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President's Council Minutes,  
July - Dec. 1970

Folder 6

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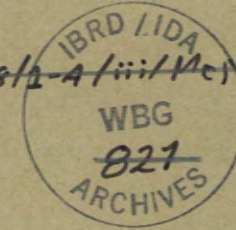
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Records of President Robert S. McNamara President's Council minutes - Minutes 06

~~58/1-A/iii/McNamara~~





82 1/6/1  
President's Council Meeting, July 6, 1970

July 14, 1970

Present: Messrs. McNamara, Knapp, Demuth, Shoaib, Gaud, Clark, Chadenet, Nurick

Mr. Nurick stated that Part II countries would meet on Thursday to discuss the Third IDA Replenishment. Mr. McNamara asked that a table on past and present IDA voting patterns be available by that time, including ratios for Part I and Part II country groupings. Mr. McNamara also asked that, prior to the July 21 Board Meeting, Mr. Nurick brief him thoroughly on the "parliamentary" situation in respect to the ratification of the IDA Replenishment.

Mr. Demuth was asked to check EDs' reaction to the proposed schedule for discussion of the Pearson Recommendations. The Board would meet as a Committee of the Whole on July 14 (subsequently changed to July 16) for this purpose. Mr. McNamara did not think he could get full Board approval on a written report to the Governors on the Pearson Report prior to the Annual Meeting. Mr. Demuth suggested it might be best to allow EDs to make general remarks about the Pearson Recommendations. Mr. McNamara asked Mr. Demuth to list a series of difficult questions which he might have to face in the Board Meeting.

In regard to the financing of agricultural research institutes, Mr. McNamara thought there was no need to refer to this proposal in the Board paper discussing the Bank's profit transfer to IDA. He assumed that approval to use a portion of this transfer to finance such research might be requested from the Board at a later date. Mr. Nurick was asked to check this point.

Mr. Gaud said IFC had studied future projections of its capital needs. It was clear that further capital injections were needed. IFC staff was presently studying the possibility of issuing non-voting preferred stock. It would perhaps not be necessary to ask member governments now to subscribe to a large increase in capital. Mr. McNamara asked Mr. Gaud to meet with him before the Annual Meeting to review the various alternatives. A final decision on this point should be taken no later than January 1.

Mr. Gaud also mentioned that he was preparing to set up a new Capital Market Unit in IFC. He might have to look for a manager for this Unit from outside the World Bank Group. Mr. McNamara said it was important to make this selection and decide the number of staff needed and countries to be covered, before reviewing the budget implications of the new Unit.

Mr. Gaud mentioned that there was considerable uncertainty within AID in respect to its future role. A White House statement on U.S. aid efforts was expected within the next few weeks. Mr. McNamara mentioned that so far there had been good U.S. support for regional development banks. Mr. Demuth was asked to keep the PC informed about the progress made to untie aid among developed countries.

Mr. McNamara requested an up-to-date table with historical series of Part I country procurements under IDA.

Mr. Nurick mentioned that the recent imposition by the U.S. Government of an airport tax had overlooked its implications on international organizations. The U.S. Treasury had asked the Bank to prepare a paper on this problem, expressing the general view of all international organizations.

Mr. Chadenet mentioned that the Bank members of the UN mission to Peru had returned with a tentative proposal of a \$4 million road engineering loan.

LEC



821 6/2

President's Council Meeting, July 13, 1970

July 15, 1970

Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Demuth, Sir Denis, Kamarck, Clark, von Hoffmann



Mr. Aldewereld outlined the features of the proposed U.S. bond issue. Mr. McNamara asked Mr. Aldewereld to provide information on provisions for calls and sinking funds in comparable issues. The proposed offering date was July 23, and the underwriters would wish the Bank to give a luncheon in New York on Monday, July 20, with "due diligence" meeting following thereafter. Mr. McNamara said that he had agreed to attend these two functions and asked Messrs. Aldewereld and Broches, together with Mr. Bennett, to participate with him. Mr. Clark was asked to prepare a list of "tough" questions which he might have to face on that occasion. Sir Denis agreed to check the reactions of some of the EDs.

Mr. McNamara passed out copies of his draft Annual Meeting speech and asked PC for comments by July 27.

Mr. McNamara thought the present forecasting techniques of Bank and IDA disbursements were quite inadequate. Mr. Aldewereld was asked to distribute to PC the two memos from Messrs. Gabriel and Baum on this matter. Mr. McNamara asked that Mr. Gabriel be made fully responsible for all such forecasting, although he would coordinate his work closely with that of the Office of the Director of Projects. The Bank ought to establish quarterly estimates for disbursements under each project. These should be aggregated into a quarterly report from the Controller to the Management. It would be desirable to initiate such a procedure promptly and Mr. Aldewereld should discuss this point further with Mr. Gabriel.

Mr. Knapp reported on the findings of the Bank staff members who participated in the UN mission to Peru. It was now envisaged that, in addition to the engineering loan, the project would include a line of credit for subsequent road construction for a total of about \$25 million. Mr. McNamara wished to inform the Board on Tuesday that he planned to tell the Peruvian Government that such a loan was being processed. It would be scheduled for Board submission during the first week of September.

Mr. McNamara asked Mr. Demuth and Sir Denis jointly to prepare a paper on the supplementary finance scheme. It should be issued after the July 21 Board Meeting, but before the August recess. It was agreed that the paper would be ready before July 30.

Mr. McNamara said that it now was clear that riots could be expected in Copenhagen. He would inform the Board about this on Tuesday. Mr. Demuth mentioned that a Fourth of July party at the American Embassy in Stockholm had to be cancelled because of demonstrations and Mr. McNamara asked Mr. Clark to prepare a report about this point. In general he favored asking EDs and Governors from developing countries to "stand up" for the World Bank Group in Copenhagen. Suggestions on how to deal with this problem should be directed to Mr. McNamara.

Mr. Knapp mentioned that Mainland China would provide a \$400 million loan to the Tan-Zam Railway, that India's foreign exchange reserves had, for the first time, passed the \$1 billion level, and that New Zealand would make a Eurodollar bond issue on Tuesday.

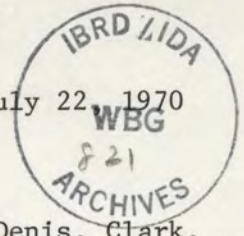
Mr. Broches said that the three Part II countries which had subscribed more than their share to the Replenishment had now been asked to waive, for the time being, their rights to increase their voting percentages. Waivers from these three countries were expected by Tuesday.

