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ISAD(G) Reference Code: WB IBRD/IDA 03 EXC-10-4549S

Series: Contacts - Member Countries files

Sub-Fonds: Records of President Robert S. McNamara

Fonds: Records of the Office of the President

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Washington, D.C.

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McNamara papers

Contacts
France (1965-1971)

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Contacts with member countries: France - Correspondence 01

FRANCE

FRANCE

4/5/68	Paul Huvelin, Pres., French Federation of Industries
4/26-28/68 (Mont Tremblant Conf.)	Wilfrid S. Baumgartner, Former Minister of Finance; Honorary Governor, Banque de France
	Jacques de Fouchier, President, Compagnie Bancaire
	Henri Hartung, President, Institut des Science et Techniques Humaines
	Pierre Mendes-France, Member of Parliament; former Prime Minister
	Baron Edmond de Rothschild, Director of Companies
10/4/68	Rene Larre, Director of the Treasury
10/7/68	Baron Guy de Rothschild - at dinner for IFC Advisers
12/10/68	Antoine Pinay, former President of France
2/11/69	Hubert Dubois, French Charge d'Affaires (in Abidjan) Memo in Ivory Coast
1. 2/17/69 (Paris)	Michel Debre, Minister of Foreign Affairs
	Francois Ortolli, Minister of Finance
	Pierre Esteva, Chief of Cabinet for Min. of Foreign Affairs
	Jean-Yves Haberer, Chief of Cabinet for Min. of Finance
2/26/69	Jean Reyre, Chairman, Banque de Paris (lunch at Wash. Post)
2. 4/2/69	Postel Vinay, Head of French AID
4/23-25/69 (Bellagio Conf.)	F. Fournier, Office de la Recherche Scientifique et Technique, Outre-Mer, Paris
6/6/69	Philippe de Corroler, Le Monde (with group of 12)
5/9-11/69 (Bilderberg)	Wilfrid S. Baumgartner, Former Minister of Finance; Honorary Governor, Banque de France
5/9-11/69 (Bilderberg)	Francois Fontaine, Director of the Office of the European Communities in Paris
"	Baron Guy de Rothschild, Director of Companies
"	Marc Ullmann, Deputy Chief Editor, "L'Express"
"	Pierre Uri, Economic Consultant, Atlantic Institute
7/18/69 (Aspen - Eisen. Ex.)	Dominique Xardel, Assistant to the President of the French news magazine, L'Express
9/26/69	Claude Moisy, French News Agency - at reception for press
3. 9/30/69	Valery Giscard d'Estaing, Minister of Finance

4. 10/10/69 Mr. Plescoff
- 2/22/70 Rene Larre, Director of the Treasury
(Montebello Conf.)
- 2/24/70 Mrs. Danielle Hunebelle, REALITIES
5. 3/11/70 Pierre Sudreau, formerly French Chamber of Deputies
- 3/14/70 Baron Guy de Rothschild
(Paris)
- 6. 3/16/70 President Georges Pompidou
(Paris)
- 7. 3/16/70 Prime Minister Jacques Chaban-Delmas
(Paris)
8. " Maurice Schumann, Minister of Foreign Affairs
9. " Yvon Bourges, Secretary of State for Foreign Affairs (Africa)
Mr. Hauswirth, Head of Directorate for Development Assistance
10. " Olivier Wormser, Governor, Bank of France
Bernard Clappier, Deputy Governor, Bank of France
11. " Paul Huvelin, President, French Federation of Industries
Mr. de Precigout, Vice President
Mr. Gruson, Director General of the Patronat
Wilfrid S. Baumgartner, former Governor of the Banque de France
and Minister of Finance; presently President of Rhone Poulenc
- " Valery Giscard d'Estaing, Minister of Economy and Financial
Affairs
- " Jacques Georges-Picot, President, Suez Canal Company
- " Claude Pierre-Brossolette, righthand man to Valery Giscard
d'Estaing
- " Mr. Rauz, GE(?)
- " Dinner hosted by Simon Nora:
Simon Nora, Spec. Asst. to the Prime Minister; Inspector of
Finance
Raymond Aron, Prof. of Sociology and writer for Le Figaro
Jean-Jacques Servan-Schreiber, publisher, writer and now
Secretary General of the Radical Socialist Party
Pierre Desgraupes, Director General of French Television
Andre Fontaine, Chief Foreign Editor of Le Monde
Alain Vernay, Chief Economic Editor of Le Figaro
Francois Bloch-Laine, President of Credit Lyonnaise
Claude Alphandery, Banker and Chairman of numerous building
and savings companies
Mr. Sellieres, Assistant to the Prime Minister

12. 3/17/70
(Paris) Postel Vinay, Head of French AID
Jacques Hyafil, Director for Credit and Agriculture
P.H. Mollie, Assistant Director
13. " Rene Larre, Director of the Treasury

Perhaps met:

Pierre Moussa, Inspector of Finances, Joint Managing
Director, Banque de Paris et des Pays Bas

Claude de Kemoularia, Economic Advisor, Bank of Paris

Jean-Pierre Brunet, Head, Economic Affairs Section,
Foreign Affairs Ministry
- 4/10-12/70
(Ditchley
Conf.) Rene Larre, Director of the Treasury
- 4/29/70 Maurice Levy, Scientific Counselor, French Embassy
(with Drs. Revelle, Seaborg and Marshak)
- 14. 5/5/70 Valery Giscard d'Estaing, Minister of Economy and Financial
Affairs
Pierre-Brossolette, Special Assistant to the Minister of
Economy and Financial Affairs
Rene Larre, Director of the Treasury
- 5/20-22/70
(Paris) Representatives and Observers at OECD Meeting:
Valery Giscard d'Estaing, President of the Meeting
Jacques Chirc, Secretary of State for the Budget
Jean de Lipkowski, Secretary of State for Foreign Affairs
Francois Valery, Permanent Representative
Jean Serise, Director, Cabinet of the Ministry of Economy,
Finances; Director of Planning
Rene Larre, Director of the Treasury
Jean Chapelle, Director of Economic Relations, Ministry
of Economy and Finance
Maurice Ulrich, Chief, Service of Economic Cooperation,
Ministry of Foreign Affairs
Serge Antoine, Chargé of Mission, Delegation of Regional
Development
Jacques Wahl, Inspector of Finances; Technical Counselor of
the Cabinet, Ministry of Economy and Finance
Charles Brassart, Chargé of Mission of the General Secretariat
of the Interministerial Committee on Questions of European
Economic Cooperation
Michel Burdin, Permanent Delegation
- 6/15/70 Henri Polad - re African Tourism project
- 6/18-19/70
(Heidelberg) International Meeting on Development Policy:
Jean Audibert, Chief of Financial Services, Foreign
Affairs Office

15. 7/31/70 Jean Jacques Servan-Schreiber, Deputy, French National Assembly; accompanied by Mr. Samuel Pizar, international lawyer
16. 10/24/70 Yvon Bourges, Secretary of State in Charge of Cooperation, Ministry of Foreign Affairs
(in NYC) Jean Audibert, Deputy Director of FAC
17. 11/5/70 Paul Huvelin, President, French Federation of Industries
- 12/3-4/70 Office of Overseas Scientific and Technical Research:
(Bellagio Guy Camus, Dir.Gen., Off. of Scientific Research
Gp., NYC) Jean Pagot, Dir. Gen., Institute of Higher Veterinary
Medicine and Tropical Countries
Francis C. Bour, Dir., Research Institute of Tropical
Agriculture
- 3/22/71 Marcel Niedergang, Le Monde, (Latin American expert)
Mr. Almaric
- 1/19-21/71 Jean Audibert, Director General of MIFERMA
(Mauritania)
- " Paul Leroy-Beaulieu, President of MIFERMA
- 4/23-26/71 Roland Billecard, Inspector of Finances and Deputy
(Tide. IV, Director General, Central Bank of Economic Cooperation
Lausanne)
- 18. 9/29/71 Valery Giscard d'Estaing, Minister of Finance
- 10/4/71 Jacques de Fouchier, Chairman, Banque de Paris et des Pays Bas
(IFC adviser)
- 12/3/71 (Meeting of the Consultative Group on International Agri-
cultural Research)
H. Vernede, Commissaire du Gouvernement aupres des Instituts
de Recherche Appliquee
- 3/16/72 Paul Huvelin, President, French Federation of Industries
M. Ponsart
- 19. 3/2/72 Valery Giscard d'Estaing, Minister of Finance
(Paris) Claude Pierre-Brossolette, Director of the Treasury
Michel Deveaux, Ministry of Finance
- 3/24/72 Ambassador Lucet (Farewell call)
- 5/3-5/72 Pierre Laurent, Director-General, Cultural, Scientific and
(Bellagio) Technical Relations, Ministry of Foreign Affairs
Jacques Grunewald, Counselor of Foreign Affairs, General
Studies Section, Ministry of Foreign Affairs
Michel Debeauvais, University of Paris, Vincennes

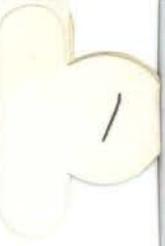
- 6/14/72 André Baeyens, Political Counselor, French Embassy, Rome
- 6/16/72 Roger L. R. Martin, President, Compagnie de Saint-Gobain-
(NY) Pont-A-Mousson, Paris
20. 8/7/72 John René Bernard, Economic Advisor to President Pompidou
21. 9/25/72 Valery Giscard d'Estaing, Minister of Finance and Economy
Jacques de Larosiere, Deputy Director of Treasury, Ministry of
Finance and Economy
22. 10/2/72 Paul Fabra, Economic Editor, Le Monde
23. 12/15/72 Pierre Jouven, President, Pechiney
- 12/8,9/73 Yves Roland-Billecart, Director General Adjoint, Caisse Centrale de
(Tidewater) Cooperation Economique
Emile van Lennep, Secretary-General, OECD
Edwin M. Martin, Chairman, DAC, OECD
- 5/1/74 Mr. Gaspard, Chairman
Mr. Auriol, Secretary World Energy Conference (French
Mr. Turlye, elected Member Energy Commission)
Mr. Rutley (British member)
24. 9/29/74 Jean-Pierre Fourcade, Minister of Economy and Finance
- 12/7-8/74 Stéphane Hessel, Minister Plenipotentiary, Ministry of Cooperation
(Tidewater, St. Donat, Que.)
- 4/25-27/75 Bilderberg:
(Cesme, Jacques Attali - Paris
Turkey) Diomedé Catroux, European Center for International Trade, Paris
Il Marchese Cittadini Cesi - Paris
Thierry de Montbrial - Paris
Baron Guy de Rothschild
Lionel Stoleru - Paris
Pierre Uri, French economic consultant - Paris
25. 4/28/75 Valery Giscard d'Estaing, President
Jean-Pierre Fourcade, Minister of Economy and Finance
- 6/11/75 Jean-Pierre Fourcade, Minister of Economy and Finance (Dev. Committee)
(Paris)
- 8/25/75 Thierry de Montbrial, Planning Staff, French Foreign Office
Marc Perrin de Brichambault, Assistant to Mr. Montbrial
- 9/28-29/75 Pierre Abelin, Minister of Cooperation
(Tidewater, Germany)
- 1/6-10/76 Jean-Pierre Fourcade, Minister of Economy and Finance
(Dev. Cte., Jacques de Larosiere, Director of the Treasury, Ministry of
Kingston) Economy and Finance

26. 5/19/76 Jean Schwoebel, Le Monde
27. 10/4/76 Jacques de Larosiere, Director of Treasury, Ministry of Economy
(Manila) and Finance
28. 12/14/76 Club Mediteranee Group:
Gilbert Trigano, President
Olivier Michel, Executive Vice President - Finance and Administration
Jean Lallement
29. 1/5/77 Olivier Giscard d'Estaing, President of the Board of Directors
and the Executive Committee, European Centre for International
Cooperation
- 1/6/77 Ambassador Jacques Kosciusko-Morizet (Embassy dinner for
Secretary Kissinger)
30. 3/22/77 Francois Ceyrac, President, National Council of Employers (CNPF)
Claude Evain, Director of International Relations, CNPF
Girard Leroux, Commercial Attache, French Embassy
Jean Fourcade, French Embassy
31. 9/12/77 Francois Perroux, Economist
32. 1/13/78 Olivier Giscard d'Estaing, President of the Board, European
Center for International Cooperation
- 3/22/78 Ambassador Francois de Laboulaye, host at dinner for Arthur Burns
- 4/3/78 Jean Schwoebel, Le Monde
- 32a. 5/22/78 Mr Yves Laulan, Chief Economist of Societe Generale, Paris
5/2/78 Mr Vernier-Palliez, Chairman of Renault
33. 10/17/78 Marcel Boiteux, Director General, Electricite de France
Mr. Stern, CKW
- 11/9/78 Pierre Moussa, Chairman, Compagnie Financiere de Paris et
des Pays-Bas
(at lunch for IFC Advisers)
34. 9/24/78 Rene Monory, Minister of Economy
Annual Messrs. Haberer, Mentre and Rigaud
Meeting
- 3/19/79 Ambassador de Laboulaye, host at dinner for
Ambassador Olivier Wormser, former Governor of the Bank of France
35. 4/17/79 President Valery Giscard d'Estaing
Robert Galley, Minister of Cooperation
Jean-Yves Haberer, Director of the Treasury
Guy de Panafieu, Technical Adviser, President's Office
Jacques Wahl, Secretary-General of the President's Office
Paul Mentre de Loye, ED, IBRD

36. 6/4/79 Andre Giraud, Minister of Industry and Energy
6/4/79 Jean-Andre Francois-Poncet, Minister of Foreign Affairs) at
Andre Giraud, Minister of Industry and Energy) dinner
hosted by
Ambassador Francois de Laboulaye
37. 12/3/79 Mr. Monod, Chairman of Board, Secretariat of
Urban and Housing Projects
Mrs. Parent
1/8/80 Paul Vincent, President, Ficofrance
(applicant for position as Ex.V.P. of IFC)
38. 1/31/80 Andre Giraud, Minister of Industry
Mr. de Wissoq, Director of Energy
Mr. Mentre
3/17/80 Pierre Moussa, Chairman, Compagnie Financiere de Paris
et des Pays Bas - Lunch for IFC Advisers
- 39 3/17/80 Yves Roland-Billecard, Director General , Caisse Centrale
de Corporation Economique.
3/17/80 Prince Poniatowski, former Minister of Industry
3/17/80 Ambassador de Laboulaye, host at dinner at the Embassy
for Prince Poniatowski
3/25/80 Jean-Jacques Servan-Schreiber (At lunch)
40. 5/12/80 Jean-Francois Deniau, Minister of Foreign Trade
Mr. Mentre
- 41 5/29/80 Michel d'Ornano, Minister of Environment
Mr. Mentre
6/19/80 Mr. Vernier-Paillez, President of Renault
Mr. Mentre de Loye ED
7/21/80 Mr. Renaud de la Geniere, Governor the Bank of France
Mr. Mentre de Loye, ED
42. 11/24/80 Mr. Haberer, Director, French Treasury
Mr. Mentre de Loye, ED
43. 1/13/81 Mr. Olivier Giscard d'Estaing, President of the Board,
European Center for International Cooperation
44. 2/20/81 Mr. Vivien (and others) - National Assembly of Paris

2/24/81 Minister of Foreign Affairs Francois-Poncet
at dinner hosted by
Ambassador de Laboulaye

6/5/81 Minister of Foreign Affairs M. Cheysson
at dinner hosted by
Amb. de Laboulaye



Mr. Steckhan

*1/44 to Mr. Steckhan
Yes, circulate to Pres.
Council & ask Ray & Bass*

Headquarters:
Washington, D.C., U. S. A.

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Telephone - 553-2510

February 18, 1969

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WBG ARCHIVES

*in the book recording
minutes of conversations*

CONFIDENTIAL

*circulated to
Pres. Council
RBS 2/25
Peg for Mr.
McNamara's
book please
RBS 2/25*

Dear Rainer,

...

Enclosed please find my report on the discussions which took place during the luncheon offered to Mr. McNamara by Minister Debré on February 17. Mr. McNamara instructed me to prepare this report.

Would you please submit it to him and ask his instructions as to whether he wants copies to be distributed in the Bank and to whom; I have not sent any, but I would suggest the President's Council and Mr. Rotberg.

Sincerely yours,

A. Karasz

Arthur Karasz

Mr. Rainer Steckhan,
Personal Assistant to the President,
I. B. R. D.,
Washington D. C. 20433.

*Mr. McNamara.
Should this go to Pres. Council
(+ Mr. Rotberg)
RBS 2/24*

OFFICE MEMORANDUM

DECLASSIFIED

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WBG ARCHIVES

TO: Files

DATE: February 18, 1969

FROM: Arthur Karasz *AK*SUBJECT: Meeting with Ministers Debré and Ortoli, Paris, February 17, 1969.CONFIDENTIAL

1. On February 17, Mr. Michel Debré, Minister of Foreign Affairs of France, offered a luncheon to Mr. McNamara at the Quai d'Orsay. Present were on the French side: Mr. François Ortoli, French Minister of Finance and Messrs. Pierre Esteva and Jean-Yves Haberer, Chiefs of Cabinet of the two ministers. Mr. William Clark and I were invited. Translation was done by Mr. Andronikos.

2. The meeting was characterized by a completely new attitude displayed by the French towards the Bank and Fund, especially the Bank. Minister Debré emphasized the French Government's appreciation of Bank policies and mentioned several times the "moral authority" of all the pronouncements the Bank makes. In this respect, Mr. Debré insisted that he was speaking in the name of the "entire French Government".

