PUBLIC DISCLOSURE AUTHORIZED

McNamara Papers

Memos for the record
1980 - 1981 (March)

Box 2 Folder 19 of 19

792/3/127

OFFICE OF THE PRESIDENT

Meeting with Mr. Avramovic, March 20, 1981

Present: Mr. McNamara, Mr. Avramovic

Mr. Avramovic thanked Mr. McNamara for offering him the opportunity to meet with him, especially at a time when Mr. McNamara is particularly busy. He observed that this is the first time that he meets with Mr. McNamara in the last two years. He expressed his admiration for Mr. McNamara's work, and particularly for the inspiration that he has been for so many people, and offered his thanks for his tremendous leadership. Mr. Avramovic then observed that the problems of the developing countries are likely to be increasing in the future; however, they seem to be much more aware of the need to adjust their economies. Mr. McNamara agreed, and added that this process is, however, likely to be politically difficult. Mr. Avramovic said that he was impressed by the seriousness of their reactions in front of the difficulties. Mr. McNamara agreed and said that their reaction with respect to energy production is a good illustration of this point. He said that he believed that both they and the Bank were on the right track. He added that, although it is a difficult situation, the developing countries seem to understand the underlying theory. Mr. Avramovic said that, in his view, there was need for increased cooperation between the Bank and the Fund. Mr. McNamara said that he thought there were not too many problems in this situation. He added that the major problem for the Bank is that the lending for structural adjustment should be additional, and the Bank is having a very difficult time getting a number of people to understand that.

Mr. Avramovic said that he had heard rumors that he was suspected of having tried to undermine the position of the Bank in the Brandt Commission. He said that this was not right. He added that he certainly could not have done this after having spent 25 years of his life in the Bank. He observed that, if proof were needed, he had been pushing especially hard on the issue of the necessity to change the Bank's gearing ratio. He added that he had written to the Bank about this. He said that he wanted to tell Mr. McNamara directly and assure him that there was no truth whatsoever in those rumors. Mr. McNamara replied that he had heard the same rumors, but that, in his view, all this was now part of the past. Mr. Avramovic said that he was of the opinion that there is indeed a gap; however, he was very glad to see that the ideas of structural adjustment lending and the energy affiliate had come through.

Mr. Avramovic said that another point he wanted Mr. McNamara to know about is that he thought that he had made a mistake in resigning from the Bank, and that he now regrets it. He said that he now works on a UNDP project for which UNCTAD is the Executing Agency. He told Mr. McNamara that, he still has a number of years to go before retirement, and he believes that he can make a substantive contribution. In a word, he said, and if Mr. McNamara can see a way, he would like to join the Bank again. Mr. McNamara replied that he thought it was very hard for senior people such as Mr. Avramovic to he hired by the Bank, and that he did not want to give him any encouragement. He observed, however, that there must be some way that Mr. Avramovic can fit in the development process. He expressed his surprise that UNCTAD itself would not see it this way. Mr. Avramovic commented that UNCTAD has some problems with age, and he is now 61. He added that he had talked to Mr. Qureshi who had thought that he could help in this regard. Mr. McNamara repeated that it is awfully difficult to hire senior managers. One of the top grades has to become vacant. At this time, only one is foreseen, but there are already some prospects in sight. He indicated that he had recently talked about this problem with Mr. Qureshi and they had agreed that there is a very difficult problem for hiring people at the P Level. He finally said that it is much tougher now that the Bank is going on a slower expansion course than in the past. He concluded by saying that he would be willing to talk to Mr. Qureshi about this issue.

OL
April 28, 1981

OFFICE OF THE PRESIDENT

792/3/126

Meeting on Board Paper on Proposed Expansion of Lending Program and Means of Financing, January 26, 1981

Present: Messrs. McNamara, Qureshi, Wood

Mr. McNamara mentioned the need for the preparation of an introductory statement for the EDs for tomorrow's meeting where the two major policy papers are to be discussed. He stated that the main point to be presented in the oral introduction is that there are no final conclusions expected from the discussions of today and tomorrow, and that discussion is only meant to serve as a basis for consideration of issues to be discussed in the years to come.

Mr. Qureshi said that the major theme now running through with those who are not comfortable with the energy affiliate is that they cannot support the energy affiliate because they do not know what it is. For instance, Mr. Looijen says that it would be better to approach the energy problem from within the normal Bank program. He says that, if additional capital is needed, it is through the Bank that it should be obtained. He adds that he does not understand why this is not feasible, but, if indeed it is the case, he is prepared to go along with the proposal of the affiliate. Mr. McNamara commented that he did not understand why Mr. Looijen is taking this approach. Mr. Looijen knows very well that some members do not want to increase the Bank's capital. Mr. Qureshi mentioned that he expected that Mr. Looijen would generally be positive.