President has seen LEC



821/6/13

July 22, 1970



President's Council Meeting, July 20, 1970

Present: Messrs. McNamara, Knapp, Aldewereld, Demuth, Friedman, Sir Denis, Clark, Nurick, von Hoffmann

Mr. Aldewereld reported that the Bank's U.S. bond issue was likely to be fully subscribed and that the German issue was also going well.

Sir Denis said that Spain, as well as Yugoslavia and Ireland, had now waived their pre-emptive rights under the Third Replenishment. Consequently, he saw no major difficulty outstanding on this point for tomorrow's Board Meeting.

Mr. McNamara referred to a memo from Mr. Knapp and Sir Denis discussing alternative methods to draw upon the sources of funds for the Third Replenishment. Mr. McNamara said that, as far as Tuesday's Board Meeting was concerned, it was only necessary to agree that a new and separate "pool" would be established for the funding of the Third Replenishment.

Sir Denis mentioned that he had prepared a draft press release on the Third Replenishment. He and Mr. Clark would have it ready for Tuesday's Board Meeting.

Mr. McNamara thought it would soon be important to urge the Italian Government to ratify the Second Replenishment.

Mr. McNamara also said he would ask Messrs. Knapp, Aldewereld, Demuth and Friedman to review the paper prepared by Mr. Rotberg on the usefulness of having two annual bond issues, one long- and one short-term, in the U.S. market. He planned to discuss the revised draft with the FBC and with the U.S. Treasury before it was sent to the Board.

Mr. Demuth mentioned that Canada had decided to untie 20% of its bilateral aid.

Mr. von Hoffman reported that an Anglo/U.S. group had expressed interest in IFC participation in a large mining operation in Peru. Mr. McNamara thought it would be important to review the IPC expropriation issue in connection with further Bank Group operations in Peru.

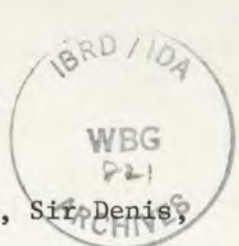
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President has seen



821/6/4

July 31, 1970

President's Council Meeting, July 27, 1970

Present: Messrs. McNamara, Aldewereld, Broches, Cope, Demuth, Friedman, Sir Denis, Clark, Ripman, von Hoffmann

Mr. McNamara mentioned the proposed meeting in Paris among aid officials which would be following up on the discussions held in Heidelberg Meeting last June. He asked Messrs. Demuth and Friedman to discuss this matter with him later in the day as he wished that someone from Development Services Department attend this meeting, rather than staff from the Economics Department.

Sir Denis reported that the various EDs had reacted with widely differing opinions to the Board paper on the IDA transfer and Bank's interest rate. Mr. McNamara did not think it was necessary to ask specific approval of an increase in the Bank's interest rate at this time. Mr. Broches agreed, pointing out that action on the interest rate issue would be asked in connection with each specific loan proposal.

Mr. Aldewereld reported that two parallel studies were being conducted on disbursement problems, one by Controller's Department re-examining the forecasting model used last year, and the other by Projects Departments analyzing each project which has an outstanding undisbursed amount. Mr. McNamara said he favored the latter approach. He asked that a quarterly report be prepared to management and that the first of these reports be ready in October.

Mr. Demuth outlined the proposed five-year program for EDI. Mr. McNamara thought it was an excellent program and he had approved it in principle.

Mr. McNamara pointed out that 37% of all FY71 economic missions were scheduled in two peak months. He asked Mr. Friedman to review this matter with Mr. Cope and take appropriate action.

Mr. McNamara said that he would wish to review the Sudan Country Program, particularly the Rahad project, immediately after the PC meeting next Monday. Meanwhile, Mr. Cope would check with Area Department about the status of possible other sources of finance, such as Eastern Europe, for the Rahad project.

Mr. McNamara mentioned that he would meet with Messrs. Aldewereld and Cope later in the day to review the FY71 lending program.

Mr. von Hoffmann reported that IFC's Codex Editorial Project in Argentina was in trouble. The plan proposed by the Industrial Bank did not seem to be acceptable to the Government. A voluntary association with unsecured creditors was the most likely outcome. IFC would ask a local contact man, Mr. Klein, to monitor the project in Buenos Aires.

LEC

President has seen



821/615  
August 4, 1970



President's Council Meeting, August 3, 1970

Present: Messrs. McNamara, Knapp, Aldewereld, Demuth, Friedman, Ripman, Clark and von Hoffmann

Mr. McNamara referred to the draft paper on the Five-Year Borrowing Program sent to members of the PC last week. He would like to receive their comments by Friday. It would then be submitted to the Board before the Annual Meeting so that it could be reviewed with the Ministers of Finance of the larger member countries during the Copenhagen meetings.

Mr. McNamara mentioned Mr. Rotberg's draft Board paper on investment possibilities in the U.K. bond market. With Board agreement the Bank might invest about \$200 million, presently invested in short-term U.K. Treasury bonds, in 10-12 year bonds with higher yields.

Mr. McNamara said that the Bank's net income forecast for FY71, earlier estimated at \$220 million, would perhaps be about \$10 million - \$14 million lower. This was another evidence of the Bank's poor financial forecasting techniques. Its accounting procedures needed improvements.

Mr. McNamara reported on last week's meeting on the FY71 Lending Program. Unexpectedly unutilized work capacity appeared to exist in the irrigation divisions of the Agricultural Projects Department. A new revision of the FY71 Lending Program was issued on July 31, with a second revision to be circulated on August 10.

Mr. Friedman said he expected to have a revised version of the external debt study ready by August 7.

Mr. Demuth reported that Mr. M. Hoffman had represented the Bank at a DAC meeting in Paris last week. It had discussed the so-called Eppler paper on aid coordination, which had focused attention on the need for stronger central efforts to collect information about development, joint statement by prospective donors on development objectives they would support, comprehensive development program prepared by the country concerned, and new types of aid coordination meetings. The U.K. delegate had vigorously attacked the paper and instead had proposed discussion on the basis of Mr. McNamara's Board Memorandum on aid coordination. The other delegates had subsequently also objected to the Eppler paper and thus no further discussion was likely to follow.

Mr. Clark reported that Governor Hoffmeyer was anxious to use radio and television coverage to enlighten the Danish public about the work of the Bank. Excerpts of Mr. McNamara's interview for Italian television, taped earlier this year, were to be used. Arrangements were also being made for Danish TV to interview both Mr. McNamara and Mr. Schweitzer in the beginning of September.

