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McNamara papers

Executive Committee, 1981
(Febr - June)

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Executive Committee Minutes 01

Topics covered in meetings of the Executive Committee
February 9 - June 15, 1981

<u>February 9</u>	Taiwan: IDA VI; PLO. Energy Affiliate
<u>February 23</u>	Role of the Board; PLO: Briefing of Mr. Clausen; US position on GCI, IDA and energy affiliate
<u>March 9</u>	Qureshi report on trip to Middle East; status of women.
<u>March 16</u>	1982-86 budget.
<u>April 6</u>	Report of IDA VI deputies' meeting; selective capital increase.
<u>April 20</u>	Issues to be resolved before Mr. McNamara's retirement (June 30, 1981).
<u>April 27</u>	Compensation and Administrative Tribunal.
<u>May 11</u>	Compensation; IDA VI; Development Review; PLO.
<u>June 1</u>	China-India Border; Administrative Tribunal; PLO; MoV; Compensation.
<u>June 8</u>	Compensation.
<u>June 15</u>	Review of items for resolution.



711/1/12

OFFICE OF THE PRESIDENT

Executive Committee Meeting, June 15, 1981

Present: Messrs. McNamara, Golsong, Stern, Thahane

Mr. McNamara mentioned that last week's figures show a reduction of the growth rate of the U.S. money supply much greater than was previously expected. The interest rates are therefore likely to go down and the U.S market may be very attractive for Bank borrowing. He added that Mr. Qureshi thinks that the Bank should borrow in the Eurodollar market. Mr. McNamara then said that Mr. Golsong ought to bring the PC up-to-date on the Administrative Tribunal situation. He further added that most of the items which he had put on his list for priority action/decision before June 30 are moving ahead nicely, with the exception of IDA VI where the situation is very serious. The way the House now has it, there is the likelihood of the need to renegotiate IDA VI. With respect to compensation, the situation has cleared up except for the March 1981 adjustment and the expatriate Home Leave allowance. On this issue, Mr. Thahane mentioned that there has not yet been an agreement between the Bank and the Fund on the procedural aspects but he reported that Mr. Drake had reaffirmed the intention of Bank EDs to push very hard to solve this problem. Mr. McNamara commented that there is strong resistance in the Fund for the creation of a committee on procedures. However, the Fund has passed a resolution that their Committee on Administrative Matters will "coordinate" with the Bank's Committee on Compensation. Originally, the Fund did not want any meeting.

Mr. Thahane said that, over the next two days, the timing on the MOV issue should be firmly established. He reported that the meeting of the G-5 is now scheduled for Thursday in Paris. Mr. Stern gave his view that the Paris meeting is now likely to be strictly pro forma, and he recommended that management go ahead with its paper. Mr. McNamara said that the discussion of MOV should be left for the 18th; however, he said that some additional statement ought to be prepared by management before getting to the meeting. He suggested that a paper be prepared explaining to the EDs that the MOV options paper in front of them has options but not recommendations. The additional note should present the Bank's point of view. Mr. McNamara asked that Messrs. Golsong and Thahane prepare this note to the Board for his signature later today.

OL
June 25, 1981

711/1/11

OFFICE OF THE PRESIDENT

Executive Committee Meeting, June 8, 1981

Present: Messrs. McNamara, Golsong, Paijmans, Qureshi, Stern, Thahane

Compensation

Mr. McNamara opened the meeting saying that a note ought to be sent today to the EDs on what the Fund Board decided last Friday. He added that there is substantial difference in principle on the March 1981 adjustment, where it appears that the Bank is discriminating against the A-I staff. He further said that Bank management cannot put something different from the Fund and this should be discussed at the Board tomorrow. Mr. Paijmans mentioned that the Fund is recommending a 12% interest payment on back salaries owed to staff because of the March 1980 salary adjustment. Mr. McNamara argued that nothing ought to be done in the Bank on this issue before the Fund puts it to its Board. He then asked when the Fund would consider the March 1981 adjustment. Mr. Paijmans said that it would be two weeks from now. Mr. Thahane observed that the Fund Board may take it up earlier as staff in the Fund is very anxious to see it. Mr. Stern asked what sort of paper would be presented to the Board on the March 1980 adjustment. Mr. McNamara replied that a simple statement would be prepared to explain what the Fund decided on Friday. Mr. Paijmans observed that the expatriation issue is likely to create considerable difficulties especially with regard to the eligibility aspects for A-I and J-Q staff. Mr. McNamara said that the continuation of the existing eligibility criteria is certain to create serious problems in the future if an expatriation allowance needs to be considered at some point only for J-Q staff. Mr. Thahane noted that the Board could adopt the Fund's decision but they will want to agree on future procedures to reconcile possible differences. Mr. McNamara said that the issue should not be resolved now, rather it should wait at least until the U.S. has an ED in the Bank. Also, the Germans should be brought in line. He added that he thought he could have done it himself with Mr. Matthoefer if he had stayed longer in the Bank and, in any case, this issue should be taken up during the forthcoming Annual Meeting.

Mr. McNamara mentioned that Mr. Clausen is now in town. A list of briefing papers has been prepared by Mr. Paijmans to be passed on to Mr. Clausen. Mr. McNamara further said that Mr. Paijmans would be responsible for arranging meetings of Bank senior managers with Mr. Clausen.

OL
June 24, 1981

7/11/1/10

OFFICE OF THE PRESIDENT

Executive Committee Meeting, June 1, 1981

Present: Messrs. McNamara, Golsong, Stern, Thahane

China-India Border

Mr. McNamara opened the meeting asking whether there was a need to say anything further to Mr. Ray on this issue. Mr. Golsong said that Mr. Ray has received a copy of the memorandum on the issue and Mr. Stern said that he had also shown a copy of the Bank guidelines to Mr. Ray; therefore, there was no need to change anything at this time. Mr. Thahane explained that he has not taken any action so far. Mr. McNamara suggested that nothing should be done before a decision had been taken on the maps. Mr. Golsong agreed that the best approach would be to wait.

Administrative Tribunal

Mr. McNamara asked Mr. Golsong about the situation with respect to the ruling of the Administrative Tribunal. Mr. Golsong explained that the Tribunal is expected to decide on Thursday and he said that he expected a rather long opinion. Mr. McNamara expressed his view that Mr. Golsong has done a marvelous job with this issue and that, whichever way the decision goes, he is personally quite satisfied. Mr. Golsong explained that, for him, it was fun. Mr. McNamara added that he was delighted that Mr. Golsong personally handled this issue. He further said that there was no need for outside counsel with Mr. Golsong present here, and this saved the Bank at least \$125,000.

