needed outside expertise to do that. Mr. Stern added that such a "Director of Staff Relations" also needed staff. He should become the central place for contacts with the Staff Association and should develop a multiplicity of external contacts.

Mr. McNamara asked Mr. Paijmans to formulate a proposal on how to organize such staff relations work. Specifically, (a) this group should be formalized as the Personnel Policy Group, (b) an assistant to Mr. Paijmans should be recruited in order to formalize staff relations work, and (c) the strategy and tactics to carry out staff relations work needed to be defined with all required detail.

Mr. Nurick urged that, as a complementary measure, managers at all levels should be asked to devote more time to personnel matters.

cc: Mr. Paijmans

CKW  
June 21, 1979



792/3/97

Meeting on Borrowing Costs and Addition of Underwriters, June 11, 1979

Present: Messrs. McNamara, Qureshi, Rotberg, Gabriel

Borrowing Costs

It was decided that borrowing costs should be calculated on a cash basis and be double-weighted ("talk money when we get it").

The meeting then discussed borrowing costs for FY79, CY79, and FY80 for the purpose of fixing the IBRD lending rate on July 10.

Underwriters

Mr. McNamara explained that, in order to set the sights of its underwriters higher, the Bank had in the past added Salomon Bros. as an underwriter to First Boston and Morgan Stanley. He was now inclined to add Goldman Sachs and Merrill Lynch, but with the agreement of the other underwriters that this would not upset the profitability of doing business with the Bank for all underwriters. Goldman Sachs were wise financial counsellors and had a good distribution ability and Merrill Lynch offered a different kind of distribution facility.

Mr. Rotberg said that, because of the interest in being added to the Bank's underwriters, Goldman Sachs and Merrill Lynch had done very substantial work on the Bank and probably knew the Bank better now than the other three. He reported that the three major problems with major accounts in terms of their willingness to purchase Bank bonds were (a) tremendous confusion between the relative roles and functions of IBRD and IDA, (b) newspaper reports that the U.S. was defaulting on its support to the Bank, and (c) the U.S. would not give the Bank a capital increase. Incidentally as to the latter point, he had argued that the Bank's investors should actually be delighted if the U.S. did not agree to a capital increase because then the Bank would not lend. The investors did not understand that a capital increase was not money but lending power.

Mr. McNamara said that the underwriters had been sophomoric on reducing spread rates. They did not have sufficient secondary market placing power.

Mr. Rotberg said that, at present, the managers picked up 50% of Bank issues, with the rest going to about 125 firms. With two additional underwriters, the Bank could go to 70% for the managers and 30% for, say, 40 firms.

CKW  
June 21, 1979



792/3/196

Meeting on IBRD Lending Criteria, June 8, 1979

Present: Messrs. McNamara, Stern, Qureshi, Chenery, Damry, Gabriel, Nurick, Wood, Goodman

The meeting discussed the draft paper prepared by Mr. Goodman.

Mr. McNamara said that the graduation trigger level should be set at 30% of OECD North. He was more concerned about the paper's weak handling of below graduation-level countries, such as Brazil, Korea, Mexico and Malaysia. For the requested Board meeting, he proposed (i) concentrating on the graduation trigger level, and (ii) arguing that any objection to continued lending to an MIC would have to be dealt with on a country-specific basis. As to the future role of the IBRD in those countries, consideration should be given to developing discussions with countries on their development objectives and programs along the lines of the country consultations of the Fund. Whether the Board should be presented with CPPs was a very difficult subject and a risky procedure; however, in the case of the controversial countries, there was probably no alternative. He concluded that the forthcoming Board meeting on lending criteria was only a first step, that management should argue that its data and analysis of cases such as Korea and Mexico was not yet developed enough, and that at Board request very detailed country analyses would be carried out.

Mr. Stern commented that this seemed to be a sensible way to proceed. It was very difficult to give in aggregate a convincing argument for or against continued lending to a country. Such an analysis had to be country-specific. The Board could ask for such country-specific analyses. Mr. Qureshi argued that the Bank knew very little about the future of private financing of these countries and that the Bank had not yet found its role with regard to mobilizing large private capital flows. Therefore, general statements were difficult to make.

As to the introduction of the relative trigger level, Mr. Stern said that the U.S. would seize on this. Management would assert that IBRD had a role to play until the country was far along in the industrialization process, further than so far established. Mr. Chenery said that he had been in favor of graduation for a long time, because capital supply from OECD to the South was limited. However, in a growing world economy, capital supply was also increasing and therefore called for a relative trigger level. Mr. Qureshi argued that conceptually access to capital and not level of income should be the main criterion. Mr. Stern disagreed; the basic question was what role the Bank should play in a growing world. Mr. McNamara said that the point should be made that the gap between OECD nations and MICs was growing and that the latter had to obtain sufficient capital to close that gap.

Mr. Wood argued that the Bank was caught between two standards: (a) the constitutional approach, namely that the Bank was there to supplement private capital; and (b) the relative bench-mark criterion, i.e., the search for a consensus on at what stage of development a country could still lay claim on Bank resources. The graduation issue was related to (b), whereas standard (a) could rise within that graduation margin. Changing situations as to adequate access to capital markets could move a country in and out of IBRD lending. Mr. Stern observed that an in-and-out approach was not possible because a continuous relationship was required for effecting structural change in a given country.

Mr. McNamara asked that a statement should be added to the paper on the cost of continued Bank lending to marginal countries. The statement contained in the paper that capital constraints had in the past limited Bank lending should be



taken out because this had never been the case. He concluded by saying that he felt uncomfortable about going ahead with this paper. He asked for a revised draft by June 15. After the capital increase would have been secured, work on changing the IBRD statutory limits should be initiated.

