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McNamara Papers

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Contacts with member countries: France - Correspondence 07

37a

MEMORANDUM FOR THE RECORD

Meeting with Mr. Vernier-Palliez, Chairman of Renault, May 2, 1978

Present: Messrs. McNamara, Vernier-Palliez, Hanon and Percie du Sert

Mr. Vernier-Palliez said that Renault was not only manufacturing cars but that 30% of Renault sales were now derived from other than private car business. In the 103 countries in which Renault was active, it had found that serious limitations to the use of private automobiles had to be faced. Renault was increasingly involved in exporting entrepreneurship to LDCs. In particular, Renault had (i) formed a company for growing, processing and shipping food; there was a huge agro-business potential in many LDCs; (ii) helped LDCs in planning and developing transportation systems (bus services and training capacities), e.g., in Abidjan and five other West African capitals; and (iii) brought LDC engineers and managers to France for further training. He had met with Mr. Qureshi and they had agreed on possibilities for cooperation between IFC and Renault.

Mr. McNamara said that Renault's three areas of activity in LDCs, namely, agro-business, public transportation systems and training were all of interest to the Bank. The development of bus services had to limit the role of the private automobile. Since most LDCs would be dependent on the agricultural sector for many years to come, development of agro-business provided good opportunities for applying Renault's management expertise. He asked Mr. Vernier-Palliez to keep in touch with IFC.

CKW
May 11, 1978

OFFICE OF THE PRESIDENT

Meeting with Mr. Marcel Boiteux, Director-General Electricite de France, and Chairman of the Bank's External Research Panel on Energy, Water and Telecommunications, October 17, 1978

Present: Messrs. McNamara, Boiteux, Stern, Rovani and Frisch

Mr. Boiteux said that he was struck by the economic emphasis (versus technical emphasis) placed by the Bank on its project work. He was not sure that non-capital-intensive but nevertheless modern technology was available for transfer to LDCs. Mr. McNamara replied that the Bank did not put great weight on new technology. Usually, a wide spectrum of technology was available. There was a great uneasiness on the part of senior management about the intellectual foundations of the Bank's lending to maximize the economic and social advance of the masses in LDCs. The Bank was not spending enough on assuring the appropriateness of its approach.

Mr. Boiteux said that, presented this way, the task for the panel was an enormous one. The marginal utility of research had to be examined. Also, the alternatives of new research versus dissemination had to be explored. Mr. McNamara said that management was not so much interested in recommendations on outside dissemination but rather in recommendations on the quality and type of research done internally. The Bank was presently "fumbling at the margin" in allocating funds to research. Mr. Boiteux said that he was in the same quandary as manager at Electricite de France: there were no precise economic criteria. They were doing better, however, on applied research.

Mr. McNamara concluded that the Bank needed the cold appraisal of its activities by outsiders who were competent investment managers. The fact that the Bank did not have any competition constituted a serious problem for management.

CKW
October 20, 1978

Meeting with French Delegation, September 24, 1978

Present: Messrs. McNamara, Minister of Economy Monory, Haberer, Mentre and Rigaud

Mr. Monory raised four points: (i) IDA should be oriented more towards Africa; (ii) the Bank should play a forceful role in energy development in LDCs; (iii) some issues remained to be resolved before the French Government could play a more active role in IFC; and (iv) action had to be taken to prevent further deterioration of the French representation on the Bank staff. Mr. Mentre added that, because of the bilateral versus multilateral aid dilemma in France, it was important to know the economic consequences for France of its multilateral aid contribution.

Mr. McNamara said that he shared the Minister's view that the French representation in the Bank should be strong. Two Vice Presidents and a number of Directors were French. However, the most important aspect of French representation was a strong Executive Director. France had been outstanding over the last 10 years in terms of appointing extremely able men to these positions. He had encouraged other governments to do the same.

Second, strong IDA and IFC participation was also important for France's presence in the Bank. French support was needed in order to obtain a large increase of IDA VI over IDA V.

