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President's Council Minutes
Jan. - June 1969

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Records of President Robert S. McNamara President's Council minutes - Minutes 03

Folder 3

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President's Council Meeting, Monday, January 6, 1969

Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Demuth, Friedman, Wm. Clark, Ripman

Mr. Knapp announced that the paper on preference for domestic suppliers had been revised and would be backed up by statistical research. It would be ready in a few days.

Mr. Friedman advised that the draft paper on World Bank Group support for industrial financing had drawn critical comments within the Bank. It was now being reworked. Mr. McNamara emphasized that he did not propose to submit this paper to the Board in the near future. As far as the upcoming Falconbridge Nickel project in the Dominican Republic was concerned, the particular issues pertaining to this project should be extracted and submitted to the Board without raising any general issues of industrialization policy and terms of industrial lending.

Mr. Friedman reported he was working on performance standards taking into account, among other things, work done by CIAP. Mr. McNamara showed particular interest in the relationship between optimum economic performance and political feasibility and hoped that the study would address itself to this aspect.

Mr. Clark mentioned that a group of reporters were at present visiting Colombia for two weeks under the egis of his Department. It was suggested to shorten the trip to one week next year in order to get the more influential newspaper people who could not absent themselves from their offices for an extended period of time.

In reply to a request by Mr. McNamara, Mr. Broches stated that the Federal Reserve System does not have authority to hold any kind of World Bank obligations. Mr. Broches promised to send Mr. McNamara a memorandum on this matter.

With respect to UAR debts, Mr. McNamara advised that Eugene Rostow had called to say that the UAR had not made reasonable efforts to settle their debts with the United States. Mr. Rostow had promised to send papers supporting his position. It was agreed that Messrs. Broches and Lejeune would instruct their associates to work together on this matter.

Mr. McNamara asked Mr. Nurick in Mr. Broches' absence to report tomorrow to the Board meeting and Senior Staff on the status of the Congo conciliation and to recapitulate the steps taken so far. He also asked to distribute copies of the Aide Memoire to the Board.

Speaking about the bond market, Mr. McNamara informed the Council that the Bank had received permission from the Treasury to borrow in the U.S. market but had decided not to use this permission at this time despite advice to the contrary by its underwriters.

Mr. McNamara asked Mr. Ripman in cooperation with Messrs. Aldewereld, Demuth and Clark to draw up a plan for a Paris Office with an annual expenditure not exceeding \$200,000. He stated that the cost of the present setup in the Paris Office was estimated to be \$900,000 in 1969. It would be sufficient to finish the study early in March.

Mr. McNamara also asked Mr. Ripman to examine, as soon as practicable, possible cost-of-living increases for Bank staff. The U.S. Government was alleged to increase on July 1 civil service pay for professional staff by about 12% on account of increased cost-of-living.

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ROBERT S. MCNAMARA

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President's Council Meeting, Monday, January 13, 1969

Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Demuth, Friedman, Wm. Clark

The meeting discussed the press release to be drafted covering the latest Industrial Imports Credit to India. It was decided to make it a one-paragraph routine statement.

Mr. Friedman mentioned today's Economic Committee meeting on Commodity Stabilization. Mr. McNamara asked Mr. Friedman to lay out a schedule of all future Board seminars. Mr. Friedman promised to do so adding that one meeting had already been scheduled for January 24 and he, Mr. Friedman, would make every effort to get the papers out immediately for this meeting. The month of January would be devoted to the issuance of all the materials on commodities for Board discussion in late January and early February in a series of closely spaced seminars. Papers on policy and action would be discussed by the Board in seminars in the month of February. Mr. McNamara pointed out that it was essential now to get the principal governments involved in studying the problems and looking for solutions. He would like to sit down after March 1 with Messrs. Friedman, Knapp and Broches to decide on possible Bank actions in the light of Board discussions. Subsequently, some thought would have to be given to the legal implications of any policy decision.

Mr. McNamara reported that the U.S. had raised questions concerning the Senegal groundnut and the New Guinea oil palm projects. He asked Mr. Knapp to make sure, through Mr. Oliver, that the U.S. had dropped its concerns relating to the Senegal groundnut project. Mr. Evans was asked to prepare for the Papua and New Guinea project, before the end of the day, on one piece of paper, a series of prices, the resulting rates of return and the major elements in the calculation of these rates of returns.

Mr. Broches reported he had arranged for Etienne Hirsch to serve as a consultant to Mr. McNamara in his capacity as good officer in the Union Miniere/Congo dispute and Mr. McNamara outlined his travel plans to visit Senegal, Ivory Coast en route to the Congo in early February.

Mr. Aldewereld advised that he was off on a visit to Germany for talks with our bankers and, in particular, to discuss with Blessing an increase in the upcoming two-year bond issue to \$175 million. On his return, Mr. Aldewereld would prepare a background paper for future contacts with central banks.

Mr. McNamara mentioned the willingness of Deutsche Bank to float another World Bank issue in January in Germany and Schöllhorn's advice that the market was clogged at present.

Mr. Broches thought it was desirable to hire counsel in Germany for future legal work in connection with our money raising activities and Mr. McNamara asked him to go ahead.

With respect to the ongoing revision of the five-year plan, Mr. Aldewereld reported on an excessive accumulation of loans and credits to be processed in May and June 1969 and May and June 1970. He would give this matter special attention.

Mr. McNamara expressed the hope that the Board would act on salaries of Executive Directors at its meeting tomorrow.

Finally, Mr. McNamara voiced concern about delays in the processing of the \$10 million agricultural credit to Indonesia. Mr. Adler would be asked to prepare a schedule of actions.

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President's Council Meeting, Monday, February 3, 1969

Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Demuth, Friedman, Rickett, Shoaib, Clark, Ripman, Rosen

With respect to the paper on interest rates which was recently circulated to the Board, it was decided to treat it as an information paper only. Mr. Broches would check the verbatim records of previous discussions to make sure that the President of the Bank had not previously undertaken to discuss this paper at a Board Meeting.

Mr. McNamara asked Messrs. Broches and Friedman who would attend the upcoming Amsterdam meeting on private investment to obtain a complete transcript of the proceedings for Mr. Demuth. He had asked Mr. Demuth to arrange for a study of external financing of industrialization, ways to stimulate private investment in developing countries and the role of the World Bank Group in this field. Mr. William Gaud would work on this study as a temporary consultant to the Bank.

Mr. McNamara drew the Council's attention to a press report which quoted the Bank as recommending Colombia as a special case for program lending. Both he and Mr. Knapp agreed that the World Bank was not considering any program loan to Colombia for fiscal years 1969 and 1970. Such press reports, Mr. McNamara concluded, were particularly harmful at a time when the U.S. Congress was seeking a replenishment of IDA funds.

Mr. McNamara mentioned that in about 18 months to 2 years the Bank's funded debt would reach the amount of the U.S. guarantee. It appeared to him that the Bank had two alternatives: either to raise the U.S. guarantee or to convince the investment community that the Bank's credit standing did not exclusively depend on a U.S. guarantee. Mr. Aldewereld was asked to prepare, by April 15, a memorandum on the subject for consideration of the President's Council including legal, political and other implications, and it was agreed that this matter should be kept in the strictest confidence. There was a general feeling that it would be extremely harmful to the Bank's relations with European countries to ask for an increase in the U.S. guarantee at this stage.