CKW  
June 21, 1979



792/3/94

Meeting on IBRD Lending Rate Policy, June 7, 1979

Present: Messrs. McNamara, Stern, Damry, Gabriel, Nurick, Qureshi, Wood, Bock, Applegarth

In introducing the discussion, Mr. McNamara said that the meeting should (i) agree on the Bank's objective as to income, and (ii) establish how this objective would be achieved. He was prepared to accept the income objective proposed by P&B's paper for the next 3-4 years. Within the next 6-12 months, the issue of how the Bank should use its increased income in the '80s would have to be raised with the Board. In his view, it was not important whether the new policy would be called a formula or not. It was important to state that the lending rate would be set to hold IBRD's pre-risk income to the projected income curve. The lending rate would be reviewed at least once a year, based on the borrowing cost of the 12-month period, centered on the date of review plus 50 basis points. Such an approach would allow ample room for judgment.

Mr. Stern argued that starting with a 50 basis points spread as stated by Mr. McNamara would mean that the income objective would be secondary, i.e., spread security would be ranked higher than the income objective. Mr. McNamara disagreed. It was only under tactical considerations that he did not want to put too much weight on the income objective at this point in time; the spread security was important to the EDs. He proposed leaving the lending rate unchanged until the date of Board review. At that meeting, the lending rate should be set at approximately 8.25% so that it could be increased to about 8.75% by January 1980. However, before arriving at a decision on the lending rate, Mr. Rotberg should review his borrowing cost projections.

The meeting then did a page-by-page review of P&B's paper.

As to the alternative of a rate floating during disbursement (page 25), Mr. McNamara observed that this would not necessarily be a bad system. Mr. Stern argued that it would be a very poor system. One should keep in mind where the IBRD fitted into the over-all flow of international capital. In adopting such a formula, the Bank would be seen by its borrowers as moving in the direction of a fixed spread over LIBOR. Mr. Qureshi agreed. Under expectations of a secularly rising interest rate, borrowers will look for fixed interest rates in order to minimize uncertainty. Mr. McNamara agreed that the floating formula should be rejected on the grounds of adding another element of uncertainty.

CKW

June 13, 1979



792/3/95

Meeting on Administrative Tribunal, June 6, 1979

Present: Messrs. McNamara, Stern, Qureshi, Nurick, Paijmans, Sommers

The meeting discussed the paper on Principal Issues for Consideration in Connection with an Administrative Tribunal, prepared by Mr. Nurick. Mr. McNamara opened the discussion by stating that the Bank was moving towards establishing a tribunal; however, the issues of (a) the role of the tribunal vis-a-vis the powers of the Board of Directors and the Governors; and (b) the tactics of establishing a tribunal had yet to be addressed. As to the delegation of powers from the Governors to such a tribunal, it was obvious that this was for the Governors to decide.

Mr. Paijmans said that his main concern was that management follow an approach of openness with staff in addressing the issues. He could live with a total delegation of powers to a tribunal along the lines of separation of legislative and jurisdictional powers in governments; however, he was not sure whether it was wise for the institution to adopt such an approach. Mr. McNamara used the analogy to a corporation which was subject to the separate and independent powers of courts; however, in the case of the Bank as an international institution, it was not clear what law would apply, which could result in the tribunal operating with little legal constraint.

Mr. Nurick said that, in the case of the tribunals now in existence, there was nothing in their statutes as to which law is applicable; however, a body of law had by now developed which related to the question of acquired rights. If the Bank were to institute a new tribunal, the body of law would be vague and uncertain; of course, such a new tribunal might decide to look at the practice of other tribunals. This led to the question of whether the Bank should hook onto the UN or ILO tribunals or whether it should create its own tribunal.

Mr. McNamara said that, through the establishment of a tribunal, the powers of the Board would be moved into a less structured environment. Mr. Sommers agreed but argued that this was not shocking in an Anglo-Saxon common law environment which was different from the European code law.

Mr. Stern argued that the Bank could not have a tribunal with powers leading to decisions which are not enforceable. For example, in the area of personnel and compensation, a tribunal decision that salaries were to be increased by X%, countered by a Board decision to the contrary, would lead to chaos. Large amounts of money were entrusted to this institution; therefore governments were much more directly involved than in the case of the UN, and the Bank had a more fragile existence than the UN system. In his view, it was not acceptable to leave the definition of mandate entirely to the tribunal. He favored Mr. Nurick's third alternative, namely, that "the tribunal should be given the broad power of review as in the tribunals of other international organizations; but, in order to preserve some measure of freedom for the EDs to protect fundamental interests of the Bank under changing circumstances, it could also be provided that the tribunal would have no jurisdiction over decisions by the EDs which they have determined to be in the fundamental interest of the Bank, possibly by a qualified majority."

Mr. Nurick said that he was in a dilemma. He would like to reserve for major matters the right of the Board of Directors and the Governors to deal with them; therefore, he would build-in some kind of limitation of the powers of the tribunal. On the other hand, such an approach would split the Board, with the Europeans on the one side and the Anglo-Saxons on the other; for this reason he would limit the exceptions as much as possible. The issue of acquired rights should be taken away from the tribunal.



Mr. Qureshi said that, in reading the paper, his first reaction had been that Option (a) made sense. However, he had then concluded that the issue of acquired rights could not be left out, leading him to favoring Option (d), which also would give management most protection against external political pressures in the future. However, the Board would probably not accept this alternative. He had therefore finally concluded that Option (c) was the route to go; it put the Board of Governors into an impregnable position. Tactically, the President should state that he had an open mind and that he was willing to go for Option (d) if the Governors wish to do so.