Mr. McNamara said that the discussion should be expected to go on for the next three days. In particular, he indicated that he is very keen that the Board discuss the specific problem of China. Mr. Qureshi observed that China is a more difficult problem. Mr. Colby King takes the attitude of asking what Bank management expects from the Board. Mr. McNamara commented that he is getting upset with this line of argument on the part of Mr. King, since the real question is the exact opposite, namely, what the Board is expecting from management. In particular, they should ask themselves whether they feel that the Bank has an obligation to make loans to China, and whether these loans should be financed through additional resources or by taking away from others with the existing resources. Mr. Qureshi reported that Mr. King believes that management is going to present a number of loans to China anyway, putting the Board in front of a fait accompli. Mr. McNamara said that Mr. King is playing games; however, if they want to have management's views, management can say that indeed it believes that the Bank should lend to China, that this lending should not be in substitution and, therefore, there is the need for additional resources. Mr. Qureshi told Mr. McNamara that he would get some support along this line. However, it is expected that the Board will not say whether or not management can use IDA funds for this purpose. Mr. McNamara said that he had no problem with this. At the very least, management is forcing the Board to come to grips with this issue later on. Mr. Qureshi said that Mr. King is apparently more uneasy with the problem of China than with that of the energy affiliate. He said that Mr. King had called him this morning with respect to a note which he (Mr. Qureshi) had circulated. Mr. King felt that the note left the clear impression that management was steamrolling its own views of what the energy affiliate should be. Mr. Qureshi said that he told Mr. King that management's only purpose is to get the views of the various participants to the discussions on the energy affiliate. Mr. McNamara commented that he did not think that Bank management should try to build a full consensus. He said that, at the beginning of the next meeting on the energy affiliate, Mr. Qureshi should not say more than introduce the idea of getting the participants' views. Mr. Qureshi said that, at any rate, Mr. King will be coming with a statement for tomorrow's meeting. As far as other EDs are concerned, Mr. Qureshi said that Mr. Kurth will indicate the German preference for the financing of the proposed energy program through the Bank's normal program. However, since this is not feasible, and the Germans recognize it, they will express support for the energy affiliate. Mr. McNamara enquired as to the exact wording of the recommendation of the Venice Summit on the energy issue. Mr. Wood said that the Summit had recommended looking into the possibility of an energy affiliate. Mr. Qureshi then said that, with respect to the FY82 program, Mr. Kurth is expected to say that there are all sorts of uncertainties. For this reason, according to Mr. Kurth, the decision should be made in June depending on what happens between now and June. Mr. Qureshi then indicated that Mr. Drake's position will also be very cautious. As far as the French are concerned, they are expected to be supportive, hopefully with less caution than Mr. Drake. Mr. Anson is likely to be rather cool. His position is that by June the Bank will still not know what will happen with IDA, and the timing may not be good for the planning of an expanded lending program. To Mr. McNamara who asked about Mr. Anson's position with respect to China, Mr. Wood said that there had been nothing specific. Mr. McNamara then asked about the UK position on the meeting on energy. Mr. Qureshi answered that the British position is basically positive, but they do not want to put up any money and they expect OPEC to put up the bulk of it. Mr. McNamara then said that he expected Mr. Lundstrom to support the Bank's proposal, and he asked about Japan's position. Mr. Qureshi said that he expected the Japanese to be basically supportive, albeit with some caution. Mr. Wood said that the developing countries are likely to come up with strong opposition to the proposal of harder terms to the blend countries. He also said that the capital-surplus countries can be expected to attack strongly the estimates on IDA VII. Mr. Qureshi said that the French are not necessarily against allocating funds for China. Their point is, however, that a separate fund could be established for lending to China. Mr. Qureshi indicated that Mr. Chen, the Chinese Alternate ED, has been doing a lot of lobbying, talking to the Africans in particular to tell them that the Chinese do not want to take anything away from them.

Mr. McNamara then referred to the paper on the maintenance of value, which he said should be put to the Board soon. Mr. Qureshi commented that the British are prepared to go along with the U.S., while the French will go along reluctantly, and the Germans say that their reservations have not disappeared. He suggested that the General Counsel should look into this problem. Mr. McNamara said that there should be a Finance Committee meeting to discuss this issue.

OL
February 19, 1981

7912/3/125

OFFICE OF THE PRESIDENT

Meeting on Mr. Clausen's Nomination, November 4, 1980

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

Mr. McNamara opened the meeting by expressing his concern over Mr. El-Naggar stirring up trouble on this issue. He said that the U.S. has put out a very well qualified non-political candidate and the Bank cannot permit embarrassment. He said that Mr. de Groote now wanted to postpone a decision on the nomination until January.

Mr. Thahane said that he had met with Mr. de Groote and Mr. Drake and that they had gone over the records concerning the nomination of past Presidents. The procedure had been that the EDs had met to receive the nomination formally. Then time had been allowed for them to consult with their Governments. Mr. McNamara said that he had told Mr. King that the time allowed for consultation with governments should be the normal time required for discussion of policy reports, that is, two weeks. Mr. Thahane said that, in the case of Mr. McNamara's nomination, a meeting had taken place on November 21. Mr. McNamara said that, when he had met the group of EDs, it was to receive the contract. He said that, before the committee had come to him on November 29, the Board had already agreed on the nomination. He further added that, when the committee talked to him, it had full authority from the Board. He had then talked to Mr. Woods on November 30. He said that, in his view, the same should happen in Mr. Clausen's case. Mr. Thahane said that the Board should acknowledge receipt of the nomination on November 11 or November 18 and then wait for two weeks before meeting again to allow for consultation with governments.

11/17

Mr. Golsong said that Mr. King is interested in getting the nomination endorsed as soon as possible. Mr. McNamara said, however, that before the nomination is formally accepted there may be the need to have "the wheel greased," and that, for this purpose, he would need to talk to Mr. de Groote. Mr. Thahane informed the meeting that he is already circulating Mr. King's statement to the Board.