Third, he completely agreed with the emphasis on energy development. The Bonn Summit had directed the Bank to undertake a substantial effort. It constituted one of the few areas of investment in which the Bank had not been involved. The Bank was presently building up the necessary staff and had already engaged in financing energy development. However, there was a serious financing gap for the requirements of exploration. The Bank was presently working on a major report on exploration which would be presented to the Board within the next 8-10 weeks. The report would pinpoint exploration investment needs on a country-by-country basis. The Bank would then proceed to seek multilateral and private investment in this field.

cc: Mr. Knapp

CKW
September 28, 1978

Points to Discuss with General

1. Population growth: Opportunity to hold to '86 or '116
2. Food - Tokyo Summit
3. Energy
4. Trade
5. No/Es: focus on mutual interests: food, energy, trade, international 1986-87
 Fr to suggest v^{int} CIEC at succeeding summit (Opportunity for
 to lead the
 goal of social
 mechanism)
 and domestic policies
 unified enter. policies
6. China: shift in last 2 yrs; few days
 involve Soviet Union
7. FRG's future role in foreign policy = within NATO; vs East; vs 3rd W
8. LDC's outlook for pop + GNP growth: tables (but growing labor force)
9. US - outlook for GNP growth (v432), inflation (92); Unemployment (62)
 Salt II - Fr. attitude: attack at cost
 continue to criticize Poland; attack at cost
 Pres. policies (weak Dem. opp [Brown]); K's strategy; Rep. policies (Carruth, Reagan, Baker);
 more efficient economy
10. Fr - outlook for structural change toward less regulated more flexible,
 international competitiveness vs OECD, 3rd W
 effect on social structure + dis. of income + opportunity