Mr. McNamara said that he was opposed to Option (d). He concluded that the sense of the meeting seemed to be towards Alternative (c). With regard to tactics, the paper should bring out the issue of jurisdiction more clearly in a 2-3 page statement. As to raising the matter with the Board, he pointed to three alternatives: (i) to sit down with 5-7 EDs, i.e., one or two key LDC EDs and 4 or 5 OECD EDs to discuss informally the paper; (ii) to meet informally with all 20 EDs; or (iii) to prepare a paper mainly containing a list of questions and issues which would be shown to the management/staff conference on legal rights ahead of the meeting with EDs. In such meetings with EDs, the emphasis should be on the issue of which powers should governments shift from the EDs to the tribunal. Mr. Stern suggested a fourth alternative, namely, to give Mr. Nurick's paper, which was sufficiently diffused, both to the conference in order to obtain their views, and to the EDs as a draft for an informal meeting with Mr. McNamara in order to obtain their initial reactions. The more management refined the paper and got into specifics at this stage, the more it was sucked into decision-making. The paper should be considered as purely educational. Mr. McNamara said that, under such an approach, management would go 3/4 of the way; there would be no question that a tribunal would be instituted. However, it worried him to present a paper containing Option (d) to the conference and the EDs. Mr. Nurick said that the conference would obviously go for Option (d) plus acquired rights.

Mr. Paijmans argued strongly for "having the fight with the staff" as late as possible in the game. The sequence was important: management should not talk to the Board before the paper had gone to the staff. Mr. Stern suggested doing it simultaneously.

Mr. McNamara asked Mr. Nurick for a revised draft of the paper by June 11 for a meeting on June 12 at 2:00 p.m. Next week's meeting should probably agree on giving the paper simultaneously to the management/staff conference on legal rights and to the Board of Directors.

CKW  
June 20, 1979



792/3/93

Meeting on Maintenance of Value, May 21, 1979

Present: Messrs. McNamara, Bergsten, Fried, Hoopengardner, Mrs. Meigher, Messrs. Cargill, Damry, Gabriel, Nurick, Qureshi, Stern, Wood

Mr. Bergsten said that the U.S. Administration considered maintenance of value to be one of the issues to be resolved before the IBRD general capital increase could be settled. Mr. McNamara replied that this had not been his feeling after his meeting with Secretary Blumenthal; at that meeting, he had pointed out that this issue could not be settled soon. Mr. Bergsten emphasized that the U.S. needed an understanding that a vote on the GCI on June 28 did not involve any U.S. liability beyond a fixed amount. Mr. McNamara said that, as he had earlier pointed out, the U.S. could limit its liability but its proposed formula of SDR without MOV could not be settled soon. Mr. Bergsten argued that, in his view, the issue could probably be settled at a donors meeting of the G-6 in the near future. Mr. McNamara replied that, even if the G-6 would reach agreement on the U.S. formula, the full Board would not agree to such a formula by June 28.

Mr. Bergsten explained that the paper prepared by Treasury tried to establish that maintenance of value had no financially adverse effect on the international banks. In substance, therefore, there was no need for maintenance of value. From a political point of view, some governments, particularly the Germans, argued that "you Americans are voting our shares." Mr. McNamara pointed to the fact that the Treasury paper did not deal with the issue of soft currency countries under a system without maintenance of value. He warned that the U.S. should not underestimate the antagonism towards the U.S. among other countries for whom this had become an almost theological issue.

Mr. Stern enquired about the U.S. Administration's reasons for attributing such relevance to the maintenance of value issue in the context of its consultation process with Congress. The U.S. Administration could take its risks on the downward side and ask for a fixed amount. Mr. McNamara agreed; the message to Congress could ask for agreement to an amount of not more than X% of a total of U.S. \$40 billion to be subscribed. Mr. Bergsten objected by pointing to the fact that the U.S. voting share would fluctuate as a result of such an approach.

Mr. McNamara said that Bank management had assumed that the U.S. did not want the issue to be decided before the general capital increase vote. It therefore now needed time to turn around. The first step would be to vote on June 28; as a second step, the maintenance of value issue should then be settled within a period of about six months. He emphasized that maintenance of value was not one of the fundamental elements of the general capital increase. Mr. Bergsten disagreed; in view of the experience with the Fund quota increase, Congress would not even authorize if a contingency element were involved.

Mr. McNamara suggested agreeing on January 31 as the final date for settling the maintenance of value issue. The Bank would write a White Paper evaluating the various alternatives as to their impact on Bank finances and equity among nations. The Board could then choose.

Mr. Bergsten enquired again whether, supposing the G-6 agreed with the U.S. approach within the next two weeks, Mr. McNamara could not put the proposal through the Board shortly after June 28. Mr. McNamara replied that it would not be possible to do that before October.



Mr. Bergsten agreed to take Bank management's view to Secretary Blumenthal. He concluded that management's position was troublesome in terms of assuring U.S. support for the capital increase.

CKW  
June 7, 1979



792/3/92

Meeting on Food Issues for Tokyo Summit Meeting, April 24, 1979

Present: Messrs. McNamara, Henry Owen, Maurice Williams, Fried, Stern, Baum, Yudelman

Mr. Owen said that it had been agreed at a meeting with Mr. McNamara two months ago that a Tokyo Summit initiative on food was desirable, that the Bank should be called upon to play a role in this, and that another meeting with Mr. McNamara should be convened after the April Bellagio meeting. Mr. Williams reported on the Bellagio Conference which had been the culmination of regional meetings as well as meetings convened by the Bank, DAC and the OPEC Fund to address present constraints on world food investments. Bellagio had brought about a note of realism; the LDCs had stated that the food problem was for them to deal with in terms of policy, management and resources; the international community should support them in terms of stepping up technical assistance by international agencies to create the necessary implementing capacity in LDCs. The meeting had revealed that the international agencies were far along with regard to redirecting their efforts and procedures in this direction; the Bank was clearly the farthest ahead. The meeting had endorsed formulation of food sector strategies and intercountry food security measures but had not recommended the creation of an international food consortium; it had opted rather for the strengthening of existing international agencies.