Mr. von Hoffmann reported that Codex Editorial had until next day to avoid bankruptcy proceedings. IFC could do little to influence the decision one way or the other. Mr. Paterson had left last night for Buenos Aires and IFC was making efforts to mobilize technical experts, perhaps from New York, to go to Argentina to evaluate the company's position. Mr. McNamara asked to be briefed about any new developments by end of business on Tuesday.

Mr. von Hoffmann also reported that he would meet next week in London with Union Miniere and other interested parties in the Congolese mining consortium. He also mentioned that a portfolio evaluation of IFC investments would be ready by the end of the week.

President has seen



Mr. McNamara said he had asked Mr. Twining to review discrepancies between the Bank and the Fund with respect to employment compensations. He had also asked that Administration Department review the Pension Plan arrangement.

Mr. Aldewereld reported that a new central bank bond issue (about \$175 million - \$200 million) was being proposed.

Mr. Aldewereld mentioned that a Bank expert would visit U.S. utility companies which had had experience with non-U.S. suppliers for nuclear power projects in order to discuss the performance and capabilities of these suppliers.

Mr. Aldewereld mentioned that an external analysis of the Pension Plan's investment portfolio had showed that its performance could only be rated "average" relative to other similar pension plans. It was likely that the management of the Plan's investments would be transferred to two different firms. The structure of the Plan and its funding would also be re-examined.

Mr. McNamara pointed out that the Pakistan delegation had strongly objected to what they considered their inadequate share of the FY71 IDA program. The British ED had expressed concern about this. The reasons for the lower FY71 amount were that Pakistan's performance had not warranted a higher level, and that the FY70 program had in the first place been somewhat higher than scheduled--due to unusual circumstances.

Mr. McNamara asked Mr. Knapp to advise him on the suitability of Area Departments releasing the Bank's Five-Year Country Programs to governments concerned. He had recently noticed that the South America Department had done so in the case of Argentina.

LEC



President's Council Meeting, August 31, 1970

Present: Messrs. McNamara, Aldewereld, Broches, Friedman, Sir Denis, Shoaib, Cope, Clark, Ripman, Gaud

Mr. Friedman reported that the statistical appendices to the external debt study would be ready in about a week's time. Mr. McNamara mentioned that, in view of Mr. Friedman's departure, he had asked Sir Denis to assume responsibility for all further work on the external debt study. The staff work would be undertaken by the P&B Department. Sir Denis would accompany Mr. Friedman to the CIAP meeting on Thursday (September 3). Mr. McNamara asked that prior to that date Sir Denis and Mr. Friedman review with him the position the Bank should take at the meeting. He was particularly concerned that the final study address itself explicitly to the question of what action international agencies should take prior to the point when a country experiences an external indebtedness crisis.

Sir Denis reported on meetings within the British Government in London the previous week regarding the future status of the present Ministry of Overseas Development.

Mr. Broches mentioned that The Hague meeting of the International Law Association had addressed itself to the problem of seabed developments. At the meeting it had been suggested that the Bank might be used as a trustee for funds allocated to the developing countries for this purpose.

Mr. Aldewereld reported on the status of the FY71 and FY72 lending programs. Mr. McNamara pointed to Mexico as an example of the need to strengthen the FY71 program. While it was not important in itself to achieve a specific lending target, it was quite clear that Mexico was in need of large volumes of external capital, particularly when it was accompanied with the type of technical expertise the Bank could provide. Mr. Aldewereld pointed out that the FY72 program, on the other hand, was both too large in volume and also contained too many projects. Mr. McNamara asked him to review the FY72 program with respect to the IDA content. Mr. Cope should also review plans for over-all IDA allocations if an annual IDA program of about \$950 million per annum could be assumed from FY72 on.

Sir Denis reminded Mr. McNamara of the need to arrange for semi-annual consultations with Part I countries with respect to proposed IDA allocations. Mr. McNamara agreed that this should be done.

Mr. Aldewereld mentioned that the two-year bond issue had received a very favorable response and that a public issue might soon be made in Germany. On the latter point he would talk to Mr. Hankel during the Annual Meeting.

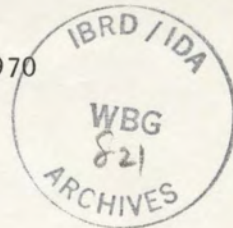
Mr. McNamara pointed out that with respect to the auditing of the Bank's operations significant progress had been made with respect to the external audit arrangement, the internal audit controls and administrative efficiency. In addition it had been decided to establish a small unit in the P&B Department to review the end results of Bank and IDA operations. He asked Mr. Aldewereld to have an announcement to this effect drafted by Wednesday. It should also be reviewed by Mr. Broches and ought to be written in such a way that it later could be used for possible submission to the U.S. Government, or to other Part I countries.

Mr. McNamara mentioned that he had visited with the so-called "5:30 Group" on August 13. It had been an extremely interesting meeting and from it he had concluded that there was an immense interest by the staff in Bank policy matters, perhaps more so than in other organizations which he knew. Many of the staff felt that they were left out of the decision-making processes or at least that they were being kept uninformed on these matters. He suggested that other PC members respond positively to future requests to meet with the Group.

LEC President has seen



821/6/7  
September 16, 1970



President's Council Meeting, September 14, 1970

Present: Messrs. McNamara, Knapp, Broches, Shoaib, Chadenet, Gaud

Mr. McNamara asked the PC to meet for a special meeting on Saturday, September 19, at 10:00 a.m. in his suite at Hotel Royal in Copenhagen.

Mr. Gaud mentioned that, with respect to the CODEX Editorial project in Argentina, the long awaited court order had now become effective.

Mr. Gaud mentioned that he had recently met with the "5:30 Group" and had enjoyed a lively and interesting discussion.

Mr. Gaud reported that Mr. Manghi had been elected President of the new African investment company, SIFIDA. IFC had been asked to participate in this venture. Mr. McNamara said that, before Mr. Gaud approached the EDs on this matter, he wished to decide whether it would be in IFC's interest to respond positively to such a request. He said he planned to meet with Mr. Gaud some time later in the week.

Mr. Knapp reported that the Bolivian Government appeared to have been able to settle its disputes with the Gulf Oil Company.