Mr. Stern asked what the problem is with Mr. de Groote. Mr. Thahane replied that Mr. de Groote is concerned that the Board could be seen as "rubber-stamping" the nomination of Mr. Clausen a bit too quickly. Furthermore, Mr. de Groote feels that there should be "reasonable time allowed." Mr. Thahane explained that he had outlined to Mr. de Groote the separate issues of the decision to select a candidate for Mr. McNamara's succession and the authority to sign a contract for employment. Mr. Golsong said that representatives of some of the big countries had called Mr. King to request that the issue not be pushed too fast.

Mr. McNamara then asked what could be the maximum time acceptable between the formal presentation of the nomination and the decision by the Board. Mr. Thahane replied that it would be three weeks, as in the case of major policy papers. He suggested that management should establish a target date for conclusion of the nomination process. Mr. McNamara disagreed and said that what is needed is an interval of time. He said that we could have the formal nomination on Thursday but that he needed to talk to Mr. de Groote first. He then said that three weeks should be given to EDs for consultations with their governments.

On the issue of whether or not Bank management should talk to Mr. Clausen, Mr. Thahane said that Mr. King should inform the Board that the U.S. Government has talked to Mr. Clausen and that he is willing to accept the nomination. Mr. McNamara disagreed saying that this would be the wrong procedure. Mr. Thahane then said that two or three senior EDs would go to talk to Mr. Clausen to discuss the terms of his contract. Mr. Stern then asked what the problem is with Mr. El-Naggar. Mr. Thahane said that he had not talked to Mr. El-Naggar himself, but he had talked to other EDs. They apparently want sufficient time to talk to their governments. Mr. McNamara said that he had been ready to talk to the Board at today's meeting, but now with the problem with Mr. de Groote he said that he would not say anything. He added, however, that he did not want to see anything impair the process.

OL
November 17, 1980

OFFICE OF THE PRESIDENT

792/3/122

Meeting on Alternative Lending Growth and Inflation Scenarios, May 30, 1980

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

The meeting discussed Mr. Kurth's request that alternative lending growth and inflation scenarios be presented to the EDs.

Mr. Qureshi said that Mr. Kurth was basically interested in two scenarios: (i) no general capital increase, and (ii) higher inflation rates. As to the scenarios prepared by P&B in response to that request, he suggested taking the interest coverage ratio out; the Bank had said in the past that an interest coverage ratio of about 1.20 was reasonable. Mr. McNamara disagreed; management had never said that the interest coverage ratio should be 1.20. Mr. Gabriel agreed; the target range had always been 1.10-1.30. The EDs received figures on the interest coverage ratio semiannually. Mr. Stern observed that changes in interest coverage ratio did not make any difference as the table shows. Mr. McNamara decided to leave the interest coverage ratio in.

Mr. Stern commented that P&B's alternative scenarios did not present his favorite case, namely, a larger than 5% real lending growth rate in FY81 and FY82 and a taper thereafter. This front-ending of the lending volume would still result in an average 5% real growth rate from 1981-85. Mr. McNamara replied that this scenario was not much different from P&B's case 1. Mr. Kurth's only interest was to cut back lending. At this point, management should ask the Board to agree with the proposed lending program; over the next six months, issues such as lending to China, structural adjustment lending, etc., would then be discussed. In his view, the P&B tables showed clearly that the Bank needed a change of its gearing ratio.

Mr. Stern observed that the commitment deflators shown by P&B were on the low side. Mr. Qureshi agreed. There was also a problem of consistency with the interest rates assumed by the Bank. Mr. McNamara agreed; the Bank had to devote more attention to the consistency of its different assumptions.

MEETING

CKW
June 19, 1980

OFFICE OF THE PRESIDENT

792/3/120

Informal Meeting of EDs, March 6, 1980

Present: Messrs. McNamara, Colby King, Lundstrom, Sola, Morioka, Sutter, Zain, Stojiljkovic, Keany, Razafindrabe, Rota, Smith, Kabbaj, El-Naggar, Mentre, Kurth, Drake, Mapa, Nxumalo, Reddy, Fernandez, Damry, Qureshi, Husain, Paijmans, RClarke

In introducing the meeting, Mr. McNamara said that he hoped the continuation of informal discussion of the March 1 General Salary Adjustment would help him--without committing the Directors--in formulating management's recommendation.

Mr. King said that the U.S. Government had been in the forefront of those undertaking efforts to develop an adequate compensation system for the Fund and the Bank. In light of last year's Board decision on the recommendations of the Kafka Committee Report, it was difficult for the U.S. to accept option 3(c) because an 8.3% increase would be way out of line. Option 3(b) would also do violence to the Kafka Committee recommendations. His Government would therefore favor alternative 3(a); however, the U.S. could live with a 7.3% increase (3(b)); in that case, the justification for the action would have to be worked out carefully; form was more important than substance in this case. The U.S. ED in the Fund would take the same position.

Mr. Smith said that no action on this interim adjustment should be taken which would preempt the final conclusion to be reached on the basis of the Hays survey and to be made retroactive. Parallelism between the Bank and the Fund was essential. In his Government's view, there was some flexibility with regard to justifying a 7.3% increase because the methodology applied in arriving at a 5% increase was not necessarily in accordance with the Kafka Committee's recommendations. His Government could live with alternative 3(b) but the comparison on a net basis would have to be finessed.