Mr. Knapp reported on discussions he had had with the National League of Insured Savings Association on a proposal to set up an international housing bank. Mr. Knapp's reaction was that it would be wrong to increase the indebtedness of developing countries by large-scale external financing of housing for the masses and that local savings organizations, if made more efficient, should finance housing. Mr. McNamara concurred.

Mr. McNamara then asked Sir Denis to check on the status of unilateral contributions to IDA by U.K., Italy, Japan and the Netherlands, adding that he would like, before the Congressional hearings start, to present Congress with the total amount of unilateral contributions without strings under the second replenishment formula.

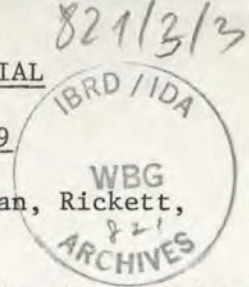
Mr. Rosen advised that he had received word that the Kilombero dispute was settled. IFC's loss under the terms of the settlement would probably be in the neighborhood of \$1 million. He hoped to circulate papers to the Board by Wednesday, February 5.

Mr. McNamara reported that he had asked Mr. Hawkins to prepare, by March 1, a white paper on population control.

In reply to a question by Mr. Friedman, Mr. McNamara suggested that all statements by Bank officers to outside groups on the Bank's financial structure and plans should be cleared by Messrs. Aldewereld and Clark.

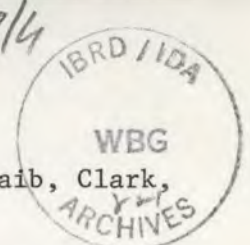
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PRESIDENT'S COUNCIL MEETING - Monday, March 3

Present: Messrs. McNamara, Broches, Cope, Demuth, Friedman, Rickett, Shoaib, Clark, Ripman, Rosen, Chadenet

Mr. McNamara suggested to cancel the Board Meeting on March 11 since papers on the only Bank operation, a loan to Ireland, had reached the Board too late. Moreover, Mr. Lejeune was still holding informal talks with some Executive Directors. The loan was rescheduled for March 18.

Mr. McNamara asked Mr. Friedman to lay out today a revised schedule of Board Seminars on the commodity stabilization study to be reviewed by Mr. McNamara today and to be announced to the Board tomorrow. It was agreed to hold seminars every Thursday morning starting Thursday, March 13 with an additional meeting on Tuesday, March 11 on short-term buffer stock financing. Mr. Friedman added that the coffee paper would be sent to the Board on March 10 for discussion on March 27.

Mr. Broches was asked to instruct Mr. Mendels to lay out, by tomorrow morning, a schedule of policy papers for Board discussion between now and December 31 including such items as preferences for domestic suppliers, FY 1970 budget, transfer of Bank profits to IDA, review of interest rate, investment insurance scheme, discussion of Part II of the draft 1969 Annual Report, etc.

With respect to the paper on preferences for domestic suppliers, it was decided to continue work on the technical note for the US Treasury. A review of the present draft policy paper, however, should await Mr. Knapp's return. Similarly, individual discussions with Messrs. Maude, Plescoff and vom Hofe and other interested Executive Directors should be scheduled only after Mr. Knapp's return.

Mr. McNamara mentioned Mr. Aldewereld's paper on IDA Administrative Expenses scheduled for discussion at the next meeting of the Council, and the need to review staff expansion in relation to the amount of work spent on IDA credits.

Mr. Demuth gave his impressions of a meeting on the capacity study at present being undertaken by Sir Robert Jackson. He thought that Sir Robert, in his final report, would emphasize the need for country programming and propose a streamlining of both the UN missions and UNDP headquarters. Mr. McNamara added that he had asked Messrs. Friedman and Adler to try to schedule annual economic missions to "important" countries, i.e., as a rule of thumb, to those 25 countries with a population of 10 million or more. In Mr. McNamara's view, every economic report should contain a section on pre-investment studies. He estimated that at present, the World Bank influenced only 10 to 20% of UNDP's pre-investment studies when it ought to influence 100%.

Mr. Chadenet summarized his impressions of his visit to Jamaica by saying that the need for Bank technical assistance and advice in the field of population control was great, but that it would be difficult to identify a sizeable project for Bank lending. In his mind, the Bank would be justified to help finance the expansion of a Kingston hospital where 20% of all Jamaican children were born. The Bank contribution to this project, however, would not exceed \$500,000. Mr. Chadenet was also inclined to consider financing of preventive medicine, with respect to the latter, Mr. McNamara said he was reluctant to consider financing

President has seen

of health care unless it was very strictly related to population control, because usually health facilities contributed to the decline of the death rate, and thereby to the population explosion. However Mr. McNamara emphasized that he did not wish to decide this policy issue without further information.

Mr. Cope reported that the Iraqi Government had released from jail two consultants who had worked on the Bank financed road project. It was agreed to wait a few days before deciding on the requested use of "surplus" funds in connection with this project.

Mr. Broches asked for a reconsideration of the policy under which a staff member was forced to resign if he married another staff member of the Bank.

With respect to the Australian Government's contribution to IDA, Sir Denis emphasized that the Australian Government did not wish any publicity before it had had a chance to make a statement to the Australian Parliament.

As far as preparatory work for a third replenishment of IDA was concerned, Mr. McNamara recalled that it was planned to commit \$384 million of IDA funds for FY 1969 and \$600 million each for 1970 and 1971 (net of slippage adjustments). Mr. McNamara then outlined on a very confidential basis, his idea of work schedule for the third replenishment. A special team, presumably under Sir Denis Rickett, would prepare from June 30, 1969 to the end of September 1969 a white paper on the 3rd replenishment including a complete reexamination of the terms and sources of IDA financing. Starting with the Annual Meetings and ending December 31, confidential bilateral discussions would be held with major donor countries. Thereafter, the first half of 1970 would be devoted to formal negotiations of a 3rd replenishment. Finally, ratification of the 3rd replenishment agreement could take place in the period between June 30, 1970 and June 30, 1971. This timetable would permit the US President to include the US contribution to IDA in the budget to be submitted to Congress on January 10, 1971. Mr. McNamara made it clear that he did not wish this to be discussed with staff or Executive Directors before the 2nd replenishment was effective.

Mr. McNamara mentioned that he had agreed with Mr. Cargill to appoint David Gordon to head the resident mission in Pakistan and that the need to strengthen that mission was particularly great at a time of political instability.