LEC

President has seen



821 16/8

October 30, 1970

President's Council Meeting, October 5, 1970

Present: Messrs. McNamara, Broches, Chenery, Demuth, Shoaib, Cope, Chadenet, Ripman, Gaud

Mr. McNamara pointed out that during the last few weeks many delays had occurred in the schedule for project presentations to the Board. Perhaps one reason was that several Department Heads had been absent from Headquarters in this period, but in such cases the Deputy Directors ought to expedite matters promptly on their own. Mr. Cope was asked to mention this matter to Mr. Knapp who should ensure that it was fully understood by all Department Heads. Mr. McNamara would talk to Mr. Aldewereld about this before he left for Yugoslavia.

Mr. McNamara mentioned that he had asked Mr. Chenery to be responsible for drafting policy papers on program lending and local currency financing. These draft papers, following up on work already done by Mr. Cope, should be ready for Board discussion before the end of the year. Mr. McNamara also mentioned that he had asked Mr. Chenery to review the proper functions of the Economic Committee and to reconstitute it, if necessary. Mr. Gaud thought it might be useful for IFC also to be represented on the Economic Committee. Mr. McNamara did not think regular membership would be required but agreed that IFC's economic work should be closely coordinated with that of the Bank. He also said that Mr. Chenery would take over full functional control of work in the economic field and that a new department, the Economic Program Department, would be set up for the purpose of coordinating and planning these activities, including the scheduling of missions. Messrs. Chenery and Demuth would meet to discuss the Bank's relationship with other international agencies in this field.

Mr. McNamara pointed out that many prominent Chileans were leaving Chile. The Bank should see if it could employ competent economists such as Raul Saez and Luis Escobar. Mr. Ripman was asked to follow up on this matter.

Recent Congressional hearings had revealed ignorance about the tax status of Bank staff and also about the Bank's relationship with the Bretton Woods Country Club. He had asked Mr. Lind and Mr. Broches to write technical notes on these questions. A recent Business Week article had also revealed lack of understanding of Bank operations. Mr. McNamara suggested that the PC members read this article which, among other things, referred to a large backlog of undisbursed Bank projects. Mr. McNamara would meet with Messrs. Aldewereld, Adler, Gabriel and Clark on this point --soon after he returned from Ethiopia.

Mr. Demuth mentioned that last week's meetings in Paris and Bonn on the proposed international agricultural research consultative group had revealed that the French might be interested in joining and that the Germans, while still negative, at least would not wish to block Bank efforts in this field. Mr. McNamara suggested that a new Board paper be issued pointing out that there now was no opposition to the Bank playing an active role in this field.

Mr. McNamara said he wished to meet with Messrs. Demuth, Ripman and Lejeune after his return from Ethiopia to discuss what could be done to handle the project management problem in Kenya, Tanzania and Uganda. While institutional reforms were extremely important in Bank Group projects, it was necessary to select very carefully only those institutional improvements which were required to ensure a successful project. He would also wish to review what action the Bank, as a special case, ought to take with respect to the "topping-off" of salaries in these three countries.

Mr. Gaud referred to the proposed Dutch contribution to IFC's capital. He said he would discuss this issue further with Dr. Lieftinck.

President has seen



During the Annual Meeting it had appeared that SIFIDA had run into serious problems with respect to management. Mr. Matarhi of Tunisia was strongly favored by French-speaking countries. In Peru where a renewal of the Anaconda concessions was being discussed, as they were due to expire at the end of the year, IFC had asked the Government if it desired IFC equity participation in this project. Mr. McNamara commented that the present Government seemed more responsive to long-term development problems in Peru than the previous regime. Messrs. Knapp and Cope were asked to review what the Bank could do in Peru to activate our lending program.

Mr. Gaud thought that the meeting of the IFC Advisory Committee in Paris last week had revealed that it had played out its usefulness. Serious consideration should now be given to reconstituting this Committee.

Mr. Chadenet reported that agreements had been reached with Kenya, Tanzania and Uganda that the Bank should carry out a comprehensive pre-investment mission for these three countries. In the case of Tanzania this would be done in two stages.

Mr. Broches mentioned that IIIA proposal would be discussed by the Board on Thursday. The Governors' speeches at the Annual Meeting had revealed a greater interest in this scheme than he and his staff had anticipated.

Mr. McNamara pointed out that Sir Denis and Mr. Adler were now working full time on the external debt study. They had already prepared an outline for their work program.

Mr. McNamara finally mentioned that the U.S. Government had expressed its concern about the criticism which had been expressed by him in his opening speech in Copenhagen about the inadequate U.S. aid performance. On the other hand he noted that a surprisingly large number of favorable press comments had arisen on this point in his speech.

LEC



821/6/9  
November 3, 1970  
President's Council Meeting, November 2, 1970

Present: Messrs. McNamara, Knapp, Broches, Chenery, Demuth, Shoaib, Chadenet, Clark, Twining, Gaud

Mr. Knapp reported on his visit to Mexico where he had met with the new President-Elect and his advisors. Discussions had been very useful and the new economic team seemed in full support of the findings of the recent Bank economic mission. They were also quite impressed with the work of the recent Bank transportation mission. A new Institute of Foreign Commerce had been set up to undertake, among other things, an analysis of the potential usefulness to Mexico of the LDCs preference scheme for imports to the industrialized countries. Mr. McNamara asked Mr. Chenery to find out what information USAID or international organizations, such as GATT, had with respect to the over-all impact of such a preference scheme on industrial output and capacities of developing countries.

Mr. Chenery mentioned that the first draft of the policy paper on program lending, incorporating proposals for local currency financing, was ready. Mr. McNamara commented that plans were needed for the role of program lending in the Bank's five-year lending program and also agreement on which countries should receive such kind of loans.

Mr. Chenery believed that the Bank's economic reporting system was in need of re-examination, particularly in view of its apparent high costs. He thought better economic reports would result with an increase in the number of resident missions. Mr. McNamara asked Mr. Demuth to review the need for future organizational changes, particularly in light of the cutbacks of USAID missions. Mr. Gaud thought a move towards more regional Bank offices was inevitable, but felt it should be combined with better use of other organizations, such as the regional development banks. Mr. Chenery agreed. Mr. McNamara asked Mr. Demuth to include an analysis of these points in his study.

Mr. Demuth reported on last week's meetings at the UN. Several agency heads believed the UNDP had gone too far with their country programming exercise and with the proposal for a reorganization of the Headquarters. Mr. Hoffman would be re-nominated for one or two years more. The new Advisory Panel, headed by David Morse, had so far not received an adequate terms of reference and, with the proposed inclusion of a large number of ex officio members, among them the heads of the regional commissions, it was likely that some confusion might arise with respect to the effectiveness of such a panel.