PLO

Mr. McNamara observed that there are two weeks left before the June 15 deadline. Mr. Thahane mentioned that the basic solution has to come from the U.S. To Mr. McNamara who asked what ought to be done before June 15, Mr. Thahane replied that he thought there should be a search for a postponement for discussion in July. Mr. Golsong observed that some action is necessary before June 15, probably on Thursday, June 11. To Mr. McNamara who enquired when the Fund Board would act on this issue, Mr. Thahane suggested that the Fund should move first, before the Bank. However, a difficulty is that the U.S. is changing positions all the time. The U.S. apparently feels that the Arabs in the Fund will have a stronger position and, therefore, they would rather confront Mr. El-Naggar in the Bank first. Mr. McNamara commented that the U.S. cannot hope to settle this issue through a confrontation in the Board. Mr. Thahane explained that he would meet with Mr. Dawson some time this week and Mr. Golsong said that the U.S. is in the process of preparing a piece of paper. Mr. McNamara asked Messrs. Thahane and Golsong to meet with Mr. Dawson and then the Executive Committee should meet again some time this week. He added that he had heard last week that the Board may ask the Chairman of the Annual Meeting to limit the list of observers to the 1979 list. In his view, this is a non-starter. He further explained that it would be useful if Mr. Golsong were to write a paper stating what the Board should say to the Governors. In addition, this would help Bank management in formulating its own ideas. Mr. Golsong explained that the piece of paper should state that the job is not finished; hence, the Board is unable to meet the June 15 deadline. Therefore, everything else stands and, if somebody wants to challenge this decision,

it becomes that somebody's responsibility. Mr. Thahane said that he would be talking to Mr. Mentre some time this week to find out what the Europeans intend to do. Mr. Golsong expressed the view that they would go all the way with the U.S. on this issue.

Maintenance-of-Value

Mr. Golsong told the meeting that a meeting of the G-6 has been scheduled for around June 15, convened by the French either in Paris or in Washington. Mr. Jurgensen of the French Treasury would lead the discussion, and he is currently in touch with Madame Parent. At the meeting, the G-6 should come to an agreement with respect to their position on the original French proposal. It appears that there is no disagreement now among the G-6 who all agree on the dollar option. Mr. Mentre is still fighting for the SDR option, but Mr. Jurgensen agrees on the dollar option. Mr. McNamara said that, if their meeting is on June 15, the Board meeting is scheduled for June 18. He questioned whether the Bank would have to wait until June 15 to put out a paper. He suggested that Mr. Golsong draft a piece of paper before June 15 stating what the Board would agree on June 18. Then, the Bank can say that, at the suggestion of some Directors, this paper is distributed to all Directors, after it has been shown to the G-6. If there are modifications to include because of the meeting of the G-6 on June 15, then this can be incorporated and a Board discussion can still be scheduled for June 18. He then asked Mr. Golsong to put out the paper no later than this week.

Compensation

Mr. Thahane asked Mr. McNamara on the timing of an informal meeting of EDs on Compensation. Mr. McNamara asked Mr. Thahane to set a time with Mr. Drake, possibly 5:00 p.m.. tomorrow. He added that he wanted Messrs. Qureshi, Stern and Golsong to attend this meeting. Furthermore, he said that he did not want to talk substance in this meeting--only procedures. He observed that he sensed that the same governments are going on two different approaches, and he stated that management cannot tolerate that. He added that he had heard that even the German ED at the Fund opposes the idea of a joint meeting of Directors of the Fund and the Bank. Mr. Golsong explained that this reflects some internal problems in the German Government, in particular between Ministers Matthoefer and Offergeld. Mr. McNamara said that he was certain that Mr. Schulmann would not oppose the two Boards working together. Mr. Golsong observed that even the French oppose the idea of the two Boards working together, even though it is the same person who sits on the two Boards. Mr. McNamara said that he thought that Messrs. Razafindrabe and Drake of the Bank Board should get together with Messrs. Kafka and de Groote of the Fund Board. These four Directors should agree that the two Boards appoint an ad hoc committee to deal with the issues. He then asked whether the Bank Board discussion should be deferred until the meeting of the committees has taken place. Mr. Golsong said that he would go along with this proposal as long as they agree on the matter of substance. Mr. Stern said that he did not think that Mr. McNamara should address the differences in philosophy between the two Boards. Rather, Messrs. Drake and Razafindrabe should first meet with the other side to see what the differences are. He added that he thought the Bank should let the Fund Board go first and the procedural aspects should be kept to a minimum. Mr. McNamara said that he understood Mr. Stern as suggesting that the approach to be followed would be rather the lead-agency approach than the committee approach. He said that he agreed with that; however, he had understood that the U.S. was moving away from the lead-agency approach.

OL

June 24, 1981

711/1/9

OFFICE OF THE PRESIDENT

Executive Committee Meeting, May 11, 1981

Present: Messrs. McNamara, Qureshi, Stern, Thahane

Compensation

Mr. McNamara first said that a memo should be prepared before the end of the day, which should not be discussed until he has talked to Mr. de Larosiere, which he intends to do on Wednesday. He explained that the Fund management has talked to its staff. Mr. Dale had agreed not to talk on Friday, but he then called back saying that there were specific instructions from Mr. de Larosiere that the staff should be talked to. Mr. McNamara indicated that there should be a PMC meeting scheduled to discuss this issue. He asked for a revision of the cost tables relating to Options 1 and 2 (e.g., cost to the Bank when using the Bank and the Fund proposals). Mr. Thahane reminded Mr. McNamara that he is having lunch tomorrow with the EDs, and he asked whether Mr. McNamara intended to raise this issue. Mr. McNamara replied that he would indeed raise it and he would say that there may be differences between the positions and proposals of Bank and Fund managements.

IDA VI

Mr. Qureshi said that he had talked to Mr. Leland on Friday. Mr. Leland was apparently getting very concerned over the developments on this issue. Mr. McNamara explained that he had heard that in the House there is a move to reduce the authorizing legislation. Mr. Qureshi mentioned that Mr. Leland had said that he had found less support in the House. The question now was whether to put the White House on either the authorization or the appropriations side or both. Mr. McNamara said that he thought the White House ought to work on both. Mr. Qureshi explained that this is precisely what he had told Mr. Leland. He added that Mr. Leland had suggested that Mr. McNamara write a letter to Secretaries Haig and Regan explaining the Bank's views and how serious the situation really is. Mr. McNamara commented that this might be a good idea and he asked Mr. Qureshi to draft a letter which should be firmer than Mr. Merriam's statement. He also said that he understood that Mr. Regan is now going to Gabon and that he is leaving on Thursday for Saudi Arabia.