Mr. Mentre said that any decision had to be characterized as being interim in nature. The main point of reference should be the CPI. He favored alternative 3(c), i.e., an 8.3% increase, which would provide full compensation for cost-of-living plus a 1.5% merit increase on a gross basis.

Mr. Mapa associated himself with Mr. Smith's statement.

Mr. Lundstron associated himself with Mr. Mentre's position.

Mr. Kurth said that his Government favored an 8.3% increase, i.e., alternative 3(c).

Mr. Sola argued that the Bank could not give less than the Fund. He was extremely worried about the inflation prospects for the current year. Any increase of less than 8.3% would not be accepted by the staff.

Mr. Drake said that he could assure the Bank that there would be no difference in the Canadian position between the Fund and the Bank. The increase would have to be an interim decision and should not prejudge the final conclusion towards the end of the year. In his view, the Kafka approach could not be adequately applied until the Bank had the international figures. The interim increase should be a pragmatic decision which, in his view, called for a 7.3% raise. He emphasized that he was distressed by the tone of the Staff Association's paper.

Mr. Keany said that one of his constituencies favored alternative 3(a) because of its opposition to full indexation. The other constitutency had stated that it would follow his recommendation as to what was in the interest of the staff.

Mr. Zain said that the Fund paper in a way preempted the Bank decision. He would support the Smith/Drake position of a 7.3% increase. Mr. McNamara emphasized that the Fund's action should in no way be considered as preempting the Bank.

Mr. Morioka said that the Bank should be independent from the Fund but the data should be presented in a common format for both institutions. He enquired why the Bank compared <u>gross</u> salary increases with the CPI; in the past it had been done on a net basis. Mr. McNamara replied that in a sense there had been no past practice, i.e., the Bank had acted "without principles." The issue had not come up in the past because the institution had never accepted the principle of full indexation. Mr. Morioka enquired about the extent of bonuses granted by the comparators. Mr. McNamara replied that they were insignificant if applied to the universe of the Bank staff.

Mr. Rota supported Mr. Mentre's position, i.e., alternative 3(c).

Mr. El-Naggar stressed the interim nature of any adjustment decision and argued that in practice the Bank was tied to alternative 3(b) or (c) because of the Fund's move. He favored alternatives 3(b) or (c). Mr. McNamara emphasized again that, although there was a strong consensus that parallelism between the two institutions was essential, the Fund paper should not be considered as preempting Bank Board action. He said that he would not recommend option 3(a); however, it was conceivable but not desirable that the two managements might come out with different positions.

Mr. Reddy said that India supported a 5% increase which was based on the Kafka approach. His Government was most unhappy about the reaction of the Staff Association.

Mr. Razafindrabe stressed the interim nature of the decision and favored alternative 3(c).

Mr. Kabbaj advocated an increase along the lines of option 3(b) plus.

Mr. Stojiljkovic said that one of his constituencies favored 3(c), whereas the other one was reluctant to go along with such a high increase.

Mr. Sutter favored option 3(c).

Mr. Zain said that it would be desirable that the EDs speak with one voice not only on the March 1 adjustment but also on the need for joint machinery in the Fund and the Bank for arriving at future compensation decisions. Mr. McNamara agreed; such joint machinery was essential.

<u>People's Republic of China</u>

Mr. McNamara reported that Ambassador Chai had come to see him yesterday, conveying his Government's invitation for Mr. McNamara to visit China in March in order to lay the groundwork for technical negotiations on PRC representation in the

Bank. In his view, the Bank should accept the invitation and he would propose a visit in April to the Ambassador. Before going, he would want to meet with the EDs informally to consider the issues to be discussed. Mr. de Larosiere and he had established working groups on the PRC in both institutions.

Mr. Mentre said that membership in the Fund was a precondition for Bank membership. Close coordination between the two institutions was required in this case. Mr. McNamara agreed. The Embassy was clearly following slightly different approaches vis-a-vis the two institutions. Mr. Mentre observed that this was the case because the PRC wanted money from the Bank but did not want to show its statistics to the Fund. Mr. McNamara replied that he had made clear to the Ambassador that there could be no membership in the Bank without showing the statistics to the Fund. The PRC wanted to learn from the Bank about Bank lending policies, etc. Mr. Mentre argued that the Bank should not underestimate the Chinese; in his view, they already knew about the Bank. He was concerned that the PRC would take the prerequisite of Fund membership too lightly. Mr. McNamara said that, as a formal matter, the PRC must recognize that Fund membership was necessary. As to their contacts with the Fund, he said that he knew slightly more about the status of the Fund's negotiations with the Embassy than he would like to disclose to the EDs; Mr. de Larosiere had not yet informed his Board.

Mr. Sola enquired whether the Board could discuss the servicing of Taiwan's debt. Mr. McNamara said that this issue should be discussed in one of the informal meetings with great discretion. The issue was first to establish which China was a member of the Bank and then to deal with the issue whether it was the same China for purposes of servicing the debt as it was for sitting on the Bank's Board. This was a very delicate question which had come up yesterday during his discussion with the Ambassador. He had simply replied that China was responsible for servicing the debt.