Mr. Demuth mentioned that preliminary discussions in New York with WHO officials about a possible Bank/WHO Cooperative Program had proceeded satisfactorily. An agreement would likely be negotiated in early January 1971.

Mr. McNamara thought it imperative that the Bank do its best to help ensure that UNDP country programs become effective. The Bank ought to participate fully in the formulation of these programs by working closely with the UN ResReps to ensure that the project content responded to the needs of the recipient country. Mr. Chadenet was asked to prepare a paper which would take a "second" look at the Bank's inventory of knowledge about pre-investment work. Messrs. McNamara and Knapp would then subsequently meet with Messrs. Chenery and Chadenet to see what further action the Bank should take.

Mr. McNamara asked Messrs. Demuth and Chadenet to review whether the scope of the FAO Cooperative Program should be increased in line with recent FAO proposals.

President has seen



Mr. Twining reported that the Annual Personnel Review was in the final stages of evaluation. Mr. McNamara commented that Administration Department should keep close watch on any differences which exist or may arise in Personnel policies, particularly employment compensations, between the Bank and IMF. Whenever changes in such benefits were recommended to the Board, any difference with those of the Fund should be duly spelled out.

Mr. Clark mentioned that the recent visit by a group of German Parliamentarians had been successful. He expected that similar visits might be arranged by other member countries. Mr. McNamara agreed and said that three or four groups a year should not pose too much strain on Senior Staff. He was also inclined to believe that it would be useful to have ministers from developing countries come to Washington for purposes of similar discussions, including airing any possible conflicts which may arise between member governments and the Bank. Each group should be limited to no more than 15 at a time. The U.S. Congress should not be excluded from future plans in this respect.

Mr. Chadenet reported that the new Ecology Advisor, Dr. Lee, had taken up his full-time duties at the Front Office of the Projects Departments. Subsequently a panel would be set up to help the Bank establish a proper procedure for validating each project proposal. Mr. McNamara mentioned that in meetings at Cal Tech last weekend he had been impressed with the quality of the work done in the field of environment and suggested that Professor Lester Lees of Cal Tech be considered as a candidate for the panel.

Mr. McNamara asked Mr. Chadenet to prepare a note on the potentials for mineral surveying in the more important of the developing countries. He was not sure that it was in the best interests of the country to leave the matter of mineral surveying to be determined by private corporations. Mr. Chadenet was also asked to talk to Mr. Isbister about the experience which Canada had gained in this field.

Mr. McNamara mentioned that earlier in the morning he had met with Mr. Gardiner who had raised the matter of the Bank's interest in promoting regional highway schemes in Africa. Mr. McNamara asked the Transportation Projects Department to prepare a note on the East-West Highway, the West African road network, and the Trans-Saharan road. Mr. Gardiner had also thought the African Development Bank should be reorganized and that IBRD should help in this effort. Mr. McNamara had said that he would gladly respond if formally approached by the AfDB.

Mr. McNamara then briefly reported on his visits to Yugoslavia and Ethiopia.

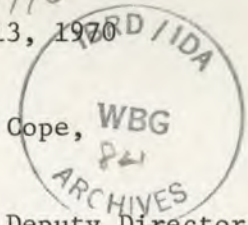
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821/6/90  
November 13, 1970

President's Council Meeting, November 9, 1970

Present: Messrs. McNamara, Broches, Chenery, Demuth, Rickett, Shoaib, Cope, Chadenet, Clark and Gaud



Mr. Chenery reported that Mr. Lerdaud had accepted the job as Deputy Director of the new Economic Program Department.

Mr. McNamara said the Bank had to be sensitive to criticism of the Bank's so-called "Anglo Saxon" image. He asked Administration Department to prepare by Thursday a note showing the national origin of IMF versus Bank staff.

Mr. McNamara also asked Administration Department to prepare an analysis of the adequacy of the Bank's translation facilities. Before finalizing the note, Mr. Twining should talk to the EDs most concerned (Messrs. Kochman, Tazi, Barco, Mey and Lajous). Mr. Gaud commented that recent experience with the IFC Annual Report had shown that its Spanish and French translations, as drafted by the Translation Unit, had been totally inadequate. Mr. McNamara said there were two separate issues involved: first, the determination of which documents should be translated, and second, the quality of translations.

Mr. Demuth said that the Consultative Group for the financing of international agricultural research was expected to hold its first meeting in the second week of January.

Mr. McNamara noted that the Bank's relations with the UAR had reached a difficult point. He asked Mr. Shoaib to talk with Mr. El Emary to see what could be done to break the deadlock which now existed in the discussions between the U.S. and UAR.

Mr. Broches noted that the recent meeting with EDs on the IIIA had not turned out to be as promising as he hoped. Mr. McNamara commented that several EDs had told him they felt there was a need to clarify the financial plan of the proposal. He asked Mr. Broches to prepare a simple presentation of the proposed financial plan, including reference to the amount of contributions which would be made by each developing country. Mr. Broches would complete this within a week.

Sir Denis reported that the opening of the new Bank office in Tokyo had been successful.

Mr. Broches said that discussions regarding a possible Bank bond issue in The Netherlands had been completed. It was expected that Mr. Aldewereld would report it to the Board on November 17. Mr. McNamara asked Sir Denis to talk to Mr. Rotberg to find out whether the other proposed bond issue in The Netherlands would be in the Bank's interest. He was unsure why the Dutch had proposed a "narrow" issue. Since it was not to be listed and since it would only be sold outside The Netherlands, it might compete with other Bank issues in Europe. Mr. McNamara was anxious to ascertain what impact such an issue might have on the Bank's ability to borrow in other capital markets.

Mr. McNamara said that he would wish to discuss the Bank's lending posture towards Peru with Messrs. Broches, Cope and Alter. Since U.S. firms appeared willing to put more capital into Peru and since several prominent U.S. citizens believed that Peru was justified in the way it had handled the IPC case, he wanted to make sure that the Bank had considered carefully the alternatives open to it.

Mr. McNamara pointed out that the Bank had received some criticism because its telephone book was classified. He asked Mr. Clark to work with the Projects and Administration Departments to ascertain how the telephone book could best be made available outside the Bank.

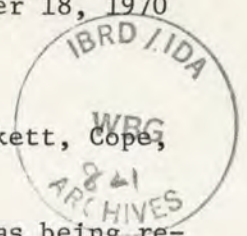


821 16/11

November 18, 1970

President's Council Meeting, November 16, 1970

Present: Messrs. McNamara, Aldewereld, Broches, Chenery, Demuth, Rickett, Cope, Ripman, Lind, Gaud



Mr. Chenery reported that the draft program lending paper was being revised. Mr. McNamara asked Mr. Aldewereld to review carefully this draft and submit his comments as soon as possible. In view of the importance of the paper, Mr. McNamara thought the Board should be given ample time to read it. A Board meeting should be scheduled no earlier than three weeks after its distribution.