Mr. McNamara said that the Tokyo Summit meeting should make two statements:

- (i) urge the World Food Council to help governments of the major food-deficit countries prepare food sector strategies which would link future consumption needs with production and importation policies; the Bank should be urged to support this effort; and
- (ii) urge the World Food Council to assist in the development of food security plans and urge international institutions to give high priority to supporting such plans.

In response to a question by Mr. Owen, he said that the major food-deficit countries would include Indonesia, India, Bangladesh, Pakistan, Nigeria and possibly Zaire and Egypt. Indonesia was an illustration: for ten years the Government had concentrated with modest success on rice production; however, the country had failed to develop non-rice foods with caloric potential; such a policy was a prescription for disaster.

Mr. Owen said that the Summit communique should also contain statements on three additional issues:

- (i) food aid;
- (ii) international system of national wheat reserves; and
- (iii) increase in real terms of the CGIAR program.

Mr. McNamara said that the recent proposal to increase CGIAR by 100% in real terms over the next five years would overload the circuit. However, if there were a financial crisis developing for CGIAR next year, the Summit should express its concern, stating that it was impressed by CGIAR's progress and endorsing a real increase in the program. Mr. Baum suggested the communique should state that international and national research were insufficient to provide the technical base for increased food production. Mr. McNamara agreed.

CKW  
April 26, 1979



792/3/91

Meeting on FY80 Budget, April 13, 1979

Present: Messrs. McNamara, Cargill, Stern, Gabriel, Vergin, Paijmans (part of the time)

Mr. McNamara asked Mr. Paijmans for a brief summary of his budget request in terms of proposed activities and staff to be on board by end-FY80 as compared to P&B's recommendation. He decided to approve P&B's recommendation for the time being but with the clear understanding that Mr. Paijmans would have authority to restructure the Bank's Personnel function and that this should then be funded from the contingency.

Mr. Vergin warned that the contingency situation might become extremely tight if, in addition to these Personnel requests, the energy program were started faster than expected, health operations were initiated and the previously approved data processing and computing activities were strengthened. Mr. Stern said that Mr. Gabriel's recommendation now amounted to a 6.8% real budget increase. He suggested adding 0.2% for the contingency. Mr. McNamara disagreed and said that he was willing to accept a tight contingency for FY80. He concluded that the support departments appeals had been taken care of. No additional manpower should be granted to Mr. Rotberg or Mr. Chenery. The requests of the operational departments had been taken care of by Mr. Stern. Mr. Gabriel's recommendations should thus be accepted.

CKW  
April 23, 1979



792/3/90

Meeting on FY80 Budget, April 6, 1979

Present: Messrs. McNamara, Gabriel, Vergin, Nichols, Jeurling

Mr. McNamara said that, although progress had been made, Bank managers still had to understand better that budget decisions were made by line managers and that P&B did not make decisions and should not carry that onus. Responsible line officers had to identify with their budgets. He had not yet studied the document carefully but he knew that this budget was loose, i.e., there were excessive funds being allocated in relation to the bulk of the work to be done. He could not put his finger on any particular items but that was his strong sense. The possibility of reducing the average size of lending per project was obviously one candidate for cutting the budget amount.

Mr. Gabriel said that, as to the mismatch between input and output in this budget, there had been an illusion of efficiency in recent years because of the keeping down of support department costs. Mr. McNamara said that the Bank had no adequate cost model for overhead versus operational costs. Costs should be classified into fully fixed, fully variable and categories in between. He asked Mr. Gabriel to focus on this eventually.

In response to a question, Mr. McNamara said that the energy work program should reflect the proposals made to the Board in January of this year. He asked for a paper by April 11 on (a) cost and output of the program proposed to the Board, (b) P&B's recommendation as to cost of output, and (c) most recent cost estimates for achieving the output agreed upon under the January program. As to unrealistic cost-estimates made in the January document, he repeated that every single financial figure in this institution had to go through P&B. Mr. Vergin commented that there was an additional element of overprogramming in the budget due to additional energy operations.

Mr. McNamara asked for a list of one-time budget items, i.e., items which should go out again. He asked that two procedures be introduced: (a) a ledger should be kept of one-time items, and (b) a ledger should be kept of all activities designed to improve output or quality.

As to the pipeline, Mr. McNamara said that the Bank had not yet established the right level. He thought that too much was put into the pipeline at present. He asked for a pipeline analysis for FY80 and FY81, including cost estimates.

Mr. McNamara asked for the revised Table VIj for FY80 through FY84.

As to CPS policy and advisory work, Mr. McNamara said that the costs and benefits of further strengthening that work had to be studied carefully.

With regard to the statement in paragraph 7 of the budget document, Mr. McNamara asked Mr. Gabriel for a list of justified needs which are not met by the proposed budget.

Mr. McNamara asked Messrs. Gabriel and Vergin for their personal recommendations.

The meeting then went over the remaining items on a list prepared by Mr. McNamara.



It was agreed that Mr. McNamara would receive P&B's budget proposal on April 27 and that he would give P&B his final position on Monday, May 7, i.e., before leaving for Manila.

CKW  
April 9, 1979



792/3/89

Meeting on FY80 Work Program and Administrative Budget, April 5, 1979

Present: Messrs. McNamara, Cargill, Gabriel, Stern, Vergin, Nichols, Miss Alexander

Mr. Cargill said that P&B's recommended budget should be reduced so that the increase over the FY79 actual expenditures would amount to 7%. This should be accomplished mainly by reducing the number of operations but not total commitment amounts. Mr. McNamara agreed that a reduction of operations should not lead to a reduction in transfer of resources.

The meeting then discussed the list of areas for cutbacks prepared by P&B. Mr. Gabriel urged that the number and nature of changes should not be decreed in great detail but that flexibility should be left for the operating departments to make these decisions.