Development Review

Mr. McNamara expressed his view that there was a great need for this sort of publication. He said, however, that there would be the need for some direction and guidance, especially from the consumers' point of view. He suggested that there could be a small committee established under Mr. Benjenk's chairmanship which would include Messrs. Chenery, Qureshi and Stern. He reiterated his view that the primary focus should be on management and the Board. The question is: should this development review be continued and how should it be shaped up? Mr. Qureshi said that he would prefer to keep the publication short and clearly statistically oriented. Mr. Stern observed that he had not really looked at the present issue, but he tended to agree with Mr. Qureshi. He noted that the objectives, as stated at an earlier PC meeting, had been rather unclear from the very beginning. He expressed his fear that what seems to be in the making with the present issue of the Development Review is another Finance and Development. Mr. McNamara gave his opinion that he would much prefer something of a chart-book type. Mr. Thahane agreed that there was need to define carefully the scope

and objectives of this publication, which should amount to an information digest. Mr. McNamara suggested that what may be called for is a standard set of charts. This is what should be concentrated on and then there should be a decision as to what sort of explanatory text should go with it. Mr. McNamara agreed to Mr. Qureshi's suggestion that a meeting should be set up with Messrs. Benjenk and Chenery to discuss this issue.

PLO

Mr. Thahane said that he had met with Mr. Golsong and he talked separately with Mr. El-Naggar. He explained that there are discussions now involving the U.S. and Saudi Arabia and Arabs and the Fund management as a result of the Saudi event in the Fund. The idea would be to let the Fund take the lead. Mr. Thahane said that changes may be expected following Chancellor Schmidt's visit to the Middle East, the Israeli reaction, and also from the change of Government in France which is more favorable to Israel. He further indicated that the postponement of a decision to June 15 does not address the substance of the issue. He suggested that by June 15 a decision could be made that the decision should be taken some time in July. He added that, for next year's chairmanship of the Annual Meeting, the G-5 agreed to meet early in June after Gabon and to decide on the Middle East chairmanship. Kuwait could be envisaged. Mr. Qureshi, pondering what ought to be done as of June 15, gave his view that there is no option but to ask for a further postponement. Mr. Thahane answered Mr. McNamara's question as to the position of Mr. El-Naggar by saying that Mr. El-Naggar appears to be likely to accept such a postponement. Mr. McNamara then suggested that the Board should do something formally. Mr. Thahane said that the logical step would be for the Board to send another notification to the Board of Governors.

OL
June 23, 1981

711/1/6

OFFICE OF THE PRESIDENT

Meeting of Executive Committee, April 6, 1981

Present: Messrs. McNamara, Golsong, Qureshi, Stern, Thahane

Mr. McNamara first said that he will ask Mr. Qureshi to brief the President's Council on the meeting of IDA VI Deputies which took place last week in Paris. He said, however, that he had two points which he wanted to discuss now. In the first place, he enquired about the status of the energy paper, asking specifically whether it could be put out by the end of the week. Mr. Qureshi replied affirmatively. He added that Mr. Rovani and others have some meetings scheduled with representatives of the U.S. Treasury, and he would like to suggest that Joe Wood be part of the discussions. Mr. McNamara agreed to Mr. Qureshi's request. He also said that one important feature of the paper is to highlight the necessity of expansion of energy financing, one possibility of doing so being the creation of an affiliate. The second point which he wanted to raise was the status of the WDR IV report. He observed that the meeting is scheduled for Wednesday at 2:30 p.m., and that in view of the thickness of the report the meeting probably should be rescheduled. Mr. McNamara then told the participants that he will be away on Monday for the ACC spring meeting in Geneva.

Mr. Qureshi said that, on Friday evening, Mr. Rotberg had talked to Mr. Leland who told him that Jesse Helms is now making strong opposition to putting IDA VI discussions to the Senate floor. Mr. McNamara said that the first thing to do is find out whether Mr. Helms is putting a "hold" on the discussion. If so, the Bank should find out what the U.S. Treasury will do about it. He said that he was not sure himself whether there is a hold on and he indicated that, as of last Thursday, he was certain that there was not. Mr. Qureshi said that part of the problem, as far as Jesse Helms is concerned, is the education loan for Nicaragua.

Mr. Thahane said that he had received a request from Mr. El-Naggar for Board consideration of the Selective Capital Increase issue. He said that this had been put forth earlier, but objections from the U.S. had led to a postponement. Mr. Qureshi said that Mr. El-Naggar had shifted his position. With the Saudi issue in the Fund, he is now calling for parallelism between the Bank and the Fund, which he had opposed previously in the case of Latin America. Mr. McNamara commented that he would hate to see the paper come through to the Board now. In his view, it raises the Arab issues, e.g., the \$400 million loan from Saudi Arabia which has not been signed, the PLO issue, and parallelism with the Fund. He would rather not address these issues at this time. Mr. Golsong said that Mr. El Naggar has now become the champion of parallelism with the Fund only because of the Saudi quota issue in the Fund. Mr. Thahane observed that Mr. El-Naggar wants to capitalize on the momentum gained by the Arabs in the Fund. Mr. McNamara questioned the rationale for Mr. El-Naggar doing this, since the Bank does not have the equivalent of the \$8 billion from Saudi Arabia to the Fund and it does not even have the \$400 million. In his view, the Selective Capital Increase issue now can only be divisive. Furthermore, he added, there is little that the Bank can do without a U.S. Executive Director. In that respect, he indicated that the Bank should try to cut down the number of subjects to be put to the Board during the next 80 days.

Mr. Thahane said that, on the issue of travel of secretaries for the meeting of the Development Committee in Gabon, there are now requests from eight Executive Directors who want to take their secretaries along. The Administrative Committee (CODAM) will try to limit this number, and they will probably agree to three of the requests, those of Messrs. Abdulai, Mentre and Muns.

Mr. Golsong said that he had heard that there was a flow of information from the Staff Association to Mr. Clausen. He said that he understood that Mr. Clausen is also getting information from other sides. Mr. McNamara indicated that he is planning to talk to Mr. Clausen next week. In the meantime, he said that perhaps he should ask Mr. Paijmans to tell the Staff Association to stop this flow of information to Mr. Clausen.