Mr. Chenery said he would like to set up a study group to review the present system of economic reporting. Mr. McNamara commented that there were two different objectives which the Bank should try to achieve: first, assure that the Bank for its own purposes was adequately informed about economic matters in member countries, and second, help other international agencies utilize the Bank's country economic reports and thus prevent duplication of economic reporting. Mr. McNamara asked that the study group make recommendations along two different alternatives: (a) assuming a large increase in the number of resident missions (Mr. Demuth will be studying this possibility over the next few months) and (b) on the basis of the present method of sending missions out from Headquarters. Mr. McNamara also mentioned that the ECOSOC meeting last week had revealed that there were strong pressures towards only allowing one agency per country to write country economic reports.

Mr. Demuth reported that the Bank's day at ECOSOC had been conducted in a very friendly atmosphere. Several countries had urged more program lending, but only a few had voiced support for the Supplementary Finance scheme.

Mr. Ripman said there had been complaints about the travel services provided by American Express. He was reviewing this matter.

Mr. Ripman also mentioned that the French Alternate ED in the Fund had proposed that the Pension Plan be amended to allow participation beyond the age of 65.

Mr. Aldewereld reported that the Swiss issue had been very successful. New issues in Germany and Belgium, and possibly also the U.K., were imminent.

Mr. McNamara said he had asked Mr. Alter to proceed with the project work in Chile and not use the recent change of Government as a reason to delay projects in the pipeline. He asked Mr. Cope to make particularly sure that the pending live-stock project would be processed on schedule and asked that a note be prepared for him on its timetable.

Mr. McNamara asked Messrs. Broches, Demuth, Cope and Alter to meet with the new Alternate ED from Peru who was returning from Lima this week, and thereafter propose what the Bank's next step should be.

At the last Board Meeting, Mr. Tazi had questioned the adequacy of the Bank's translation facilities. Mr. McNamara had asked Mr. Twining to report on this matter but said he would like Mr. Demuth to assume over-all responsibility for the translation services. While the Bank should avoid the rather rigid UN system, at least it ought to translate promptly documents which are important to Bank operations.

Mr. McNamara asked Mr. Broches to note that Singapore had asked to host the 1973 Annual Meeting.

President has seen



Mr. McNamara said that prior to his meeting with Mr. Perez-Guerrero last week, he and Messrs. Chenery and Demuth had agreed that the Bank should not do further work on the Supplementary Finance study. Mr. Perez-Guerrero seemed pleased to hear that the Bank would ask UNCTAD to continue the study.

Mr. McNamara asked Mr. Ripman to distribute to the PC the draft of the pension policy paper.

When he met with Mr. Staats and Secretary Kennedy last week, Mr. McNamara had noted that there was considerable interest in the Bank's new system of operational audits. He believed Mr. Willoughby's unit should be expanded. Mr. Aldewereld was asked to discuss this matter with Messrs. Chenery, Adler and Willoughby and then report back to Mr. McNamara their proposed action for such an expansion. Mr. McNamara suggested that the unit might conduct a sector analysis of past projects on perhaps more narrow lines than now was envisaged.

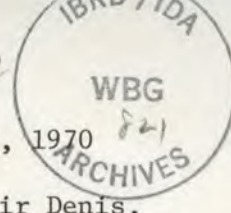
Mr. McNamara mentioned that over the next few months he would, at the Treasury's request, host lunches for Congressional delegations.

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President's Council Meeting, November 23, 1970

821/16/12  
November 24, 1970



Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Chenery, Demuth, Sir Denis, Adler, Clark, El Emary, Ripman, Gaud

Mr. Knapp reported on his trip to Turkey and Afghanistan. The Turkish Government, faced with a precarious political situation and severe budget problems, still hoped the Bank would agree to a program loan.

Mr. Chenery said that the draft annexes to the program lending paper would be discussed later in the day in Economic Committee. These would be distributed to the PC before noon on Tuesday. Mr. McNamara requested a meeting on Wednesday, lasting from 10:00 to noon, with Messrs. Knapp, Aldewereld, Broches and Chenery to discuss the draft policy paper. Another meeting would then be held on Friday, December 4, to finalize the Bank's position on this important matter. Mr. McNamara said that he had tentatively concluded that there were good reasons for program lending, but as a large demand for loans of this kind would arise once the Bank agreed to embark on such lending, it was necessary to spell out the lending criteria very carefully.

Mr. Clark said he would welcome suggestions as to changes in the format of the Annual Report.

Mr. Broches reported on his trip to Europe and said that formal Board approval for the second Dutch Bond issue would be needed by Monday, December 7. In light of that, Mr. McNamara decided to have Mr. Aldewereld inform the Board Tuesday about this pending issue and to seek its approval at a special Board Meeting on December 7 at 10:00 a.m.

Mr. Aldewereld reported that the latest meeting of the "slippage" committee had regrettably not resulted in any strengthening of the FY71 and FY72 programs. He also mentioned that interest rate levels in the U.S. capital markets had declined significantly in the last two weeks, and that the BIS had expressed an interest in lending the Bank \$150 million. Mr. McNamara asked Mr. Aldewereld to report on the latter point at Tuesday's Board Meeting.

Mr. Aldewereld was asked to mention the possibility of a new German issue at the Board Meeting on December 8.

Mr. Demuth mentioned that the U.S. ED had asked to be informed about Bank staff contacts with U.S. Government officials. Mr. McNamara thought this was a legitimate request and asked that Mr. Demuth mention it at the next Senior Staff Meeting.

Mr. McNamara said that in general staff should bear in mind that it was important to keep EDs well informed about the work of the Bank Group, particularly since many of them were new to the Bank. He had recently met with the Scandinavian ED who said he had met with difficulties when he tried to seek further information on the latest telecommunications loan to Iran. Mr. McNamara also mentioned that he had met with the AID Administrator last week who had expressed interest in closer liaison with the Bank. Dr. Hannah had suggested that Mr. Stern be the contact point in his organization and Mr. McNamara asked that Mr. John Adler undertake the similar duty on the Bank's side.

Mr. McNamara then reported on his meeting last Friday with Dr. Sen, resulting in agreement on a new procedure for handling the processing of Bank and IDA projects in India. (Minutes of that meeting were distributed to PC members.)