The main reason for the French Government's satisfaction seems to be the expansion of Bank activities in French speaking Africa.

3. Mr. McNamara described briefly his visits to Senegal and the Ivory Coast. Thereafter followed a discussion about French projects, particularly education projects in the former French territories. The ministers share the Bank's doubts about educational TV projects which are considered as too ambitious.

4. Mr. McNamara referred to Mr. Ortoli's statement at the OECD Ministerial Meeting about the commodity study being prepared by the Bank/Fund. He asked the ministers' opinion about what the study should consist of.

Mr. Debré answered that he did not expect a policy paper on the problem. While the Rio resolution spelled out an agreement in form on the need for a study concerning basic commodities, this agreement was in reality a cover for a basic disagreement on the subject: the Anglo-Saxons in particular have never had a high opinion of the whole project. Thus, when putting forward the Rio resolution, the French Government did not have in mind a study of policies from the Bank or the Fund; its basic intention was to ask the two institutions to give general guidance and proposals. The policies will eventually have to be evolved by the member governments. Thus, what the French wish the study to contain is:

February 18, 1969

- (a) are there steps that can be taken to stabilize world prices of primary products;
- (b) the conditions under which such stabilization can be achieved and the means at disposal to do the job.

If the Bank/Fund can supply answers to the above points, they should submit them to the member countries under their authority.

Mr. McNamara replied that from a theoretical point of view these points can certainly be answered. However, before the findings can be enforced, they have to be endorsed by the member governments. The Bank has already developed a scheme, on supplementary finance, which would at least in part answer one of the points but the governments refused to endorse it. Therefore, the problem is primarily a political one and only thereafter becomes economical.

Mr. Debré agreed, but added that we should not underestimate the moral authority attached to Bank studies. It is true that a decision will eventually have to be taken by the member governments, but the weapons to force such a decision are in the hands of the Bank and Fund.

5. Finally, Mr. McNamara brought up the question of IDA. He said that thanks to voluntary contributions there are some funds available at present, but if the U.S. do not act IDA will soon be in trouble. He pointed out that our future loans to French Africa would not depend on French ratification of IDA, nevertheless it would be helpful if the French Government explained the importance of U.S. participation in IDA to President Nixon during his forthcoming visit to Paris.

Both Debré and Ortoli were attracted by this suggestion. Debré promised that they would discuss the matter with President Nixon. In addition, he seemed to indicate that there might eventually be a change of mind on the part of the French Government concerning voluntary contributions to IDA.

cc: Mr. McNamara ✓

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: March 25, 1969

FROM: Roger Chaufournier SUBJECT: Your Luncheon with Mr. Postel-Vinay

You are to have luncheon on April 2 with Mr. Postel-Vinay, Director General of the Caisse Centrale Pour La Cooperation Economique, and Vice President of the French Section of the Association for International Development. The following is a summary of the main points made by Mr. Postel-Vinay in the attached statement prepared jointly with Professor Gaston Leduc, President of the French Section of the Association on "Some Issues of Aid to the Less Developed Countries" for submission to the Pearson Commission.

Quality of French Aid

By comparison with other bilateral assistance, French aid is, in spite of mistakes, one of the most, if not the most efficient and best adapted to the needs of the recipient countries.

Justification for Aid

There are two strong arguments in favor of foreign aid:

- (a) Moral duty for the richer to help the poorer,
- (b) Long term interest of the richer countries because of danger to peace, possibly before the end of the century, springing from growing democratic imbalance, divergencies in standards of living, increasing awareness of those differences, and migrations.

Other arguments in favor of aid rely on commercial and/or political interests and are fallacious and dangerous.

Commercial: because exports to poor countries primarily benefit private interests.

Political: because aid is unlikely to be efficient and well conceived.

Mr. Postel-Vinay advocates an improvement in the quality of aid rather than an increase in its volume. More effective aid would also help to weaken current indifference towards, and objections against, higher appropriations for foreign aid.

Means of Making Aid More Effective

1. Recasting the concept of aid to education in order to adapt education to the specific needs of the lesser developed countries. The education systems are not even fully suitable to the richer countries where they originated and are even less adapted to the needs of the poorer countries. Since education cannot be considered outside of its economic and social environment, a sound system must take into account:

- (a) The continuation for a long time to come of agriculture as the main source of employment. The present education system opens the way mainly to clerical jobs in the civil service and in what limited industry there exists, and with the school output exceeding available jobs, the continuation of present policies promotes urban unemployment and emigration.

A major aim should therefore be to devise a system which trains rural "cadres" adapted to the traditional rural environment and capable of gradually improving it.

- (b) The economic and financial training provided by the higher educational institutions is too theoretical and unrelated to the needs of developing countries. Teaching and training should be practical and immediately helpful to the making of sound practical day to day decisions.

2. Enlarged and improved agricultural aid. Aid to agriculture is inadequate in relation to the role of agriculture (OECD countries contributed to agriculture, including related activities, 8% of the total bilateral assistance in 1962-65; this proportion has now risen to about 12%.)

The starting point should be better knowledge, hence the need for research organizations to develop techniques adapted to the actual needs of the rural populations (seeds, fertilizer, water uses, livestock improvements, higher yield without excessive efforts required from the peasants). Required also would be an organization to gradually train people for large scale dissemination of the production techniques developed by the research institutions. In both cases success would require full Government support.

March 25, 1969

Such programs of rural and agricultural research and education would be one of the major means of fighting poverty. The inadequacy of these forms of aid -- so far -- is directly related to their insignificant impact on the exports of the donor countries and points to inadequate moral motivation. Since the promotion of agricultural exports would, in the absence of internationally managed price support policies, worsen the terms of trade of the lesser developed countries, rural development programs should in the near term, concentrate on food crops, livestock and fisheries and on extending trade between the lesser developed countries themselves. Progress in agriculture could easily be jeopardized by rapid population growth and easy methods of family planning should therefore be promoted at the same time. The combination of successful family planning and economic growth would help to weaken doubts in the richer countries about the usefulness of foreign aid.

Financing of Aid

Export financing by commercial banks on medium term or "extended medium term" should be discouraged. Would it be possible to introduce some kind of "a posteriori" control on an international basis -- perhaps under the sponsorship of the World Bank?

JHLenfant:eb

Enclosure

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: March 25, 1969

FROM: Roger Chaufourmier *RC*SUBJECT: Your Luncheon with Mr. A. Postel-Vinay

*Play
add this
name &
A. Zou
best of whom
I met in Paris
then*

1. Mr. André Postel-Vinay (58) has a very intimate knowledge of development matters in general and of Africa in particular, with both of which he has been associated for over twenty-five years since he became Director General of the Caisse in 1944, after having played an important role in the French Resistance movement during the war. Since, he has on many occasions refused posts which are considered to be more influential, as he preferred to stay with the organization he virtually built up himself. More than any other single person, Mr. Postel-Vinay has put his mark on the Caisse, its operations and philosophy and, to a certain extent, also on French aid policies in general. He personally knows virtually every member of the ruling classes in Africa, many of the younger generation having been trained by the Caisse. Mr. Postel-Vinay is a member of the Corps des Inspecteurs des Finances where he holds rank of Inspector General. In his personal capacity, he sits on the Boards of many institutions active in the field of finance, development aid, training and consulting (for example, the two African central banks, the European Investment Bank). He is also Vice President of the French Section of the Association for International Development in which position he is co-author of a paper recently submitted to the Pearson Commission, a resume of which has been prepared for you.

2. The Caisse Centrale pour la Coopération Economique is an autonomous public institution initially set up as a central bank for Free France and its colonies in 1941, after the war it became responsible for financing development plans in the French colonies. Presently, the Caisse makes loans on its own authority to independent states with the approval of the French Ministry of Finance and of its Board. It also acts as a paying agent for aid distributed by the French Ministry of Foreign Affairs' aid fund (FAC) and also of the EEC's development fund (FED). Besides, the Caisse acts as an advisor for other French agencies such as the export credit organization, it has set up itself a consultant agency (SATEC) and an agricultural research station, IRAT^{1/}, and is providing technical assistance to African states and French overseas territories, in particular to local development banks (in 1967: 150 persons).

3. The Caisse also participates in the management of the public French aid funds with a geographical competence such as FAC (for independent states) and FIDES (for dependent territories), in the latter territories the Caisse is also the issuing authority for the currency. Total staff of the Caisse is around 400, including resident missions overseas.

1/ You visited a station in Senegal, at Bambey.

President has seen

4. Loans on its own authority (no grants are given) are now provided to independent French-speaking states in Africa including the Maghreb and to dependent French overseas territories and departments. Theoretically, the Caisse can make loans without the specific approval of the French Government. Its Articles of Agreement allow the Caisse to expand its own activity in other countries, with the approval of the Ministry of Finance and its Board. Its own funds derive mainly from its capital resources and reserves (each \$5 million equivalent), from loans from the French Treasury and French savings institutions (almost \$50 million) and from the surplus of the repayments it receives over its outstanding obligations.

5. Magnitude of Caisse's lending activities
(Commitments^{1/} in million US\$)

	<u>1946 until December 1967</u>	<u>Calendar Year 1967</u>
Total	992	89
Of which to Africa and Malagasy	628	40
1) Loans to		
- public sector	425	38
- private sector	141	0.2
2) Participation in share capital of		
- public enterprises	18	0.2
- private enterprises	4	----
3) Other	40	----

Of its normal lending operations, almost 70% has a maturity of over ten years, 10% more than twenty years; almost 60% bears less than 4-1/2% interest. Interest rates for loans to the private sector are generally the highest with rates around 5-1/2%.

6. A steadily increasing number of loans to Africa are made through local African development banks in most of which the Caisse retains a share of the capital. Normally, the Caisse needs a guarantee of the recipient government for its loan operations, but, particularly when major investments of an international character are involved, it is prepared to go without such a guarantee.

7. The Bank and the Caisse have an increasingly close working relationship which started in the late 1950s with some major projects: MIFERMA in Mauritania, COMILOG in Gabon, and which relationship has substantially developed during the last five years. Some sort of joint financing or other cooperation with the Caisse exists specifically for the following

^{1/} Figures do not include activities in the Maghreb which only integrated in the CCCE during the course of 1967.

projects:

Senegal - SIES fertilizer factory	Cameroon - Oil palm project
Senegal - Groundnut project	Cameroon - Water supply project
Ivory Coast - Oil palm project	Gabon - Iron ore mining (Mekambo).

Though the Caisse is also bound to favor French business in its operations, its management has shown a great understanding for the Bank's attitude on international competitive bidding and has been very forthcoming in accommodating the Bank on several occasions.

Apart from cooperation on specific operations, the Caisse is often consulted by Bank staff on matters of general policy in Africa and is a valuable source of information which is normally generously provided.

8. France - Development Aid Policy

France spends annually over \$1.3 billion on foreign aid, representing roughly 1.2% of its GNP for private and public aid together; the latter category alone amounts to 0.75% of GNP. Total net aid transfers are over the 1% target accepted at the UNCTAD II conference. The French percentage is in gradual decline from its 1960 level when it stood at 2.2%.

9. A main feature of France's foreign aid program is its emphasis on bilateral aid which accounts, with well over \$800 million, for almost 95% of the total public aid figure. This total also includes capital and assistance provided to dependent overseas departments and territories which alone absorb roughly 35% of total public aid. The remainder is mainly channeled towards independent Franc zone countries: Algeria, Morocco and Tunisia absorb together about 15% and the African independent states south of the Sahara roughly 30%. The group of aid recipients which does not have very special ties with France receives roughly over 10% of total public aid.

10. The bulk (almost 85%) of French public aid is provided in the form of grants, as a result of the awareness of the French authorities that the developing countries they assist should limit the increase of their indebtedness. The aid structure is further characterized by the high percentage devoted to technical assistance in its different forms which absorb close to 50% of the total public aid figure. Expenditures in this category finance an important technical and cultural cooperation program which comprises a great number (45,000) of technical assistants stationed overseas, the training of foreign students in France (12,000) or in other countries (4,000) (which are mainly the countries of origin of the students) as well as some aid to consultant firms and research institutions, mainly provided by using their services, subsidizing their operations or by helping them to establish themselves in developing countries.

11. Loan aid with a volume of roughly \$115 million represents about 15% of total public aid allocations. The Caisse Centrale provides about one quarter of that amount.

12. Resources for the overall public aid program derive for around 90% from budgetary appropriations. Grants and loans are channeled through a great number of Ministries (Foreign Affairs, in particular the Special Fund for Aid to Africa South of the Sahara - FAC; this ministry is also responsible for the bulk of the technical assistance effort undertaken by France; Ministry of Economy and Finance - for contributions to multilateral institutions; Ministry of National Education; Ministry of Public Works; Ministry of Post and Telecommunications; Prime Minister's Office). The most important among the other institutions providing aid are the French Treasury and the Caisse Centrale.

Attachment

MJPaijmans:pnc

Annex

(Figures are rounded in million US\$ and indicate orders of magnitude; reference year is 1967 which is representative of current trends in the French foreign aid program.)

1) <u>Net Total French Aid Transfers</u>	1.340	
of which public aid	830	
to be subdivided in:		
(i) contributions to multilateral agencies (to IDA alone)	60	21
(ii) bilateral grant aid	655	
of which to Africa North of the Sahara ^{1/}		125
to Africa South of the Sahara		260
to French overseas dependencies		220
to others		50
(iii) bilateral loan aid	115	
of which to Africa North of the Sahara ^{1/}		-1
to Africa South of the Sahara		10
to French overseas dependencies		55
to others		50
2) <u>Bilateral public Grant and Loan Aid to Africa South of the Sahara</u>		
Total	270	
of which - Technical and Cultural Cooperation		160
- Budget support		25
- Capital aid		85
3) <u>Private Investments in Developing Countries^{2/}</u>		
Total	360	
Africa		180
North of the Sahara ^{1/}		100
South of the Sahara ^{3/}		75
Latin America	60	
Asia	80	
Europe	40	
4) <u>Technical Assistance (number of persons in thousands)</u>		
Total	45.5	
Africa	41.5	
North of the Sahara ^{1/}		26.5
South of the Sahara		15.0
Latin America	1.5	
Asia	2.5	

^{1/} Algeria, Morocco, Tunisia.

^{2/} Including: Reinvested profits, direct investment, portfolio investment and other private lending but no export credits which total almost US\$150 million.

^{3/} In normal years, this amount runs around US\$35 million.

OFFICE MEMORANDUM

TO: Files

DATE: April 21, 1969

FROM: Arthur Karasz *Karas*SUBJECT: Meeting with André Postel-Vinay; Paris, April 18, 1969.

On April 18 I had lunch with André Postel-Vinay, Directeur Général of Caisse Centrale de Coopération Economique.

He has just returned from his trip to the U.S. and was delighted with the arrangements made for him in the Bank. He gave me a detailed account of his conversations with Mr. McNamara, Messrs. Chauffournier and El Emary, among others.

He was very happy to be able to discuss in Washington his memorandum on future policies to be followed in foreign aid and said that Mr. McNamara had been in agreement with the main points of his paper. The only point in discussion is his (Postel-Vinay's) ideas on the orientation of aid. He thinks that more emphasis should be put on re-orienting aid which - in the past - had often been used for wrong purposes, and not on raising more money and increasing the amount of aid. Postel-Vinay has the feeling that Mr. McNamara was more inclined to be of the latter opinion: he seems to feel that the list of motivations contained in Postel-Vinay's paper is somewhat limited.

Another, more practical, subject we discussed is the use of television in education. In Postel-Vinay's opinion, this is an extremely onerous teaching aide, especially in under-developed African countries. Without mentioning the mistakes experienced (like the one in Niger where a TV educational project was financed although there was no TV transmitter in that country), even in countries like the Ivory Coast where there exists sufficient equipment, the use of TV in education will present problems. First of all, it is not yet proven whether a TV set is a really helpful tool for a child. A child, especially an African child, is not likely to be able to use a set without an expert teacher's assistance, and in that case there is no saving in the system.

In addition, there is a problem connected with languages in African countries. In the Ivory Coast, a minority only speaks French and in addition to French there exist a number of local languages. In which language should any teaching be conducted? In a TV system, should the teacher not be able to talk the children's language? There are apparently a number of schools where the teachers speak French and their own African language, but do not speak their students' language. They teach their students French following the traditional method.

President has seen

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President has seen

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April 21, 1969

To summarize: Postel-Vinay's visit to Washington seems to have been a great success - this was also confirmed to me by Guillaume Guindey of the Caisse, the other day. Postel-Vinay is now much better aware of the Bank's problems and working methods, and is ready to cooperate in every possible manner.

cc: Mr. McNamara / Mr. Knapp
Mr. Chauffournier
Mr. Demuth
Mr. El Emary

AK:mc1

9-30

ANNUAL MEETING 1969

MEETINGS WITH GOVERNORS OF PART I COUNTRIES

FRANCE

The French Finance Minister, Mr. Valery Giscard d'Estaing, accompanied by the French Executive Director, Mr. Plescoff, called upon Mr. McNamara yesterday at 5:15 p.m.

After a preliminary exchange of courtesies, the Minister raised the question of the proportion of Bank Group lending going to the African states. They still felt that they were not being given a fair share of the available resources and it had to be admitted that the figures for the per capita allocation of funds supported their contention. He realized that in the past lending had been held back by lack of good projects and inability to prepare projects. The French Government would study methods by which the French African territories could be given help in this respect.