OL
April 30, 1981

711/1/8

OFFICE OF THE PRESIDENT

Meeting of the Executive Committee, April 27, 1981

Present: Messrs. McNamara, Golsong, Stern, Thahane

Mr. McNamara said that he would brief the PC on the compensation issue at the 9:30 meeting. He added that Mr. Paijmans is in the process of preparing a paper. He also said that he had talked to Mr. de Larosiere and it looks as if both he and the Managing Director think along similar lines on this issue. It is now time to put things down on paper; however, it should be ensured that there would be no talks to the Staff Association at this time. He added that he would meet with the Staff Association representatives tomorrow, but that he would only listen to them. Mr. Stern said that he thought that there would be leaks in any case. Mr. Thahane agreed and added that the staff have to be brought along.

Mr. McNamara asked Mr. Golsong to brief the PC on the Administrative Tribunal. Mr. Golsong said that the thing that he cannot say to the PC is that he is convinced that the Bank will not be losing the two cases presently with the Administrative Tribunal. He added that he thought it extremely important that the Bank win these two cases. Oral hearings have now been scheduled for May 28. With respect to the Staff Association, he said that it is important to get now to a draft of staff regulations. The Staff Association wants to mix policy guidelines with regulations, which, in his view, is complete nonsense. He added, however, that the time has come to recognize the Staff Association officially. Mr. McNamara said that he would be very careful about that. Mr. Golsong said that he thought recognition of the Staff Association did not lead to a need for collective bargaining.

Mr. McNamara asked by when there would be some decision concerning the Tribunal. Mr. Golsong replied that it would be in about six weeks. He added that, in the EEC, the staff association has a say in promotions and that is obviously the end of everything. Mr. McNamara observed that Bank management must reserve the right to deal directly with the staff. He indicated his concern that the Staff Association is not truly representative of the staff, especially at the present time.

Mr. Thahane said that he would meet on Thursday with the G-5 on next year's chairmanship. He said that, according to regulations, it should now be the Middle East's turn. He also said that there is the June 15 deadline on the PLO issue. Mr. Golsong said that on this issue deferral is the only solution. Mr. Stern observed that Mr. Jalal is leaving the Fund. Mr. Thahane said that Mr. Jalal's replacement, ~~is~~ his current Alternate, is an El-Naggar type.

Mr. Thahane said that he should have a paper dealing with the issues of Board summaries within about a week. Some Part I representatives would like to have a very precise account of Board meetings, but, on the other hand, analytical summaries are very useful to the staff. The paper would present five possible options.

Mr. Thahane said that Bank management owed a response to CODAM on the issue of staff for EDs. Mr. McNamara said that this should wait until Mr. Qureshi comes back. The main argument should be to hold down costs. More important, however, is that the Bank should hold down on the creation of parallel management. Mr. Stern observed that the EDs are now all over the staff. Mr. Thahane indicated that, as an approach by management, the point to be emphasized is the cost aspect.

OL
June 6, 1981

711/1/7

OFFICE OF THE PRESIDENT

Meeting of Executive Committee, April 20, 1981

Present: Messrs. McNamara, Golsong, Qureshi, Stern, Thahane

Mr. McNamara stated that he has exactly 72 days left before his retirement on June 30. He has identified 11 subjects which will require either a decision before June 30 or the development of some transitory arrangement for resolution after his departure from the Bank. These include: maintenance-of-value; compensation; the energy program; IDA VI; the FY82 lending program, borrowing program and budget; the July 1 lending rate; the PLO issue; the sub-Saharan study; the Development Committee; the briefing papers for Mr. Clausen; and his post-retirement plans. Mr. McNamara said that he would ask Mr. Paijmans to talk to the PC meeting about the compensation issue. On this issue, he said there may be the need for a bridging arrangement. He added that he had talked to Mr. de Larosiere, and it is clear that the Fund is not as far advanced on this issue as the Bank. He said that he will meet with Mr. de Larosiere on Thursday. With respect to the maintenance-of-value issue, Mr. McNamara said that he thought the matter may not be settled very quickly, and he indicated that Bank management may have to carry on after his departure on this issue.

On the issue of maintenance-of-value, Mr. Qureshi said that he thought it could be settled in the near future. One possible option would be to take a current dollar standard. Mr. Qureshi indicated that he thought that the Germans and the Japanese would be prepared to go along with such an option, and probably the UK too. Mr. McNamara agreed. Mr. Qureshi then said that the real question as to when such an option could be accepted largely depends on the French who will fight bitterly against it. According to Mr. Qureshi, the French would be prepared to be outvoted if necessary. He added that the Germans will obviously be reluctant to outvote the French. For that, they would need a political clearance as would the British. The French would, however, accept the basket of currencies option, which the Germans are more reluctant to agree to than to the dollar option, since it would imply an amendment of the Articles which they strongly oppose. Mr. McNamara said that he was very concerned about the time for all this to get resolved. Mr. Qureshi said that he wanted to make another try at the U.S., and he added that there should not be too much delay for discussion of these issues. Mr. McNamara said that he did not want to force a vote until there is evidence of a strong majority for one of the options. Mr. Qureshi said that by the 28th of this month there will be 20 countries in favor of the SDR and the U.S. alone saying "no" to that option. Mr. McNamara inquired whether there should be an attempt to outvote the U.S. on this issue, although he indicated that he was personally

against such an attempt. Mr. Qureshi observed that the only possible flexibility for the U.S. would be to accept a qualified position, i.e., to accept lower shares. Mr. McNamara said that he did not think that the U.S. could do that without a law and that to go for that law would create enormous difficulties. He also indicated that a settlement should be not only for the future but also for the past. He added that he thought this qualified alternative should be eliminated, and rather management should stick with the three basic options: SDR, dollar and basket of currencies. Mr. Qureshi said that he thought the U.S. would be prepared to go for either the dollar or the basket options. Mr. McNamara observed that the basket option calls for an amendment of the Bank's Articles which opens a number of other serious issues. He said that the U.S. may not yet understand that and it might take some time for them to do so.

Mr. Qureshi said that one possible alternative would be to follow what had been included in the second Bergsten memorandum. Mr. McNamara said that he agreed in that it does avoid amendment of the Articles, but it does not avoid the need for legislation both with respect to the general capital increase and for the past. Mr. Qureshi said that what Mr. Bergsten had accepted is a joint proposal, essentially amounting to a settlement provision in SDR for five years, but without automatic adjustment. He added that this type of cosmetics may be acceptable to the U.S. Mr. McNamara agreed but observed that such an option is not maintenance-of-value.