	FY64	FY65	FY66	FY67	FY68	FY69	FY70	FY71	FY72	FY73	FY74	FY75	FY76	FY77	FY78	Total FY64-68	Total FY69-73	Total FY74-78	Total FY79-83	
French-speaking North Africa																				
Algeria	-	-	-	-	-	-	-	-	-	24.5	157.5	48.0	150.5	170.0	172.0	156.0	20.5	24.5	698.0	1130.0
Morocco	-	17.5	27.5	-	-	15.0	68.3	45.0	39.0	72.0	136.0	48.5	150.0	166.0	84.5	341.4	45.0	239.3	585.0	1309.0
Tunisia	7.0	-	5.0	12.0	10.0	32.8	10.0	31.5	41.0	14.0	39.6	63.5	56.9	89.5	67.0	485	34.0	129.3	316.5	518.5
Total	27.5	17.5	32.5	12.0	10.0	47.8	78.3	76.5	80.0	110.5	333.1	160.0	357.4	425.5	323.5	605	94.5	343.1	1599.5	2456.5
Average per Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- IBRD	27.5	17.5	32.5	12.0	10.0	47.8	78.3	76.5	80.0	110.5	333.1	160.0	357.4	425.5	323.5	605	94.5	343.1	1599.5	2456.5
- IDA	-	-	11.0	19.0	-	8.5	10.5	4.8	15.0	-	7.0	-	-	4.8	-	-	-	19.8	11.8	-
- IBRD/IDA	27.5	17.5	21.5	10.0	10.0	39.3	67.8	71.7	65.0	110.5	340.1	174.0	357.4	430.3	323.5	605	94.5	362.9	1611.3	2456.5
French-speaking African States South of Sahara																				
Benin	-	-	-	-	-	4.6	-	3.5	6.1	11.8	0.6	4.0	9.0	7.2	21.0	15.0	-	26.0	41.8	55.0
Burundi	-	-	1.1	-	-	1.8	0.4	-	-	-	-	-	-	-	17.4	61	1.1	2.2	45.1	81.1
Cameroon	-	-	-	7.0	-	12.9	17.2	-	-	1.7	51.6	7.5	19.3	40.0	50.6	713	7.0	31.8	169.0	352.3
C.A.E.	-	-	-	11.0	0.6	-	-	1.5	12.7	-	24.0	18.2	18.0	23.5	42.5	100	11.6	31.7	126.2	138.0
Chad	-	-	-	-	-	4.2	4.3	-	3.9	-	-	-	-	-	-	-	-	12.4	-	33.0
Comoros	-	-	-	-	-	5.9	-	-	2.2	2.2	-	-	5.0	20.0	21.7	7.6	-	10.3	60.6	89.6
Congo	-	-	-	30.0	-	-	-	-	-	-	-	-	-	-	-	5.0	-	-	-	15.0
Gabon	-	12.0	-	-	-	0.6	1.5	3.5	10.3	0.6	5.6	-	-	8.0	-	-	-	16.5	6.1	30.0
Guinea	-	-	1.7	-	-	64.5	-	-	9.0	-	-	-	-	-	-	-	-	73.5	-	50.0
Ivory Coast	-	-	-	-	5.8	17.1	18.5	27.5	17.5	8.4	27.6	76.9	76.6	64.0	121.0	34.4	5.8	89.0	366.1	443.0
Mali	-	-	-	9.1	-	-	-	7.7	-	10.5	21.2	10.5	24.2	10.0	26.0	25.0	9.0	39.4	95.7	157.0
Madagascar	-	-	-	-	4.8	6.3	-	-	-	15.0	-	-	-	-	-	-	-	21.3	6.8	30.0
Mauritania	-	-	-	-	-	4.5	9.6	5.0	15.3	15.0	7.8	16.4	27.6	14.0	33.0	61.5	10.0	49.4	98.8	177.5
Mauritius	7.0	6.7	-	-	-	-	-	-	4.2	-	7.4	3.0	8.0	6.2	-	8.0	6.7	7.2	24.6	33.0
Niger	1.5	-	-	-	-	6.1	0.6	5.7	-	-	8.3	-	-	-	-	-	-	-	67.3	58.0
Rwanda	-	-	-	-	-	9.3	-	-	-	-	10.1	8.0	9.5	19.8	15.0	14.1	-	12.3	62.4	112.0
Senegal	-	-	-	4.0	-	3.5	-	-	6.4	9.3	3.6	7.0	21.6	23.8	11.0	7.0	4.0	19.2	67.0	127.0
Togo	-	-	-	9.0	-	6.0	2.1	7.1	11.2	20.7	3.0	23.0	12.5	-	26.3	24.5	9.0	47.1	64.8	118.0
Upper Volta	-	-	-	-	-	3.7	-	-	-	-	8.7	6.0	9.5	10.0	19.8	16.2	-	3.7	54.0	56.2
Zaire	-	-	-	-	-	0.8	-	6.2	5.0	7.4	11.4	16.5	9.4	23.6	17.4	14.0	-	19.4	78.3	183.4
Total	7.0	12.0	1.7	41.0	12.4	110.3	35.7	36.5	23.9	43.9	97.8	206.7	183.0	139.4	220.3	122.7	74.1	219.3	847.2	1470.9
Average per Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- IBRD	7.0	12.0	1.7	41.0	12.4	110.3	35.7	36.5	23.9	43.9	97.8	206.7	183.0	139.4	220.3	122.7	74.1	219.3	847.2	1470.9
- IDA	1.5	6.7	1.1	39.1	0.6	47.2	58.0	44.0	122.4	96.7	130.3	181.8	219.2	186.8	257.6	135.4	49.0	322.2	675.7	1013.8
- IBRD/IDA	8.5	18.7	2.8	80.1	13.0	157.5	93.7	80.5	147.5	140.6	228.1	388.5	402.2	326.2	477.9	258.1	123.1	622.5	1822.9	2484.7
TOTAL FRENCH-SPEAKING AFRICA																				
- IBRD	34.5	29.5	34.2	53.0	22.4	158.1	114.0	113.0	103.9	154.4	430.9	366.7	540.4	564.9	543.8	716	173.6	643.4	2446.7	4128.6
- IDA	1.5	6.7	12.1	58.1	0.6	55.7	75.8	51.7	156.9	96.2	137.8	195.8	219.2	191.6	257.6	135.4	49.0	436.2	1001.5	1813.3
- IBRD/IDA	36.0	36.2	46.3	111.1	23.0	213.8	189.8	164.7	260.8	251.1	568.7	562.5	759.6	756.5	801.4	854	222.6	1080.2	3448.2	5941.9
Average per Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- IBRD	34.5	29.5	34.2	53.0	22.4	158.1	114.0	113.0	103.9	154.4	430.9	366.7	540.4	564.9	543.8	716	173.6	643.4	2446.7	4128.6
- IDA	1.5	6.7	12.1	58.1	0.6	55.7	75.8	51.7	156.9	96.2	137.8	195.8	219.2	191.6	257.6	135.4	49.0	436.2	1001.5	1813.3
- IBRD/IDA	36.0	36.2	46.3	111.1	23.0	213.8	189.8	164.7	260.8	251.1	568.7	562.5	759.6	756.5	801.4	854	222.6	1080.2	3448.2	5941.9
As % Total IDA Lending																				
French-speaking N. Africa	-	-	3.9%	5.4%	-	2.2%	2.9%	0.8%	3.4%	-	0.6%	0.9%	-	0.4%	-	-	2.2%	1.6%	0.3%	1.9%
French-speaking African States	0.5%	2.2%	0.4%	11.1%	0.6%	12.3%	9.6%	12.3%	11.0%	11.0%	11.5%	13.2%	14.3%	11.1%	11.5%	3.7%	9.5%	9.5%	12.3%	10.9%
TOTAL FRENCH-SPEAKING AFRICA	0.5%	2.2%	0.4%	16.5%	0.6%	14.5%	12.5%	8.8%	15.7%	7.1%	11.5%	12.4%	13.2%	14.7%	11.1%	15.2%	5.9%	11.1%	12.0%	10.4%
As % Total Bank Group Lending																				
French-speaking N. Africa	2.5%	1.3%	3.9%	2.7%	1.0%	3.3%	4.4%	3.5%	3.8%	3.2%	7.4%	3.0%	5.4%	6.1%	3.8%	5.9%	2.3%	3.4%	5.0%	5.0%
French-speaking African States	0.9%	1.4%	0.2%	7.1%	1.4%	5.9%	8.3%	3.3%	5.1%	4.1%	5.3%	6.6%	6.1%	4.4%	5.7%	6.4%	2.2%	4.8%	5.6%	5.0%
TOTAL FRENCH-SPEAKING AFRICA	3.4%	2.7%	4.1%	9.8%	2.4%	12.1%	12.7%	6.8%	8.9%	7.3%	12.7%	9.6%	11.5%	10.7%	9.5%	12.3%	4.5%	8.2%	10.6%	10.0%