Mr. McNamara, after referring to the very valuable technical assistance given to the African territories by the F.A.C., said that the figures for per capita lending to Francophone Africa in the fiscal years 1969 and 1970 showed a substantial increase and they were, in fact, doing considerably better than India and countries in Southeast Asia.

Mr. Plescoff said that the cumulative figures showed a different picture.

Mr. McNamara said that we could not immediately undo the past but lending in 1969 to those territories would be three times the level of 1968 and over the five years, 1969-1973, there would be a similar increase in comparison with the previous five years. In some territories, such as the Ivory Coast, we were in fact becoming overextended but in many others there was room to do considerably more. The Bank Group would need the help of the French Government:

- (a) through an increase in technical assistance;
- (b) through financial assistance. This would be required:
 - (i) to support the Third Replenishment of IDA. He would be writing to the Minister shortly asking him to nominate a Deputy to take part in the negotiations. It was clear that this would be a difficult operation. It was essential to press countries, such as Japan, who had the necessary economic strength to do much more than in the past;
 - (ii) he was reviewing the capital structure of the Bank in order to consider whether there should be an increase in the subscribed capital of the Bank in parallel with the general increase which was to take place in Fund quotas. If there were to be such an increase, the case for it would rest on a need for an addition to the called capital of the Bank rather than the uncalled capital. He would not wish to lend any support to the idea that only the guarantee obligation of the U.S. Government should be considered as a support for the total funded debt of the Bank.

Mr. McNamara then outlined the timetable which he had in mind for the negotiation of the Third Replenishment.

President has seen

Mr. Giscard d'Estaing took note of this. He then raised the question of the French element in the staff of the Bank. He felt that the French nation, with its past experience had a certain vocation for helping developing countries. Mr. Plescoff said that he had submitted a list of 12 French candidates for employment by the Bank, none of whom had been accepted.

Mr. McNamara said that he was always looking for additional candidates for recruitment provided they had the necessary standard of ability. He hoped that the French Government would make fresh efforts to submit candidates who came up to that standard. He very greatly appreciated the help which the Frenchmen now serving on the staff were giving him.

Mr. Giscard d'Estaing then referred to some of the monetary problems of the French territories, including problems arising out of the creation of SDRs. He would try to persuade the French territories that SDRs should be assigned to the central banks and not to the Treasuries since this latter alternative created too great a temptation that the governments would try to make use of the counterpart funds obtained.

Mr. McNamara asked whether the Minister saw any prospect that the Bank might be able to borrow on the French market within the next three or four years.

Mr. Giscard d'Estaing replied in the affirmative. The French Government had been on the point of authorizing such an issue when the recent change in their economic position occurred. It was no longer possible to do so now but as soon as the balance of payments improved he would study the matter.

A discussion followed on the Bank's borrowing prospects and on their lending rate. Mr. McNamara said that to many bankers the idea that the Bank should lend at 7% if the marginal cost of its funds was 8% seemed contrary to sound policy. He did not agree with this view. The Bank had substantial paid-in capital and the average cost of its funds was a little over 3%. Similarly, the average return on all its funds was 5-1/2%. Thus, if the Bank continued to lend at 7%, it would still make substantial profits over the next few years even if the cost of borrowing remained at something like its present level. It was true that, as the Bank's debt matured and had to be refinanced, the average cost of their funds would rise but so, also, would the average return on their loans since past loans at lower rates of interest would mature and would be replaced by loans made at the current rate. There were other factors which would lead to a rise in profits, such as the rise in the volume of transactions in relation to the Bank's fixed costs.

Mr. Giscard d'Estaing agreed that it would be right for the Bank to expand both its borrowing and its lending activities provided that the loans were prudent and that the policy was compatible with maintaining the reputation of the Bank as a sound financial institution.

Mr. McNamara agreed that the true limiting factor on the operations of the Bank Group was the debt servicing capacity of the developing countries. This seemed to him to be the biggest problem ahead of us in the next few years. It would be essential to put limits on what the developing countries could borrow, both short- and medium-term, on hard terms. It was because of this that it was so essential to replenish IDA on a substantial scale.

D. H. F. Rickett
Vice President
October 1, 1969

4

Dance

Plenary - 10/10/69

Not convinced we need a capital increase - these national institutions do not have as favorable a ratio of debt to equity (ex mortgage debts, Eur. Dev. Bkts)

If he is persuaded that Bk needs more cash, why increase the authorized + subscribed, i.e. ^{Bk} doesn't need more guarantee authority. Therefore amend articles + obtain cash directly at 12 per cent (approximately 200m per yr) for 5 yrs. He calculates this means 50m per yr. for France + would be much more acceptable to the Treasury.

US has asked France to take 100m less in fund to keep US rate above 7.5% - France has refused the US request.

3rd Rippen:

"Is shocked by the idea of ^{uniform} 50 yr maturity."

could not there be a variable maturity based on the LDC's reserves?

[might develop a contingent acceleration clause for a set 50 yr maturity]

Present practice of providing ^{on Bk loans} currency convertible results in unequal sharing of risk - what not offer a voluntary entry into a pool of currencies sharing the risk.

The amount of the 3rd Rippen will depend on the US - he has no view from his authorities. Probably want of more than 500 or 600 - may have to ask more to get 600.

If you are discussing the amount of 3rd Rippen, should not discuss the issues - would changing articles of agreement if possible.

5



GOVERNMENTAL AFFAIRS INSTITUTE

1619 Massachusetts Avenue, N.W., Washington, D. C. 20036 - Telephone (202) 265-8300

For your
3.15 mtg

Biographic data on Mr. Pierre Sudreau of France, a participant in the International Visitor Program of the Department of State. Program arranged by Albert E. Keogh.

NAME: Pierre SUDREAU

PRESENT POSITION: Deputy to the French National Assembly from the Department Loir-et-Cher; leading member of P.D.M. (Progress and Modern Democracy) parliamentary group.

PERSONAL DATA:

Born: Paris, May 1919
Address: 12, rue Bixio, Paris 7^e
Languages: Accompanied by escort-interpreter, Jean-Claude PORSON
Family: Married; three children

OTHER POSITIONS:

President, Federation of Railways since 1963
President-Director-General of the Société d'Etudes Mer-du-Nord-Méditerranée since 1964
President of group for industrial cooperation between France and Japan since 1965
President, French-European Movement
President, group of French industries exporting complete manufacturing facilities

ACADEMIC TRAINING:

Licence in Law, Diploma of Higher Studies in Law, certificate de lettres. Diploma from the Institute of Political Studies in Paris

PAST POSITIONS:

1943 Ministry of the Interior
1945 Sous Prefet Hors Classe
1946 Director, Cabinet of the Secretary of State to the Prime Minister
1947 Director of Administration and General Affairs, Sureté Nationale
1949 Director of Financial Services, Ministry of Interior
1951-55 Prefet of Loir-et-Cher Department
1955 (March to June) Deputy-Director of Cabinet of Edgar Faure (then Prime Minister)
1955-58 Commissaire for Construction and urbanism
1955-56 Head, Greater Paris Area Planning Commission
1958-62 Minister of Construction
1962 (April to October) Minister of Education

ORGANIZATIONS:

Aero-club of France

PUBLICATIONS:

L'Enchainement - 1967 (problems of nuclear weapons and defense against nuclear warfare)

President has seen

over -

DECORATIONS:

Commandeur des Palmes Académiques; Commandeur de la Légion d'Honneur; Croix de Guerre (1939-45); Medaille de la Résistance; Mr. Sudreau was an officer with the Free French and deported to Buchenwald in 1943 until 1945.

TRAVELS:

Europe, Japan, China, Africa, Turkey, Israel, USA (1960)

OTHER INTERESTS:

Aviation; conservation



MEMORANDUM OF CONVERSATION WITH PRESIDENT GEORGES POMPIDOU, MARCH 16, 1970

1. President Pompidou was warm and cordial in his approach and had been fully briefed before my visit.

2. I met with him for approximately one hour and made essentially the same points that are recorded in the memorandum of my conversation with the Prime Minister.

3. Pompidou stated:

a. France had not been a strong supporter of international institutions, in part, because France believed such institutions were less efficient than national institutions. (French studies had shown UNESCO spent twice as much as did France for an educational consultant.)

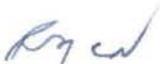
b. IFC work in Africa was weak and needed bolstering.

c. France placed great importance on commodity price stabilization, a program for which the IMF had provided support but the Bank had not.

d. Africa was an empty land, and, therefore, easier to develop than either Latin America or Asia.

4. Pompidou asked whether we planned an increase in the Bank capital, to which I responded that apart from the Selective Increase I did not intend to recommend any general increase which would require payments by the members prior to the end of FY '74.

5. I did not press Pompidou for a final position on the amount of the Third Replenishment, but he indicated he would consider my points carefully and act accordingly.


Robert S. McNamara



March 20, 1970

MEMORANDUM FOR THE RECORD

From: M. P. Benjenk

Subject: Mr. McNamara's Meeting with M. Chaban Delmas

Mr. McNamara called on the Prime Minister of France, M. Jacques Chaban Delmas, on March 16. Also present were Mr. Simon Nora, Mr. Plescoff and Mr. Benjenk.

Mr. McNamara informed the Prime Minister of recent developments in the World Bank Group, in particular as they affect France. After describing the great increase in Bank activity in the last two years, with a doubling of the volume of lending, Mr. McNamara spoke of the Bank's relations with France. He said that two years ago when he took over the Presidency of the Bank, he had found the relations between France and the Bank not to be as close as one would have expected them to be, considering that France was an important stockholder. The reasons for this were obvious and the Bank had moved to change this situation by dealing with problems to which France attached importance such as (a) the use of the French language in Bank documents, (b) the recruitment of French nationals to the staff and, most important, (c) increased aid to Francophone Africa. On this last matter, the proportion of IDA funds going to French-speaking Africa had gone up from 5.8 in the years 1963-68 to 10.6 in 1969-70. This increase could not have been possible without the help of FAC, which had helped prepare projects for IDA financing. In the past, 60 cents of each dollar of France's contribution had gone to French-speaking Africa, whereas in the last two years \$1.30 had gone to these countries for each dollar contributed by France to IDA.

Mr. McNamara said that this high proportion of IDA financing for French Africa could not be maintained in the future unless the replenishment of IDA was achieved at a much higher level than previously, since the increased IDA allocation to Africa had, to some extent, been achieved at the expense of other areas, such as Latin America. He hoped the French government would bear this in mind when deciding on the appropriate contribution to IDA.

Mr. McNamara also mentioned the progress made since 1968 on the use of the French language and in recruiting French staff. In this connection, he told the Prime Minister that many people had thought of the Bank as an Anglo-Saxon institution; he was determined that this should not be so and he believed that the Bank could not really be effective if it were not genuinely international.

M. Chaban Delmas said he was delighted to meet Mr. McNamara and to hear for the first time some of the matters mentioned by Mr. McNamara. Mr. McNamara's reputation as a "locomotive" had preceded him, but it was only a "thinking" locomotive which could achieve the results which had just been described. The answer to those who had thought of the Bank as an exclusively Anglo-Saxon institution had been given in the form of action and results and this was good enough for him. The Prime Minister said that he would instruct the administration to do everything possible to help in the tasks which Mr. McNamara had set for the Bank.

Mr. McNamara made a number of further points, as follows, in favor of softer multilateral aid:

- a. He described the rising indebtedness of the developing countries, with the rise in debt servicing far exceeding the rise in export earnings.

President has seen

b. He told the Prime Minister that the declining support of public opinion for bilateral aid in the U.S. might be compensated by increased multilateral contributions by the U.S. if other countries agreed to a high level of IDA replenishment. Similarly, such a level would encourage higher contributions to international development from Germany and Japan, two countries which still had to find a role in international affairs to match their economic strength. France, whose aid to development was high, could encourage such a movement.

Mr. McNamara said he was not in France to negotiate the level of IDA replenishment, but he hoped that countries, including France, would keep in mind the matters which he had raised.

The Prime Minister said that the matters which had been discussed were important and would be discussed with the President of the Republic and the Government. The Prime Minister recalled his personal attachment to President Kennedy, with whom he had felt a feeling of kinship. He knew after his meeting with Mr. McNamara that he had the same feeling for him, although they had just met. As a counterpart to the personal impulse given by Mr. McNamara to achieve what he had done, he would add a personal coefficient of his own in the future. He suggested that Mr. McNamara designate someone he trusted to be in touch with someone close to himself to keep in contact. This would be a token of his affection for President Kennedy and of his esteem for Mr. McNamara.



Mr McNamara
to see
lee 3/20

OFFICE MEMORANDUM

TO : Memorandum for the Record
FROM : M. P. Benjenk
SUBJECT : Mr. McNamara's visit to Mr. Schumann

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DATE : March 17, 1970

CONFIDENTIAL

On Monday, March 16th, Mr. McNamara visited the Foreign Minister of France, Mr. Maurice Schumann. A number of topics came up during the conversation.

1. The work of the Bank and IDA in Africa. Mr. McNamara explained the steps taken during the last two years to activate the Bank's role in Africa and pointed out that the share of IDA funds going to francophone countries had practically doubled in the 1969-70 period as compared to the previous five years. Mr. Schumann agreed that the Bank and IDA had made a "spectacular effort" in Africa and said that it would be difficult to do more. Perhaps, IFC could still make an additional effort in Africa.

2. IDA replenishment. Mr. McNamara explained that with bilateral aid having diminished support in the USA, and with Germany and Japan still unsure of their role in international affairs, it was essential to direct the efforts of these three countries towards multilateral assistance to the "Third World". France could help show the others the way, particularly because it was devoting such large amounts to development assistance, albeit in the bilateral field. Mr. McNamara hoped that France would agree to a large multilateral effort by the members of IDA, since this would be a way of obtaining larger efforts on the part of these important countries.

The Minister commented that France was ready to do more in the multilateral field and to increase IDA funds by some 15 to 20% per year. He felt that Germany was taking the same line. Moreover, the considerations which Mr. McNamara had raised were important ones.

3. Commodity financing. Mr. Schumann stressed the importance which France attached to supplementary financing to compensate for commodity fluctuations. Mr. McNamara related the circumstances under which his proposal to the Executive

President has seen

.../

Directors had been defeated with Germany, Japan, UK, Netherlands and a few others voting against it and only France and Canada for it among the donor countries. Mr. Schumann said that this showed the need for a European consensus on this matter.

4. Algeria. Mr. McNamara said that the Bank had been embarrassed by the fact that France had insisted that no loans should be made to Algeria, while compensation for nationalized French properties had not been paid. At the same time, France continued to give aid Algeria. This resulted in the Algerians accusing the Bank of being "more royalist than the King".

Mr. Schumann agreed the position of the Bank was difficult. He said that a joint Algerian-French commission to settle differences was about to meet and this item of unsettled compensation would be on the agenda. One way or the other, he felt that the Bank needed to have a clear cut French position and he promised to convey it to Mr. McNamara within six months, probably at the time of his visit to New York in September.

5. French staff in the Bank. The Minister declared himself very happy with the recent increases in Bank staff of French nationality and added that he had quoted the Bank as an example to other institutions.

cc: Mr. McNamara

9

Headquarters:
Washington, D.C., U. S. A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION
Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:
4, AVENUE D'ÉNA, PARIS (16^e) - FRANCE
Telephone - 553-2510

March 19, 1970



3/19
Plz
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Dear Mr. McNamara,

... Enclosed please find the following reports which I have prepared on your meetings in Paris:

Talks with Messrs. Yvon Bourges
René Larre
Olivier Wormser
Emile van Lennep
Edwin Martin
Paul Huvelin
André Postel-Vinay.

Concerning your meeting with Mr. Francis Fabre, I have written directly to Roger Chaufournier, to report on the main topics of your talk and asking him to get in touch with Fabre on his next visit to Paris.

I shall be visiting Washington during the week starting April 6th and I hope very much to have the opportunity of reporting to you during my stay there.

With warm regards.

Yours sincerely,

Arthur Karasz

Arthur Karasz

Mr. Robert S. McNamara
President
International Bank for
Reconstruction and Development
Washington D. C. 20433

OFFICE MEMORANDUM

TO: Files

DATE: March 17, 1970

FROM: Arthur Karasz *Karas*

SUBJECT: Mr. McNamara's Official Visit to France, March 16-17, 1970; Meeting with Mr. Yvon Bourges, Secretary of State in Charge of Cooperation, Ministry of Foreign Affairs.

Mr. Bourges was accompanied by Mr. Hauswirth, Head of the Directorate for Development Assistance. Messrs. Munir Benjenk and Karasz accompanied Mr. McNamara.

Mr. Bourges welcomed Mr. McNamara and started by describing the activities of his section at the Ministry. In his own words, his responsibilities are limited to the management of French aid in 17 countries of Black Africa, plus Madagascar. All of these 17 countries are francophone, 14 are former French colonies and three are former Belgian colonies. His responsibilities cover all forms of aid, civilian and military; they are performed by three directorates: economic assistance, educational problems and technical assistance and, finally, military technical assistance.

Mr. McNamara explained that the Bank wishes to be more active in the African area. A special Western African Department has been created with Roger Chaufourmier at its head, and as a result of our new efforts in the last 18 months, the total loans to Africa have increased from \$23 million in 1968 to \$143 in 1969. We were only able to attain this result thanks to FAC's assistance and cooperation. FAC did the preparatory work, we did the financing.