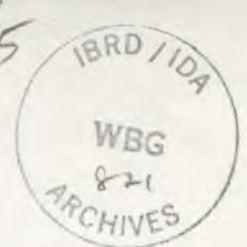
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President's Council Meeting, Monday, March 10, 1969

Present: Messrs. McNamara, Broches, Demuth, Friedman, Rickett, Shoaib, Cope, Adler, Chadenet, Mendels

The discussion focused first on the draft agenda for the Board Meeting on March 18. Mr. Cope undertook to make sure that the loan officers in charge would be prepared to answer possible questions on the loans to Ireland, PICIC and Iran. Mr. McNamara explained that in general he had noticed that recently loan officers at Board Meetings had given inadequate replies to questions by EDs. He believed that, if a question was broad and important enough to be raised by an ED, a loan officer should be able to answer it himself. If, however, in exceptional circumstances, the Chairman admitted an inordinately narrow or highly technical question, it was in order for the loan officer to call on the expert concerned. Mr. McNamara added he noticed an increasing tendency among some Board members to revert to an old habit of asking technical and narrow questions and he would try to curb this.

Mr. Chadenet, in connection with the Tarbela project, mentioned that the Bank was running into difficulties with WAPDA which had a new--and inexperienced--management.

Mr. Broches reporting on his conversations with the French ED on a procedural question of amendments to IDA credit proposals undertook to show the final version of his memorandum to Mr. Plescoff before circulating it to the Board.

Mr. McNamara reported that Mr. Rotberg had discussed with German officials and bankers a public issue of about \$100 million tentatively scheduled for early or mid-May. He believed that the World Bank would find it increasingly difficult to borrow in Germany and elsewhere by relying exclusively on traditional methods of raising funds. A suitable complement to the traditional methods would be to place more bonds with central banks. In this connection, Mr. McNamara voiced the opinion that Japan could subscribe much more heavily to Bank bond issues than it had done in the past. For that reason, he welcomed Sir Denis' plans to visit Japan.

Mr. McNamara also expressed his intention to raise more money in the Middle East and his willingness to tailor future issues to the particular needs of that region. He planned to discuss this with Messrs. Aldewereld, Shoaib and Rotberg. Mr. Shoaib commented that Kuwait and Saudi Arabia as the principal potential money lenders would judge the Bank's interest to help Arab countries, in particular by the volume of Bank Group lending to the UAR, Jordan, Syria, Iraq and possibly Sudan.

Mr. Demuth reported on a meeting he and Mr. William Clark had attended to launch the Overseas Development Council. He thought the meeting was most useful and ODC had got off to a good start.

Mr. Broches mentioned that Mr. Carriere had raised questions relating to inconsistencies in connection with granting preferences for local suppliers if the borrower is exempt from duties. It was recognized that this was only part of a host of problems and that all these problems would have to be considered within the staff before the paper on preferences was discussed by the Board.

Mr. Broches raised a question with respect to scheduled Bank missions to Panama and Peru. There was a general feeling that the Bank should be very careful in assigning scarce staff on missions to these countries as long as the legal uncertainties prevailed.

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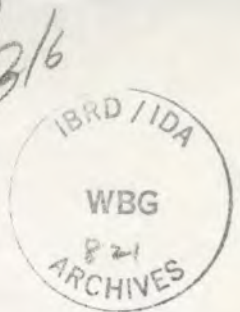
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President's Council Meeting, Monday, March 17, 1969

Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Demuth, Friedman, Rickett, Shoaib, Clark, Ripman, Chauffournier

With reference to the oils and fats paper, Mr. McNamara indicated that at tomorrow's Board meeting he would direct questions on the paper and the Cameroon project to Messrs. Chauffournier and Macone, and on the Bank's policy concerning future projects to Mr. Chadenet. Mr. Oliver had told him he would support all those fats and oils projects which were already appraised. With respect to other projects, Mr. McNamara would consult with Mr. Oliver before sending out invitations to negotiate. Mr. McNamara stated he wanted to avoid Board preview of all fats and oils projects prior to negotiation. However, he was willing to tell the Board that the Bank would not start negotiations on projects where a sensitivity analysis would show an unsatisfactory return, and that management would discuss with any Executive Director information relating to projects under consideration.

Mr. Aldewereld reported on his visit to Germany and Italy. At the request of Dr. Hanckel, he had agreed to postpone the contemplated DM 400 million public issue to May 15. Mr. Aldewereld believed the postponement was requested to make room for borrowings of the British electricity and gas authorities which Prime Minister Wilson and Economic Minister Schiller had agreed upon. However, Dr. Hanckel had insisted on a limit of Bank borrowings in Germany (excluding borrowings from the Bundesbank) of 1 billion DM in Calendar 1969. Mr. McNamara interjected that the World Bank should plan on completing another DM 400 million borrowing in Germany before the Annual Meeting and that he would then discuss this matter with Minister Schiller. Mr. Aldewereld continued to say that a variety of German banking institutions had approached him with offers to place sizeable amounts of World Bank notes. Apparently the market was still liquid although the German foreign exchange position had deteriorated in January and February, 1969. The same, by the way, was true in Italy.

Turning to recruitment of German nationals, Mr. Aldewereld advised that most of the candidates he had interviewed in Germany were unsatisfactory.

In Italy, Mr. Aldewereld had talked with Dr. Carli. Dr. Carli felt that this was not the time to borrow in Italy and that, as a matter of principle, the World Bank should not float public issues in Italy. However, Dr. Carli indicated his willingness to consider a prepayment of the outstanding World Bank loans possibly sometime in the summer. Mr. Aldewereld would talk to Dr. Carli again.

In this context, Mr. McNamara asked Sir Denis to explore in Japan the possibility of borrowing from the Japanese Central Bank, or if this turned out to be difficult, to discuss a prepayment of the outstanding loans to Japan.

Finally, Mr. Aldewereld had talked to Dr. Boerma who was anxious to visit with Mr. McNamara, possibly during the Bellagio meeting in April. Dr. Boerma had offered FAO's help in providing world data for the "horizontal cut" paper on agriculture which Mr. Aldewereld had shown to him.

President has seen

Mr. Demuth reported on the studies relating to education and industrialization. An outline and conclusions of the industrialization study began already to appear and Mr. McNamara would discuss this with Messrs. Demuth and Gaud. Mr. Demuth was asked to keep the President's Council up to date on these studies, and to report to Senior Staff.

Sir Denis mentioned his impending visit to Europe and his intention to discuss informally the Third Replenishment of IDA. Mr. McNamara asked Sir Denis to make sure that these discussions did not leak to the U.S. before Senate approval of the Second Replenishment.

With respect to the paper on the IDA management fee, Mr. Aldewereld was asked to prepare for further review by the President's Council a draft memorandum to the Board, tentatively to be scheduled for a Board meeting on April 7, but not until after Senate approval of the Second Replenishment of IDA. Mr. McNamara wanted the management fee to reflect accurately the cost of IDA's operations in accordance with the legal requirements and the formula laid down in 1960.

Mr. Aldewereld undertook to lay out this week a schedule for the 1970 Five-Year Program.

Mr. Demuth was asked to work out, in cooperation with Mr. Diamond and interested Departments and IFC, a proposal on the future handling of lending to Development Finance Companies.

Mr. McNamara reported on his discussions with Dr. Hannah in Florida last Saturday. Dr. Hannah believed that the U.S. AID program would further shift to multilateral channels. He intended to reorganize and strengthen technical assistance and hoped to set up a separate organization to increase the flow of private funds to developing countries.