a/ Includes Third Window funds with IBRD.

b/ The share of French-speaking African countries in IDA4, 5, and 6, is 12.3%, 11.0% and (projected) 11.6% respectively.

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figs (252, 1080, 3448)
for 64-68, 1973, 74-78
+ said 79-83 should be
added 662 above 74-78

PRELIMINARY GROWTH RATES FOR GDP PER CAPITA

(in percent per year at 1975 prices)

	Population 1978 (millions)	Population			GDP			GDP Per Capita			GDP/PC Am't in \$'75 <i>82</i>
		1960-70	1970-80	1980-90	1960-70	1970-80	1980-90	1960-70	1970-80	1980-90	
Low Income Countries:											
Africa	164	2.5	2.7	2.7	4.1	3.0	4.0	1.6	0.3	1.3	151
Asia	1084	2.4	2.3	2.1	4.2	4.2	5.1	1.8	1.9	3.0	168
Sub-total	1248	2.4	2.5	2.7	4.2	4.1	4.9	1.8	1.8	2.7	166
Middle Income Countries:											
Africa, South of Sahara	198	2.5	2.6	2.8	5.0	4.3	4.4	2.5	1.7	1.6	557
North Africa <i>+ MIE</i>	153	2.7	2.7	2.6	7.3	5.7	5.6	4.6	3.0	3.0	952
Asia	171	2.9	2.4	2.2	7.7	8.5	7.6	4.8	6.1	5.4	829
Latin America	334	2.8	2.7	2.6	5.7	5.3	5.7	2.9	2.6	3.1	1232
Southern Europe	126	1.4	1.5	1.3	7.2	4.9	5.5	5.8	3.4	4.2	2086
Sub-total	982	2.5	2.5	2.4	6.4	5.5	5.8	3.9	3.0	3.4	1067
All Developing Countries	2230	2.5	2.4	2.3	5.9	5.2	5.6	3.4	2.8	3.3	564
Capital Surplus Oil Exporters	15	2.6	1.9	1.6	11.7	5.6	5.2	9.1	3.7	3.6	7782
Industrialized Countries	667	1.1	0.7	0.6	4.9	3.4	4.2	3.8	2.7	3.6	6938
Centrally Planned Economies	1264	1.5	1.4	1.1	7.0	5.5	4.2	5.5	4.1	3.1	1176
Total	4176	1.95	1.82	1.78							

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Countries With Populations Over 1 Million Listed by Region