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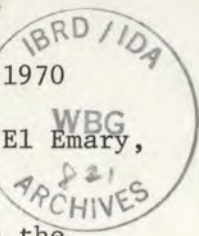
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President's Council Meeting, November 30, 1970

December 3, 1970

Present: Messrs. Knapp, Aldewereld, Broches, Chenery, Sir Denis, Adler, El Emary, Ripman, Clark



Mr. Knapp commented on the unfortunate reference to the Bank in the editorial on Mr. Herrera in the Sunday Washington Post.

Mr. Chenery reported that the first complete version of the draft program lending paper would be ready by the end of the day. It was agreed that a meeting would be held on December 4 at 4:00 p.m. to finalize the Bank's position on this paper.

Mr. Adler said that his staff was working on a revision of the country lending programs to establish the appropriate distinction between gross and net lending. Mr. McNamara asked Mr. Adler to distribute to Messrs. Knapp, Aldewereld and Chenery his analysis of past and future local currency financing. Prior to Board discussion on the program lending paper, he would wish to have up-to-date data on both local currency financing plans, and proposed program lending, for each of the 90 borrowing countries for which there were active lending programs.

Mr. Ripman asked whether Mr. McNamara would like to have a discussion in the PC of the draft policy paper on the funding of the Pension Plan. (It was subsequently agreed that it would be discussed in the PC on December 21, at which time Mr. Shoaib, Deputy Chairman of the Pension Committee, would be present.)

Mr. Aldewereld reported on bond issues in Holland, Belgium and Germany. Mr. Rotberg was presently discussing with BIS its offer to lend the Bank \$150 million for a two-year period. Mr. McNamara said there was no doubt that the Bank should accept this offer and suggested that it be made on similar terms to those of bond issues to central banks.

Mr. Aldewereld mentioned that the last monthly report on the FY71 lending program showed that total projects classified as of "high" and "medium" probability would be adequate to reach the estimated lending volume for this fiscal year. However, he warned that there would be a large "bunching" in the last quarter of the year when 88 projects were scheduled for Board presentation.

Mr. McNamara reported that many of the new EDs were unfamiliar with the Bank and may therefore cause some problems. He mentioned that the Scandinavian ED had been concerned about the Bank's role vis-a-vis UNDP.

Mr. McNamara asked Mr. Broches to ensure that the Board promptly elect members to the Audit Committee. Mr. Broches should also check on the implications to the Bank of the U.S. Congress not passing the IFI bill.

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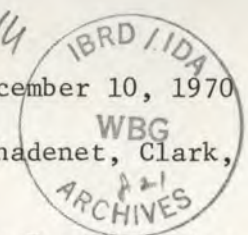
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President's Council Meeting, December 7, 1970

8276/14  
December 10, 1970

Present: Messrs. McNamara, Knapp, Broches, Demuth, Rickett, Adler, Chadenet, Clark, Kamarck, Ripman, El Emary, Gaud



Mr. Knapp reported on the proposed reconstruction project in East Pakistan. It was unusual in that it would be presented to the Board in the form of a line of credit rather than as a specific project and would, therefore, be somewhat more vague than similar assistance earlier to Peru and Nigeria.

Mr. Clark mentioned that the recent New York Times article on Bank assistance to East Pakistan had resulted from a briefing session arranged by his Department after it had heard that the New York Times had received grossly inaccurate information about what assistance the Bank proposed to undertake. Mr. McNamara said it was important for the Management to be informed of major news stories about Bank activities. He also urged the staff to avoid providing information to the press on details of Bank activities beyond what the Board had been informed or actually had approved.

Mr. McNamara mentioned that several Bank staff members had suggested that the Bank's Christmas Party should be cancelled and instead an amount equivalent to the cost of that party be donated to the relief efforts in East Pakistan. All PC members agreed with this proposal and also that Management should take a decision on this matter without asking staff to cast their votes. Mr. McNamara asked Mr. Ripman to remind him next summer of plans for future Christmas Parties.

Mr. Broches mentioned that several EDs had queried the distinction between development and reconstruction projects. Mr. Broches' position, with which Mr. Knapp agreed, was that the reconstruction phase of the Bank's activities had only applied to post World-War Europe and that this phase had been completed. In developing countries all Bank loans and IDA credits were for development projects, even though they might result from reconstruction needs after natural calamities, such as in Peru and East Pakistan. Mr. McNamara said that the Bank did not have a clear policy on this point and asked Mr. Demuth to remind him to review it at a later time.

Mr. Demuth mentioned that it had been apparent from the DAC meeting in Paris last week that the French and German Governments were cooperating closely on their positions with respect to aid coordination. Both countries also requested that the Bank host a meeting on its future plans for consultative group arrangements. They did not favor such a discussion under DAC auspices, nor did they wish to have pledges solicited from donor countries at consultative group meetings.

Mr. Clark reported that he would send a memo to the Board regarding the next Annual Report. He proposed to play down the discussion of international trade issues and concentrate instead more on industrialization policies. The Board would be asked to agree in general terms to the content of Part II of the Report but not to edit it.

Mr. McNamara said that the U.S. had reversed its position on the proposed new method of Bank transfers to IDA. The U.S. had pointed out that its objection only referred to this year's Bank transfer, since it related to the Second Replenishment period, and that it would not oppose a similar proposal next year.

Mr. Gerin-Lajoie, the new head of CIDA, had met with Mr. McNamara last week and asked that the Bank send a team of senior officers to Canada to advise the Government on how to provide an adequate organizational structure and policies for their proposed expanded aid program. It was agreed that Mr. Demuth would undertake to do so together with four or five other senior staff members and that they would be prepared to go to Ottawa within the next four-six weeks.

Mr. McNamara then reported on last week's meetings at the Rockefeller and Ford Foundations.

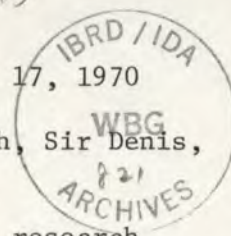
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President's Council Meeting, December 14, 1970

December 17, 1970

Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Chenery, Demuth, Sir Denis, Adler, Ripman, Lind, Gaud



Mr. Chenery said he was in the process of reviewing economic research activities within the Bank.

Mr. Gaud reported from an ICC-UN meeting in Paris last week. There had been considerable support for the Bank's initiative in establishing IIIA and also several requests that the Bank sponsor regional meetings on bilateral investment treaties. He also said it was evident that a major problem for LDC exports was their marketing capabilities. Perhaps the Bank Group should help to provide assistance to LDCs. Mr. McNamara asked Mr. Aldewereld to have the Projects Department prepare a note on this point.