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President's Council Meeting, Monday, March 24, 1969

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Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Friedman, Shoaib and Ripman

Mr. McNamara gave a summary of his talks with Maurice Strong and Sir Geoffrey Wilson last week at Bank Headquarters. He asked Mr. Friedman to discuss within the next few days with Mr. Hawkins a Bellagio-type of meeting on population control and to come up with a proposal on an agenda and names of people to be invited. Mr. McNamara would then talk to John D. Rockefeller III about such a meeting.

With respect to the IDA bill, Mr. McNamara felt that chances for a favorable vote of the Senate Foreign Relations Committee were uncertain. Based on his talks with a number of U.S. Senators, especially with Senator Symington, he found that only 6 out of 15 Committee members were clear supporters of the bill. Among remaining Committee members who could hopefully be persuaded to support the bill were Senators Aiken, Mansfield, Church and Dodd.

Mr. Broches advised that Mr. vom Hofe had expressed his concern about the fact that the Executive Directors had to discuss papers on commodity stabilization without knowing the President's position in this matter. Mr. McNamara replied he wanted to avoid any recommendation (including staff recommendations) relating to the commodity stabilization study as long as possible. The main reason for this position was that he did not want the staff or the President to be blamed for the EDs failure to act in accordance with the Rio Resolution in case the EDs could not agree on any action.

On a different subject, Mr. McNamara advised that he had occasionally heard complaints about excessive paper work within the Bank. He asked Messrs. Aldewereld and Ripman to work out a procedure whereby either Administration Department or P. & B. Department would be responsible for receiving and processing such complaints.

Mr. Ripman mentioned that the Bank had at present a consultant in the Bank who was reviewing the circulation of documents within the Bank. He had already found out that 90% of the economic reports were returned to the sender within 24 hours after receipt.

Mr. Friedman informed the Council that a paper on tin would be circulated to the Board today for discussion on Tuesday, April 1. This would be the last commodity paper for discussion at Board seminar.

Mr. Broches said he would appear on Wednesday at a public zoning hearing to make a statement in support of a request by the IMF for permission to construct a new building and Mr. McNamara thought this was a good idea.

Mr. Broches then reported that at a luncheon with Dr. Prebisch, Professor Rosenstein-Rodan and Mr. Sanz de Santamaria he had gained the impression that Latin American countries were far from supporting ICSID or multilateral investment insurance. Only Dr. Prebisch seemed to be slightly more favorably inclined towards international arbitration.

Mr. Shoaib felt that at some stage the Bank would have to look into development policies and economics as related to social changes. Mr. McNamara concurred in principle adding that there was no doubt that the "green revolution" would predominantly increase the income of the rich peasants and thereby create additional social stress. However, Mr. McNamara preferred to postpone discussion of this controversial matter to a much later date.

President has seen

Mr. Aldewereld said he had discussed with Mr. vom Hofe applications from German candidates for two department head positions. He believed Mr. vom Hofe understood that the present applicants were not fully qualified for these jobs.

Mr. McNamara reported that Mr. Woods had been asked to accompany Mr. Rockefeller on his Latin American visits. Mr. McNamara had assured Mr. Woods that the Bank would assist him and Rockefeller in this mission and he had so informed Mr. Alter.

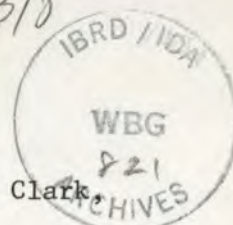
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President's Council Meeting, Monday, April 7, 1969

Present: Messrs. McNamara, Knapp, Aldewereld, Demuth, Friedman, Shoaib, Clark, Mendels, Ripman and Rosen

Mr. McNamara handed out a draft schedule of Board meetings between now and the Annual Meetings and asked Mr. Mendels to discuss this with members of the Council and subsequently with him before circulating the schedule to the Board.

Mr. McNamara mentioned that Mr. Hankel of the German Ministry of Economics had advised Mr. Aldewereld by letter that failure by the Bank to hire certain German nationals for senior positions would have serious consequences for the Bank's plans to raise money in Germany. The Council unanimously supported Mr. McNamara's view that the Bank should continue to hire only qualified people. Mr. McNamara added that Germany was "underrepresented" at the senior staff of the Bank. A special effort would be made to recruit well qualified Germans for one or two senior positions.

Mr. McNamara went on to mention that Mr. Pattberg of First Boston had urged the Bank, through Mr. Rotberg, to split future Bank borrowing in the U.S. market in five-year and long-term issues. Mr. Aldewereld was asked to prepare before June 1 for review by Mr. McNamara and later circulation to the Board an appropriate memorandum. Mr. Pattberg had also urged the Bank to consider placing a long-term issue in the U.S. market in June or July of this year since, in Mr. Pattberg's view, the market would by then have firmed up.

Mr. Ripman was asked to keep a ledger of overseas personnel determining in particular the duration of their overseas assignment and the type of position that would be open for them upon their return.

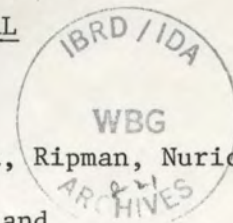
Mr. McNamara reported that the U.S. State Department had requested the Bank to assume a role in the development of the Mekong Delta. Mr. McNamara had responded that the United Nations and the Mekong Committee would have to support the request and that the Bank's participation might result in substantial changes of the plans for the development of the Mekong Delta. The Bank had subsequently drafted a letter from U Thant to Mr. McNamara and had sent the draft to New York. Mr. Mike Hoffman would follow this project for the time being.

Mr. Clark mentioned that he had discussed with Reuters the possibility of getting a special wire covering Bank matters and development problems. He would work in cooperation with interested parties in the Bank on the guidelines to be sent out to Reuters correspondents all over the world. Mr. McNamara wanted to be sure that the special wire would also cover events in Europe.

Mr. McNamara mentioned that it had been agreed that Mr. Avramovic would work, solely and exclusively under Mr. Cargill's direction, on industrialization problems of India, Pakistan, Iran and Ceylon. Mr. McNamara felt that the EDS, or at least some of them, ought to be informed of this change in an appropriate fashion.

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AUG 12 2013
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CONFIDENTIALPresident's Council Meeting, Monday, April 14, 1969

Present: Messrs. McNamara, Knapp, Aldewereld, Demuth, Friedman, Clark, Ripman, Nurick

Mr. McNamara asked Mr. Nurick, in cooperation with Mr. Broches and Treasurer's Department, to prepare a memorandum on the legal situation and course of action open to the U.S. after passage of the IDA authorization bill assuming that the appropriation bill would not be passed within the prescribed 30-day period.

The meeting then turned to attached memorandum on the need for better "communications" between the Bank and Congress. Mr. Clark was asked to assume responsibility in this area. His first task would be to ascertain what IDB was doing, what the World Bank had done in the past and what Senators and Congressmen expected the World Bank to do. Mr. McNamara said he was prepared to do what was necessary.

Mr. McNamara expressed grave concern at the interest shown by some Congressmen in Dave Sommers' informal review of Bank operations some five years ago and an audit of the Bank by GAO. Mr. McNamara asked Mr. Nurick for a copy of the Sommers Report.