Mr. Vergin argued that there was strain on project staff to keep the present average size of projects. Mr. Stern disagreed. This year's experience showed that the average size of projects could be increased. Mr. McNamara said that it should be done by taking out a number of projects year-by-year; this would result in savings of about \$2.5 billion.

With regard to the proposed elimination of all overprogramming, Mr. McNamara said that this should not include the energy program. The energy program should be reflected in the budget as proposed to the Board because he could not change the program every 90 days.

As to country economic and sector work, Mr. McNamara said that this work should not be cut. A very substantial effort by the Regions had gone into the development of this work program.

Mr. Stern said that COPDs would not constitute an area of saving. Mr. McNamara concluded that there would be no FY80 savings on this account.

With regard to the proposed absorption of all Resident Mission expenditure increases, Mr. McNamara said that this could be done and that special cases might be considered later.

It was agreed to cut CPS non-operational work.

It was agreed that, particularly because of the ongoing research panel activities, no reduction in external research and inhouse research should be considered.

Mr. McNamara agreed to introduce miscellaneous cutbacks in the budget for support departments.

It was agreed that the incremental pension plan management cost would be cut back subject to approval by the Pension Finance Committee.

It was decided that Mr. Stern would look into possibilities of reducing the budget for monitoring-evaluation and project related training work.

Finally, it was agreed that the FY80 contingency would not be cut because flexibility was needed under a tight budget.



Mr. McNamara summarized that the objective was to reduce budget growth to 7% over the FY79 actual versus P&B's current recommendation of an 8.2% increase, i.e., to cut by 1.2%. After the PC meeting on Monday morning, at which the Vice Presidents would be asked for their views, this group should meet again. He did not like this budget because he sensed that there was fat in it. The mismatch between (a) output and people and (b) people and real dollar cost made him feel uneasy. Also, he did not like the accounting; for example, real wage increases should not be budgeted as volume increases. Fried's concern was the price change and should not be mixed up with changes in bodies. He asked Mr. Gabriel to put the increase in real salaries into price-level changes.

Mr. Gabriel urged that Mr. McNamara give the right signals to the troops. The Bank had in recent years enormously complicated its operations. It was time to reconsider this development.

CKW  
April 9, 1979



Meeting on UNCTAD Speech, March 27, 1979

Present: Messrs. McNamara, Chenery, Stern, WClark, Haq, Karaosmanoglu

Mr. McNamara said that he was not committed to go to Manila, that he was not yet assured that the LDC interests were properly addressed by the draft speech, and that he had doubts whether the paper's recommendation of a world conference was appropriate. He asked Messrs. Haq, Chenery and Karaosmanoglu to talk it out tomorrow with Messrs. Balassa, Keesing and others, and to focus particularly on (a) the gaps left by the results of the Tokyo Round in terms of trade environment (framework, codes, etc.); (b) the approach to be taken by the developing countries in view of the results of the MTC; and (c) the required mechanism to pursue these objectives. He had asked Mr. Haq to redraft the speech within approximately a week's time.

Mr. Haq said that Mr. Balassa's comments had been very constructive. The major remaining question related to the results of the Tokyo Round. One could separate areas of progress--namely, reduction of tariffs, export subsidies, limitation of escape clauses, common procurement, injury before applying countervailing duties --and areas of risk and concern for LDCs--namely, selectivity provision, weak surveillance mechanism, exclusion of multifiber agreement and non-representation of non-GATT LDCs.

Mr. Stern commented that he still did not see any action program emerging from what Mr. Haq said. In his view it all boiled down to the fact that the LDCs did not get into the picture and "bitched on the sidelines." The real issues had to be tabled. The message to the LDCs should not be that the world mistreated them but that they had to take action. The non-participation of the LDCs was the real issue. He urged that the speech should not make any organization proposals.

Mr. Clark said that there was almost no mention of the Bank in the speech. Mr. Chenery said that Bank action on the supply side towards diversification of exports could be mentioned. Mr. McNamara said that he was not in favor of dragging in everybody's interests and that the main point of the speech should remain that the LDCs did not take appropriate action; however, he was prepared to say that the Bank could finance structural adjustments, if necessary, through program loans.

CKW  
April 9, 1979



Meeting on UNCTAD Speech, March 23, 1979

Present: Messrs. McNamara, Haq, Keesing

Mr. McNamara said that his problem was ignorance about (a) what the MIN meant for the LDCs and (b) what future action should be taken. He had not received many helpful suggestions yet as to what needed to be done and how it could be achieved. Isaiah Frank had commented that the draft speech failed to recognize the enormous achievements of the Tokyo Round and treated the new protectionism as an autonomous event rather than a function of the difficult economic management in OECD countries. Also, he had argued that the Tokyo Round had produced codes which provided a sufficient framework for future negotiations. Mr. McNamara urged that a sound Bank position had to be developed for his speech. He did not bother to be at the cutting edge of thought and action.

Mr. Keesing commented that the speech was too thin and shallow on constructive ideas for action. It was long on idealism and short on pragmatism. The messages contained in the draft about the existing situation were distorted. Most of the problems faced by LDC exports were due to insufficient growth in OECD countries rather than protectionism. It was true that the Tokyo Round contained some nasty results in terms of negative effects on the LDCs as a result of EC/U.S. compromises. GATT enforcement procedures were not very strong and its power for surveillance had to be strengthened. Non-trade barriers worked through detailed administrative procedures and were very difficult to stop from outside through codes or procedures. The LDCs did not have much power of their own and had to link up with allies in the developed countries. Also, there were conflicts among LDCs, e.g., in textiles, and the "Brazils" tended to go it alone. The small LLDCs were getting a bad deal out of it.