Mr. Bourges replied that thanks to Mr. McNamara's initiative Africa is not ignored by the Bank any more. The African countries are aware of this fact. His administration appreciates the Bank's cooperation especially because the time has come to shift gradually from bilateral to multilateral aid. For this purpose, studies must start on new projects, their feasibility and cost must be investigated and the activities of FAC, FED and IBRD must be coordinated. Therefore, he is in complete agreement that cooperation should be maintained and reinforced. However, he wanted to plead for a certain flexibility in our rules concerning the economic criteria of investment in certain countries. These rules should be less rigidly applied in some African countries.

March 17, 1970

Mr. Bourges then went on to stress the importance of projects which are not economic in the narrow sense of the word but at the same time might contribute considerably to the production of a given country. The concrete example he brought up was the problem of "river blindness" which if eradicated would be followed by a tremendous increase in agricultural productivity.

Finally, he talked about "IDA-worthiness" of certain countries. Gabon and Ivory Coast are considered "too rich" to receive IDA credits. His administration would prefer them to be helped by IDA just because they are so near to the "take-off" stage. Mr. McNamara agreed that the eradication of river blindness is important. He would be ready to give Bank assistance if an appropriate project could be submitted. As far as IDA credits to Gabon and Ivory Coast are concerned, this is a rather difficult subject, related to the third replenishment of IDA.

As far as figures are concerned, Africa has received the following percentages of IDA aid:

1963 - 68	5.8% of all IDA credits
1969 - 70	10 percent
1969 - 73 (planned)	10.6 percent.

In short, IDA contributions to Africa would roughly double but this would only be possible if IDA received a substantial increase in contributions. IDA resources are very limited at the moment and it would not be possible to continue IDA activities in Africa at the present high level unless a satisfactory third replenishment was achieved.

Mr. Bourges did not react directly to the comment on IDA replenishment but said that a distinction must be made between relatively well-to-do and poorer countries. FAC's policy is to give credits to Ivory Coast and Gabon, while the other countries receive grants.

Mr. Bourges then turned to questions of a more general nature and explained the French policy in Africa from a European point of view. The most important point for France is to keep the African countries free from foreign (Communist) interference.

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International organizations must of course also have other preoccupations but he thought the international organizations would appreciate the reasons for France's interest in African countries.

Mr. McNamara agreed that France has a special role to play in Black and also Arab Africa. A very special problem of Africa is the high level of indebtedness, although not only characteristic of Africa but of a number of other developing countries. To use some figures, the debts of the LDC's have quadrupled in the last ten years, debts have increased three times as fast as exports and the foreign exchange reserves of the 13 most important countries have diminished by 60 percent.

According to Mr. Bourges, this is a very special worry of the French Government, especially because the French franc is the guarantee of the currency of these countries.

Mr. McNamara said that there are three francophone African countries, Cameroon, Ivory Coast and Senegal, which still receive hard loans from the Bank but if things do not change in five years, these countries will also be in difficulty. Tunisia is already in trouble. His strategy as far as aid is concerned is to convince the three large donor countries to increase their soft aid, i.e. their contributions to IDA. These donors are Germany, Japan and the U.S. None of these three countries gives enough for the time being. Japan might be moved into giving more aid but neither Japan nor Germany have until now found the form of aid activity which corresponds to their economic force.

The U.S. is of course the wealthiest among the three and should give the highest contribution. A very important event in this respect is the issuance of the Peterson Report which suggests a reduction in bilateral and an increase in multilateral aid.

According to Mr. Bourges, Japan is becoming more active in African countries. The Japanese import increasing quantities of raw materials and export more and more industrial goods. This might lead to an increase of aid activity by Japan.

Mr. McNamara agreed but added that in addition France should stimulate Japan as well as Germany and the U.S. to contribute more. This would be in the best interest of France and is justified because the French contribution, as compared to GNP, is the greatest.

Mr. Bourges agreed, but added that most of the French contributions are bilateral and these bilateral activities of France are most appreciated in Africa because there are cases when immediate and least expensive form of aid is needed in those countries. Therefore, the African countries are a little apprehensive of a change from bilateral aid into completely multilateral aid. In short, to quote Mr. Bourges, bilateral aid must be continued to prepare for multilateral aid at a later period.

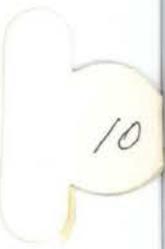
Mr. McNamara agreed that the bulk of French aid in the coming years would have to continue to be bilateral. Nevertheless, it should be understood that for every IDA dollar contributed by France, over \$1.30 is sent to French Africa (against \$0.60 in earlier days). The additional \$0.30 comes from Germany, the U.S. and Japan.

Another subject brought up by Mr. Bourges was the area of cooperation between FAC and Bank. Cooperative programs already were being implemented in Dahomey, Cameroon, Ivory Coast and Congo (Kinshasa). This was very satisfactory.

Mr. Bourges then referred to the problem of the price of primary commodities. Mr. McNamara quoted the case of ground nut projects in Senegal where the price of the product had declined in a very serious way. He did not see any prospect of an early improvement in prices of these commodities. The only solution would be a diversification of the economy of the interested countries. Mr. Bourges said that this has been tried in the European Economic Community but these efforts are now being attacked because they are considered as an exception to the system of general preferences. In addition, there will certainly be need for efforts to be made also by the receiving countries themselves: they should try to cooperate on a regional basis and they do not do this very often.

Mr. Bourges then raised a matter of great importance, in which the Bank could be of assistance, i.e. the subject of livestock, in which Mr. McNamara was interested. The consumption of livestock will rise everywhere parallel to the rise in incomes. In West Africa, there are many opportunities for livestock production. The Bank has already invested in livestock projects all over the world and he would appreciate the FAC telling the Bank services each time they see a possibility for further cooperation in this type of project.

At the end of the meeting, the T.V. services (including specialized African T.V.) interviewed Mr. McNamara on the purpose of his visit and the problems of Africa.



OFFICE MEMORANDUM

TO Files

DATE March 17, 1970

FROM Arthur Karasz *Notes*SUBJECT Mr. McNamara's Official Visit to France, March 16-17, 1970;
Meeting with Mr. Olivier Wormser, Governor, Banque de France.

Mr. Wormser was accompanied by Mr. Bernard Clappier, deputy Governor, and by Mr. Plescoff. Messrs. Munir Benjenk and Karasz attended.

Mr. McNamara started by thanking Mr. Wormser for the decision of the Banque de France to participate up to \$2 million in the Bank's recent 2-year bonds. Mr. Wormser smiled and said that the participation really had been very little; nevertheless he was happy to be able to make it and he hoped to be able to do much more as soon as the current French economic situation improved.

In answer to an enquiry from Mr. McNamara, Mr. Wormser explained that the French trade balance has improved in the last month of January. This improvement was mainly due to the very energetic measures taken by the Government in order to reduce consumption.

Thanks to these measures, more goods are now available for export purposes. The country, nevertheless, is not yet out of the red. Prices have increased more sharply than planned during last January and wages have followed suit.

The conversation then turned to Germany. In Mr. Wormser's view the DM revaluation came too late. The economy continues to be overheated and the Government is unable to take the necessary fiscal measures. Everything has thus been left to the Bundesbank, interest rates have had to be lifted considerably and this might lead to another inflow of hot money, just what the German Government wants to avoid.

The German Government mainly relies on the strong dislike by the German people towards anything resembling inflation. The public attitude might therefore help the Government more than is the case in France.

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Files

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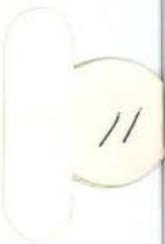
March 17, 1970

Mr. Wormser enquired about the Bank's fund raising activities. Mr. McNamara explained our policy concerning bonds and our recent operations with Japan.

On IDA Replenishment, Mr. McNamara emphasized France's interest in maintaining IDA's activities at a high level especially as far as francophone Africa is concerned.

cc: Mr. McNamara ✓

AK:mcl



OFFICE MEMORANDUM

TO: Files

DATE: March 19, 1970

FROM: Arthur Karasz *AK*

SUBJECT: Mr. McNamara's Official Visit to France, March 16-17, 1970;
Meeting with Mr. Paul Huvelin, President,
Conseil National du Patronat Français.

Mr. Huvelin was accompanied by Messrs. de Précigout, Vice President, and Gruson, Director General of the Patronat. Mr. Baumgartner, former Governor of the Banque de France and Minister of Finance, presently President of Rhône Poulenc, joined in later. Messrs. Plescoff and Karasz were both present.

Mr. Huvelin described the state of the French economy. Prices have grown more than foreseen last January, but there is hope that further exceptional increases can be stopped. The present level of wages is satisfactory. The balance of trade has improved more rapidly than the Government had predicted: last month the balance of trade was positive for the first time since the 1968 events. Thus, the state of the economy seems to be sound. The next problem the Government will have to face is unemployment. Measures will have to be taken before next fall in order to prevent a recession.

As far as long-term planning is concerned, the Sixth Economic Plan will have to put emphasis on the modernization of industrial production. There is discussion presently on whether industry should or should not have precedence over agriculture. Mr. Huvelin of course favours investments into industry especially because by 1980 there will be two million more people looking for work and new jobs can only be found in the areas of industry.

The social situation is tense. While two years ago the French level of wages was 20 percent above the Italian level, France has lost pace since devaluation. The same is true for Western Germany, where the level of salaries is 15 percent higher than in France (including social charges, although the social charges in France are much higher: they represent 45 percent of direct wages while in Germany, only 32 percent).

As far as the money market is concerned, the rate of interest is too high. It is to be expected that it will be reduced somewhat in the coming year or so but it will certainly not reach the low levels of four or five years ago.

Mr. McNamara raised the question of the influence of an entry of the U.K. into the European Economic Community. The Patronat representatives could only discuss the industrial aspects of the problem: monetary problems as well as agriculture depend on other institutions.

As far as industry is concerned, in textiles France can compete with the U.K. but not with the Commonwealth in Asia.

In steel there is no problem: the French prices are lower than in the other EEC countries in spite of two recent price increases in France.

The automobile industry will not suffer because German competition is in any case tougher than the British and the entry of the U.K. would just mean an increase from three to four competitors which is not a great difference.

Mr. Baumgartner talked about the Common Market in general and pointed out that the existence of the Common Market means that the French economy has to cope with two administrations, that of Paris and the second in Brussels.

Mr. McNamara then enquired about the state of U.S. investment in France and vice versa. U.S. investments in France are 7 or 8 times higher than French investments into the U.S. The Patronat feels favourably towards U.S. investments, but investors should take into consideration the French conditions, social and marketing as well. Mr. Huvelin thinks that in recent times the investors did pay more attention to following the French conditions as they did before. One important advantage of U.S. investments in France is that they bring their knowledge and skills as well as their experience with them. The advantage of France over other EEC countries is that France still has areas with free land and labor force.

Mr. Baumgartner raised the question of a possible recession in the U.S. In Mr. McNamara's view, as things stand today, it is not at all likely that there might be a real recession in the U.S. Demand inflation has been replaced by cost inflation but there is hope that it will not become too high. There is one question open however, that of employment. Mr. Baumgartner feels that there is a definite slowing down in the economic activity of the U.S. and this might of course have serious repercussions on the European and therefore the French scene.

March 19, 1970

Huvelin brought up the present state of the Bank study concerning the investment insurance scheme. He was told that the matter will be examined once more next week in the Board.

Finally, Mr. McNamara mentioned IFC. He hopes that IFC's cooperation with the French industry will increase in the future. This is the purpose of the appointment of Mr. Davidson, who has just taken up his post in Paris.

cc: Mr. McNamara ✓

AK:mcl

OFFICE MEMORANDUM

TO: Files

DATE: 19th March 1970

FROM: Arthur Karasz *7000*

SUBJECT: Mr. McNamara's Official Visit to France, March 16 - 17, 1970
 Meeting with Mr. Postel-Vinay, Director General
 Caisse Centrale de Cooperation Economique.

Mr. Postel-Vinay had with him Messrs. P. H. Mollie, Assistant Director, and Jacques Hyafil, Director for Credit and Agriculture. Mr. Karasz accompanied Mr. McNamara.

Mr. Postel-Vinay described two important problems: education and urbanization.

1. He started by expressing some criticism on our loan to the Ivory Coast for TV education: While TV is a very modern instrument and can certainly be used in the educational system of developed countries, he is less sure on whether it is a safe approach in developing countries. Mr. Hyafil has just been in the Republic of Niger, where there also is a TV experiment. According to the teachers in Niger, the technique is interesting but it does not bring the expected results among the children.

From a more general point of view, Postel-Vinay feels that the Bank should make great efforts to find an education system which would be better adapted to the needs of the developing countries. The present program just finances the classical primary education, a system which does not lead far in the developing countries. In Western Africa, for instance, the primary schools are more or less the same as in France and as a result they lead their pupils towards social deracination and urban unemployment; in other words, they do not prepare the young generation for their real job which would be to make them useful members of a rural producing society.

Mr. McNamara enquired whether the Caisse had found answers to these problems; Postel-Vinay admitted that they have not yet done so. Some new experiments are being made in Upper Volta, shifting the bulk of the educational efforts towards agriculture, but the results are not yet satisfactory. He is wondering whether more of the educational effort should not be shifted towards adult education. He would of course need sufficient amounts of money, also for purposes of the education of school age children. In addition, more efforts should be made in the field of educational research.

Mr. McNamara answered that he agreed in general with the ideas expressed by Postel-Vinay. The educational activities of the Bank are very recent. Increased volumes have been invested but only since

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page two

19 March 1970

a year or so, and we are still ignorant on how to organise our efforts in the future. One thing is certain, that it will be necessary to move the school system away from ancient patterns. The modern schools in developing countries should not lead directly to university as happens today in East and West Africa and also in Latin America. The main trend should be towards the improvement of agricultural production but this is a very difficult subject. As an example, he mentioned Iran and the efforts made by the Shah to introduce technical assistance and agricultural credit.

2. Slum Clearance: Postel-Vinay raised the question whether the Bank/IDA could finance public housing. Two sorts of operations are needed: infrastructure (highways, sewage, etc.) and building proper. The Caisse does not have sufficient funds to finance both; therefore he would suggest that IDA provide the funds for infrastructure where the Caisse would finance the buildings. About 20 percent of the costs would be needed for infrastructure and the rest, i.e. 80 percent, for buildings.

Mr. McNamara answered that, without questioning the merits of financing such housing construction and infrastructure, he did not think that IDA could do this job. The Bank Group is engaged in too many fields already and it would perhaps be difficult to start operations also in the field of housing.

The meeting ended by a general discussion of the need for an adequate replenishment of IDA and the interest of France in such a venture.

cc: Mr. McNamara ✓

AK:da

OFFICE MEMORANDUM

TO: Files

DATE: March 19, 1970

FROM: Arthur Karasz *Jason*

SUBJECT: Mr. McNamara's Official Visit to France, March 16-17, 1970;
Meeting with René Larre, Director of the Treasury,
Ministry of Economy and Finance.

The meeting took place on March 17. Present: for the French, Messrs. Deguen and Plescoff; for the Bank, Messrs. Benjenk and Karasz.

The discussion started with subjects relating to Algeria and Egypt. On the subject of Algeria, according to Mr. Benjenk's notes, Mr. McNamara recalled the French objections to Bank lending to Algeria, in view of the unsettled compensation issues for expropriated properties. The Bank had been embarrassed by not being able to tell Algeria of these French objectives, particularly since France itself continued lending to Algeria on a large scale. In any case, he had agreed with Mr. Schumann that France would communicate a definite position to the Bank within six months. During that time, no project contacts would be pursued in Algeria.

Mr. McNamara and Mr. Larre agreed that Mr. Deguen would soon prepare a memorandum detailing the French claims upon Algeria, preferably by categories, after which Bank lawyers might come to Paris to pursue the conversation.

Mr. McNamara recalled that a similar question, related to unpaid debts, had delayed processing of an IDA credit to Egypt, but that matters were now sufficiently advanced for the IDA credit to have been scheduled for Board consideration on March 24.

Thereafter, Mr. McNamara explained the program of IDA lending and the increase in the last year in such lending to French speaking Africa. If the third IDA Replenishment can be made at a sufficiently high level, the percentage of IDA aid to French Africa in the period 1969-73 is planned to be 10.6 percent of total IDA credits. But it is evident that this can only be done if IDA has sufficient means at its disposal.

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The program of Bank Group operations in Western Africa has increased considerably. A new department was created in order to deal with the area. It is headed, as Mr. Larre knew, by Roger Chaufournier. Chaufournier has of course already been in touch with French officials in order to keep them informed about his program, but if the French authorities would like to have further data, they should get in touch with Chaufournier who would see them on his next visit to Paris.

Deguen raised a question relating to the financing of projects in the French "Overseas Departments and Territories" (Départements et Territoires d'Outremer). Places like Martinique and La Réunion (Départements) are still part of Metropolitan France, while, for instance, Djibouti in the former French Somalia is now a "territoire" no longer belonging to Metropolitan France. Deguen realizes the fact that it would be impossible for the Bank to finance projects in areas which are part of Metropolitan France, but he raised the question whether we would agree to finance operations in the "territories". Mr. McNamara said the question should be examined by the Legal Department of the Bank.

The conversation then turned to French participation in IDA. Larre started talking about a \$500 million figure, but went up at the end of the meeting to \$700 million and even \$750 million.

He started explaining that \$500 million is the maximum at which France would still be able to maintain her present percentage share in IDA replenishments. Over and above that, the share of France would have to be cut, among other reasons because the bilateral aid given by France cannot be curtailed for the time being. He was thus thinking of a maximum of \$40 million yearly as a contribution to IDA by France, which would correspond to a total of about \$500 million.