Returning to the problem of timing, Mr. McNamara said that he would want Mr. Qureshi and Mr. Golsong to be present at the time of the Board discussion, and he said that he himself would also like to be there. He added that Mr. Ragazzi had indicated his wish to change the discussion from April 23. Therefore, it is important to find a new date when all the key people are here.

Mr. Qureshi said that his preferred solution is the dollar standard. Mr. Golsong mentioned that he thought that would be the solution which would be eventually accepted. Mr. McNamara said that he thought this is what ought to be done, but he cannot say it himself for fear of being misinterpreted because he is a U.S. citizen. He further said that he was not sure whether the French could be outvoted. Mr. Qureshi said that Mr. Mentre had told him that he would fight to the end; however, Mr. Mentre indicated that he would be ready to go with the basket option. Mr. McNamara asked the reason for the

German's reluctance to seek amendments of the Articles. Mr. Golsong answered that the Germans are now in a difficult political situation, and Chancellor Schmidt may not be able to put such a proposal through parliament.

Mr. McNamara repeated that he has 11 issues to deal with during the next few weeks. He said that he wanted to re-examine every issue every day. He said that he is particularly worried about the PLO issue. He asked Messrs. Thahane and Golsong to inform the Executive Committee as to when they think that it should come to a decision with respect to this issue. He indicated that he thought the main problem on this issue is that there is nobody in the U.S. to talk to. Mr. Golsong said that the Committee should talk about this issue before the meeting in Libreville. Mr. McNamara agreed, and said that there should be a meeting on May 11 on whether the Bank should go for a solution of this issue before June 30 or for a bridging arrangement. He also said that there should be a decision as to how management should behave in Libreville on this issue. Mr. Golsong asked whether the Chairman of the Annual Meeting would be coming to the Gabon meeting. Mr. Thahane replied affirmatively. Mr. McNamara repeated that Messrs. Thahane and Golsong should decide on this issue before May 11.

Mr. Thahane said that the schedule for the Board discussion on energy will slip from May to the first week in June. Mr. McNamara said that there was still plenty of time for that, where basically there is an education process to go through.

OL
June 5, 1981

7 11/1/5

OFFICE OF THE PRESIDENT

Meeting of Executive Committee, March 16, 1981

Present: Messrs. McNamara, Golsong, Qureshi, Stern, Thahane

Mr. McNamara opened the discussion on Mr. Vergin's note relating to the proposed ground rules for the 1982-86 budget by stating that he did not find the note fully satisfactory. He said that the paper to be presented to the Board in May should: (a) present a Lending Program for 1982-86 which reflects the "currently Approved Program," as per the December 1980 paper on a "Possible Expansion of IBRD/IDA Lending"; (b) state that this Program does not provide for Lending to China and Expansion in Energy Lending; (c) state that, recognizing the Board may wish to maintain the option of Lending to China and Expanded Energy Lending at least for 1982 and 1983, the Administrative Budget for 1982 has been prepared in such a way as to make this possible at a cost of "X for China and Y for Energy"; and (d) state that later, if it is decided that the incremental lending of \$1800 million (\$600 million for China and \$1200 million for energy) for 1982 and \$3100 million (\$1000 million for China and \$2100 million for energy) for 1983 cannot be added to the "Currently Approved Program" (for example by "drawing forward"), at least a portion of lending for China and for energy for 1982 and 1983 should be absorbed in the Approved Program by re-programming and appropriate adjustments should be made in the FY82 budget to reduce double budgeting to a minimum.

Mr. McNamara then asked for Mr. Stern's opinion on this issue. Mr. Stern observed that the presently approved IDA VI program comes to a total of US\$12.4 billion. He indicated that he would be inclined to roll the China program for 1982-83 into the currently approved program. Mr. McNamara commented that, in order to do this, it would be necessary first to talk to the Board. The issue therefore is when and how to go to the Board on this matter. Mr. Stern observed again that, as far as China is concerned, the increment for 1982 and 1983 is so small that it should be incorporated in the approved program without difficulty. Mr. McNamara pointed to the fact that this would raise the problem of the poorest countries since the \$400 million to be allocated for China would come from their IDA allocation. Mr. Stern replied, however, that IDA VI was negotiated at \$12 billion and the Chinese know that they were not part of that negotiated agreement. In his view, therefore, there should be no difficulty with the \$400 million. Mr. McNamara stated that he had never said that China would not be part of the \$12 billion agreement. Mr. Stern observed that the first loan to China will be circulated to the Board in May and it will have an IDA component. It can therefore be expected that there will be a Board discussion on this issue at that time.

Mr. McNamara then asked for Mr. Qureshi's views. Mr. Qureshi stated that, in his opinion, the main question is when to go to the Board with the whole China program. He said that he thought it would be useful to say that the \$200 million for each of 1982 and 1983 are not part of the \$12 billion. He recommended to go informally to the Board to discuss the issue in advance of the loan presentation in May. Mr. McNamara agreed and said that an informal discussion note should be prepared explaining that the \$400 million for China will not come from the IDA VI negotiated \$12 billion.

Mr. McNamara concluded on this issue by stating that the entire China program should be included in the "Currently Approved Plan." He added that he saw no difficulties in letting the country totals exceed the group total.

Mr. Qureshi then suggested that the same could be done for energy as for China, but only for one year. He added that an increase of \$1.0 billion in lending could be obtained by "drawing forward." Mr. McNamara disagreed, saying that this was not needed today. Rather, he indicated that it should be sought at the time when it is actually needed.

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April 9, 1981

OFFICE OF THE PRESIDENT

Executive Committee Meeting, March 9, 1981

Present: Messrs. McNamara, Golsong, Qureshi, Stern, Thahane

Mr. McNamara asked Mr. Qureshi to brief the meeting on his recent trip to the Middle East. Mr. Qureshi explained that this had been a very good trip. He had met in particular with Mr. Al-Ateeqy before the Cabinet change in Kuwait. Mr. Al-Ateeqy had been aware that Mr. Al-Hamad would get a job in the new Cabinet but, at that point, he did not seem to be aware that it would be Finance. Mr. McNamara told Mr. Qureshi to ask Mr. El-Fishawy to draft a letter to Mr. Al-Ateeqy for his signature. Mr. Qureshi continued explaining that he had met with Mr. Albalkhail who expressed the support of Saudi Arabia with respect to energy. In Mr. Albalkhail's view, a solution should be found in a way that would make it clear that the U.S. would not be out. He also said that it is essential that most European countries should be in. UK would not be the most critical in that respect, but Germany and France would be.