Mr. McNamara said that the LDCs needed a mechanism to prepare studies and to formulate their positions. Suggestions were needed as to how the LDCs should organize. At present, they were clearly not bargaining intelligently enough. Mr. Haq commented that there would certainly be no collective stand of the LDCs at UNCTAD; they would complain individually. UNCTAD and GATT did not do much work on trade. Mr. McNamara said that the Bank should expand its work on trade issues.

It was agreed that Mr. Haq would work on introducing a thoughtful statement into the speech on what the Tokyo Round had achieved and had not achieved and on what it had left to be done. He should introduce the comments received from Messrs. Balassa, Malmgren and others.

CKW  
April 5, 1979



792/3/86

Meeting with Mr. Romeo Horton and Senator Hugh Scott, March 20, 1979

Present: Messrs. McNamara, Horton, Ngwube, Miss Miamah, Messrs. Scott, Haley, Kpogon

Mr. Horton reported on the activities of the ECOWAS Fund and its two windows of compensation and capital transfer. Because of the West African Common Market, the Fund placed emphasis on regional projects in fields such as food production and shipping. Compensation activities were directed at losses originating from integration. He enquired about possibilities for Bank/ECOWAS cooperation, particularly with regard to technical assistance by Bank staff to staff of the Fund.

Mr. McNamara said that the Bank was most anxious to support regional cooperation. The Bank had supported the East African Community where the pattern had been that the Bank received loan guarantees by each individual government and the Community. As the example of the East African Community showed, regionalization had not advanced in the world and the Bank's attitude could only be of cautious optimism. He urged Mr. Horton to explore with Mr. Chaufourier forms of possible cooperation. Mr. Scott emphasized that, in order to make regional integration work, projects were needed which yielded visible benefits for all countries involved; telecommunications was an obvious area. Mr. McNamara agreed.

CKW  
April 5, 1979



*Henry Lee*

792/3/85

Meeting with Transportation Research Panel, February 27, 1979

Present: Messrs. McNamara, Baum, Chenery, Willoughby, Jorge Cauas, Dag Bjornland, Rodolfo Felix Valdez, S. Jagannathan, Daniel L'Huillier and Goon Kok Loon

Mr. Cauas made the following points: (a) the Bank should monitor more closely dissemination efforts of its research findings (such as criteria for highway design and labor/capital substitution in road construction); (b) with respect to rural roads, a broader research approach should be adopted which would go beyond the producer-surplus approach by introducing sociological and anthropological criteria in assessing impact of opening up rural areas in this area, work with the Rural Development Department was required; motivations would be taken into account in order to analyze how rural roads affected non-product-moving-out-related activities; (c) more research was required on institution-building, both the strengthening of institutions in the transport sector in developing countries and the relationship between the Bank's research and research institutions in those countries; and (d) state of the art studies should be continued.

Mr. McNamara said that he did not clearly understand what research the Panel proposed on rural roads. Further, he asked whether the Bank's work on labor-capital intensity in road construction had been advanced far enough. In his view, the question of appropriate technology related not so much to the development of technology but to the economic choice of existing technology.

Mr. Cauas said that the Panel would recommend a joint task force on rural development and transportation in order to look at the long-term effects of rural roads. The work had to be related to comprehensive area development planning. It was not possible simply to calculate a rate of return on a piece of rural roads.

Mr. McNamara concluded by expressing his appreciation for the very substantial work accomplished by the Panel. Based on the results of this and other panels, the Bank would review its research program and set its future research policy.



Meeting on Valuation of IBRD Capital , February 9, 1979

792/3/84

Present: Messrs. McNamara, Cargill, Rotberg, Damry, Gabriel, Nurick, Wood, Bock

The meeting discussed the draft paper on Maintenance-of-Value, dated December 1, 1978.

Mr. McNamara enquired whether a formal resolution on the IBRD General Capital Increase was possible without the settling of the issue of maintenance-of-value. Mr. Wood replied that this was possible and that the IDB capital increase afforded the most recent precedent, leaving the matter unsettled. Mr. McNamara said that this meant that governments deposited at \$1.20635 and that the ultimate price would be established later. He was amazed that the U.S. under the selective increase had accepted such an additional obligation for which they had no appropriating authority. They would probably not get by Congress with this procedure in the case of the much larger general capital increase. Mr. Nurick said that rumors had it that the Big-6 were presently trying to strike a deal in order to resolve the issue. Mr. Wood said that no early decision would be possible because the U.S. was opposed to maintenance-of-value and the FRG would not accept giving up maintenance-of-value. Mr. Nurick said that the U.S. would have to deal with the same issue at the Fund under the seventh quota increase legislation this year or next year. It was decided that the capital increase resolution would be planned on the basis that the maintenance-of-value issue would not have been settled, i.e., there would be no difference to the procedure adopted under the selective capital increase. Mr. Wood said that the settlement of the maintenance-of-value issue could become a condition of effectiveness of the general capital increase resolution. Mr. Rotberg warned of not becoming hostage of the settlement of this issue for the general capital increase.

Mr. McNamara enquired whether the U.S. would accept either one of the paper's proposals. He had his doubts as to the feasibility of the paper's proposals in terms of a U.S.-action program. The basic U.S. problem was to incur a contingent liability without Congressional appropriation. At present there was no effective Government action on these issues. He had proposed to Messrs. Mondale and Blumenthal the organization of a highly effective small group, consisting of representatives of Treasury, OMB, Justice and the White House, to deal with the problem of appropriation of contingent guarantees in more general terms. In the case of the Bank, according to Mr. Looijen, this had become a \$3 billion issue. Mr. Rotberg agreed. The \$3 billion figure resulted from today's difference between the \$1.20 par offering of shares and the \$1.29 present value of the SDR. Mr. Wood said that according to Mr. Bergsten an amendment of the Articles was possible at some point; but this would involve a certain cost which the Administration did not want to incur this year.