Mr. Adler reported that it appeared unlikely that the U.S. Congress would pass the necessary IDA legislation by June 30, 1971. Mr. McNamara asked Sir Denis to arrange through Mr. Wiczorowski a meeting with Mr. Petty and other Treasury officials. He would also wish to meet later in the week with Sir Denis and Messrs. Knapp, Aldewereld and Broches to discuss alternative action plans for the ratification of the Third Replenishment.

Mr. Ripman mentioned that the Christmas Party cancellation had involved lower costs than he earlier had expected. Since the hotel had agreed to no cancellation fee, the total cancellation cost would be only about \$3,000. Some staff members had been very unhappy about the cancellation and had pointed out that with respect to social affairs the Bank compared badly with the Fund. There was also renewed demands for a staff association. Mr. McNamara asked Mr. Ripman to prepare a report on the use of staff associations in other international organizations and among major private foundations in North America and Europe. It was clear that the Christmas Party was held to be an important event by Bank staff and that therefore future Christmas Parties should under no circumstance be discontinued. It was imperative to find the appropriate form in which to hold such a party.

Mr. McNamara asked Mr. Lind to report on press coverage in member countries on the cancellation of the Christmas Party.

Sir Denis said that the CIAP debt study would be ready in draft form within the next day.

Mr. McNamara asked Messrs. Demuth and Lind to set up a reporting system on press and other criticisms against the Bank. Perhaps a note should be sent to the staff to ask them to collect such information.

Mr. Aldewereld said that the bond issue in Holland had been postponed. A report on proposed improvements in Bank's supervision functions, and another report on disbursement delays, would be sent to Mr. McNamara by the end of the day.

Mr. McNamara said that the program lending paper would be sent to the Board on Tuesday.

Mr. McNamara asked Mr. Ripman to check on UN and U.S. Government proposals for a general salary increase at the beginning of the year. He should particularly review whether it would be appropriate for the Bank to lag behind the U.S. Government by about four months in this respect.

Mr. McNamara then asked for PC opinions and subsequently decided that the Bank would give two half-days off to Bank staff in the afternoons of Christmas Eve and New Year's Eve.

President has seen LEC



Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Chenery, Demuth, Shoaib, Adler, Ripman, Lind, Gaud



Mr. Chenery thought the Bank appeared to have an inadequate supply of medium-level economists. He had noted that whenever promotions were to be considered he was always presented with a rather small list of potential candidates. Mr. McNamara said this was a difficult problem. Perhaps not enough young staff members were being considered for promotions. He was not sure he agreed with Mr. Chenery's conclusion that there was a need for large-scale outside recruitment for medium-level economists. If more young economists were given opportunities to assume higher job responsibilities, and if a more efficient "select out" method was pursued, there was possibly not as much need for lateral entries. He asked Mr. Chenery to discuss the matter with Mr. Ripman and propose how the Bank could overcome this bottleneck.

Mr. McNamara said that he would wish to re-examine the Bank's policies and procedures with respect to employment terminations. There were perhaps too many staff members who had reached a stage where no further promotion possibilities existed. He asked to be reminded of this point some time in the new year.

Mr. Adler reported that Mr. Willoughby, who had visited Colombia to discuss the Bank's work program on end-use project evaluations, had had an excellent reception by the Government. Mr. McNamara pointed out that in view of its delicate nature Mr. Willoughby should proceed very carefully with his study.

Mr. Aldewereld mentioned that the lending program for FY71 was still uncertain, particularly with regard to IDA projects in India, and Bank projects in Brazil and Mexico. Mr. McNamara wondered if it would be appropriate to mention in the semi-monthly reports to the Board which delays were being caused by governments of the recipient countries. Mr. Aldewereld said that a paper would be ready for Mr. McNamara by Wednesday on the outlook for the FY71 lending program.

Mr. Knapp mentioned several delays recently encountered in Indonesia with respect to the effectiveness of IDA credits. Mr. McNamara asked Mr. Knapp to have Messrs. Goodman and Bell work out a system of monthly reports on this bottleneck.

Mr. McNamara asked Mr. Knapp to contact the management of the ExImBank to find out whether any operational issues hampered relations between the two institutions.

He also asked Mr. Aldewereld to review progress under the Indus Basin project. There had been rumors within the U.S. Government of corruption and misadministration under this project.

Mr. McNamara then mentioned that Mr. Bell had said he wanted to accept the offer to head the new Economic Program Department on the understanding he could continue in his job in Djakarta for another nine months, and provided his successor could overlap with him for a period of at least 90 days. It was agreed that Messrs. Shoaib, Chenery and Ripman would determine whether it would be possible to find a suitable replacement for Mr. Bell within the next three months. Should this not be possible, the EPD Directorship should be offered to another candidate.

Mr. McNamara asked Mr. Adler to revise by January 4 the draft paper on the Bank's lending rate. Standard reference tables should also be updated.

Mr. McNamara mentioned that at the next PC meeting he would wish to discuss problems associated with Bank Group salary increases.

The PC finally discussed a draft policy paper on the staff retirement plan. (See separate minutes.)



Addendum to PC Meeting Minutes on December 21--discussion of draft policy paper  
on the Staff Retirement Plan, dated November 10, 1970

The following conclusions were reached:

- (a)        Para 2a                    -- Agreed.
- (b)        Para 2b                    -- No agreement reached. Mr. Ripman would produce alternative proposals on this point.
- (c)        Para 3a                    -- The 5% figure was acceptable for the next 12-month period. However, it should be reviewed again next year and Administration Department should state more explicitly the reasons which justified the percentage figure used.
- (d)        Para 3b                    -- Agreed.
- (e)        Para 3c(i)                  -- Agreed.
- (f)        Para 3c(ii)                -- The 90% figure seemed too high. A moving annual average should be considered. Mr. Ripman would find out what practices other pension plans followed on this point.
- (g)        Para 4                        -- Agreed. (The amounts paid by the Bank to the retirement fund for cost-of-living increases should be taken into account when the appropriate general salary increases were being considered.)

It was further agreed that Mr. Ripman would review with Mr. Knapp present policies regarding withdrawal benefits under the plan. Mr. McNamara also said that whenever any PC member had any doubts about the adequacy of any provision in the existing retirement plan arrangement, they should call this to Mr. Ripman's attention and suggest a discussion in a PC meeting.

LEC  
December 22, 1970