Mr. Qureshi mentioned that France now seems to have a more cautious attitude with respect to the Bank's proposal. Essentially they are asking whether, given the present attitude of the U.S. Administration, it would be possible to activate a European initiative, e.g., linked to the European Investment Bank or the Common Market. Apparently such a proposal might be acceptable to the Arabs.

On the issue of borrowing by the Bank of \$400 million from Saudi Arabia, Mr. Qureshi told Mr. McNamara that Mr. El-Naggar had launched a protest. Essentially Mr. El-Naggar argues that the Saudis had not consulted him on this issue, and secondly that a decision should wait until June. Mr. El-Naggar indicated that he will go back to Mr. Al-Hamad on this issue. Mr. Qureshi said that he had talked to Mr. El-Naggar and he had explained to him that it would be unfair to treat the Bank and the Fund differently, for much smaller amounts in the case of the Bank. Mr. McNamara observed that Mr. El-Naggar has been the initiator of much of the criticism directed to the Bank and of the pressures with respect to the PLO issue. As a matter of fact, he is going beyond Messrs. Albalkhail, Al-Ateeqy and even Al-Hamad. Mr. McNamara asked why such a position from Mr. El-Naggar. Mr. Qureshi expressed his view that Mr. El-Naggar is an ideologue who is acting out of strong personal convictions. In addition, it is on the basis of his posture on the PLO issue that he was able to get re-elected as ED. Mr. McNamara indicated that he wanted the discussion on the PLO to take place at a later date.

Mr. Golsong mentioned that, on the PLO issue, there is an urgent problem. The Muldoon Committee report states that the Europeans said that the Joint Procedures Committee Chairman had said that the Muldoon Committee should be forward-looking. There is now a request by Mr. Jamal, former Chairman of the Annual Meeting, who wants a verbatim account of the Joint Procedures Committee meeting. Mr. McNamara observed that surely Mr. Jamal cannot be denied access to the proceedings. Mr. Golsong said that the problem is that he wants that in Tanzania. Mr. McNamara said that the answer should be that his Embassy can have access to the proceedings in Washington. He added that the Bank ought to work jointly with the Fund on this issue.

Mr. Qureshi mentioned that the Arabs had indicated that they will come to the forthcoming IDA meeting. He added that he himself wanted to take a much closer look at the IDA paper which, he said, needs some additional work. Mr. McNamara suggested that there should be a Finance Committee meeting on IDA at

8:30 a.m. tomorrow, and there should be a regular Finance Committee meeting scheduled for Wednesday afternoon at 2:00 p.m.

Mr. McNamara said that, to conclude on Mr. Qureshi's trip, he was of the opinion that the Bank could push ahead on the energy affiliate issue.

Turning to the item to be discussed at the PC meeting immediately following this meeting, Mr. McNamara asked why there would be any objection to putting out a policy statement on women. In his view, much more should be done with respect to the issue of women than the Bank is currently doing. Mr. Stern fully agreed, saying that we do not even know what is happening inside the Bank. In his view, one problem is the recruitment of women, but the other problem is that of career development for women in the Bank. Mr. McNamara concluded that he found it amazing that there is not even one person working full-time in Personnel on this problem.

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March 19, 1981

OFFICE OF THE PRESIDENT

Executive Committee Meeting, February 23, 1981

Present: Messrs. McNamara, Golsong, Qureshi, Stern, Thahane

Role of the Board

Mr. McNamara said that he was concerned about the issue of the role of the Board. The Board traditionally has complained, somewhat with reason, that the staff is arrogant, looking down on them. The staff should understand that the Board is the supreme authority in this institution. The Board is the policy-making body and the staff is at their service. The other point of concern, Mr. McNamara added, is that Bank management has the operating responsibility, and these functions must be separated. Mr. Golsong said that he is having a meeting with Mr. El-Naggar this afternoon on a point very relevant to Mr. McNamara's concern, which is the issue of who should be acting President in the absence of the President. Mr. McNamara said that, generally speaking, management is now in reasonably good shape with respect to the Board. It will be important to help Mr. Clausen watch this rather carefully. He further explained that the reason he mentioned this point is that the capital budgeting decision should not go to the Audit Committee. It is clearly an operating item. Mr. Qureshi said he thought that this could go to the Joint Audit Committee for comments. In his view, the Board intends to move ahead, in view of the forthcoming change of Presidents. Mr. Qureshi said that Mr. Looijen, for instance, thinks that the Internal Auditor should report to the JAC. Mr. Qureshi said he talked very frankly with Mr. Looijen, and he explained that the Bank is ready to give to the Board all information it may need, but they must take upon themselves not to want to see every piece of paper. This would clearly be an intervention into management's responsibility. Mr. McNamara expressed his view that the role of the Board is to ensure that the institution is performing satisfactorily. The role is not to tell management how to do this. He added that he had no objection to the Board being informed, but not more. The Board can tell management that it wants to change the managers if it is dissatisfied by their performance. Mr. McNamara added that time and time again Mr. Looijen is getting into the details. He further said that he does not want the JAC to discuss whether the Bank should have capital budgeting. Mr. McNamara expressed his concern that the Board is constantly pushing further and further into management prerogatives. Mr. Qureshi explained that Mr. Looijen understands all this; however, there are new Directors such as Mr. Muns and Mr. Ragazzi who do not understand. Mr. Qureshi added that, in his view, management should not escalate those things. Referring back to the capital budgeting issue, Mr. McNamara asked whether this should be sent to the Board. Messrs. Qureshi and Golsong said that they would agree if it is only for information. Mr. Golsong said that the issue of replacement of the President is another illustration of the problem. The Board in this case looks at the IMF. Mr. Golsong said that management should argue that an Executive Director acting for the President is against the spirit of the law. Mr. Golsong also said that Mr. El-Naggar is fighting to get diplomatic privileges for the EDs. Mr. McNamara asked whether there was any reason for management to be against it. Mr. Golsong said that in principle there should not be any reason why not, but the issue is that Mr. El-Naggar wants management to do the fighting for the Board. Mr. McNamara concluded on this point by saying that he was concerned about Mr. El-Naggar trying to extend the role of CODAM.