CKW
March 11, 1980

OFFICE OF THE PRESIDENT

792/3/119

Meeting on FY81 Borrowing Program, March 3, 1980

Present: Messrs. McNamara, Qureshi, Damry, Husain, Rotberg, Gabriel

Mr. Qureshi said that four factors were critical with regard to the cost of the FY81 borrowing program: (i) the amount and timing of U.S. borrowing; (ii) the extent of possible Swiss borrowing; (iii) OPEC borrowing possibilities; and (v) the amounts of non-dollar advance borrowing. Finance was presently working on three alternative programs. In his view, the FY81 borrowing program could be accomplished with a high probability of the cost ranging from 9.50% to 10.10%. However, Mr. Rotberg was more pessimistic. Ultimately, the cost would depend mainly on a successful strategy of significant advance borrowing and lashing down borrowing from OPEC. He concluded that he recommended no change in the lending rate in April; the next change should take place July 1.

Mr. McNamara said that management might use the following argument vis-a-vis the Board: under the present policy, the rate was established on the basis of the borrowing cost of the past six months and the future six months. Continuing that policy, a rise in the lending rate would certainly be required for the second half of the calendar year; however, because of the uncertainty presently surrounding markets, and the fact that management was still uncertain about amounts, timing and sources of borrowing, no increase was considered for April 1. Management anticipated the need for a substantial increase in the lending rate before January 1, 1981. Two alternative approaches would be explored; (a) an increase in the lending rate July 1, 1980, and a further increase January 1, 1981, and (b) a first increase July 1, a second increase October 1, and a third increase January 1, 1981.

CKW
March 17, 1980

OFFICE OF THE PRES. NT

792/3/116

Meeting with Mr. Whitehead, Goldman, Sachs, February 26, 1980

Present: Messrs. McNamara, Whitehead, Hofgren and Rotberg

Mr. Whitehead said that the bond market was presently in a terrible state, the worst he had experienced in his 30 years at Goldman, Sachs. He foresaw a period of capital shortage in the U.S. over the next few years with low savings rates and liquidity. Government deficits would lead to substantial Government borrowing. As to the Bank's return to the U.S. capital market under next year's borrowing program, he pointed to the fact that the Bank had been out of the U.S. market since July 1977 and, although its credit had been enhanced in the meantime, knowledge of the Bank had dissipated. Hence investors had to be educated again. If the Bank had to raise \$2-\$3 billion per year in the U.S. market from July 1980, it could not afford selectivity as to rates and markets. He recommended that the Bank soon announce its FY81 borrowing plan for the U.S. so that the market could anticipate the timing of fairly regular issues. IBRD spread over government paper was presently 50 to 110 basis points but the Bank had the arguments and ammunition to reduce those spreads.

Mr. McNamara said that Mr. Rotberg's and his main objective had always been to maximize the flow of resources and to consider spreads only as secondary as long as these margins remained within reasonable limits. Because of this primary objective, they had accepted high liquidity and had preferred to borrow early in the year. The Bank's Board did not clearly understand this objective function. Mr. Whitehead pointed to the fact that the large U.S. borrowers, such as the Bell system, also went for availability of funds rather than terms, putting forward a regular schedule for their borrowings. He agreed that the Bank should also follow such a policy. Of course, he would not recommend that the Bank come to the market this week; one day last week, treasuries had a 7% swing in price. Mr. McNamara said that it was not clear to him what the U.S. Administration should do at this point; policy alternatives seemed to range from going to 20% money to adopting wage and price controls.

Mr. Whitehead said that the Bank could count on many foreigners being interested in its U.S. bonds at an interest rate of 14% because there was no withholding tax in the case of the Bank. In his view, OPEC countries would be big buyers of Bank bonds. In response to a question by Mr. Rotberg, he said that OPEC was presently buying mainly 5-7 year bonds.

Mr. McNamara said that early in FY81 he would like to have a plan developed for borrowing about \$6.5 billion during that year. His preference would be to borrow early again. The plan could probably contain only a range of U.S. borrowing amounts. He mentioned that the Bank would have to increase considerably its lending rate which was presently only 8.25%. Mr. Whitehead observed that the Bank's image in the financial world was very good; the occasional political flak in the U.S. had its impact only in Washington. Mr. McNamara said that the Bank had a very strong financial record to point to; Mr. Whitehead quickly added that the Bank had to start pointing.

Finally, Mr. Whitehead described briefly his outside activities as a member of the steering committee of the International Rescue Service. Messrs. Owen and Blumenthal wanted him to become involved in the work on trying to identify developing countries willing to receive Cambodian refugees. Mr. Owen thought that the Bank could play a role in cases where governments were reluctant to accept refugees because of lack of resources for financing housing and other facilities. Mr. McNamara replied that the acceptance of refugees by LDC governments was primarily a political and not an economic problem; if a government expressed its interest, the Bank could probably assist, e.g., through financing rural development projects for refugees. He emphasized that all Bank financing had to be through LDC governments.