Mr. McNamara expressed his intention to strengthen Bank relations with top U.S. Government officials such as Samuels, Alexis Johnson and Hannah, and later with Dr. Kissinger and to keep them currently informed on Bank Group operations.

Both Messrs. Knapp and Demuth thought it would be helpful to have State Department designate the U.S. Alternate Executive Director who could assist in keeping State Department informed on Bank operations.

Mr. Aldewereld reported that the U.S. market had become stronger during the last week while the German market showed signs of weakening.

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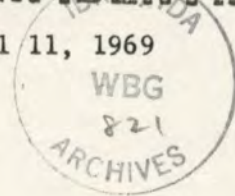
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AUG 12 2013
WBG ARCHIVESOFFICE MEMORANDUM **CONFIDENTIAL**

TO: Mr. Robert S. McNamara (through William Clark)

DATE: April 11, 1969

FROM: Perry K. Sellon

SUBJECT: Congress, the IDA Bill, and the Third Replenishment

I think you should be aware of a number of important points discussed at lunch yesterday with Paul Nelson, staff director of the House Banking & Currency Committee and a real power in the House. Since it is possible that we shall face a Senate-House conference before the IDA bill can be passed, I thought it prudent to touch base again with Nelson. Les Nurick and Merriam joined us at lunch.

1. Nelson, who is basically friendly to IDA, feels it was unlucky to have had our Senate Foreign Relations Committee hearing delayed by Eisenhower's death. Time, he thinks, is an important factor. He said legislation regarding any international agreement (such as ours) that didn't get through Congress in the first two months of any session got in trouble and bogged down.

2. Nelson advised us not to worry if the IDA bill goes to a Senate-House conference. The membership of the conference would be loaded in our favor by the leadership of both the House and Senate. Symington would be taken care of.

3. Nelson offered to "poke around a little downtown" and see what the chances are for pushing a supplemental appropriation for IDA through before June 30. Merriam is not sanguine that this can be done.

4. During the conversation about the Symington amendment, we made the usual point that it was "unacceptable" and hoped that the recommendation about larger transfers from the Bank to IDA could be handled in the Foreign Relations Committee report or by separate resolution or in some other way which would not infringe on the wording of HR 33.

5. This line of talk did not evoke any particular immediate response from Nelson. However, when I asked him what really lay behind all the back-chat in the Banking & Currency hearings on the need for better "communications" between the Bank and the Committee, we got quite an interesting outburst from Nelson which, together with what we have been hearing on the Senate side, indicates a build-up of Capitol Hill pressures for greater congressional participation in the whole Bank-IDA activity.

6. Handling my question, Nelson revealed that Felipe Herrera, Arnie Weiss and the IDB crew had thrown quite a party for the Banking & Currency Committee a week or so before our IDA hearing. Widnall and others were miffed that our Bank never sees fit to do likewise. Gene Black, when he was President here, used to take good care of congressmen and senators. George Woods never raised a finger.

April 11, 1969

7. Nelson then, by implication, managed to convey the impression that such buttering up of the Committee was a useful exercise especially if our Bank had something to hide. What he said was that his committee was thoroughly aware of the way the IDB is operated, the back-scratching that goes on there, the way loans are made to member countries on a regular rotation basis, the way certain contractors get big slices of the available business resulting from IDB loans, etc. Nelson said the roof would really blow at IDB if a congressional investigation were started.

8. Because of their knowledge of what allegedly goes on at IDB, certain congressmen deduce that something similar must be going on in our Bank. On Capitol Hill, it is known, according to Nelson, that a management survey (critical in tone) was made several years ago of our Bank's operations. These congressmen would like to see that survey. Nelson also mentioned the old demand that the General Accounting Office do an audit of this Bank.

9. Nelson then alluded to the unacceptability to us of tacking on anything to HR 33. He explained that there is considerable irritation on the Hill because we and other development banks come to Congress with international agreements already completely worked out and acceded to by U.S. officials before the Congress gets a whack at them. He described Congress as being tired of being told by the Executive Branch simply to vote for or against a fait accompli with no opportunity to influence the final result. Nelson would not be surprised to hear demands that members of Congress be consulted about, or be included in, negotiations for the Third Replenishment of IDA. Such demands, I gather, may show up in the in-fighting to scuttle the Symington amendment. For instance, a "sense of Congress" resolution might contain a stipulation about congressional consultation or participation.

Nelson is closely tuned in on both sides of Capitol Hill, as well as downtown. I have never before heard him get quite so specific or far-ranging about what is eating Congress or his committee with respect to this Bank.

I report these matters for your consideration. There is no doubt in my mind that "communications" between the Bank and the Hill should be closely examined and vastly improved. I think we should sort out our intentions in this respect very soon, in case they become a necessary adjunct to passage of the IDA bill.

cc: Messrs. Nurick, Merriam

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President's Council Meeting, Monday, April 21, 1969

Present: Messrs. McNamara, Knapp, Aldewereld, Friedman, Sir Denis Rickett, Nurick, Ripman

Mr. McNamara mentioned that he would make a speech on population control at Notre Dame on May 1.

He then referred to the tentative 1970 personnel budget. The first draft had shown that the contemplated rate of personnel expansion was too high and steps were being taken to reduce this rate.

In line with this reduction, Messrs. McNamara, Knapp, Aldewereld and Friedman had agreed to cut back the 1970 lending program. Mr. McNamara pointed out that this was done neither for lack of funds nor for lack of creditworthiness of borrowing countries. In point of fact, Bank studies indicated that there was over the next years a tremendous potential for increased Bank lending.

In connection with the Bank's ability to raise funds, Mr. McNamara recalled Mr. Pattberg's suggestion to the Bank to diversify its borrowings in the United States and to raise approximately \$300 million in five-year bonds and another \$300 million in long-term bonds per year. Dr. Stopper, who recently visited with Mr. McNamara, seemed to confirm Pattberg's implied view that the Bank could not count over the next two years on the same level of borrowing in Europe as in the past and would therefore have to rely increasingly on the U.S. capital market.

Mr. McNamara mentioned that Senators and Congressmen to whom he talked over the weekend had been surprisingly optimistic concerning the prospects of the IDA bill. Mr. McNamara, who did not quite share this optimism, had asked Messrs. Knapp and Friedman to watch for any opinion expressed on the bill.

Mr. McNamara asked Mr. Aldewereld to prepare in early May a first draft of a Board memorandum covering the Bank's lending program and the 1970 budget. Mr. McNamara wanted members of his Council to have ample time to study and revise this paper before it goes to the Board in early June.

Mr. Friedman advised that a very preliminary draft of the policy memorandum on commodity stabilization to be ultimately sent to the EDs would be ready for Mr. McNamara's review by April 30. Mr. McNamara emphasized the importance of working out this memorandum in close cooperation with the Legal Department.

Mr. Nurick reported that Treasury was still examining the possibility of obtaining either a supplemental appropriation for IDA (expected by the end of June) or a "continuing resolution." Mr. Nurick undertook to call Mr. McNamara in Europe the moment he heard that the committee vote would go against the IDA bill.

Sir Denis reported on his trip to Europe and in particular on Minister Colombo's strong support of IDA and Governor Carli's interest in seeing the World Bank diversify its borrowings.