Low Income		Middle Income					Capital Surplus OPEC	Indus-trialized	CPE
Africa	Asia	Africa	Middle East	Asia	Latin Amer.	S. Europe			
Ethiopia	Kampuchea	Togo	Yemen, AR	Thailand	Haiti	Turkey	S. Arabia	Ireland	China, P.R.
Mali	Lao, PDR	Sudan	Egypt, AR	Philippines	Bolivia	Yugoslavia	Libya	Italy	Korea, P.R.
Kwanda	Bhutan	Cameroon	Yemen, PDR	Papua N.G.	Honduras	Portugal	Kuwait	U.K.	Mongolia
Somalia	Bangladesh	Mozambique	Morocco	Korea	El Salvador	Greece		Austria	Cuba
Upper Volta	Burma	Mauritania	Jordan	Malaysia	Colombia	Spain		Finland	Albania
Burundi	Nepal	Nigeria	Syria	China, Rep.	Guatemala	Israel		Netherlands	Romania
Chad	India	Senegal	Tunisia	Hong Kong	Ecuador			France	Bulgaria
Benin	Afghanistan	Zambia	Algeria	Singapore	Paraguay			Belgium	Hungary
Malawi	Pakistan	Liberia	Lebanon		Dom. Rep.			Germany	U.S.S.R.
Zaire	Sri Lanka	Congo, PR	Iraq		Nicaragua			Norway	Poland
Guinea	Viet Nam	Rhodesia	Iran		Peru			Denmark	Czechoslovakia
Niger	Indonesia	Ghana			Costa Rica			Sweden	Germany, D.R.
Lesotho		Ivory Coast			Chile			Switzerland	
Tanzania		Angola			Jamaica			New Zealand	
Madagascar		S. Africa			Mexico			Japan	
Sierra Leone					Brazil			Australia	
C. Af. Empire					Panama			Canada	
Kenya					Uruguay			U.S.	
Uganda					Argentina				
					Trin. & Tob.			equals	
					Puerto Rico			OECD less	
					Venezuela			Greece	
								Portugal	
								Spain	
								Turkey	

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April 24, 1979

*File in
main folder*

MEETING WITH PRESIDENT GISCARD D'ESTAING,
PARIS, APRIL 17, 1979 -- 2.30-3.45 p.m.

PRESENT: Messrs. Robert GALLEY, Minister of Cooperation,
René MONORY, Minister of the Economy,
Jean-Yves HABERER, Director of the Treasury,
Paul MENTRÉ DE LOYE, French ED,
Guy DE PANAFIEU, Technical Adviser, President's Office,
Jacques WAHL, Secretary General of the President's
Office,
Rainer B. STECKHAN.

9/27

1. President Giscard d'Estaing started out by emphasizing the "great importance" his Government attaches to "Mr. McNamara's action, the activities of the World Bank and the necessity to create a propitious climate for cooperation between North and South". While France was "for historical and emotional reasons" committed to bilateral aid, President Giscard d'Estaing considered at the same time international cooperation as a major feature of development activities.

2. President Giscard d'Estaing then suggested the following agenda:

- a) Increase in World Bank and IDA resources
- b) Problems of the "Euro-African continent"
- c) The Bank's role in the development of energy and mining, and
- d) Cooperation between developing and developed countries.

IBRD capital increase

3. Mr. McNamara proceeded to explain the reasons for the proposed capital increase of the World Bank. He pointed in particular to the statutory 1 to 1 ratio of receivables to capital, earnings and reserves, which meant that the Bank -- at the planned rate of growth -- would have to stop lending by the end of 1982 without the proposed increase. Mr. McNamara also advised that a Board decision on the capital increase was postponed from April 24 to no later than June 28, at the request of the U.S. and asked France to continue to urge the U.S. to vote in favour of the doubling of the capital.

Minister Monory confirmed that France fully supported the Bank's position.

4. In reply to a question from President Giscard d'Estaing, Mr. McNamara explained that without a decision on the capital increase before the end of FY79 a reduction in lending and staff would have to be envisaged which in turn would create turmoil within the organization and give the wrong signals to the Third World.

IDA 6

5. On IDA, Mr. McNamara said that the proposed level of \$12-13 bn. for IDA 6 would allow for reasonable growth in IDA

commitments and reflected the growth of OECD's GNP over the following years. Mr. McNamara hoped that the French Government would raise its present share of 5.38 percent to 6 percent which would mean that the French contribution to IDA 6 in French francs terms would grow roughly in line with the French GDP.

6. Minister Monory acknowledged that France was very close to an agreement with the World Bank on the size of IDA 6 and that only details ("a level of \$11.5 or 12 or 12.5 bn") needed to be negotiated. While Mr. Monory did not directly comment on the French share in IDA 6, he indicated that French calculations showed a total French contribution of \$750 mn. to IDA 6 and pointed to the budgetary implications this would have. When Mr. McNamara asked whether France could more easily accept a higher percentage in a smaller IDA 6 nobody commented.

Africa and the World Bank

7. Turning to Africa, President Giscard asked jokingly whether the World Bank was "again neglecting Africa". In response, Mr. McNamara pointed to the unparalleled growth of World Bank Group lending to francophone Africa from \$250 mn. (1964-68) to \$1.1 bn. (1969-73) to \$3.4 bn (1975-78). Despite the present uncertainties about the replenishment of the World Bank Group resources, Mr. McNamara hoped that over the next five years World Bank Group lending to francophone Africa would increase by about two thirds.