PLO

Mr. Golsong said that the Fund's Executive Board had taken the decision to postpone the discussion of this issue. Mr. McNamara asked what could happen if there is no postponement and the issue is being discussed in the Bank Board on the 25th. Mr. Golsong said that the U.S. would like to see a postponement of the resolution. Mr. McNamara asked who requested a postponement of the resolution. Mr. Golsong said that the Scandinavians had made the request. He explained that the interpretation of the Arabs is that, by March 1, the freezing resolution would lapse. Mr. McNamara expressed his view that there should not be meetings. Mr. Qureshi said that it would be better to leave the decisions first to the other side, i.e., the IMF. He reported that Mr. Jalal had told him that everybody is now getting tired of this issue and he would be happy to see things postponed. Mr. McNamara asked whether there was any way to turn Mr. El-Naggar off. He said that he believed that the only one pushing him is Mr. Al-Hamad and he said that he does not know how to turn Mr. Al-Hamad off. Clearly the Egyptian authorities cannot turn Mr. El-Naggar off, and neither can the Saudis.

Other Items

Mr. Golsong told the meeting that Mr. Clausen is scheduled to travel to Europe shortly. He asked whether there should be any briefing for him before his trip. Mr. McNamara replied that there should be no briefing. Mr. Clausen should not be traveling under Bank business. Mr. McNamara said that the most important thing for Mr. Clausen when he comes to the Bank will be the preparation of his speech for the Annual Meeting in September. He added that Mr. Clausen is coming to Washington on May 1, but not to operate in the Bank.

Mr. McNamara said that, at the PC meeting immediately following this meeting, he will inform the PC about the U.S. position with respect to the general capital increase, IDA and the energy affiliate. In essence, the position of Bank management should be to take the U.S. Administration at its word. If management does that, the Bank should be in reasonably good shape. Mr. Stern observed that, if the U.S. Administration does not like the energy affiliate, it will have to go for an increase in the Bank capital. Mr. McNamara said that this was correct.

OFFICE OF THE PRESIDENT

Executive Committee Meeting (continued), February 9, 1981

Present: Messrs. McNamara, Golsong, Qureshi, Stern, Thahane, Wood

Energy Affiliate

Mr. McNamara asked the participants what the next steps ought to be with respect to the proposal for the creation of an energy affiliate. Mr. Qureshi suggested that the first step should be to talk to the U.S. Administration, telling it that the Bank cannot wait indefinitely in the preparation for the creation of the affiliate. Mr. McNamara commented that he would do it the other way around. He said that a paper ought to be written first and then it should be explained to the U.S. Administration that there should be a discussion of this paper at the Board. The paper should not recommend that the Board take any final decision. In essence, therefore, there is the need to lay out the schedule for the U.S. Administration, since it will not be in a position to take a decision for at least another month.

Commenting on a memo addressed to Mr. McNamara by Mr. Golsong, Mr. Qureshi said that he had some differences of opinion with Mr. Golsong. In his view, the Bank is further along than he had thought feasible on two specific points. In the first place, there had been doubts as to whether and to what extent the Arabs could be convinced to participate. In that sense, much progress has been made, since the Arabs have made statements which have committed them. Secondly, on the whole question of voting structure, there has also been very substantial progress. With respect to the organization issue, Mr. Qureshi explained that he thought that he would get the Saudis to accept the third option, i.e., a functional vice presidency for energy. Unfortunately, Mr. Al-Hamad had completely dominated the meeting and he gave Mr. Qureshi a hard time. According to Mr. Qureshi, Mr. Al-Hamad sounded as if he wanted sheer boldness only for the sake of it. On the second day of the meeting, however, he became more rational. Mr. Qureshi added that a compromise could have been reached if the Bank had said that it would keep the power sector and the sector studies in the Bank and separate the rest from it. In his view, there are not too many difficulties on the organization side. Mr. McNamara said that he did not want anything more on this subject until the negotiating stage is reached.

Mr. Stern agreed that there had been very substantial progress as a result of this second meeting on energy. He expressed, however, a great deal of concern. He said that he had talked to people in Norway. In his view, informal meetings such as the one just completed give too much weight to those who are ready to be irresponsible. Mr. Stern expressed particular concern with respect to the proposal for the capital structure of the affiliate. A Bank balancing share would allow both parties to avoid reality, and it could have major political and philosophical implications for the Bank.

Mr. McNamara explained that all he wanted to settle now is the issue of what to tell the U.S. Administration. In the first place, it should be told that there will not be any more ad hoc meetings. Second, it should be told that a paper would be submitted to the Board in mid-February for discussion around the end of March. Third, it should be told that the intention would be to get a meeting of deputies to begin negotiating in early May, negotiations taking place over a period of approximately four months. In addition, Mr. McNamara said that he agreed that the paper should not make any specific recommendations. Mr. Golsong said that there

was a great need for safety nets. In particular, there is the need for the continuation of informal bilateral discussions. Mr. Golsong further observed that Mr. Al-Hamad had been more political than expected during the meeting, probably because he wants something rather different. Mr. McNamara agreed and added that Mr. Al-Hamad does not want a paper to be submitted to the Board. Mr. Wood said that the circulation of the paper should be around the end of February. He commented that there should be more talks with the U.S. Administration on the issue of the scope of the proposed program. In his view, the U.S. Administration believes that the concept of the scale of the program has been pushed through by Bank management. Mr. McNamara commented that, to the extent that such discussions with the U.S. Administration can be kept at a low level, he would have no objections to Mr. Wood going ahead.

Returning to the two main issues of organization and voting, Mr. McNamara said that the Bank should come out strongly for the need for integration of the organizational structure. He observed that none of those who are against integration have presented the real interests of developing countries. With respect to the voting formula, the Bank can sketch out several alternatives. Mr. Qureshi said that he thought two types of alternatives could be envisaged: the first one would be a majority for the OECD countries with larger voices for developing countries; and the second one would be the Bank playing a balancing rôle between those two groups.

Mr. McNamara repeated that he wanted the paper to be submitted to the Board before the end of February. He said that there was the need for considerable time to discuss the paper before its submission to the Board. On the voting structure, he suggested that there should be only a very brief paragraph stating that there is the need for an increase in the voice of the developing countries with closer relationship between voting power and financial contribution. He repeated that the only objective at this time is to trigger the formation of a negotiating group. Mr. Stern commented that, in his view, there is still the need for management to discuss the issue of an eventual Bank participation in the equity of the affiliate. Mr. McNamara said that there should be first a general paper, rather than a discussion about details. In particular, he expressed his concern about what is meant by negotiating groups. He observed that, in this instance, the IDA model cannot be used. Mr. Qureshi said that any group beyond 25 representatives cannot be handled. He added that there is the issue of the process of selection of representatives, but with what criteria? He suggested that the Board system of representation could be used. Mr. McNamara disagreed, since there is the need to have a representative of each donor country. For the developing countries, however, the system of Board constituencies could be used for the selection of representatives. It would therefore amount to IDA deputies on one side and representatives of developing countries on the other. Mr. Qureshi observed that this would still leave a rather large number of participants to the negotiations. Mr. McNamara then asked whether there would be any possibility of not going to the Board first, and rather to call a negotiating group first. All other participants to the meeting expressed their belief that this would not be feasible.