Mr. Aldewereld reported he would visit with Professor Lipfert, Dr. Blessing and Dr. Guth in Germany this week and with Dr. Hanckel hopefully in Washington next week. Mr. Aldewereld planned on arranging a dinner for Dr. Guth in Washington on May 2 and hoped that Mr. McNamara could host it.

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Mr. McNamara - to see, please. 821 B/11
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CONFIDENTIAL
President's Council Meeting, May 5, 1969

Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Demuth, Friedman, Rickett
Clark, Ripman

Mr. McNamara reported on his talks with U Thant and C.V. Narasimhan concerning the Mekong Basin. He had made it clear to them that any Bank participation would almost certainly lead to proposals that would at times be contrary to the desires of some of the principal members of the Mekong Committee. He had also told them that it would be necessary to replace the present Executive Secretary of the Mekong Committee if the Bank were to associate itself with the development of the Mekong Basin. As far as a successor to the present Executive Secretary was concerned, Mr. Umbricht had told Mr. McNamara that after the previous embarrassment he would be reluctant to consider a formal offer in writing to become Executive Secretary before July, although he was still very much interested in the job. Mr. McNamara went on to emphasize the importance of consultations with the U.S., Japan and the Asian Development Bank before the Bank could formally reply to U Thant's letter inviting the Bank to participate in the development of the Mekong Basin. He said he had been thinking of using Bill Gaud for these consultations to ensure that the interested parties, at the highest governmental level, would understand the implication of a Bank involvement in the Mekong affairs. Finally, Mr. McNamara asked Mr. Knapp to talk to Mr. Goodman about the organizational arrangements and Mr. Aldewereld to instruct Mr. Chadenet to set up a special group in the Projects Department working full time on Mekong matters.

With respect to the draft of the Commodity Study to be sent to the EDs tomorrow, Mr. McNamara asked Mr. Friedman to set up a meeting in Mr. McNamara's office with Messrs. Knapp and Broches to tighten the recommendations contained in Part II of the draft paper.

As far as Mr. Pattberg's suggestion to the Bank to go into the medium-term market was concerned, Mr. McNamara announced that a draft background paper would be circulated to the Council for comments towards the end of this week. Mr. McNamara also intended to invite comments from Mr. Woods and, through Messrs. Aldewereld and Friedman, from the U.S. Treasury. Furthermore, Mr. McNamara himself would talk to Secretary Kennedy.

Turning to the draft of the 1970 budget and accompanying data on the five-year program, Mr. Aldewereld was asked to pass out by Wednesday a revised version for comments by Friday and to circulate to the Council a new version around Tuesday of next week.

Mr. McNamara mentioned his upcoming trip to Copenhagen and Kuwait and asked Mr. Aldewereld to be ready to deliver the Bond Club speech on Wednesday, May 14, in case he missed a plane on his way back from Kuwait.

Mr. McNamara reminded Mr. Aldewereld to make in the 1970 administrative budget for the Bank provision for an industrial projects department if the Bank decided to set up such a unit. Mr. Demuth was instructed to discuss his draft paper on industrialization with IFC and Messrs. Knapp and Aldewereld and to circulate the draft thereafter to the President's Council.

With respect to the economic review program, Mr. Friedman was asked to make sure with Messrs. Knapp and Aldewereld that this was included in the 1970 budget and that an appropriate reference would be included in the papers to be sent to the Board.

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Mr. Knapp mentioned the revised allocation of IDA funds and the increase of IDA funds to Indonesia amounting to \$51 million in Fiscal 1969 and possibly to \$75 million in Fiscal 1970. This was made possible largely by recent special contributions from the Netherlands and Japan.

Mr. Clark mentioned his upcoming visit to Japan to learn more about public opinion and newspapers there and Mr. McNamara thought this would be a useful visit to make.

Mr. McNamara asked Mr. Ripman to follow closely the study on compensation of EDs and, in particular, to find out who would direct such study on the staff level and to be sure that the study included a thorough and systematic analysis of all the data.

Mr. Broches said he planned to visit Germany shortly to try to clear away legal obstacles to investment in World Bank bonds by institutional investors, especially mortgage banks, and to retain a Frankfurt law firm for possible future legal work in this connection.

Mr. Aldewereld said he hoped to have within a week or so 10-year projections of Bank operations and cash flows. Mr. McNamara thought this was an important step on the way to long-term projections over a period sufficiently long to allow these flows to reach a "stable state."

Mr. Aldewereld reported that Deutsche Bank and Westdeutsche Landesbank had failed to agree on co-managing future foreign borrowings in Germany and that he hoped to place an issue of at least 200 million DM at a cost to us of around 6.95% this month through the Deutsche Bank and Dresdner Bank. Mr. McNamara asked Mr. Aldewereld to mention these plans tomorrow to the Board in Executive Session.

Messrs. McNamara, Aldewereld and Ripman agreed that the Audit Office should be separate from Treasurer's and Comptroller's Departments and report direct to Mr. Aldewereld.

Rainer B. Steckhan
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President's Council Meeting, May 19, 1969

Present: Messrs. McNamara, Aldewereld, Broches, Demuth, Friedman, Shoaib, Adler, Cope, Ripman, Rosen

Mr. McNamara mentioned the 1970 draft budget which had shown a startling increase in cost. He said he had reviewed the budget with P&B Department and suggested a few changes in various areas, such as data processing, consultants and economic staff.

The regular economic missions constituted an issue with major budgeting implications and Mr. McNamara had asked Mr. Friedman to talk to Messrs. Cope and Aldewereld about the total number, size and--possibly--timing of these missions. Mr. McNamara felt that the total number of annual missions should not exceed 50 or 55.

Mr. McNamara voiced the opinion that the recruitment of 353 new staff envisaged for 1970 was a nearly impossible task. He suggested that Mr. Ripman discuss this with Reg Clarke and his associates to get a more precise idea of the feasibility of this recruitment program.

Mr. McNamara asked the Council members to convey their comments on the draft Board memorandum covering the 1970 budget to Mr. Adler by Wednesday night.

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President's Council Meeting, May 26, 1969

Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Demuth, Friedman, Shoab, Clark, Ripman, Rosen

Mr. Friedman reported on his talks with Mr. Plescoff, whose authorities had insisted on a part II of the Commodity Study to be prepared by the staff. As a result, it was now suggested to send to the Governors a brief report by the EDs saying that the EDs were in general accord with the staff study, together with a staff study in accordance with the Rio resolution consisting of three Sections: Section A: a new introductory statement, Section B: the substantive part which was originally part of the report of the Executive Directors and Section C: the individual staff studies which have so far been transmitted to the EDs. Mr. McNamara said he would like to defer by one week the procedural question raised by Mr. Plescoff and to have discussion of the substantive question of the study at tomorrow's Board Meeting.

With respect to economic missions, Mr. Friedman said they would number between 55 and 60 a year on average and he hoped to have a paper ready by tomorrow, Tuesday, night.

Mr. Clark summarized his impressions of his visit to Japan as follows:

(a) Japan was willing to devote 1% of its GNP to aid which would yield an amount of roughly \$5 billion by the end of the 1970's.