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8. In this connection, Minister Galley inquired why over the period 1973-77 17 percent of IDA funds were going to East Africa as compared to only 9 percent to West Africa which after all had more needs and a lesser growth rate. Mr. McNamara said that he would have to check the Minister's figures and pointed out that the share of IDA resources committed to French speaking Africa had gone up from 5.9 percent in 1964-68 to 11.11 in 1969-73 and an exceptionally high 12.6 percent from 1974 to 1978. This expansion was facilitated by the close cooperation with the French authorities (FAC and Caisse Centrale) and Minister Galley confirmed this.

9. Mr. Galley's second question was whether the World Bank was not "going a little fast" in changing from classical projects (transport, energy and telecommunications) to agriculture and rural development. In response, Mr. McNamara confirmed the importance of infrastructure (especially roads and storage) in Bank lending and invited Minister Galley to let the Bank know of any country in which, in the Minister's view, the World Bank was doing too much in agriculture and not enough on infrastructure. In addition, he said he would specifically ask Mr. Chaufournier on his next visit to Paris to explain to the Minister our lending activities in West African countries.

10. President Giscard in turn made a special plea for continued increase of World Bank aid to Africa and claimed that at present the World Bank was "only spending in well administered countries such as Senegal, Cameroon and Ivory Coast" while the very poor and poorly administered countries such as Chad and Central African Empire were not receiving enough. In response, Mr. McNamara pointed to the enormous expansion of IDA lending in the poorest countries such as Chad, Mali and others but admitted that the exception was Zaire which presented a very serious problem.

Zaire

11. In this connection, President Giscard d'Estaing felt that the U.S. view of Zaire was inaccurate and that with the foreign technical assistance which President Mobutu had accepted for key sectors progress should be feasible. Mr. McNamara recalled that he had asked the Zairian Government to agree with the IMF on a stabilization program and to work out a 3-year investment plan against which the World Bank would lend. The latter was still outstanding.

12. At this juncture, Minister Galley mentioned his upcoming visit to Zaire and Mr. McNamara invited him to submit through Mr. Steckhan any suggestions he may have on sound investment possibilities in the country. The Minister promised he would do so on his return, adding that for instance the Port of Banana was a project that clearly deserved special support from international donors.

Energy

13. Turning to energy, Mr. McNamara elaborated on the Bank's new assistance program especially for oil and gas projects which was based on work done by the French Petroleum Institute. Mr. Mentré interjected that the Bank was leaving the risk of exploration with the Third World and Mr. McNamara commented that the Bank was very inexperienced in risk taking in this field but had already been successful in bringing together oil companies and developing countries (e.g. Gulf Oil in Pakistan) on exploration ventures without the country taking any risk. Mr. Mentré also pointed to the importance of financing solar energy in the developing countries and both President Giscard d'Estaing and Mr. McNamara agreed that this was still many years off.

Mining

14. Mr. McNamara stated that the Bank was well equipped to provide more aid in the mining field but that this would take time. In this context, he mentioned the Bank's support for copper mining in Zaire.

North-South cooperation

15. Moving to the subject of North-South cooperation, President Giscard d'Estaing felt that development was a joint responsibility of rich and poor countries and anything the World Bank could do in emphasizing this in its public statements would be helpful. Mr. McNamara fully concurred with this analysis stating that the strongest basis for successful discussions between North and South was mutuality of interest, especially in the fields of raw materials and trade.

Meeting with Mr. Andre Giraud, French Minister of Industry and Energy, June 4, 1979

Present: Messrs. McNamara, Giraud, Francois de Wissocq, Mentre

Mr. Giraud said that he was in Washington with the French Minister of Foreign Affairs to consult with the U.S. Government on what he called an unprecedented energy situation faced by the world. This situation caused him grave concern and required big decisions to be made by governments, preferably at the Tokyo Summit later this month. In his view, there were two possible scenarios for future events: (i) the main producing and consuming countries make complementary decisions on energy avoiding a serious shortage and assuring reasonable growth of the world economy, and (ii) the two groups of countries do not make such complementary decisions which would lead to a physical shortage of energy and to a deep economic crisis. The problem was that the world was presently living with option (ii); every effort would have to be made to switch to option (i). As a first step, oil prices should be kept from moving up too fast and spot markets should be brought under control. As a second step, equilibrium between demand and supply should be re-established, mainly by reducing consumption. Finally, as a third step, other sources of energy had to be developed and supplies had to be increased; here was a place for the World Bank. The French Government was appreciative of what the Bank tried to do in the energy field and his authorities wanted to offer their support.