It was agreed that (a) an informal meeting of EDs would be convened on April 24 to discuss the maintenance-of-value paper, i.e., after the resolution on the general capital increase had been discussed by the Board on April 10; (b) the Board would be alerted to the scheduling of such a meeting in the March 1 edition of the schedule of meetings; (c) the paper for the informal meeting would be distributed to the Board by April 10; (d) the paper should be rewritten by March 23; and (e) it should be expected that the meeting would reach no agreement and that therefore the same "footnote" would be introduced into the resolution as under the special increase.



Lending Rate

It was agreed that Board discussion of the IBRD lending rate policy would be scheduled for July 17, 1979, and that this date would be announced on the March 1 schedule of meetings. The paper should be distributed to the Board about five weeks before that meeting. In view of the fact that the Bank's lending rate would rise substantially for the fourth quarter of the current fiscal year because of present low borrowing volume and the use of a U.S. proxy, a separate short paper should be distributed to the Board on March 20 for discussion on April 3; this paper would argue that under the present formula the rate would go up to at least 7.5%, that management saw no real justification for such an increase and therefore proposed no change by April 1.

Management of Liquid Assets

Mr. McNamara said that he would like to charge Mr. Rotberg with (a) developing the procedure for investing the Bank's liquid assets following systems-cost criteria and to monitor them accordingly, (b) developing means of examining the the potential risks of reporting unacceptably low profits, and (c) considering how to modify the investment policy in order to reduce such risks to acceptable levels. The Bank had to develop its investment policy for liquid assets on that new basis.



792/3/83

Meeting on Policy Dialogue with the UN, January 25, 1979

Present: Messrs. McNamara, Stern, Clark, Haq, Chernick, Mrs. Boskey

The meeting discussed Mr. Haq's memorandum on Policy Dialogue with the UN, dated January 24, 1979.

Mr. McNamara complimented Mrs. Boskey and Mr. Haq for the great progress made and encouraged them to pursue this course. Mr. Haq said that a number of wrong UN perceptions of the Bank's role had been corrected. From a recent discussion with Mr. Dadzie, he had gained the impression that the formulation of the International Development Strategy (IDS) for DDIII would probably be more politicized than originally expected. Also, IDS would probably deal more with international rather than domestic policies. Dadzie was worried about these developments; he had commented that the Prep Com was a useless forum, that in the middle of this year he would convene a group of eminent persons to discuss the content of IDS, and that he would like to come to the Bank for consultation around end-February. Mr. Haq recommended that the Bank keep a low profile in this process. Mr. McNamara enquired about the substantive ideas put forward either by Dadzie or Ripert for IDS. Mr. Haq replied that there was no single major theme emerging. In response to a question, Mr. Chernick said that DCP's final report on IDS for DDIII would go to ECOSOC by end-April. Mrs. Boskey said that Dadzie's role in the context of IDS was political and that Ripert's role was rather reduced; however, the latter's group could act as a think tank. The Prep Com was a committee of the whole and in charge of IDS. The Bank had any number of avenues through which it could influence the work on IDS for DDIII. Mr. Stern urged that not too many resources should be spent on that; it constituted pushing a bag of wind. The Bank should rather focus on work with the UN Specialized Agencies such as ILO, WHO, IFAD and UNCTAD.

Mr. McNamara said that the Bank did not have an effective intellectual interchange with the cutting edges of the UN agencies. Efforts should be undertaken to develop a meaningful dialogue with the "Haqs" of the UN agencies; what was needed was a network of brains around the world. He asked Mrs. Boskey and Mr. Haq to prepare a list of where and who the pressure points were in the UN agencies. This exercise should also be done for non-UN groups. Mr. Haq said that we had much better relationships with the latter.

In response to a question by Mrs. Boskey, Messrs. McNamara and Stern said that briefs and not position papers on Bank policies should be prepared for Bank staff attending UN meetings.

CKW  
February 2, 1979



792/3/82

Meeting on Follow-Up Action on Career Development Paper, January 15, 1979

Present: Messrs. McNamara, Chadenet, Stern, RClarke

Mr. McNamara said that the next step on career development should be that Personnel Department (i) developed the necessary structure in Personnel for developing the program; (ii) put together the required staffing; and (iii) laid out the implementation procedures. Personnel should call on Messrs. Stern, Chenery and others for advice. Only after Personnel had been strengthened and an action program had been developed, should decentralization of some of the Personnel function to the Regions be considered. Personnel should then develop rules to monitor the Personnel function of the Regions. Mr. Stern observed that Personnel also had to provide training to managers on personnel matters in order to acquaint them with the objectives and enable them to fulfill better their responsibility.

CKW  
February 1, 1979



Meeting on Graduation of Higher-Income IBRD Countries, January 10, 1979

792/03/81

Present: Messrs. McNamara, Franco, Kafka, Ardito-Barletta

Mr. Kafka reported on Brazil's position at the recent IDB negotiations which had imposed a ceiling of \$250 million per year per country on IDB lending to Argentina, Brazil and Mexico. The Brazilian negotiators had, in his view, made a serious mistake in accepting such a ceiling. Their reasons had been that: (i) even today Brazil is receiving less than the imposed limit of \$250 million per year; (ii) they considered the IDB to be a second-rate Bank; and (iii) for the last three calendar years, the three affected countries alone absorbed 46% of IDB commitments. The Brazilian Government had also thought that it would not have much support if it opposed the U.S. move.

Mr. McNamara said that the Brazilian Government should have been aware of the fact that the IDB decision created a bad precedent. The Bank planned much increased amounts of lending (on the order of \$1 billion per year) to Brazil over the coming years.