Mr. McNamara answered by pointing out that he was not asking for any precise amounts for IDA. This was up to the donors to decide. The only thing he could do was to explain the unavoidable consequences of the decisions to be taken by the donors: if the amount is sufficiently high, IDA's program can be kept as he had outlined; if the contributions are at a lower level, the program, and therefore IDA's operations in Western Africa, must necessarily be cut. It should be known that for every dollar contributed by France, \$1.30 is sent to French Africa against \$0.60 in earlier days. The additional \$0.30 comes from Germany, Japan and the U.S.

March 19, 1970

The French Government should bear in mind that there are three extremely critical elements in the future of foreign aid: these are Germany, Japan and the U.S. It would be in the best interest of France to act to push these countries to increase their multilateral aid because otherwise the French interests will be hurt. This is especially true for the U.S. Mr. McNamara did not think that the U.S. would give up all its bilateral program; it will probably maintain some of it but there is every reason to believe that more U.S. aid will go into multilateral channels.

As far as Germany and Japan are concerned, they are not yet completely aware of the role which they should play in international affairs. They certainly do not do yet all they should be doing in international aid and it should be the French Government's task to figure out how these countries can be influenced in order to take the right decisions.

At the end of the conversation, René Larre suddenly mentioned an increase in the figure he had primarily mentioned, and said that under certain circumstances he could imagine that the French contribution to IDA might increase to its percentage of \$750 million.

It is interesting to add to the above that on our way from the Ministry of Finance we were accompanied by Plescoff. Plescoff started talking about the "interesting negotiating manner" used by René Larre. He had already experienced, on a number of occasions, that René Larre starts always on extreme positions, so extreme that he, Plescoff, would never dare to take. In this way, Larre allows himself a rather big margin for potential concessions; He has therefore often succeeded in making smaller concessions than he would otherwise have had to make.

Later, during the lunch given by Plescoff, René Larre asked our present position concerning the capital increase of the Bank. Mr. McNamara stated that, assuming a satisfactory level of IDA Third Replenishment, this question would not be raised before the end of the period covered by that replenishment.

cc: Mr. McNamara ✓

AK:mcl

MAY 5 1970

IDA THIRD REPLENISHMENT - Record of Conversation between Mr. McNamara and
M. Giscard d'Estaing

The French Minister of Finance, M. Valery Giscard d'Estaing, called on Mr. McNamara at 2:45 p.m. on Tuesday, May 5th. He was accompanied by Mm. Rene Larre, Plescoff and Pierre-Brossolette. I was also present.

Mr. McNamara raised the subject of the Third Replenishment of IDA and said that at the present time countries, accounting for 87% of total contributions, supported a figure between \$800 million and \$1,000 million. He had now to try to finalize the negotiations. He understood the French feeling that some reduction in the French share would be justified. He must say frankly, however, that a contribution of \$40 million would be too small. A reduction in the French share from 8.1% to 4% at the level of \$1,000 million would not, in his view, be negotiable.

M. Giscard d'Estaing said that in February last there had been a discussion between the Finance Ministers of the Common Market in Paris. The Germans had proposed a replenishment at the level of \$500 million and this figure had been supported by others. He, himself, had made no comment. Since then there had been no consultation between the six governments. For the French Government this raised a question of principle. They did not think that a change should be made in an agreed common position without further consultation. A further meeting of the Common Market Finance Ministers was to take place in Venice on May 29th and he would propose to raise the matter then.

He then referred to the size of the French aid program, saying that they had already achieved their target of 1% of GNP for the total flow of funds and that there would probably be an increase in their aid expenditure in the next budget. He understood very well the advantages of working through IDA but he did not want the French aid program to rise too far above the 1% target. He then asked M. Larre to describe the position taken by the French representative at the meeting in Vienna.

M. Larre said that the French position had been that they would contribute 8% of a total of \$500 million. They did not wish, however, to stand in the way of a replenishment at some higher figure. If other governments wished to go further, they must take account of the special position of France. In any event, at a level of \$1 billion any conceivable French share would be beyond their reach. This would not be so at a replenishment at the level of \$800 million.

Mr. McNamara said that provided agreement could be reached on a reasonable French share, he thought it likely that he could negotiate some increases in percentage shares from a number of governments. It was, however, essential to do this promptly. At all costs we must avoid a hiatus after July 1st, 1971. To negotiate increases in country shares was a time-consuming business. He understood the French point of view and thought that the outcome of the negotiations would be a replenishment between \$800 million and \$1,000 million and that the final figure would probably be closer to \$800 million than to \$1 billion. He did not, of course, know what other governments would accept but he was certain that a French share of 5% of \$800 million would not be negotiable. On the

President has seen

question of further consultation between the Common Market Finance Ministers, surely we had reached a point now where each nation should look to its own interests. He assumed that provided the French share had been settled, the French Government would prefer a higher figure for the replenishment of IDA which would make a higher level of lending to French-speaking territories in Africa possible. Such lending had already increased very substantially.

M. Giscard d'Estaing thought that a figure of \$1 billion would be too high and would involve putting too much pressure on countries to do more than they felt they properly could. The French Government could easily insist on raising this matter at the meeting of Common Market Finance Ministers and on negotiating a common position. In the process some of the Ministers might change their positions. Nevertheless, he had no desire to complicate matters unduly for the IDA Management. His first idea was that the French share might revert to its original proportion. On being told that this was 7.05% and that with a replenishment of \$800 million this would require a French contribution of \$56 million, he said that this was too high. Fifty million dollars would be the maximum.

Mr. McNamara replied that so far as he was concerned it was certainly the minimum that he could hope to get other governments to accept. He would, however, do his best to produce a plan along these lines which would be discussed at the next meeting of the Deputies in Paris. In reply to M. Larre, he said that Mr. Petty was pursuing the idea of a possible transfer to IDA of the residual assets of the European Fund. He, himself, believed that there were considerable legal difficulties about this suggestion and we should not delay agreement on the IDA replenishment until they had been resolved.

In conclusion, M. Giscard d'Estaing referred to relations between the Bank and Senegal and asked whether the Bank would be prepared to help tourism in that country. Mr. McNamara said that there was an airport project scheduled in the lending program for 1973. He would be delighted to consider other projects in the field of tourism in Senegal.

M. Giscard d'Estaing then referred to New Caledonia, where there were plans afoot for raising the standard of housing and for developing harbors. It would be of considerable help to the local population if they could get some international financing for these projects.

Mr. McNamara said that he would be glad to examine with the Bank's Legal Department the status of New Caledonia as a French overseas territory and consider whether Bank or IDA financing would be possible.

D. H. F. Rickett

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
FROM: Denis Rickett
SUBJECT: IDA Replenishment - France

DATE: May 4, 1970

Two further thoughts have occurred to me since our conversation this morning.

2. The first concerns the figure about the French percentage of Part I country subscriptions to the Bank. When we talked this morning I had not seen John Adler's note to you of May 1st. I understand from him that the figure of 6.32% in the last line should, in fact, be 5.95%. Apart from this, I have some doubt whether figures of the French share in total Part I country subscriptions to the IBRD can be taken as an exact measure of what the French share in contributions to IDA should be. For example, at the present time France's subscription to the IBRD is 6.47% of the Part I total but their share in contributions to the Second Replenishment was 8.10%. It does not seem to me that if the French share in Part I subscriptions to the IBRD falls from 6.47% to 5.95%, it can be argued that therefore the French share in contributions to IDA should fall from 8.1% to 5.95%. This would be ignoring the increase which took place in the French contribution to IDA between the initial subscriptions (in which their share was 7.05%) and the Second Replenishment (in which their share was 8.10%).

3. What can be said is that there is a case for some reduction in the French share in contributions to IDA.

4. My second comment is of a more general kind. We discussed this morning the possibility that if President Nixon were prepared to make an approach to Chancellor Brandt there might be some chance of getting the Germans to improve on their present offer of 9.75% of \$800 million a year payable in cash over four years. We discussed, in particular, the possibility that the Germans might improve their offer either by extending their commitment from four years to five years or by agreeing to maintain their present offer even if other countries were prepared to regard interest accrued on the German cash payments as an addition to their contribution so that the other countries would be justified in matching the German contribution at a higher level.

5. From the discussion I had with Herr Koinzer in Vienna, I had the impression that German reluctance to agree to either of these suggestions might have been due to their fear of annoying the French still further. The French, as you know, had complained to the Germans that they should not have gone up to \$800 million without first consulting their Common Market partners.

President has seen

Mr. Robert S. McNamara

- 2 -

May 4, 1970

6. The suggestion I wish to make is that if the talks with M. Giscard d'Estaing tomorrow result in agreement on a figure for the French contribution, this would lead on naturally to the question of the total IDA Replenishment. You could ask M. Giscard d'Estaing whether, if the French contribution were fixed, he would any longer object to a general agreement at some level higher than \$800 million.

7. It may well be that all this will prove much too optimistic. I think, nevertheless, that it is worth mentioning the point in case M. Giscard d'Estaing is prepared to reach agreement.

cc: Mr. John Adler

OFFICE MEMORANDUM

TO: Sir Denis Rickett

DATE: May 5, 1970

FROM: Donald T. Brash *D.T.B.*SUBJECT: France and IDA

The French tend to raise four main points with respect to IDA replenishment. These, and possible responses, are set out below:

(A) The most frequently used argument is that France already has a very good aid performance measured either by the "1% total aid" or the "0.70% official aid" target. M. de Larosiere elaborated this point at length at Vienna, noting in particular that in 1969 the total flow would be equivalent to some 1.5% of GNP.

But the information we have from DAC, summarized in the table below, suggests that official French aid has been virtually unchanged since the beginning of the sixties. The high figure in 1969, if confirmed, is probably due to a minor extent to resumed payments to IDA (though France paid only one instalment towards the Second Replenishment in 1969) and mainly to a sharply higher private flow.

If this private flow remains at a high level, France can indeed meet the 1% target well into the seventies but it seems highly likely that there will be a serious shortfall from the 0.70% target. France has not officially accepted this target, but M. de Larosiere implicitly recognized it in his Vienna speech. If French bilateral aid remains stagnant but France accepts the 0.70% target, there will need to be a very sharp increase indeed in French contributions to multilateral agencies, as the table shows.

	1961	1962	Actual (disbursements)				1967	1968	Assumed disbursements ^{1/}	
			1963	1964	1965	1966			1973	1975
Official bilateral (\$m.)	870	861	821	810	725	716	783	817	850	900
Official multilateral (\$m.)	<u>73</u>	<u>116</u>	<u>29</u>	<u>21</u>	<u>28</u>	<u>29</u>	<u>43</u>	<u>39</u>	<u>379</u>	<u>568</u>
Total Official (\$m.)	943	977	851	831	752	745	826	855	1229	1468
Total Private (\$m.)	<u>463</u>	<u>418</u>	<u>391</u>	<u>529</u>	<u>547</u>	<u>575</u>	<u>516</u>	<u>828</u>	_____	_____
Grand Total (\$m.)	<u>1406</u>	<u>1395</u>	<u>1242</u>	<u>1360</u>	<u>1299</u>	<u>1320</u>	<u>1341</u>	<u>1683</u>	=====	=====
Total Official as % of GNP	1.41	1.30	1.01	0.89	0.75	0.69	0.71	0.68	0.70	0.70
Grand Total as % of GNP	2.10	1.86	1.48	1.46	1.30	1.22	1.15	1.33		

^{1/} The assumptions made were: a) modest expansion of French bilateral aid in line with immediately past trends; b) maintenance of total official flows from France to developing countries at 0.70% of GNP; c) GNP growth at 9.3% annually in current prices (based on OECD estimate of real growth and continuation of price inflation at rate of 1963-68). The multilateral official aid figures shown are therefore residual items.

President has seen

(B) France has consistently deplored the large share of IDA resources going to India/Pakistan, and urged more credits for French-speaking Africa. The Hon. Giscard d'Estaing made this point formally at the 1969 Bank/Fund annual meeting for example, and again informally at a meeting with Mr. McNamara on September 30, 1969. The following points can be made in reply:

- In the past, IDA lending to French-speaking Africa has been held back by lack of good projects;

- This situation is already changing and will have substantially changed by the period covered by the Third Replenishment (FY1972-74). Even in FY1969, there was a substantial increase in the credits going to French-speaking Africa, and a number of countries which had never received credits before received their first in that year (C.A.R., Chad, Congo (B), Dahomey, Togo, Upper Volta). The following figures, which show that French Africa received slightly above its "fair share" of IDA credits through FY1968, and well above that level in FY1969, may be useful:

	Population as %age of IDA countries with per capita GNP of \$300 or less in 1967	IDA credits received as %age of those received by countries with per capita GNP of \$300 or less in 1967		
		Through FY1968	FY1969	FY1972-74 (proposed) ^{1/}
1. Countries of "French Africa" (Franc zone Africa plus Morocco and Tunisia) with per capita GNP \$300 or less in 1967	4.3%	4.6%	12.5%	10.0%
2. India and Pakistan	43.8%	69.6%	52.5%	43.2%

- Even more relevant to your discussions with M. d'Estaing, on the basis of present expectations, the higher the level of the Third Replenishment (and this will clearly be influenced both directly and indirectly by the level of the French contribution) the larger will be both the absolute and, to some extent, the relative amounts going to French Africa. Thus on the basis of Mr. Knapp's "allocation" table dated 1/22/70, French Africa could reasonably expect to receive 9.0% of total IDA credits under the Third Replenishment at a replenishment level of \$400 million annually, 9.3% at a replenishment of \$600 million, and 10% at a replenishment of \$800 million or \$1,000 million. If Bank profits are available to IDA at a rate of \$100 million annually also, these replenishment levels correspond to absolute amounts of lending to French Africa of \$45 million, \$65 million, \$90 million, and \$110 million annually. On a marginal basis (and even assuming the French maintain their share in the Third Replenishment at its level in the Second (8.10%)), for each additional dollar it costs France to participate in a replenishment of \$600 million as compared with one of \$400 million, an additional \$1.235 is likely to be allocated

by IDA to French Africa; in moving from \$400 million to \$800 million, the corresponding allocation to French Africa is \$1.389, and in moving from \$400 million to \$1,000 million, \$1.337.

In other words, contributing to IDA is a very cheap way for France to contribute to Franc-zone Africa.

(C) France has also drawn attention to its low share in identified foreign procurement under IDA-financed projects. It should be noted that, because of the changing emphasis which is being given to French Africa in IDA's lending activities, the French stand to gain a much larger share of total procurement under IDA credits. Through December 31, 1969, the French share in identified foreign procurement under all IDA credits was only 4.53%; but under IDA credits to French Africa, the corresponding figure was 75.00%. If the procurement experience of the past remains broadly true in the future, and if IDA credits are allocated according to the guidelines in Mr. Knapp's "allocation" table referred to above, the French can expect to win \$1.296 in additional export orders for each additional dollar it costs France to participate in a replenishment of \$600 million as compared with one of \$400 million. The corresponding figures for moving to replenishments of \$800 million and \$1,000 million are \$1.423 and \$1.387 respectively.

(D) Finally, the French have commented adversely on the small number of French staff employed by the Group.

In reply it may be noted:

- French professionals on the Bank staff increased from 21 to 57 between 1960 and 1969; this represents only a very slight increase in relative numbers, from 6.0% to 6.5% of the professional staff, but compares with a sharp decline in the relative number of U.S. staff from 45.2% to 30.8% over the same period;

- French staff members hold senior positions in many parts of the Bank Group, including, for example, the Directorship of the Western Africa Department and the Deputy Directorship of the Projects Department.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: May 5, 1970

FROM: Roger Chaufournier *RC*

SUBJECT: Senegal: Issues that may be raised by the French Finance Minister.

1. In connection with your forthcoming meeting with Minister Giscard d'Estaing, I thought you should know that the Minister was approached by the Senegalese Minister of Finance during the meeting of Ministers of the Franc Zone held in Abidjan last month. I am told that Giscard d'Estaing was asked to see what he could do to improve Bank relations with Senegal. The Senegalese Government and the Finance Minister in particular have felt that the Bank has been too demanding on Senegal in terms of conditions for further lending. You may recall that last September it was decided to postpone negotiations of a highway maintenance project until satisfactory action was taken to solve the problems of the railways, for which we provided financing in 1966.

2. Last fall the Government informed us it was taking action on all matters, including reduction in personnel and increases in tariffs, but reserved their position on how much contribution the central budget could make to the railways, arguing that in a period of austerity all programs, including Bank financed programs, had to be tailored to available resources. Yesterday the Secretary of State for Planning of Senegal, Mr. Adama Diallo, who heads a delegation negotiating the Highway Maintenance Credit, told us that the Government, after reviewing the matter with the President and the Prime Minister, had decided that the national budget would provide the necessary resources for completion of the Railway Project next year. The Secretary, who will visit you tomorrow, will urge you, in the light of this decision, to proceed with presentation of the Road Maintenance Project to the Board at the earliest possible date. In a separate memorandum briefing you for the forthcoming visit of the Secretary of Planning (scheduled for Wednesday, May 6, at 12.20 p.m.) I am recommending that we proceed with presentation of the Road Project to the Board as soon as agreement is reached on the Loan Documents and the supporting documents are completed. Our target date for presentation to the Board is June 16.