CKW
March 3, 1980

OFFICE OF THE PRESIDENT

792/3/124

Meeting on Proposal for an Executive Committee, October 21, 1980

Present: Messrs. McNamara, Stern, Qureshi

Mr. McNamara asked Messrs. Stern and Qureshi for their comments on the draft paper dealing with the proposal for establishment of an Executive Committee. Mr. Stern first said that the Committee should be called Executive Committee instead of Policy Committee. Messrs. McNamara and Qureshi agreed. Second, he suggested that the Vice Presidents for Personnel, Public Affairs and DPS should not be included among the full members on the Committee, especially taking into consideration what went on during the last year. As far as the representation from DPS is concerned, Mr. Stern argued that the presence of Mr. Chenery would create additional problems since he has a record of being a source of leakages. He further said that he was not sure whether the Secretary, Mr. Thahane, should be part of the Committee. In addition, he said that he favored a small-size permanent membership for the Committee and he reminded Mr. McNamara of an earlier comment that it would be easier to add to the Committee membership than to reduce the number of members in the future.

Mr. Qureshi agreed with Mr. Stern's statements, adding that he had only slight differences of emphasis. Whereas he thought that Vice Presidents for Personnel and Public Affairs should not be considered for full membership in the Committee, he said that he also agreed that the DPS Vice President should not be a member at least for the time being. In the present circumstances, in order to process the papers on various issues currently in the making, these three Vice Presidents should not be permanent members of the Committee. In fact, some of the Regional Vice Presidents would be more appropriate members for discussing some of the issues likely to be dealt with in the Committee. He said that any formal management structure can and will be changed in the future. However, a structure established now will have to work at least for some time after Mr. McNamara's departure from the Bank. In other words, what is being set up is a medium-term structure.

Mr. Qureshi said that he had one major point which stemmed from some of Mr. McNamara's own earlier comments. At an earlier meeting, Mr. Stern had said that issues of policy would be taken at the level of the Executive Committee. Mr. Qureshi said that he was not sure that this was how Mr. McNamara wanted to use the Executive Committee. He suggested that, if Mr. McNamara wished to use the Executive Committee according to his personal style and to what is included in the draft paper (i.e., relatively large membership in the Committee), perhaps he would want to keep the other two Committees (FC and PMC). In particular, if the three Vice Presidents mentioned above are not eliminated from the membership of the Executive Committee, the Personnel Management Committee should probably be retained. He explained his views that a large regular membership in the Executive Committee would make it impossible to address the specific issues currently being dealt with in these two Committees. Conversely, if the EC is kept to a minimum size, i.e., by eliminating the three Vice Presidents, specific issues could be dealt with in the Executive Committee by calling the current relevant members of the Finance and/or Personnel Management Committees. Mr. McNamara commented that, if the three Vice Presidents are eliminated from the membership of the Committee, a few Vice Presidents (especially Mr. Benjenk) would probably be alienated, especially against Messrs. Golsong and Thahane. Mr. Qureshi said that there should not be any question about Mr. Golsong's participation in the

Committee, in view of the need for keeping counsel close at hand. Likewise, there should not be any question about Mr. Thahane's participation because of the problem of relationship with the Board. An added justification for Mr. Thahane's participation would be the possibility of his serving as Secretary to the Executive Committee. On this last point, Mr. McNamara said, however, that the responsibility for Secretary of the Committee could rest with the Personal Assistant to the President, a suggestion with which Mr. Stern agreed. Mr. Qureshi suggested that, although Mr. Benjenk is a personal friend of his, the fact that he would be alienated if he were not a member of the Committee should not be taken into consideration. As a matter of fact, he is not now a member of the Finance Committee.

Mr. Stern asked Mr. McNamara what his real intentions were with respect to the establishment of an Executive Committee: whether to create a new hierarchy or to create a place for discussion of key management issues. Mr. McNamara said that what he is looking for is a smoothly functioning management team. Mr. Stern said that some Vice Presidents, e.g., Mr. Paijmans, will inevitably feel alienated by not being considered as permanent members of the Committee, but they will certainly have an input in a lot of the work of the Executive Committee through occasional participation in the Committee meetings. Mr. McNamara stated that his main concern is the issue of what the Paijmans, Chenerys and Benjenks can contribute to the policies of the institution. He added that he was certain that Mr. Benjenk in particular could contribute. Messrs. Qureshi and Stern disagreed; Mr. Stern argued that the problem is to define membership in the Committee either on a personal basis (which he does not support) or on a functional basis (ie., "who does what in the Bank.").

Turning to the draft note on the Executive Committee, Mr. Qureshi suggested that, if it were to be circulated, this note would need to be reworded. It should be turned into a small, more positive paper, and the issue concerning the next President should not be brought up. Mr. Stern agreed, suggesting that a note on the Executive Committee could be circulated, explaining how it would function but without the in-betweens of the present draft note. He added that the present draft is more a discussion paper which should be changed into a directive. Mr. McNamara commented that he felt the need for some discussion on the issue. He asked whether he should circulate the note and request comments from individuals about it. Mr. Qureshi replied that, in Mr. McNamara's place, he would not distribute anything at this time but would rather explain the proposal to the President's Council orally, mentioning that the next President may decide to change it. Then, a few days later, he would issue the paper. Mr. Stern said that this document should be viewed as a tool for Mr. McNamara. He added, that, if Mr. McNamara were to do what he suggested, i.e., distribute the paper to the PC as it currently is, he would certainly alienate the 18 members of the PC, not only two or three. Mr. Qureshi said that "his people" are likely to be very unhappy with the proposal, since there will be no more Finance Committee. Mr. McNamara said that his concern was about what the new President would actually need, which is an institution fully organized. Mr. Stern said that the Executive Committee should be a forum for discussion on major policy issues, and that what is needed is a minimum core of senior staff for such discussions. It would then be possible to turn to other people (the Joe Woods and Benjenks) for participation in discussions on specific issues. To Mr. Stern, who expressed serious doubts on the question of attendance by alternates, Mr. McNamara explained that the only alternates who would be eligible would be the two Senior Vice Presidents.