Mr. Kafka enquired about the action to be taken. Mr. McNamara said that (i) an intensive analysis of country requirements should be carried out; if possible, the impact of less than optimum lending levels on the development of those countries should be established; the analysis would have to deal with the Government's future development program, projected savings rates, external capital requirements, availability of financing from private markets, and the residual financing to be obtained from IFIs; and (ii) the countries involved should initiate discussions and negotiations with the U.S. State and Treasury Departments. They should point to the fact that the financial cost to the U.S. of continued lending was negligible, particularly in view of a possible 0% paid-in portion under the next IBRD Capital Increase; but that, on the other hand, the political cost of graduation was very high. For example, it would be absurd for the U.S. to embarrass the Romanian Government at this point in time. Unfortunately, only State was thinking in those terms. In response to a question by Mr. Kafka, he said that graduation was at present not an issue on the minds of U.S. Congressmen.

CKW

January 15, 1979



792/9/80

Meeting on Graduation of IBRD Countries, January 5, 1979

Present: Messrs. McNamara, Chenery, Stern

Mr. McNamara said that Mr. Fried insisted on considering the issue of graduation of higher-income IBRD countries before the end of the fiscal year so that the conclusions reached could make an impact on the FY80 program. However, the Board had agreed that this issue should be put on the agenda only after the Capital Increase discussions had been completed, i.e., in about three months' time. He was uneasy about facing the graduation issue in the next few months, because it raised many tough questions.

Mr. Stern said that it would be a difficult discussion because, although the intermediation role for the Bank was an important one, the general mood for a pure intermediation function was not very strong in the world today. It would be a hard line to take to ask for acceptance of the position that, say, 70% of the Bank's role would be intermediation. The popular themes were food production and poverty programs.

Mr. McNamara said that not only the benefits of continued lending to higher-income IBRD countries would have to be stressed but also the cost side: lending to these countries could be continued at negligible cost to the Bank's major shareholders. On the other hand, the political benefits were enormous.

Mr. Chenery said that, as in the case of other problems, there was no coordination on this issue between State and Treasury. Mr. McNamara agreed.

CKW

January 15, 1979



792/3/79

Meeting on Currency Allocation to Borrowers, January 5, 1979

Present: Messrs. McNamara, Cargill, Broches, Damry, Gabriel, Rotberg, Stern, Nurick, Wood, Bock, Knapp

The meeting discussed the outcome of the seminar held by P&B to familiarize the EDs with the new currency allocation system proposed by management.

Mr. McNamara said he was shocked by Mr. Mentre's statement which, in order to equalize intergenerational lending rate variability to borrowers, had proposed moving away from minimization of systems cost by standardizing currency composition of borrowings. Such equalization should rather be achieved by pooling the lending rate over a longer period of time. In the light of the discussion at the seminar, a few technical papers should probably be prepared addressing the following issues: (i) how to include the Bank's liquid assets under the proposed pool; those who advocated such pooling of liquid assets forgot that there was a "system" and not a "bank"; the paper should deal with the technicalities and not the legalities of the issue; (ii) whether the standardization of the currency composition of borrowings would move the Bank away from minimization of costs of borrowing; (iii) how to change currency-mix practices in order to ensure that disbursements contained the same mix as the pool; (iv) the feasibility of a floating lending rate associated with a currency pool or, alternatively, a differentiated rate associated with non-pooling of currencies; and (v) the option of moving into the pool disbursed portions of past loans.

CKW  
January 15, 1979



792/3/78

Meeting on World Food Production, January 2, 1979

Present: Messrs. McNamara, Henry Owen, Maurice Williams, Stern, Yudelman

Mr. Owen said that he had thought for some time about the possibility of organizing a functional consortium on food production along the lines of the group proposed by the Bank on energy. Mr. McNamara had referred him to the World Food Council and Mr. Williams was interested in the proposal. The questions now were: (i) what procedure should be worked out in order to pinpoint needed action, and (ii) whether the Bank could play a role in organizing such a consortium. Mr. Williams added that such a consortium would have to deal in particular with the issue of linking food production and consumption. The forthcoming Bellagio meeting--which would sum up the four preparatory meetings--could provide a forum for the new initiative.

Mr. McNamara said that he had felt for a long time that the larger LDCs should develop national cereal grain plans for both production and consumption; only then could international donors meaningfully come in. He agreed with Mr. Williams that one would have to go first through the cycle of the regional preparatory meetings and then wait for the outcome of the Bellagio conference. This group should meet again after Bellagio. It appeared to him that the World Food Council was the proper body for undertaking the new initiative. The Bank was anxious to help, and, as a first step, was bringing international agencies together in preparation for Bellagio.

Mr. Owen said that donors' actions badly needed to be integrated. There was also the aspect of how to present foreign aid initiatives to the U.S. Congress; food production seemed to be a palatable proposition. The Bellagio meeting would result in a better understanding of what needed to be done and the June Tokyo Summit could then call for a meeting with multilateral and bilateral donors.

Mr. Stern voiced a sour note. Food production required much larger amounts than energy and the share of external financing was much smaller. By their nature food issues were predominantly a matter of internal policy. The international agenda should deal with the issue of what kind of coordinating function was needed. Mr. Owen agreed that this issue could be dealt with by a post-Bellagio agenda.

Mr. McNamara said that the world needed an indicative plan on how to feed the world's population 20 years from now; but this was an extremely complex issue with multiple development ramifications. The Bank was anxious to work on this. Mr. Yudelman commented that the new frontier in food was clearly the linking of consumption and production.

It was agreed that another meeting would be held after the Bellagio conference.

Mr. Owen enquired about the issues which the Bank would like to see raised at this week's Guadeloupe meeting of the Big Four. Mr. McNamara replied that the main issues were the IBRD Capital Increase and the IDA VI replenishment. On IDA, the U.S. was not yet in line with the other governments. At the Paris meeting, many governments had come out with strong statements supporting a large replenishment, whereas the U.S. had been rather vague.

CKW  
January 8, 1979