Mr. McNamara emphasized that the French Petroleum Institute had been of tremendous help to the Bank because the Bank was without experience in this complex field. Lack of expertise and experience was the major factor holding the Bank back in its activities. France could be of great help in this area. Mr. Giraud said that, for example, pools of experts were available to be tapped. Mr. McNamara agreed; the Bank had done so in the case of Canada and Mexico. He urged the Minister to let the Bank know what it could do better. In commenting on the world situation, he expressed the view that the OECD nations had for years been behaving very unwisely with regard to their political and economic strategies on energy. It was unwise to be so close to the margin as to consumption versus production; instead of balancing consumption and production so tightly, there should have been some spare capacity. As to future action, (i) consumption and imports had to be reduced; in particular, the U.S. ought to do it and IEA agreements on reduction of imports should be reached; (ii) additional, though limited, supplies in the U.S. had to be freed up, e.g., natural gas, through lifting prices through decontrol; Congress was very unwise in its opposition to such measures; and (iii) the OECD nations had to prepare for the long-term projected scarcity, e.g., by working on synthetic fuels; present price structures did not provide adequate incentives to private entrepreneurs.

Mr. Mentre pointed to three options for creating spare capacity: (i) reduction in consumption; (ii) increased supplies from LDCs; and (iii) increased supplies from OPEC. Mr. McNamara agreed. Spare capacity would strengthen the bargaining position vis-a-vis OPEC. "You cannot bargain with OPEC when they have you over the barrel."

Mr. Giraud declared that OPEC was not interested in a world crisis; there was therefore a basis for solidarity. Because of its membership of both oil-producing and oil-importing nations, the Bank could also play a politically important role. It would be politically important for OECD to show that they were doing something for the LDCs. New supplies had to be developed wherever they are located.

Mr. Giraud enquired about the issues of risk-taking under the Bank's exploration activities. Mr. Mentre added that Elf Aquitaine had criticized that under the Bank's program the risks were taken either by the oil company or the country. Mr. McNamara said that no government had wanted to participate in an international risk guarantee; but, more importantly, the Bank had not seen a situation yet where the country or the company was not willing to carry the risk. Mr. Giraud proposed the following approach; departing from the necessity to give credibility to conserving efforts and to developing the capacity of LDCs to produce energy, one would conclude that the Bank was a good channel to LDCs and in a unique position to help in developing energy sources in those countries. The effort would have to consist of, for example, guarantees and interest subsidization. The effort had to be made by both the wealthy countries (i.e., including not only the industrialized countries) and those importing nations whose increasing imports had to be matched by sharing in the development of additional sources in LDCs. Mr. McNamara said that this appeared to be a good idea. A guarantee scheme could be derived from that. Such a guarantee pool should also be in the interests of OPEC nations.

Finally, Mr. Giraud pointed to the possibility of exploiting heavy oil deposits. Since these deposits were known, such an effort could have an immediate impact on supply and would be a less risky undertaking; however, the technology still had to be developed. As an example, he mentioned the bituminous sands in Madagascar which were better than shale and which at today's prices could be economically exploited.

cc: Mr. Rovani

CKW
June 6, 1979

OFFICE OF THE PRESIDENT

Meeting with Mr. Jerome Monod, France, December 3, 1979

Present: Messrs. McNamara, Monod, Mrs. Parent, Mr. Stern

Mr. Monod introduced himself as a former close associate of Messrs. Debre and Chirac, former Prime Ministers of France. At present, in addition to his work in the private sector, he was Chairman of the Board of the Agence de Cooperation et Amenagement. This association was neither a center of studies nor an enterprise; it was a non-profit organization financed by the French Government, with a small budget of about \$5 million and a staff of 40 professionals. Its work focused on providing technical assistance, particularly in regional and urban planning and on establishing training courses in these fields. Since its foundation 20 years ago, it had focused primarily on Black Africa, but it had now been asked by the French Government (a) to expand its activities to other continents, (b) not to take contracts but to work on a public technical assistance basis, and (c) to widen the scope of its activities to all aspects of regional development. Mr. Monod emphasized that he would aim at working directly with high-level government officials in developing countries, e.g., ministers and mayors, in order to sensitize them to the issues of regional development and to influence political decision-making in this field. This would speed up the process of planning and institutional reform. In other words, the association would try to work--more than the Bank did in its activities--with high-level politicians in order to educate them to the issues and to create the required conscience as to the political commitment required at senior policy levels. In its initial work under these broader terms of reference, the organization was concentrating on a few countries: in the case of Egypt, it worked for the Government on new town and port planning; in the case of Mexico, on the regionalization of the plan and budget with special emphasis on housing programs and special ports; in Venezuela, on assessing the country's regional development plan and the national program for road transportatin; in Colombia, on the problems of medium-size towns and of transportation and social housing in Cali. In the training field, the association would extend its activities beyond Africa and would focus on courses in urban and regional planning and city administration in Latin America and the Islamic world. These different activities might well lead to possibilities for cooperation with the World Bank; for example, the technical assistance provided to Guinea had already created such project possibilities for the Bank. Mr. Monod concluded by saying that his association was opposed to the concept of "planificacion." In his view, regional management was the modern form of planning and was much more concrete in its results.