Mr. McNamara finally raised the question of whether a change should be made at all. He answered his own question by saying that a change would be valid only if his successor would fit into the new structure. Mr. Stern commented that this will not be known until his successor himself is known. He said, however, that a change was still worth doing at the present time, especially if Mr. McNamara wanted to ensure a closer collaboration with his senior advisers. He added that the process as proposed would be to freeze membership in the Executive Committee for some time.

OL
October 23, 1980

OFFICE OF THE PRESIDENT

792/3/123

Meeting with Status of Women Working Group, September 10, 1980

Present: Mr. McNamara, Misses J. Dell, S. Browne, M.C. Nguyen, Messrs. Baig, Delmonte, Paijmans, Widen

Ms. Dell opened the discussion by summarizing the statistics on participation of women in Bank staff for FY79. The percentage of women at Levels J-Q had increased from 11.5% to 11.9%. Recruitment of women at these levels had increased from 13.2% to 17.2% of total recruitment at these levels; progress on the latter was encouraging. The SWWG's main concern now was how to institutionalize the effort. Experience in other institutions and in governments indicated that only a modicum of success could be obtained without a statement from the top of the organization, institutionalizing the effort. In the Bank there was no such policy statement.

Ms. Dell suggested four specific approaches which could be taken in order to increase the supply of women candidates for Bank employment: (a) broadening the sources of recruitment of women; (b) increasing the Bank's appeal as an employer of women, e.g., through spouse employment, resolution of the G(iv) visa issue, and child care facilities; (c) providing a legal basis for guaranteeing opportunity for women in the Bank; and (d) improving the Bank's public image as an institution concerned with women both as staff members and as beneficiaries of Bank development projects. She pointed to the chapters of WDR III which dealt for the first time explicitly with the role of women in development. In this context she suggested that the institution prepare a sector paper on women in development and conduct an international symposium on women, the Bank and development in 1981 so as to broaden staff awareness of the issues and to enhance the Bank's image in the outside world.

Mr. McNamara referred to Section 4 of his 1980 Governors' speech which, based on the conclusions of WDR III, dealt with the issue of women in development. He asked Mr. Koch-Weser to hand a copy of Section 4 of his draft speech to Ms. Dell. He then identified three broad areas concerning women: (i) what the Bank itself should do in its work with LDCs in order to advance the role of women in development; (ii) what the Bank should do in order to optimize the role of women in the institution; and (iii) what the Bank should do in order to increase recruitment of women. With regard to (iii), the Bank had made progress in recent years; 36% of YPs recruited last year were women. He agreed with the SWWG suggestion that it would be helpful to develop a roster identifying sources of supply of female candidates. Also, universities with a high percentage of women graduates were not yet plugged fully into the Bank's recruitment effots. He warned, however, that there was a certain conflict between, on the one hand, reducing the percentage of US/UK staff and increasing the participation of sub-Saharan Africans and with a goal of increasing the participation of women on the other. He agreed that the Bank's recruitment efforts were not adequate yet; the SWWG could help in this area. Special recruitment efforts were clearly needed, given the fierce competition in this field.

As to Ms. Dell's suggestion of an institutionalizing policy statement, he said that he had thought the Bank had such a statement, but, if this were not the case, the SWWG should draft one for inclusion in the Personnel Manual.

With regard to the proposal of CPS and External Relations organizing an international symposium for women, the Bank and development, he welcomed the idea and said that it should take the form of a seminar with careful preparation of papers. With regard to the proposed sector paper, he thought that this area had been covered by the WDR.

A member of the SWWG emphasized the importance of increasing the number of anthropologists in the Bank's staff and suggested that the Bank increase exposure as an employer of women by including more women on Bank delegations to conferences, on missions and as part of Resident Missions. Mr. McNamara agreed.

A SWWG representative said that, as long as the budgeting system of the Bank continued to count two F/I positions for one J and above position, there could be no incentive for managers to promote F/I staff. Mr. McNamara replied that, if a qualified F/I staff member were eligible for promotion, there should be no budgetary constraint to such action. He emphasized that dollar budgets should not be more flexible than manpower budgets; he asked Mr. Paijmans to work on this issue with P&B. The system should not stand in the way of qualified persons advancing in the institution. The institution's first responsibility was to its individuals. In response to a suggestion by a SWWG representative that the Bank introduce the possibility of part-time work, Mr. Paijmans said that studies were underway, to identify in which functions such part-time work would be feasible.

In response to a question regarding the G(iv) issue, Mr. Paijmans said that management was working on that issue and that Mr. Colby King had been helpful.

cc: Mr. Paijmans

CKW
September 26, 1980

OFFICE OF THE PRESIDENT

792/3/121

Policy Review Committee Meeting on the World Bank in Agricultural Research Systems in Developing Countries, March 26, 1980

Present: Messrs. McNamara, Stern, Baum, Damry, Barletta, Hopper, Husain, Wapenhans, Knox, van der Tak, Yudelman, Vergin, Thalwitz, Burki, Goering, Merriam, Haq

Mr. Knox commented that many EMENA governments would not agree with the conclusions of the paper; he hoped that the Bank would be able to finance incremental operating costs and local costs under agriculture research projects. Mr. McNamara replied that financing of these costs would not buy governments into agriculture research programs. He asked Mr. Baum to examine, on a country-by-country basis, which governments had a satisfactory agriculture research program and to send him a note on his conclusions. Mr. Stern commented that he had asked the Regions to include agriculture research projects in their five-year programs.