Mr. Stern observed that the U.S. Administration is clearly stalling for time. Mr. McNamara explained that it is probably because they want to kill the proposal. He said, however, that Bank management should go ahead with the Board paper and then there should be a call for a meeting of deputies, i.e., a negotiating team. Mr. Qureshi explained that he had discussions with the French who are asking whether it would be feasible to go ahead without the U.S.

OFFICE OF THE PRESIDENT

Meeting of Executive Committee, February 9, 1981

Present: Messrs. McNamara, Qureshi, Stern, Golsong, Thahane

Mr. McNamara opened the meeting by informing the participants that the informal Executive Committee will meet on each Monday at 9:00 a.m. from now on.

Taiwan

Mr. McNamara expressed his great dissatisfaction at the situation with respect to the mentioning of Taiwan in the new World Atlas, describing it as a "mess." He said that there should not be any distribution of the Atlas, and he suggested that possibly it would have to be entirely reprinted. He mentioned that he had received a note from Mr. Chenery who asked for a delay in the printing of the Atlas, and, in his view, there is no way this can be done. He then observed that, if there is to be a new printing of a new Atlas next October, there may be a case for not reprinting this version now. Mr. Stern pointed to the fact that the Atlas contains information which can be found elsewhere. This latest version of the Atlas, however, does catch the latest revisions of income distribution, and this is important with respect to the criterion for IDA eligibility. Mr. McNamara reiterated that his only concern is whether or not this version should be reprinted. Mr. Stern commented that he would suggest canceling the reprint; however, it is certain that the story will leak. Mr. Thahane said that he is in favor of reprinting the Atlas. Mr. Stern then suggested that Mr. McNamara should talk to Mr. Benjenk. Mr. McNamara called Mr. Benjenk on the phone and reported to the meeting that it was decided that Mr. Benjenk would talk to Mr. Chenery and make final recommendations to Mr. McNamara.

IDA VI

Mr. McNamara reported that he and Mr. Qureshi had met last week first with Mr. Rashish, Under Secretary for Economic Affairs, and then with Mr. Rashish and Secretary Haig. He reported that, on Wednesday night, the full IDA VI appeared to be in the proposals for the Budget. The Administration's intentions, however, were to cut support to the international financial institutions. He observed that the Bank is now in reasonably good shape with the new Administration, but the situation is still very uncertain.

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Mr. McNamara asked what should now be the next steps with respect to this issue. Mr. Thahane mentioned that the IMF has issued a paper which basically addresses old issues. He said that the Bank's position should be not to go as far as the Fund has done in this paper. He recommended that Bank management organize an informal meeting with the EDs later this week. To Mr. McNamara who asked what was now the timing in the IMF, Mr. Thahane replied that there is no firm date set up for a Board discussion there; the management is now waiting for the return of Mr. de Larosiere who is away. Mr. McNamara then asked what would be the best tactics for the Bank. He suggested that the Bank would be better off by deferring Board discussions as long as possible. Mr. Thahane

agreed, emphasizing that, because of the uncertainty with the U.S. Administration, the Bank should not push for a discussion now. He suggested that, if there is to be any meeting, it should focus on matters of procedure rather than on the substance itself. Mr. Golsong observed that the procedural points in these issues are very much points of substance. Mr. McNamara noted that there does not appear to be anybody who could take the lead in the Bank Board in front of Mr. El-Naggar. He said that the problem is that nobody wants to settle on behalf of the institution. Mr. El-Naggar is trying to settle on behalf of the PLO, but there is nobody on the other side. He then summarized his views on what the strategy should be: (i) try to defer a discussion in the Bank; and (ii) try to present a paper for a general discussion at a later date. Mr. Stern suggested that Mr. McNamara talk to Mr. de Larosiere about strategy. Mr. McNamara said that Mr. de Larosiere is not due back before Wednesday, and the problem cannot wait until then. He mentioned that the Bank wants a different approach from that of the Fund. Since the Fund has already given a paper to its board, there could be the risk that the Bank Board would ask for such a document. In order to avoid that, the Bank should prepare a piece of paper before the Board asks for one. The main objective, however, would be to defer a general Board discussion. Mr. Stern commented that Mr. de Larosiere probably has a different strategy in mind. Mr. Golsong said that the first paper from the Bank to the Board would say practically nothing.

Mr. Qureshi suggested that the Board meeting should come after the meeting of the Fund Board. He commented that the only person who will move is Mr. El-Naggar. Mr. King cannot do anything at this time, nor can or will the Europeans. He strongly recommended that Mr. McNamara talk to Mr. de Larosiere. Recognizing that the Bank may not be able to act in the same way as the Fund, Mr. Qureshi suggested that Mr. McNamara should not issue a piece of paper to the Board before he has a chance to talk to Mr. de Larosiere. Mr. McNamara said that his problem is that the Bank Board is likely to ask for a piece of paper since the Fund Board has already received one. Mr. Golsong agreed that there is the need for the Bank to prepare a paper without which it could be accused of attempting to stall the process. Mr. Thahane then showed Mr. McNamara a copy of the draft paper intended for distribution to the Bank Board. Upon reading the document, Mr. McNamara commented that, if this is put out, Mr. El-Naggar is very likely to object. He suggested that a statement should be added to the effect that this paper is only intended to lead to informal discussions. He then recommended that the paper be put out before the end of the day. He also instructed Messrs. Thahane and Golsong to think through what Bank management should do before next Monday. Mr. Golsong said that, if there is no decision on March 1, there is the risk that the whole thing will lapse. Mr. McNamara said that this would be very serious indeed, and he recommended that Messrs. Golsong and Thahane talk to the Fund Deputy Managing Director, Mr. Dale, on this issue.

Mr. McNamara then said that there was not enough time to discuss the energy affiliate, and he recommended that this be taken up again next week. He said, however, that the Bank should get a paper prepared. He expressed his great concern about the informal meetings, which he qualified as increasingly dangerous. He said that the Bank ought to look now for negotiating meetings. He concluded by saying that this should be taken up again after the Finance Committee meeting today.

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February 19, 1981