3. Minister Giscard d'Estaing, who had made inquiries through Mr. Carrière, was advised against taking up this matter with the Bank, but I thought you should know of this situation.

cc: Mr. Knapp

resident has seen

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: May 5, 1970

FROM: Roger Chaufournier SUBJECT: Congo 'B' -- Your Meeting with Minister Giscard d'Estaing

In connection with Mr. Carriere's question this morning, you should know that long before inviting negotiators for the proposed Congo 'B' Highway Credit, I asked Mr. Carriere to inquire about the position of the French Government as creditor of ATEC. Despite repeated inquiries, Mr. Carriere did not get a reply until yesterday when he called to warn me that he was instructed to ask a question. We were told by the Congolese Delegation that the suspension of disbursements by the Caisse Centrale was the result of a legal technicality; ATEC having ceased to exist and until the legal transfer of debts had been completed, no one had any authority to sign disbursement requests. The Congolese Delegation also told us that discussions were under way for the assumption of ATEC debts by the respective Governments and that the Congolese Government lawyers were working with those of the Caisse Centrale to work out the details. This is a matter which I propose to review with Mr. Postel-Vinay, with whom I am lunching in Paris on May 19.

We also plan to review ATEC matters as well as other problems of compensation with the delegation of the Central African Republic, now in Washington negotiating a Credit for highway maintenance.

cc: Mr. Knapp
Mr. Broches

RChaufournier:sm

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
(through Mr. Christoffersen)

FROM: Roger Chaufournier

SUBJECT: Mr. Servan-Schreiber

DATE: July 31, 1970

Of possible interest for your 11:30 meeting:

~~By the way,~~ Servan-Schreiber's quotation, on the front page of "The American Challenge", underlying one of the fundamental themes of his book, is quite fitting for any development institution.

"If you give a fish to a man
he will feed himself once
If you teach him how to fish,
he will feed himself all his life"

Kuan - tzu.

for your
11.30 am
on Friday

Mr. JEAN JACQUES SERVAN SCHREIBER

Jean Jacques Servan Schreiber was born in 1924. He entered the Ecole Polytechnique in 1943 but escaped later from France that same year, received training as a pilot in the United States and joined the Free French Air Force. In 1948, he wrote on foreign policy for Le Monde and then established his own magazine of opinion L'Express. In the mid-fifties, he helped, with his stinging editorials in L'Express, to influence public opinion in favor of a negotiated settlement to the Algerian war, which was the preoccupying issue. Perhaps in retaliation, the Government of Bourges Maunoury soon mobilized him and sent him to Algeria.

After serving his tour of duty, he wrote a book (Lieutenant in Algeria) which led to his indictment on the ground of supposed injury to the morale of the French Army; in due course, he was acquitted. When France pulled out of Algeria, Servan Schreiber converted L'Express into a highly successful news-weekly. In addition to these and other publishing ventures, he has been active in politics, working closely in the fifties with Pierre Mendès France. In 1969, he was appointed Secretary General of the Radical Party. In this capacity, he wrote "The Radical Manifesto" which is intended to serve as a program of action for the Party. Other book by Mr. Servan Schreiber is a consideration of the French student revolt, The Spirit of May (1968).

The objectivity of expression of Mr. Servan Schreiber, his commitment to reasoned argument, his political activism stamp him as a European of the Kennedy generation and style. On June 28, 1970, he was elected Deputy to the National Assembly (House of Representatives) by the city of Nancy.

President has seen

THE AMERICAN CHALLENGE

1. "The American Challenge" was published in October 1967. It is a book about the crisis of Europe which, Mr. Servan Schreiber says, is in decline. No one, he warns, should be deceived by the existence of the European Economic Community. Either the European Economic Community had to become a common market, or else it would revert to national patterns. Since it had not moved toward integration, it is beginning to move toward dis-integration. Only the Americans, moreover, have understood and seized the opportunities created by the Common Market. The result has been the economic invasion of Europe by the United States. If present tendencies continue, the third industrial power in the world, after America and Russia, could be, not Europe, but American industry in Europe. The present European generation has only a few years to decide between restoring an autonomous European civilization or allowing Europe to become a subsidiary of the United States.

2. However, while he advocates defensive measures to seal off Europe from American economic penetration and political influence, Jean Jacques Servan Schreiber, unlike General de Gaulle, does not attribute the American economic invasion to the "dollar inflation that the United States are exporting to others under the cover of the gold exchange standard." He contends that the disparity between the United States and Europe lies rather in the "art of organization", in the mobilization of intelligence and talent to conquer not only invention but development, production and marketing. He thus defines the "gap", as less technological than managerial.

3. What enables American industry to spill out across the world is the energy released by the entire American system, by the opportunity for individual initiative, the social mobility, the innovative knack of teams, the flexibility of business structure and the decentralization of business decision. It is a highly organized economic system, based on enormously large units, nourished by an industrial-academic-governmental complex and stimulated, financed and guided by the National Government.

4. The gap is more than managerial. The real gap is institutional and cultural for American dynamism is characterized, above all, by the determination to invest in human beings, especially through the promotion of education. The real American secret is the discovery that social justice, far from being the enemy of economic growth, is the necessary technical condition for growth in an industrial society.

5. The hope for Europe (Mr. Servan Schreiber's Europe, unlike de Gaulle's, includes Great Britain) lies in genuine democratization and genuine unification on all levels; it lies in the reform of education, the rejection of inherited social and intellectual rigidities. If Europe is to have any weight in the world of electronic computers, automatic information systems, space technology and atomic energy, there is only the way of Federalism and Social Justice. A strong and progressive Europe is vital to save the United States from the temptations and illusions of superpoweriship: Europe holds in her hands more than her own destiny.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: October 22, 1970

FROM: Roger Chaufourmier *B*ConfidentialSUBJECT: Your Meeting with Minister Bourges

DECLASSIFIED

MAY 03 2013

WBG ARCHIVES

1. On Saturday, October 24, at 9:30 a.m., you are meeting with Mr. Yvon Bourges, Secretary of State in Charge of Cooperation at the French Ministry of Foreign Affairs. Minister Bourges will be accompanied by Mr. Jean Audibert, Deputy Director of FAC, and by Mr. Jean Carrière, Alternate Executive Director for France. I have already had some discussions with them and I expect that the following points will be touched upon.

I. Issues for discussion

2. Mr. Bourges will reiterate the satisfaction of the French Government with the increase and direction of the Bank Group activities in Sub-Saharan French-speaking Africa, and with the cooperation which now exists between Bank Group and the French Aid Agencies. Mr. Bourges may stress the importance which the French Government attaches to increased aid for agriculture and education.

3. The Minister may refer to the need for greater flexibility on the part of the Bank in these fields, particularly for a more liberal approach to the financing of local costs, current inputs of a developmental nature and related research and experimentation. The Minister's view on these points represents those of the Secretariat in charge of cooperation and are known to be at variance with those of the Treasury, which maintains a harder line.

4. In welcoming the Bank Group's increased assistance, the Minister may point out that France does not look upon it as a substitute for declining French aid, but as an addition to meet growing needs. He may explain that it is the French Government's intention to continue to expand its aid to Africa. The French 1971 draft aid budget for Africa (which was given to me on a non-official basis) shows that aid would be increased in real terms after seven years of levelling off or decline. The 1971 aid level is expected to be 18 percent above that of last year. Minister Bourges may also inform you about the French private investment insurance and guarantee scheme now under consideration, which the French Government hopes will help stimulate the flow of French private capital to Africa.

5. Turning to the Bank Group activities, the Minister may refer to four areas; (a) education, (b) the financing of infrastructure in Central Africa, (c) agriculture and agricultural research (d) promotion of indigenous enterprises.

President has seen

October 22, 1970

(a) Education

6. The Bank's posture to encourage the reform of existing systems of education is in accord with the French Government's views. I know from personal conversations that this is so at the highest level. Minister Bourges may specifically refer to the need to support French efforts in the development of new techniques such as education television. You are familiar with the Ivory Coast Project and probably know that we are considering the possibility of another project in this field in Niger. You should also know that we are meeting with difficulties in the appraisal of an education project in Senegal. President Senghor appears reluctant to support any drastic change in the Senegalese education system, which most of his younger collaborators advocate. I personally told the French authorities that if the French Government is intent to support such reforms in French-speaking Africa, the matter could well be put on the Agenda for President Pompidou's forthcoming visit to Senegal next February. As you may know, President Pompidou was a schoolmate of President Senghor at the Ecole Normale Supérieure. In this connection I think it would be appropriate for you to mention your proposed visit to Cameroon, Gabon and Mauritania.

(b) Infrastructure in Central Africa

7. The issue is the need for greater coordination in the financing of transport infrastructure in Central Africa, i.e. essentially the area comprising Chad, C.A.R., Cameroon, Congo 'B', Gabon and to some extent Congo 'K'. The needs for an adequate system of transport is a high economic priority in the area, the inter-relations and the timing of the investment decisions are complex and require adequate planning and coordination, between the aid recipients and the potential donors since the risk of untimely investments and duplication is great. We are in the process of reviewing this question and some of our missions are still in the field but we already have some concrete suggestions to make to interested donors. We are planning to place this item as one of the major subjects of discussion in a forthcoming coordination meeting with FED and the European Investment Bank in December. Our approach, therefore, coincides with that of the French Government and I propose to pursue the matter with them.

8. This question relates to the broader issue of the French Government's posture on aid coordination. Minister Bourges may want to elaborate on this indicating that while his Ministry does not see the need for establishing Consultative Groups to consider overall country programs in French-speaking Africa where France is the major provider of aid. Their approach is pragmatic and wherever they see a demonstrable need for coordination on a particular region or sector, they would welcome greater coordination between major donors with the Bank taking an important role. I already referred to transportation in Central Africa but this is also the case for livestock development in Western Africa where FAC, like us, is trying to support a regional approach. Outside the former French colonies France has taken a more responsive attitude and has recently agreed to participate in Consultative Groups for Ghana and Congo 'K'.

October 22, 1970

(c) Agriculture and Agricultural Research

9. Besides stressing the need for greater flexibility in lending techniques, and welcoming the Bank's efforts in the direction of financing smallholders schemes and small rural development projects (such as the project we are trying to develop in Upper Volta -- FAC is assisting us in the preparation) the Minister may refer specifically to agricultural research and may want to explain further the French position on the coordination of research. I think he will say that the French approach is essentially pragmatic; they would favor the strengthening of existing institutes and of coordination between them, before supporting the creation of new ones.

(d) Promotion of African Enterprise

10. The French Government now seems to attach priority to this question and is endeavoring to develop ideas in this area. I do not know what the Minister is going to say on this. You know that John de Wilde has just started a tour of European and African countries to help us formulate our own approach. John de Wilde is in close touch with the French agencies and FAC is fully aware of what we are doing.

11. I am attaching two notes, one giving more detailed information on the organization of French aid and the 1971 French aid budget, the other, which was sent to you last Spring in preparation of your Paris visit, dealing with the principal trends and attitudes in French aid.

Attachments

RChaufournier:am:pmc

cc: Mr. Knapp

I. Note on Organization of French Aid and 1971 Aid Budget

1. Responsibilities

The State Secretariat is responsible for matters related to development aid in French-speaking Africa south of the Sahara, Madagascar and the Island of Mauritius (this area includes also the former Belgian colonies of Congo K, Rwanda and Burundi). The Secretariat's chief responsibility is the management of the Government's aid fund for Africa (FAC) and the coordination of technical assistance the execution of which is often the responsibility of technical ministries. The Secretariat is responsible to the Minister of Foreign Affairs. Responsibility for political relations with all foreign countries (including French-speaking Africa) lies exclusively with the Ministry of Foreign Affairs. Relations between France and Sub-Saharan African states are governed by cooperation agreements which cover a wide range of subject matters (finance, military, education, technical cooperation, defense, etc.). The agreements signed between France and the countries do not necessarily cover all subject matters provided for, though most of the countries have signed the agreements in the main sectors mentioned above.

2. Aid Flows

France's net foreign aid flow reached almost \$1,750 million in 1969. Public aid alone accounts for 55% representing bilateral financial assistance for \$435 million, bilateral technical assistance also for \$435 million and contributions to multilateral agencies \$87 million. Resources for the public aid program derive for around 90% from budgetary appropriations. About one quarter of French public aid is budgeted through the State Secretariat in charge of cooperation.

3. The State Secretariat's budget was, during the last seven years, subject to continuous reductions, from a 1963 high of \$240 million (at the old exchange rate) to a low of \$195 million (actual exchange rate) in 1970. A substantial increase has now been proposed, the 1971 draft budget, submitted to Parliament, amounts to \$230 million (actual exchange rate). This increase is a sign of France's President's and Government's decision to consider cooperation with Africa of priority in France's foreign policy. The visit to Africa scheduled by President Pompidou for 1971 also enters into this framework.

4. Most of the budget's increase for 1971 will be absorbed by increasing personnel costs, at the Secretariat's headquarters as well as the cost of technical assistance in the field. Budgeted expenditure for 1971 in round figures looks as follows:

	Total \$230 million
Technical Assistance	
- in African countries	\$116 million
- for research institutes in France and Africa	\$ 27 million
- for military assistance	\$ 6 million
Budgetary subsidies for African countries	\$ 15 million
Loans and grants for investment purposes	\$ 58 million
Current expenditure of the Secretariat's services at headquarters and abroad	\$ 8 million

5. Functioning of the Secretariat

(a) Financing of Investment Expenditure

Every year, African countries having cooperation agreements with France submit a list of their needs in fields of technical assistance and capital investment for discussion to the Secretariat. An appraisal of the request is made and submitted to the Secretariat's Steering Committee, which includes representatives of technical ministries, the National Assembly and the Caisse Centrale de Coopération Economique. Financing of all technical assistance items is in grant form, capital investments are mostly financed by grants. In exceptional circumstances, however, very soft loans can be made. While there is no predetermined key of repartition of FAC funds over the African countries, certain rules of equity have to be respected and political motivation plays a major role. Procurement normally has to take place in franc zone countries.

(b) Technical Assistance

Technical assistance is provided in the form of personnel attached to the administrative or technical services of African governments. In total roughly 10,000 persons are now stationed overseas in advisory or executive capacities (6,000 among which in the education sector; most of them as teachers or professors). Expenditure for this category of technical assistance amounts to roughly 60% of total technical assistance expenditure.

Technical assistance is also provided in scientific, research, cultural, social and health fields through training, scholarships, studies by specialized French agencies, etc. The State Secretariat controls, through representatives it has on boards of such institutions, an important number of public agencies and research institutes, all of them operating overseas and some of them directly subsidized by the Secretariat (FAC).

In the past, coordination was provided by an informal committee consisting of the State Secretary for External Affairs, the Minister of Finance and the Secrétaire Général (Jacques Foccart) pour la Communauté et les Affaires africaines et Malgaches.

6. Specific Problems of French-Speaking Africa

Evaluations of these countries by the French authorities show a growing awareness in France of some major problems which exist in this area.

7. During the last fiscal year 1969/70, the public finance situation in virtually all African countries (with the exception of the Ivory Coast, Cameroon, and to a certain extent Upper Volta) deteriorated. The French consider that a certain economic and social infrastructure is a prerequisite for embarking on a process of economic growth. This has led France to reinstitute current budget subsidies for African countries as an item in its foreign aid package. In 1967, such subsidies were discontinued.

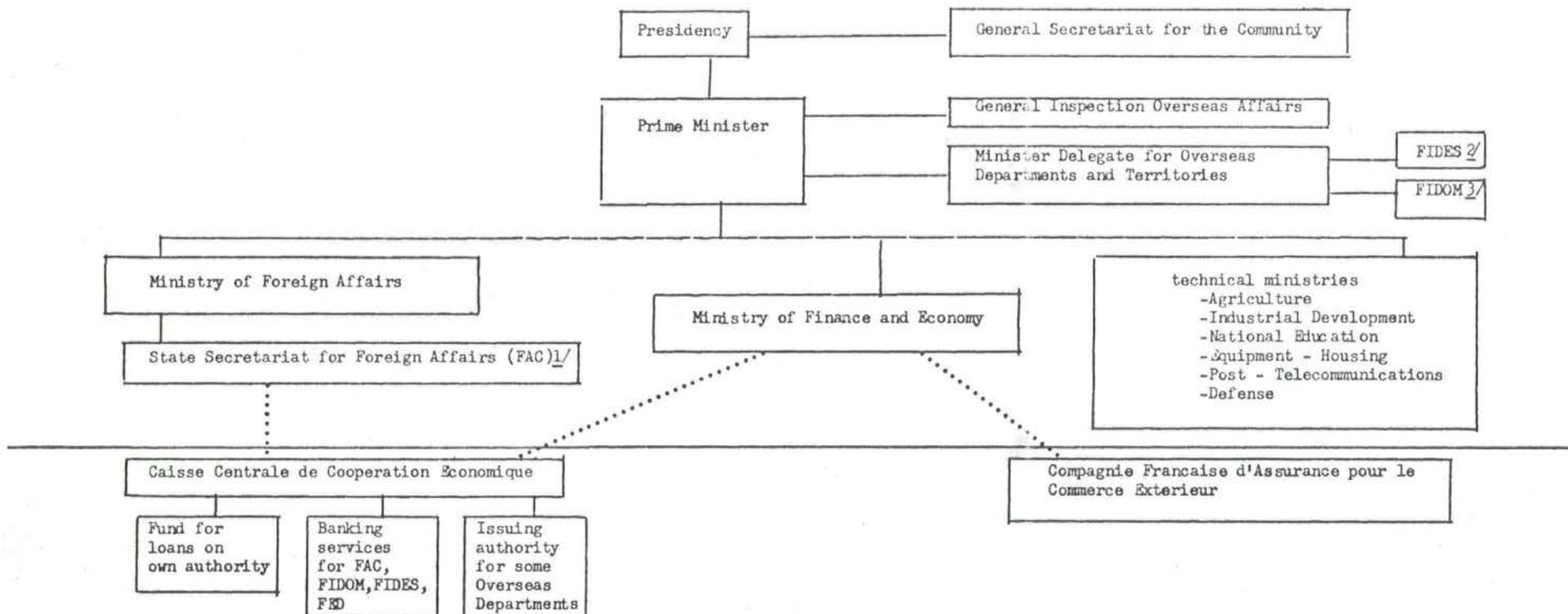
8. Most of the African countries (with the exception of the Ivory Coast, Cameroon, Mauritania and Congo K) have a passive trade balance showing - in the view of French authorities - a permanent structural disequilibrium.