Mr. McNamara said that he did not agree with the recommendation of the Bank financing CGIAR beyond 10% of its budget. Mr. Baum argued that the Bank should not say so but it should be prepared to do so. Mr. McNamara disagreed; any public statement that the Bank would be prepared to finance more than 10% of the CGIAR budget would endanger international support for the entire program. He asked Mr. Baum to take the corresponding statements out of the paper and take up the issue again at a later point.

CKW
March 31, 1980

OFFICE OF THE PRESIDENT

792/3/118

Meeting on FY81 Borrowing Program, February 26, 1980

Present: Messrs. McNamara, Rotberg

Mr. McNamara outlined the following sequence of steps to be taken on the FY81 Borrowing Program:

(a) A list of steps to be taken in order to re-enter the U.S. market should be developed by March 20; the Bank should plan for a range of U.S. borrowing of $1.5 to $3 billion for FY81.

(b) Based on the plan, the issue of first quarter borrowing should be addressed.

(c) The Board would then be informed.

(d) The Bank would formally notify its underwriters.

He said that he did not necessarily agree with Mr. Whitehead's idea of announcing the FY81 borrowing plan. Mr. Rotberg agreed. If the amount were limited to $1.5 billion, the Bank probably should not announce its plan ahead of time. Mr. McNamara concluded that a decision on these issues should be reached before April 1; he would then be willing to go to New York and talk to the three underwriters even if Board action had not yet taken place.

CKW
February 29, 1980

OFFICE OF THE PRESIDENT

792/3/117

Meeting with Messrs. Qureshi and Rotberg, February 12, 1980

Present: Messrs. McNamara, Qureshi, Rotberg

Mr. McNamara said that the possible membership of China, the new policy of structural adjustment lending, and the continued high rates of inflation had important implications for the Bank's borrowing work. These three factors and the considered change in IBRD's gearing ratio from 1:1 to 2:1 should lead to a re-examination of the Bank's financial structure and policies, particularly as to level of income, distribution of income and liquidity. In his view, such an analysis would have to point to the need for strengthening the Bank's capital structure and maintaining a high level of income and liquidity.

Mr. Qureshi agreed. Increases in Bank lending would of course require increased borrowing volumes which in turn were dependent on and should lead to increased liquidity and income levels.

Mr. Rotberg argued that the three factors outlined by Mr. McNamara, namely, China membership, structural adjustment lending and high inflation rates, would not constrain the Bank's capacity to borrow considerably larger amounts; however, if a change in the gearing ratio were to be added to these factors, the Bank would not be able to borrow the required amounts. He recommended considering creation of a subsidiary which could obtain large OPEC resources through the use of short-term facilities; as a second step, the Bank's borrowing program should be considerably expanded and, only as a third step, should a change of the gearing ratio be introduced. This sequence of events would be different from the strategy outlined yesterday by Mr. McNamara.

Mr. Qureshi said that the plan of changing the gearing ratio should not be unveiled before the $40 billion capital increase had been approved and obtained from the U.S. Mr. McNamara disagreed; the majority view in the U.S. Administration was now that a consideration of a change in the gearing ratio would actually be a positive factor in obtaining approval of the capital increase by the U.S. Congress. He asked Messrs. Qureshi and Rotberg to examine the implications of the new factors for the Bank's financial structure and policies as outlined above.

CKW
February 29, 1980

792/3/115

OFFICE OF THE PRESIDENT

Policy Review Committee Meeting on Basic Needs: Basic Needs--Water Supply and Waste Disposal, February 6, 1980

Present: Messrs. McNamara, Barletta, Baum, Chaufournier, Chenery, Damry, Husain, Wapenhans, Bart, Haq, Picciotto, Willoughby, Burki, Kalbermatten

Mr. Husain said that the paper had been reviewed twice by the OVPs. Mr. McNamara complimented the authors for what he considered to be an excellent document.

Mr. Gabriel recommended using other agencies, particularly WHO, to a larger extent in this sector, pointing to the Bank's tight budget situation. Mr. McNamara replied that he did not see in principle a budget problem; the Bank's activities in water supply and waste disposal had no higher unit costs than work in other sectors.

Mr. Chaufournier recommended that borrowers be asked to play a larger role in project preparation. Mr. Damry pointed to the difficulties of achieving cross-subsidization between rural and urban areas. Mr. McNamara emphasized that the paper should contain a stronger statement on the need for full-cost recovery under projects in this sector.

Mr. Baum pointed to the major contribution the Bank had made in research and technology development in this field.

With regard to publication, Mr. McNamara said that he would like a series of basic needs papers published. Mr. Haq replied that it was planned to publish the basic needs overview paper and six papers of the basic needs series as separate monographs, as well as some of the other work on basic needs in the form of articles. Mr. McNamara concluded that a decision on the publication of the water supply and waste disposal paper should be arrived at by March 1.

CKW
February 29, 1980