(b) So far Japan had given more thought to the amounts of aid than to the quality of aid.

(c) Japan was apparently ready to channel a major portion of its aid through multilateral institutions which were not controlled by the U.S. The Asian Development Bank was clearly a candidate for receiving an increasing amount of Japanese aid funds.

(d) There was a widespread feeling in Japan that the World Bank was dominated by the United States. Japan would be reluctant to pledge more funds for the World Bank Group without playing a more dominant role. Indications were that Japan was willing to increase its contribution to IDA provided it would obtain a stronger voice on the IDA Board. There was no indication, however, that Japan would consider providing more funds for the World Bank proper.

(e) Japan's interest in Europe was obvious as evidenced by the Kiesinger visit and visits by European Bank staff members to Japan might help to convince the Japanese that the World Bank was a truly international organization.

(f) As far as Indonesia was concerned, Japan was mildly surprised at the Bank's involvement since it felt that Indonesia was primarily a responsibility of the ADB. Japan seemed to be interested in becoming Chairman of the ICGI.

(g) As far as India was concerned, however, denigration of India and a marked distaste of help for India were quite obvious in Japan.

(h) The Japanese press was of impressive caliber and closer staff contacts with the Japanese press would be extremely helpful.

Mr. Aldewereld reported that the German bond issue was a success, although not a striking one. The Deutsche Bank had been able to place its total share of the issue and, in addition, had purchased between 8 million and 10 million DM worth of bonds at between 98-1/8 and 98-3/8 (the offering price was 98 1/2) from syndicate members who had found it difficult to place those bonds.

President has seen

The World Bank, Mr. Aldewereld continued, had received two offers for private private placements in Germany to be held by the purchaser until maturity. One offer was from Deutsche Girozentrale for 250 million DM, of two to six years maturity, and the second offer came from Deutsche Genossenschaftskasse for tranches of 50 million DM each for maturities of 3, 6, 9 and 12 years. Mr. Aldewereld would go to Germany towards the end of this week to explore whether the German Government would approve these placements.

Mr. McNamara observed that the rising costs of recent issues made it a necessity under the existing formula to increase the Bank's lending rate at some stage but he had not yet given enough thought to the level of the increase. He added that the Bank's financial position continued to be good with profits for Fiscal 1970 estimated to be at least \$200 million after cost of living increases.

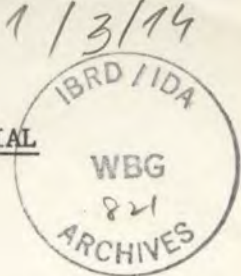
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Mr. McNamara - to see, please.
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President's Council Meeting, June 2, 1969

Present: Messrs. McNamara, Knapp, Chadenet, Broches, Demuth, Friedman, Shoaib, Rickett, Clark, Ripman and Rosen

Mr. Friedman reported on comments received from five Executive Directors relating to the draft report on stabilization of prices of primary products. Mr. McNamara stated his intention to discuss at tomorrow's Board meeting the whole report with the exception of the portion relating to actions, which would be considered on Tuesday, June 10.

Referring to a newspaper report, Mr. Friedman expressed the fear that in the eyes of the U.S. public the Pearson Commission might be identified as an agency of the World Bank. In reply, Mr. McNamara emphasized that as a matter of fact both were quite separate and that he had never formally or informally tried to influence the recommendations of the Commission.

With respect to the draft Annual Report to be circulated to the Executive Directors on June 5, the question was raised whether or not a section analysing problems of commodity stabilization should be included. It was agreed to include a one-sentence reference to the report of the Executive Directors on commodity stabilization in Part I of the Annual Report and to decide on Wednesday whether or not the inclusion of a descriptive section on commodity problems in Part II of the Annual Report could harmfully affect the June 10 discussion. Mr. Broches criticized the draft Annual Report for not mentioning the importance of private investment. It was agreed that such a reference should be contained in the Report of the World Bank, possibly in connection with Development Finance Companies.

Mr. Demuth reported that he had asked Mr. Mendels to find out how many Executive Directors supported the multilateral investment scheme.

Mr. Clark reported that his department was preparing answers to Congressman Passman's questions on IDA. Among other questions, Congressman Passman had asked for a list of all IDA credits and Mr. McNamara asked Mr. Chadenet to prepare such a list, adding one paragraph describing IDA's general policy of making firm and one-time commitments and of not increasing credits in case of cost overruns.

Mr. McNamara mentioned a decision to establish an Industrial Projects Department in the Bank. However, he wanted to be sure that this would be done without penalty to IFC and he had therefore asked Mr. Rosen to lay out within a couple of weeks plans for setting up such a Department. These plans would then be reviewed by Messrs. Aldewereld and Chadenet.

Mr. McNamara then referred to his talks with Secretary Kennedy on the possibility of medium-term borrowings and on IDA replenishment. Secretary Kennedy had been optimistic about the prospect of the second supplemental appropriations bill but was reluctant to give the Bank the notification pending the appropriation bill. Mr. Clark was asked to follow up on progress on the Hill and it was decided

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in case Congress had not ratified the appropriation bill by June 15 to send a strong letter to Secretary Kennedy, to be prepared by Mr. Broches, mentioning the failure of the U.S. to ratify the agreement, the total lack of funds of IDA as of July 1, IDA's request for a U.S. ratification, and IDA's assurance that it would not call for cash for at least six months.

Mr. McNamara asked Sir Denis to put together a definitive and brief analysis of the problems in connection with the Third Replenishment and to organize a study group of two or three men for that purpose. As a first step, Sir Denis would prepare an outline to be circulated to the President's Council. Mr. Friedman promised to cooperate and make staff available to Sir Denis.

Mr. McNamara said he would like to work on his speech to the Governors in June and July and would be grateful for suggestions from the members the President's Council, say, by next week.

With respect to the Fiscal 1970 Budget, Mr. McNamara asked in particular Sir Denis and Mr. Shoaib to check on potential opponents of the budget proposals among the Executive Directors.

Rainer B. Steckhan

R.B. Steckhan

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President's Council Meeting, June 9, 1969

Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Demuth, Friedman, Shoaib, Ripman, Rosen

Mr. McNamara referred to the 1966 budget discussion of the Board and the Bank's tradition to submit to the Board for approval the global dollar amount of the budget only (as compared with approval of a dollar and a staff total or a line by line approval). The Articles of Agreement, Mr. McNamara noted, were not explicit in this respect. He felt it would be unfortunate if the Board would be permitted to approve the budget line for line.

As far as budgeted staff was concerned, Mr. McNamara believed, however, that the Bank's tradition not to ask the Executive Directors for approval was questionable. It could well be argued that the Board should have authority over future dollar implications of staff expansion without, however, authorizing a recruitment program. There was general agreement among the Council Members that the 1970 budget should disclose the 1971 year cost of the 1970 staff expansion. Mr. Rosen submitted that the 1970 budget should contain an outline of the implications of the 1970 budget for 1971 and an undertaking that no new activities would be started in 1970 which would have additional financial implications for 1971 and the following years.