9. The devaluation of the French franc and the increase in world prices have provoked an inflationary tension in French-speaking Africa which may have serious repercussions in particular in countries where already the high exchange rate for the CFA franc presents certain problems.

10. The output of agricultural products in Africa has increased almost everywhere (with the exception of Chad) and as it was often accompanied by increasing world market prices, did have beneficial effects in the recent past. For some countries, however (Senegal and Niger), the loss of subsidies for their major export product: groundnuts, presents a major difficulty.

Western Africa Department

October 22, 1970



- 1) Bilateral Aid Fund for sub Sahara French-speaking Africa administered by State Secretariat
- 2) Fund for investment aid to Overseas Territories
- 3) Fund for investment aid to Overseas Departments

Western Africa Department
March 6, 1970

II - Major Trends in Development Aid

1. The aid issue has been the object of considerable discussion in France over the last ten years. In 1963 the French Government established a Committee to review the policy of cooperation with developing countries. The Committee represented a broad cross section of high civil servants, trade union representatives, businessmen and university professors. Its report dominated the thinking of official policy makers under the regime of President de Gaulle. President de Gaulle himself had found a sufficient area of agreement with its findings to order its publication. I attach a summary of the report which we prepared some years ago. It summarizes well the issues which concerned a broad spectrum of French public opinion. It is still relevant today.
2. Two features continue to characterize the aid policies of the French Government: the predominance of bilateral aid and the desire to diversify aid, both bilateral and multilateral. The preference for bilateral aid is particularly strong with respect to technical assistance. It is a fairly common belief, among French Government officials, that the effectiveness of technical assistance is greatest when it is given by one country in the form of a homogeneous team, with a common experience and common approach, and a profound familiarity with local conditions. Technical assistance to French-speaking Africa is regarded in French Government circles as more effective than foreign technical assistance which is generally unfamiliar with the environment. In fact, differences of views with Bank experts resulting from mutual misunderstanding of approach and objectives have been in the past a source of friction with the French Government. This is no longer a serious problem, but there is still a strong belief in bilateral technical assistance as a superior form of aid.
3. The second tendency is that of diversification of aid. The desire to reduce gradually the proportion of French aid going to French-speaking Africa, while never officially announced as a policy, was in fact slowly realized. The traditional priority given to the franc zone is less marked today, the percentage declining from 74 per cent in 1964 to 67 per cent in 1966 and 64 per cent in 1968. Aid to sub-Saharan Africa followed the same trend, although the decline has been more gradual. Whether the trend will continue is difficult to say, but indications are that it will. Three personalities at the Ministerial level, have a direct say in aid decisions: Minister of Finance, Giscard d'Estaing, Secretary Bourges and Secretary Foccart. The Minister of Finance, through the budget, controls the total amount of aid available; through his participation in the coordinating committee of FAC, he has an influence on aid allocations. Under President de Gaulle, Secretary Foccart as a representative of the Elysée exercised considerable influence in aid decisions. Indications are that the balance of power has somewhat shifted in favor of the Treasury and the Minister of Finance, because of budget constraints, will probably continue to favor the trend of a gradual reduction of aid to Africa. IDA policies which would facilitate this trend are likely to be welcome on his part. In all these matters, however, Mr. Giscard d'Estaing will be largely guided by what he thinks are likely to be the internal repercussions of his policy decisions. The aid issue is secondary to his domestic preoccupations.

4. The preference for a diversification of multilateral aid instead of a concentration through IDA is motivated in part by the desire to persuade European partners to share the burden of African development through participation in the European Development Fund. Such a policy would both contribute to the speeding up of African development and allow France to undertake selective aid operations in other areas which political and economic consideration would require. A strong body of opinion in the French Government has felt that the channeling of multilateral aid through the European Economic Community organizations would give the Community a leverage which would help balance the preponderant position held by the U.S. in the field of foreign aid through its direct aid and through its participation in the World Bank Group. Not only does France have a strong voice in the Community as compared to the Bank but there has also been the feeling for a long time that the positions held by Frenchmen in the Bank did not correspond in number and importance to the French contributions. This feeling has been alleviated by the recent efforts at recruitment. Finally, there has been the widespread feeling that IDA resources were too highly concentrated on India and Pakistan with the resulting distortion of procurements being disproportionately beneficial to the U.K. in relation to its contribution.

5. Furthermore, an additional pressure has been added by budget and balance of payments considerations. The French Government has made the point that, France having met its target in terms of total aid effort which it has difficulty maintaining because of budgetary constraints, an increase in its multilateral aid can only be achieved at the expense of a further reduction in bilateral aid.

6. At this juncture, the various forces within the Government in matters of aid runs generally counter to an increase of France's contribution to IDA; Foreign Affairs (Bourges) and the President's Office (Foccart) either because of their interests in maintaining the level of aid to French-speaking Africa or because of the political leverage of bilateral aid; the Ministry of Finance (Minister Cocard d'Estaing and his advisers Larre, Deguen) because of budgetary considerations, and because of their desire to channel bilateral aid to other areas of the world.

The following considerations are, therefore, worth keeping in mind in the discussions of IDA replenishment.

a) Increased IDA lending to African countries with historical ties to France should largely dispose of the argument that because of the concentration on India and Pakistan in the past France did not feel its interest in French-speaking Africa was sufficiently recognized in relation to its contribution to IDA. French officials point to the fact that IDA commitments in French-speaking Africa through 1969 have been running well behind France's contribution to IDA. The fact that present projections show that about 10 per cent of IDA funds would go to French-speaking Africa while France's contribution is unlikely to be much in excess of 8 per cent, indicates that the trend is reversed. In FY 1969 alone IDA financing to

French-speaking Africa amounted to \$39.4 million as compared to an annual rate of contribution to IDA by France of some \$33 million. At a level of replenishment of 600 million, IDA disbursements to the same countries could amount to \$65 million, as compared to a contribution of \$48 million; at a level of 1 billion, the respective amounts would be \$110 against 80. All this shows that French and World Bank aid together can do more for French-speaking Africa, at a higher level of replenishment than can be done at the current level and proportionately more than the increase in France's contribution. This is an important argument for France to use in its discussions with French-speaking Africa. The new emphasis on IDA lending to Africa, can help France achieve its objectives of gradual disengagement while at the same time making it possible to increase the total flow of resources to French-speaking Africa. France's leverage would remain high for some time to come.

b) The argument of distorted procurement patterns argued in the case of India and Pakistan in the early years of IDA allocation loses its force. Procurement in France, under cumulative IDA financing in French-speaking sub-Saharan Africa through September 30, 1969, shows that 80 per cent of the identified contracts placed abroad were awarded to French firms (cf. attached table on IDA). Although there may be a greater diversification in the future, the return of IDA flows in the form of orders to French firms will be rising sharply in the future. The substantial financing of local expenditure in these French-speaking sub-Saharan African countries, adds to the exchange reserves of the franc zone, and because of the existing patterns of trade also adds to procurement in France. It is therefore most likely that procurement in France under IDA financing should reach 10 per cent of total procurement, that is a figure probably in excess of France's contribution. Taking into account the fact that with a 22 per cent contribution the European Development Fund France has obtained 50 per cent of the orders, France will, in the future, obtain good mileage from its contribution to multilateral institutions.

c) The direction of our lending with increased emphasis on agricultural diversification should also help strengthen the economy of countries which are heavily dependent on French financial assistance. Increased technical assistance, through IDA, including teachers training will help the formation of African technicians thereby reducing the dependence on French technical staff, without markedly reducing the influence which France can exercise through the presence of this staff, since it will remain substantial for some time; moreover it does not represent a substitution of other foreign experts, but of African personnel.

d) Another area where our action should coincide with the objectives of the French Government, is in our attempt to improve the financial performance of the borrowing countries, thus reducing the need for direct French budget support. The efforts we have made in this area, which we consider essential to ensure an adequate mobilization of local resources and make it possible to support larger investment programs, have been welcomed by the French authorities.

7. Current IBRD FAC Relations

A very close cooperation now exists with FAC; it provides for consultation on economic and operational matters. Minister Yvon Bourges has given his personal support to this cooperation, and FAC Director Mr. Hauswirth and his deputy, Jean Audibert, have spared no effort to facilitate it. FAC is providing the Bank with technical assistance in sector work and it uses its good offices to obtain sector specialists for Bank work. There is no question that our ability to increase substantially the pace of our operations in French-speaking Africa is due to the speed and effectiveness with which assistance is granted by FAC in the preparation of projects. This also shows that our complementary roles have relieved FAC from some of the burden of financing capital investments. The combination of FAC and Bank Group resources have permitted us to do more in Africa with a lesser financial exposure on the part of FAC. This was also made possible by a variety of jointly financed operations.

8. Our relations with the Caisse Centrale have been very close for quite some time. Its Director, Mr. André Postel-Vinay, has been a liberal and influential voice in the aid field; he is listened to in high government circles. He has been one of the forces behind the multilateral approach and in favor of cooperation with the Bank Group. The Caisse's management, although bound to favor French business in its operations, has shown great understanding for the Bank's policy of international procurement and has been forthcoming in accommodating the Bank on several occasions. But we also know that on many issues, such as local currency financing, program lending, financing of current inputs, Postel-Vinay is at odds with the hard liners in the Ministry of Finance, and is often regarded with some concern as a mystic crusader for the cause of development. Apart from cooperation on specific operations (Ivory Coast oil palm, Cameroon oil palm and water supply), the Caisse is often consulted by Bank staff on matters of general policy on Africa and is a valuable source of information for the Bank. The Caisse which finds it difficult to maintain rules of financial orthodoxy in the African institutions it sponsors, has welcomed association with the Bank in joint ventures.

9. Specific Problems of Cooperation in French-speaking Africa

There are no major issues on which the Bank Group and the French authorities are currently at odds in French-speaking Africa. In two areas the Bank's attitude has been a source of concern to the French authorities. The first concerns the CFA franc. In several countries of the franc zone, some indices lead us to believe that the rate of exchange of the CFA franc may not be the most appropriate from the standpoint of their long-term development. At the same time we recognize that the available indices are not absolutely conclusive and that additional work needs to be done on the occasion of our individual country reviews. This we intend to do. We also recognize the great sensitivity of the exchange rate issue which touches on a complex of interrelated arrangements,

such as price supports, budget subsidies, preferences, guarantees of convertibility, etc. given by the French Government to the associated countries. The experience of Guinea and Mali who have, by their own decision, withdrawn from the disciplinary bonds of the monetary union has not been encouraging and French officials have felt that our zeal, combined with insufficient knowledge and appreciation of the complexities of the system might "rock the boat" and produce far-reaching consequences in the relations between France and its associates in the monetary union. I believe that our prudent and objective attitude, and our very close coordination with the Fund on these matters has assuaged their fears, but a problem remains.

10. The second issue refers to what they believe is our determined intention to generalize the practice of consultative groups. The government's attitude on coordination is ambivalent. Some favor it strongly, some are reticent, but most are averse to a highly formalized system of coordination. Their main fear stems from the suspicion that the consultative group, like its forerunners, the India and Pakistani consortia, was a U.S./U.K. inspired device to coerce other lenders into sharing the burden of aid. While they recognize the distinction between consortia and consultative groups they fear that the latter inevitably will lead to the former, i.e., from what is essentially a coordinating exercise into a pledging exercise. I think we have made good progress in convincing French officials of the usefulness of the device and we have strong supporters within the Government. The manner in which the consultative group meetings were conducted by the Bank and the quality of the technical work have drawn praise from participating French officials. At a high level there is still strong resistance to the extension of the procedure to too many countries. This also reflects the fear that France's readiness to encourage consultative groups in other areas may incite some of the French-speaking countries to invite such arrangements. In French-speaking Africa, France, as the dominant provider of aid of all types, is not anxious to debate its aid policies under the pressure of smaller lenders.

11. French official attitude on the other hand is very favorable to joint financing. There are several reasons for this. First there is the question of risk. The Treasury has been fearful that debt rescheduling become more widespread and has welcomed association with the Bank, particularly in large projects where the risk is great for one single lender. Joint financing also permits France to be associated with a large number of important projects than would otherwise be the case. The procedure for joint financing, after some initial difficulties, is now well broken in and French officials are well satisfied with current operations and welcome others. The amount of long-term credits guaranteed by COFACE, US\$ 630 million in 1968 shows that opportunities for joint financing with France are considerable. Assuming that only 10 per cent of the credits would be channeled into joint financing, with a French participation of 20 per cent in each operation, some US\$ 300 million of projects a year could be financed in this fashion.

February 24, 1970

12. There are a number of minor questions which are not however likely to be raised as an issue. One is the Congo (B) Potash project financed by the Bank which got into technical and marketing difficulties resulting in a substantial overrun, which under existing agreements had to be met by the sponsors, and in this case partly in the form of an advance by the French Treasury.

The French Government has also been pressing us to participate in the Gabon railway project (although Minister Giscard d'Estaing has been less enthusiastic for budgetary reasons) and to provide IDA financing for it. I have taken the line that IDA financing for Gabon at this time was not possible, because of the scarcity of IDA resources which forced IDA to establish strict criteria of eligibility.

Attachment

For Meeting with Mr. Bourges on Sat.

OFFICE MEMORANDUM

TO: Mr. McNamara

DATE: October 23, 1970

FROM: Richard H. Demuth *RHD*SUBJECT: International Agricultural Research

We have now been informed about the French and German positions in respect of our proposals to organize a Consultative Group to consider financing of International Agricultural Research.

The unofficial German position is set forth in the attached memorandum from Mr. Jaeckel to me. That position seems to me to be acceptable and we can make arrangements for a preliminary meeting of the proposed Consultative Group that would, I believe, meet the German points.

Unfortunately, the French position, as set forth in the attached memorandum by Mr. Carriere, presents substantial difficulties. While we can accept the view, also taken by the Germans, that the agenda of the preliminary meeting of the proposed Consultative Group should be fully "open" so that the French can present any views they wish, I do not think we can or should accept the view that the Consultative Group, if formed, must be restricted to assessing current research activities and must not be utilized as a means of mobilizing financial support for international research institutes and other international research programs. Nor do I think we can accept in advance that the Consultative Group will have no secretariat and no technical advisory committee. These matters should be decided at the preliminary meeting. So far as we know, most of the other participants at that meeting are unlikely to agree with the French position.

I am informed that Mr. Bourges is going to discuss this matter with you at your meeting at the U.N. tomorrow morning. I believe you should tell him that our present intention is to have a preliminary meeting to discuss the organization and terms of reference, structure, etc., of a Consultative Group, that we hope the French will attend, but that we cannot, as a condition of French participation, agree in advance to confine the activities and organization of the Consultative Group, if it is decided to form one, in the manner suggested by the French. I think we should also make clear that, in view of the large majority in favor of this initiative, we intend to go ahead promptly.

I have prepared a document for you to send to the Board on this subject but want to wait to put it in final shape until after your meeting with Mr. Bourges. Since I will be at the U.N. tomorrow anyway, I should like, if agreeable to you, to sit in on this part of your talk with Mr. Bourges.

cc: Mr. Evans

President has seen

OFFICE MEMORANDUM

TO: Mr. Richard Demuth

DATE: October 23, 1970

FROM: Jean Carrière *J.C.*SUBJECT: International agricultural research consultative group

1/- I refer to our recent discussions concerning the French position with respect to the establishment of an international agricultural research consultative group.

2/- At the meeting of the Committee of the Whole, held on July 29, 1970, on the Pearson Commission Recommendations Nos. 24 and 27 concerning Research, I already expressed certain reservations that I recall briefly hereafter :

- it is premature to say that "international institutes are superior to national institutes",
- The coordination between existing institutions seems more efficient and more realistic than the creation of new international institutes
- Should a consultative group be created its priority task would be to evaluate the existing institutions and to look to their possible extension.

3/- At the occasion of the meeting held in Paris on September 11, the French authorities suggested to MM. Evans and Kruithof to undertake such an assessment, in which we would gladly participate, as far as the French institutions are concerned.

4/- The French Government would take part to the first meeting of the Consultative group only if the following conditions were filled :

- a) this meeting should be aimed exclusively at providing a better information for member countries about the current achievements and possible gaps in the field of agricultural research.
- b) The Consultative group should at this stage be restricted to the setting up of a comprehensive assessment of the national, regional and international actions already undertaken. In this respect the documents presently available are too brief and too incomplete on this matter. This meeting should not be considered in any case as a mean to seek international financing in order to increase the present level of the resources of multilateral institutions.