With respect to the Middle East, Mr. McNamara mentioned that he had sent a status report on the UAR debt dated June 6 to Deputy Undersecretary for Economic Affairs Samuels at State Department. Mr. McNamara had also talked to Dr. Liefstinck on the thorny question of lending to Israel.

Mr. Aldewereld reported on the Bank's plans to borrow privately 250 million DM each from Deutsche Girozentrale and Deutsche Genossenschaftskasse. Both institutions had expressed an interest in a long-term relationship and in refunding of these borrowings at maturity. Dr. Hankel had suggested that the Bank stay away from public issues as long as the interest rate was under pressure but had welcomed the contemplated private private placements. There was a strong presumption that the German Government would formally approve these borrowings.

Mr. Demuth said that Arthur Karasz would come to Washington for four to five days for consultations in the last week of June.

Mr. Demuth had been informed by Mr. Mendels that France was the only new supporter of the Multilateral Investment Insurance scheme. The Bank had not yet heard from the United States, but even assuming U.S. endorsement, it would still be an open question whether the Bank would be justified in going ahead with the scheme.

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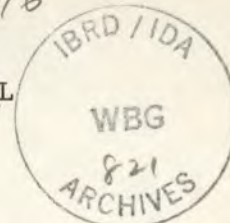
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President's Council Meeting, June 16, 1969

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Present: Messrs. McNamara, Knapp, Aldewereld, Broches, Demuth, Friedman, Rickett, Shoaib, Ripman and Rosen

Mr. Aldewereld mentioned the first draft of his paper on medium-term borrowing which he had circulated to the Council members for comments.

Mr. Aldewereld also mentioned a draft paper on disbursement of currencies for administrative expenses which had been prepared in cooperation with the Legal Department. Mr. McNamara felt that this paper should be submitted to the Board only after the Board had considered items such as IDA management fees and transfer of Bank profits to IDA.

With respect to the report on stabilization of prices of primary countries, Mr. McNamara asked Mr. Broches to formalize the present draft and to mark up a few sentences where the language was still awkward and unclear. In particular, Mr. McNamara was interested in the precise language dealing with Bank Group financing of research as approved by the Board last Tuesday.

Mr. McNamara reported that he had asked Mr. Ripman to work out, in cooperation with Department Heads, a more refined plan for staff expansion for the coming fiscal year. He had also instructed Mr. Adler to put potential staff savings in the contingency fund and to develop a set of budgetary controls. Unlike previous budgets, the present budget was very tight and problems of overrun might occur during the year.

Mr. McNamara expressed his concern over the lack of a philosophical foundation of Bank Group assistance for the next 2 or 3 decades. A very rough twenty-five year projection had indicated: a net inflow of capital from the developing countries to the World Bank Group beginning in the early 80's; huge borrowing requirements for the Bank between 1974 and 1984; and serious debt servicing and credit worthiness problems for the future.

Other projections had shown an increased need for funds of the developing countries on softer terms. Mr. McNamara expressed the hope that the Pearson Commission would address these issues. He also hoped that all the members of his Council would give some thought to this problem and that in particular, Messrs. Knapp, Aldewereld and Friedman would come up with suggestions on the "Three Decade Program of Self-Sufficiency."

In this connection, Mr. McNamara was anxious to see Sir Denis start his work on the third replenishment and to take on competent and sufficient staff (at least 3 people) to be made available by Mr. Friedman.

As far as the President's speech before the 1969 Board of Governors was concerned, Mr. McNamara said again he would welcome any suggestions from members of his Council on points to be covered in this speech.

With respect to the approval of the budget by the Board last Tuesday, Mr. Broches suggested and Mr. McNamara agreed to circulate to the Board a memorandum of points made during the budget discussion.

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AUG 12 2013

President's Council Meeting, June 30, 1969

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Rickett

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

Mr. Knapp noted that the EEC countries had set up a \$900 million development fund for use in 18 African countries over a five-year period. This would mean a capital flow to the ldc's from the fund of about \$180 million per annum, an effort which compares favorably with the total EEC quota, under the Second Replenishment of IDA, where they provide annually about \$103 million.

Mr. McNamara asked Sir Denis to include in his paper on the Third Replenishment of IDA data on the lending operations of the regional development banks, including details showing the mix between "soft" and "hard" lending.

Mr. Friedman mentioned that he is preparing a draft for a revision of the operational memorandum on country economic missions on the basis of extensive discussions on this matter between Area and Economics Departments. Mr. McNamara asked that the operational memorandum include reference to the role Bank economic missions may play in determining the need for technical assistance from UNDP in the form of preinvestment studies. He expressed his concern over the fact that very few of the UNDP studies seemed to bring about subsequent IBRD and IDA lending. In this connection, he asked Mr. Aldewereld for a list covering all preinvestment studies initiated by the Projects Department and submitted for UNDP financing in FY69.

Mr. Demuth mentioned that the UNDP Governing Council recently gave Mr. Hoffman authorization to give prior approval to technical assistance grants up to \$200,000 per project within an over-all limit of \$12 million for the next six months. He also referred to his pending trip to Geneva where it was expected that proposals would be put forward to have ACC reorganized so that it could form an Executive Committee whose staff would be reporting directly to the UN Secretary General. The ECOSOC Preparatory Committee might take up discussions on a proposal to establish some kind of continuing machinery for the evaluation of country performances and needs. This might result in overlapping functions with the Bank and perhaps also competition for qualified staff.

Mr. McNamara pointed out that he favored setting up Bank country economic missions and reports on a more regular basis, so that they could become the focal point of the country economic work within the international agencies. This role was not always recognized among these agencies. Mr. Demuth mentioned that Mr. Hoffman would prefer to see the UNDP Permanent Resident Representative have a more prominent part in country evaluations and in determining developmental needs. Mr. McNamara suggested that there was perhaps some uncertainty regarding the difference between technical assistance reports and country economic reports. He asked Mr. Friedman to prepare a paper on how UNDP country reports compared with those of the Bank. It would be useful for him to have this paper ready before Sir Robert Jackson's visit on July 21. Mr. Demuth added that perhaps closer cooperation between the Bank and other international organizations, such as WHO, ILO, etc., would be helpful in establishing the proper role of the Bank economic reports. He also suggested that perhaps the UNDP Permanent Resident Representative in each country participate in Bank missions.

Sir Denis told of the work being undertaken by several staff members on the paper on the Third Replenishment of IDA. Mr. McNamara asked that the paper include a discussion of the experience gathered--both in terms of techniques and of substance--during the Second Replenishment exercise.

President has seen

In regard to the Krieger Vasena report, Mr. Broches expected the IMF Board would postpone action on its proposals. Mr. McNamara mentioned that the staff salary issue should be brought to the attention of the Board before announcements were made to the staff. He asked Mr. Ripman to assist Mr. Broches in preparing a statement to the Board on this matter. He also asked Mr. Ripman to find out which considerations IMF made in determining changes in the salary range categories.

At the close of the meeting, Mr. McNamara informed the Council that all interested parties had reacted favorably to a possible Bank participation in the work of the Mekong Committee. He solicited comments from the Council members within the next two-three days on his proposed reply to the UN Secretary General in this regard.

Leif Christoffersen