- c) The establishment on a permanent basis of a group with secretarial and technical infrastructure should be excluded. The existing institutions can perfectly deal with the assessment envisaged above.
- d) Accordingly the Bank's proposals embodied in the document R70-236 cannot be considered as a sound basis for such a meeting. Specifically, the points 5 to 10 of the draft agenda cannot be agreed upon to the extent that they prejudice the future of the Group and are in contradiction with the principles recalled above. *

Some features of this document would imply that some members have already given their agreement to the creation of research activities sponsored by the Group, even before having been fully informed of the results of the suggested assessment. On the other hand a consultative group could not be, by definition, a center for decision.

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To sum up, the French authorities would not be able to attend a meeting if its agenda were not fully "open" and aimed at mutual information of member countries, as outlined in paragraph a) above.

If the Bank could agree on this understanding, the French authorities would be ready to take part to the first meeting of the Group, without committing themselves, at this stage, to attend the subsequent meetings of the Consultative Group.

J. C.

* Note: This refers to a staff paper shown to the French during the Evans/Kimberly meeting with them in Paris. I think they mean points 6 to 10, not 5 to 10. Points 6-10 are shown on the attached sheet. RHP

- (vi) Discussion on main needs and priorities for immediate action arising out of previous sessions, and how such action might be financed.
- (vii) Consideration of other important research gaps apparent from discussion and means of tackling these over the short and longer term, including the preparation of additional feasibility studies and by whom.
- (viii) Discussion of arrangements for managing, staffing and supervising research activities supported by the Consultative Group.
- (ix) Organisation, composition, financing and future procedure of the Consultative Group, the Technical Advisory Committee and the Secretariat. The proposals made in sections B to D of this paper would provide the basis for this agenda item.
- (x) Agreement on date and location of next meeting of the Consultative Group, the first meeting and agenda of the Technical Advisory Committee, and action required from the Secretariat in preparation for these meetings.

Washington, August 20, 1970

OFFICE MEMORANDUM

TO: Memorandum for Record

FROM: Roger Chaufournier *RC*

SUBJECT: Mr. McNamara's Meeting with Minister Bourges

DATE: October 27, 1970

1. Mr. McNamara met with Minister Bourges, Secretariat d'Etat à la Coopération, in New York on Saturday morning, October 24, 1970 at 9:30 a.m. The meeting lasted about one hour. Also present were Mr. Jean Audibert, Deputy Director of FAC, Mr. Jean Carriere, Alternate Executive Director for France, Mr. Demuth and myself.
2. Mr. Bourges said he had been informed of Mr. McNamara's tentative travel plans to Africa, and that his Government was appreciative of Mr. McNamara's desire to avoid any possible conflict with President Pompidou's travel plans. President Pompidou's travel dates had now been firmed up. He will be visiting Mauritania, Senegal, Ivory Coast, Cameroon and Gabon from February 3 to February 15, 1971. The tentative dates proposed for Mr. McNamara's visit (I had told Mr. Bourges that Mr. McNamara plans to travel in mid-January and that he would be leaving French-speaking Africa around the 20th, before the OCAMM meeting) would therefore present no difficulty.
3. Minister Bourges reiterated the appreciation of the French Government for the impulsion given by Mr. McNamara to the work of the Bank Group, appreciation for the marked increase in activities in black Africa, for the orientation of the activities with emphasis on agriculture and education, and for the improved efficiency in the procedures and greater flexibility in the methods. Mr. McNamara replied that such an increased pace of activities would not have been possible without FAC assistance and close cooperation, for which he wanted to express his appreciation. As far as efficiency, we still had a long way to go to reach an optimum, and Mr. McNamara was very conscious of President Pompidou's low opinion of the efficiency of international institutions. There was much to support his point of view that institutions which are not under the direction and control of national governments lacked cost consciousness. Mr. McNamara assured Mr. Bourges that he was very sensitive to the problem.
4. Mr. Bourges went on to explain that the French Government was indeed attached to the idea of substantial bilateral aid, but that it was not at all hostile to multilateral aid. The policy of the French Government is that multilateral aid can usefully complement, and sometimes correct, bilateral aid and that a close cooperation is necessary. It is the purpose of his visit to see how relations with the Bank can be further strengthened.

President has seen

5. Turning to the orientation of Bank activities, Mr. Bourges re-emphasized the importance his Government attached to education and agriculture in Africa; education because of the obvious need to train people and agriculture because it was the most effective means to improve the level of living of the great majority of people.

6. Starting with education, Mr. Bourges referred to the recent memorandum on the subject submitted to the Executive Directors. The French Government felt the report, or parts thereof, was based on erroneous, or at least an incomplete view of French action in African education. Before independence, the education system prevailing in Africa was the same in all territories. After independence, French policy in the field of education was to undertake everything jointly with the newly independent countries. The countries themselves insisted on maintaining systems of education which would be fairly uniform with similar methods and similar programs. The French Government did not neglect the need for adaptation, but changes were decided by mixed commissions composed of African and French experts. Important changes were made in the textbooks, in the methods, in geography and natural sciences, but frequently the survival of French programs was the result of African insistence. This was the case for history where Africans wanted to leave an important place to European history. The French Government, however, recognizes that much progress remains to be made. There is a great need for developing technical education, and to adapt methods and programs to make African education more responsive to the economic needs of the individual countries. More specifically, Mr. Bourges raised two questions, one relating to instructional television, the other to higher education.

7. Mr. Bourges recalled the Niger experiment which was of great interest, although limited in scope. One half of the school enrollment in Niamey had taken part in the experiment. Technical assistants (moniteurs) were used instead of teachers, and the results in terms of developing students intelligence, understanding and general capacity to learn had been convincing. The success of the program was largely due to the fact that the experiment was constantly kept under review, and the methods and programs redesigned in relation to the results obtained. In brief, it was laboratory work which had been utilized in developing the Ivory Coast project. In Niger, however, the experiment had remained an experiment and President Diiori was unhappy. Mr. Bourges wanted Mr. McNamara to know that the French Government would welcome a multi-lateral effort in which they would participate to develop an education project in Niger, which would make use of educational television. Mr. McNamara replied that we had in fact such a request under consideration which we were presently reviewing, and that we would keep in mind the French Government's interest to participate.

8. Turning to higher education, Mr. Bourges saw several difficulties. Immediately after independence, France had supported regional universities, in Dakar, Abidjan, Yaounde and the embryo of a university in Brazzaville.

This appeared the most economic solution in view of the very high investment costs as well as high recurrent expenditures. Two major problems now are (a) the need to adapt the existing universities to the country's needs and (b) the need to create new universities.

9. The French Government, Mr. Bourges said, recognizes that the regional universities supported by France were of the classical type, stressing education as education per se, producing students with diplomas for the sake of getting a diploma. The need to adapt methods and programs to the economic needs of the countries was very great. At the same time, much resistance to change was encountered on the part of university teachers and graduates and on the part of governments. President Senghor, for instance, refuses to accept changes in the existing system of education of the classical type. While change in the existing universities is difficult to bring about, the French Government will insist on change for new universities it will sponsor. Mr. McNamara commented that resistance to change in education was not unique to French-speaking Africa. The Bank very much shared the views of Mr. Bourges on the need for change.

10. Mr. Bourges then referred to the desire of every country to want its own university. Mr. Bourges said the French Government was willing to provide support to national universities as long as they were limited to the first cycle. However, France could not do this alone and would welcome the participation of the Bank Group. Mr. McNamara agreed that it was not practical to limit higher education to regional universities and that it was inevitable that independent countries want to have their own university. The Bank would be prepared to join in financing, provided it would be for educational activities clearly related to development. Even if we were philosophically inclined to support broader education programs, our Articles do not permit us to do so.

11. In the few minutes remaining, Mr. Bourges touched on two points; the proposed consultative group for agricultural research and the need to stimulate private African enterprises.

Mr. Bourges said his Government was prepared to attend the first meeting of the consultative group. His Government, however, wished that the deliberation remain very open. One should start by reviewing the activities of existing institutes before deciding on the creation of new ones in order to avoid duplication. Mr. McNamara said he agreed with the need to avoid duplication, but he could not agree in advance on what the agenda should contain.

Finally, Mr. Bourges said he would send Mr. McNamara a note on the promotion of African enterprises. Mr. McNamara said he was very much interested, and that the Bank Group was already involved through Development Finance Companies.

cc: Mr. Demuth

RChaufournier:sm

MEMORANDUM FOR THE RECORD

November 9, 1970

Mr. McNamara's Meeting with Mr. Paul Huvelin, President of the French Federation of Industries, on Thursday, November 5, 1970. Also present were Messrs. Knapp and Gaud.

Mr. Gaud reported that the conversation was general and that there was no need for minutes to be recorded.

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President has seen

Mr. Paul HUVELIN (Y-VEY-LÁN)

Mr. Paul HUVELIN is President of the Conseil National du Patronat Français and President of Union des Industries de la Communauté Européenne.

Formerly Chairman of the Board and Chief Executive of the tires company Kléber-Colombes, Mr. HUVELIN is now Director and Honorary Chairman of that company.

He is also Vice-Chairman of CSF-THOMSON, Vice Chairman of Compagnie Générale d'Entreprises, Chairman of Société Générale d'Exploitation Industrielle, Director of the following companies: Hotchkiss-Brandt, Tréfinétaux, Suez and Société Financière de Transports et d'Entreprises Industrielles "SOFINA".

Mr. HUVELIN is also Chairman of the Advisory Committee to the African Investment Bureau, a member of the Planification Council (Conseil Supérieur du Plan), President of the German-French Committee for Economic Cooperation, President of Centre de Recherches pour l'Expansion Economique, former and Honorary President of Centre de Recherches et d'Etudes des Chefs d'Entreprises and a member of Conseil Economique et Social, an official advisory body to the Government of France.

Mr. HUVELIN, born in 1902 and an alumni of Ecole Polytechnique, is an Officer of the French Legion of Honor. He is married and has 8 children.

President, I. U. C. I.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

OFFICE OF THE PRESIDENT

FR of Lending to "French Africa"

	French North Africa		Fr. States & Madagascar		Total	
	'64-'68	'69-'73	'64-'68	'69-'73	'64-'68	'69-'73
IBRD	99	318	65	155	165	514
IDA	30	84	48	248	78	332
Total	<u>129</u>	<u>402</u>	<u>113</u>	<u>503</u>	<u>243</u>	<u>906</u>

IDA (Z)	2.2	2.5	3.6	7.2	5.8	9.7
64					27-2-29	
65					30-7-37	
66					33-11-43	
67					53-58-111	
68					<u>22-1-23</u>	
					<u>42 33-16-49</u>	
					94-48-142	
69						114-61-175
70						104-40-144
71						<u>202 104-50-154</u>
72						126-98-224
73						136-86-222

Statements:

Sept '69 - to retaining lending 69-73 would be 3 times level of '64-'68"

March '70 - rise from 5.82 '64-'68 to 10.22 '69-'70 could not be maintained unless robust growth in industrial (69)

MEMORANDUM FOR THE RECORD

SUBJECT: France

1971
The French Minister of Finance, M. Valery Giscard d'Estaing, called on Mr. McNamara on Wednesday, September 29th, at 2:00 p.m. M. Giscard d'Estaing had with him M. Marc Vienot. Mr. Knapp and Sir Denis Rickett were also present.

After a preliminary exchange of courtesies, M. Giscard d'Estaing asked Mr. McNamara what he thought was likely to be the effect in the field of aid of the present United States emphasis on burden sharing.

Mr. McNamara said that in the short run no increase in United States aid was likely. This question had become bound up with a conflict for power between the Executive and the Legislative branches, particularly Senator Fulbright, the Chairman of the Senate Foreign Relations Committee. Disputes of this kind tended to distract attention from the real issues and it was quite possible that in this case the Third Replenishment would suffer. The amount of influence which the Executive branch could exercise over Congress was limited and they might be unwilling to use much of it in pushing for the ratification of the Third Replenishment. Apart from the Third Replenishment, it was unlikely that the United States would take on a larger burden, at any rate in the immediate future.

M. Giscard d'Estaing said that in France there would be an increase in expenditure on aid of some 13% per annum as compared with a general increase in expenditure of 9.3%.

Mr. McNamara said that outside the United States there was some tendency towards an increase in aid flows, for example, in Japan and in the Scandinavian countries. It was true that official development assistance was low in Japan being no more than .23% of gross national product. The increase in the GNP of Japan, however, was so rapid that even this low percentage would imply an increase in the absolute amount. The Japanese Government might increase the percentage so as to conform to the general average of the developed countries, say, .36% of GNP. In Germany, official development assistance was not increasing as a percentage of GNP but there was some rise in the absolute level. Official development assistance in Italy was very small. Prospects were somewhat better in Belgium and the Netherlands.

In reply to a question from the Minister, Mr. McNamara said that the Third Replenishment of IDA was unlikely to be approved unless constant effort was devoted to canvassing members of Congress. He, himself, had talked to Secretary Connally and to the important committee chairmen. Mr. Connally had given an assurance that the Administration firmly supported the Third Replenishment and would say so in his speech to the Governors on the following day.

The Minister then asked whether IDA was short of resources. Mr. McNamara said that the available commitment authority had been exhausted by the beginning of July. A number of countries had, however, agreed to make advance contributions and the transfer to IDA from the Bank's net income had been accelerated

President has seen

and somewhat increased. As a result he thought that enough commitment authority was available to carry IDA through to December 31st.

M. Giscard d'Estaing said that the French Government had not hitherto offered an advance contribution. They had thought that to refrain from doing so was a better way of bringing pressure to bear on the Congress. If, however, IDA needed additional funds to maintain their operations, the French Government would be prepared to study the question further.

Mr. McNamara thanked the Minister for this assurance and said that he would let him know if IDA needed additional commitment authority.

M. Giscard d'Estaing then talked of the relationship between the Bank and the French-speaking territories. He had recently presided over a meeting of fourteen of these. Figures for Bank Group lending appeared to show a slight fall in the past fiscal year as compared with the previous year.

Mr. McNamara referred to the assurance which he had given two years ago that lending to French-Africa would be tripled. Bank loans and IDA credits in the three fiscal years, 1966 to 1968, had averaged \$49 million a year and in the three fiscal years, 1969 to 1971, had averaged \$150 million a year. The undertaking to triple the total had, therefore, been almost exactly carried out. It was ~~the~~ that there had been a slight drop in FY1971 as compared with FY1970 but inevitably the approval of large projects tended to slip from one year to another and to distort comparison of the annual figures. He had given a firm assurance on this question during his visit to Paris both to the Minister and to the French President and Prime Minister. He would be glad to examine it in detail with M. Vienot at any time.

M. Giscard d'Estaing then referred to a particular project which was of interest to him, namely, the Cotonou Bridge in Dahomey. He had promised the President of Dahomey that he would mention this project to Mr. McNamara. Mr. McNamara said that he would be glad to look into the matter.

The Minister then referred to the general policy of the Bank and said that he felt some pre-occupation about the prospective level of commitments.

Mr. McNamara said that sometime in the next twelve months he hoped to lay before the Board an analysis of the prospects for Bank Group lending and borrowing in FY1974-1978. There was a need to give early thought to the level to be planned for 1974 and 1975. He would not propose a further doubling of the level such as had been aimed at in the period FY1969-1973. It would, however, be reasonable that reckoned in constant prices, there should be an increase in Bank lending which would take account of the increasing requirement for capital of the developing countries and the growth in their absorptive capacity. Secondly, in terms of current prices, some reasonable allowance must be made for the rate of inflation, say, 2 to 3% a year. If the increase in Bank lending in real terms were to be 7% a year, a total of 9 to 10% in money terms would be fully justified. Without such an increase in the level of gross commitments the net transfer from the Bank Group to developing countries would very soon become negative. He would

be glad to learn the Minister's views on this subject and would be ready to discuss it with him in Paris at some convenient time.

M. Giscard d'Estaing thanked Mr. McNamara and referred to the problem of the Bank's lending rate. He thought it not very sound to continue to lend at a rate lower than the marginal cost of borrowing.

Mr. McNamara said that while this might become a problem, he did not think that there was one at present. What was essential was to maintain the confidence of investors in the Bank's bonds. In the previous fiscal year, net income of the Bank Group had reached \$212 million. This was due, in part, to the high return on the Bank's liquid assets resulting from the abnormal relationship between the yield on short-term funds and that on long-term funds. The situation would have to be watched closely but he thought that the real test was the level of the Bank's earnings.

M. Giscard d'Estaing thought that it was necessary to take into account the fact that the Bank lending rate set a standard for other organizations. He thought the rate was a little below the proper level at the present time.

The Minister then referred to the level of the Bank's liquid assets which, at \$2.6 billion, was very high. This was quite sound so long as the marginal cost of funds was less than the return. Was that so at the present time?

Mr. McNamara said that there was some net cost to the Bank at present in the level of its liquid assets but it was not very high. For example, to hold \$2.6 billion rather than \$1.6 billion in liquid assets might be costing the Bank \$10 million a year. He would be reluctant to see the Bank's assets fall until there was much greater certainty about the possibility of access to capital markets.

M. Giscard d'Estaing then referred to the Bank's position on debt relief and its unwillingness to take part in any rescheduling operation. The French Government found themselves obliged to do so and it was costly to them. He hoped the Bank would not pursue a lending policy which might lead to a debt crisis for some of its borrowers and then wash its hands of the consequences.

Mr. McNamara said that he thought there were sound reasons behind the Bank's present policy and suggested that, in the first instance, this might be discussed further between M. Vienot and Sir Denis Rickett.



D. H. F. Rickett
October 4, 1971