Mr. McNamara said that he was most interested to learn of the association's approach and activities and that he hoped that at times the association and the Bank could collaborate. He asked Mr. Monod to assess, in the course of his work in different countries, the role and activities of the Bank and to make suggestions for improving them.

CKW
December 6, 1979

Meeting with Mr. Andre Giraud, Minister of Industry, France, January 31, 1980

Present: Messrs. McNamara, Giraud, de Wissoq (Director of Energy), Mentre, Stern, Rovani

Mr. Giraud introduced the discussion by pointing to the fact that the global energy situation had deteriorated since he had last met with Mr. McNamara. In the nuclear energy field, France was the only country proceeding forcefully. His country had also undertaken major efforts to develop the use of coal. Recent oil price developments had serious implications, particularly for LDCs. Therefore, the development of energy sources in developing countries required even more urgent attention. The Venice Summit of heads of state would have to deal with the energy problem again and France would press the issues. Also, meaningful talks between oil-producing and oil-consuming nations should be initiated.

Mr. McNamara agreed that consumer/producer talks on energy would benefit all parties involved. In his view, a point might have been reached at which such negotiations could be brought about. They would have to follow a package approach and eventually reach agreement on (i) production guarantees, (ii) consumption limits, and (iii) price formulae which would provide the maintenance of value and the gradual increases in real terms required to avoid the past experience of erosion of prices followed by massive and unanticipated increases. OECD governments should consider how to initiate the dialogue.

Mr. McNamara then pointed to the catastrophic impact of recent oil-price increases on the current accounts of the oil-importing LDCs. At last week's Tidewater meeting in Arusha, he had presented recent Bank projections to the ministers which, among others, estimated the current account deficits of oil-importing LDCs to rise from \$26 billion in 1978 to about \$75 billion in 1980. In view of these large deficits to be financed, the intermediation problem needed to be discussed urgently, and should be addressed by the Venice Summit. He was very uneasy about the intermediation problem beyond 1980 and, in his view, the private banks would probably not be able to recycle OPEC surpluses to the LDCs as they had done after 1974.

With regard to the stimulation of energy production in the LDCs, Mr. McNamara said that he was pleased with the progress made by the Bank. So far, it had been the Bank's experience that finance was not a constraint for expanding exploration activities; rather, knowledge and technical know-how were lacking. He suggested that the French Government might be able to second experts in this field to the Bank. Mr. Rovani added that the staffing problem was most severe in regard to power engineers. Mr. Giraud replied that his Government would be pleased to provide such assistance.

Mr. Mentre argued that the U.S. oil companies were planning to invest in LDCs only a small fraction of their profits arising from decontrol of oil prices. Therefore, finance might indeed become a constraint. Mr. Rovani replied that, as Mr. McNamara had stated, technical and managerial constraints of oil companies and also a suitable legal framework and climate for private investment in the host countries were still the limiting factors. Further experience with the Bank's recent exploration promotion efforts was needed to determine to what extent risk capital was also a problem.

Mr. Giraud suggested creating an international fund which would participate in the risk of energy production in LDCs; through the provision of

financial resources by the fund, the risk would be divided and the oil companies would be more likely to come in. The fund would participate in the profits arising from such ventures. Mr. Stern argued that it was not so much the level of risk but rather the potential level of profit which mattered in oil company investment decision. Mr. McNamara said that, if the Bank reached a point in its work where finance appeared to become a constraint, the Bank itself could set up such a fund. This would be fully justified in light of the importance of the matter. Mr. Giraud added that the proposed fund would help by increasing the amount of equity money available.

As to the package deal outlined by Mr. McNamara for consumer/producer talks, Mr. Giraud questioned whether indexation of energy prices would not add to worldwide inflation. Mr. Stern replied that, if the basic assumption were correct (namely, that energy prices had to move up in real terms), the question became one of smooth transition.

Mr. Giraud enquired about Mr. McNamara's thoughts as to possible ways of financing the expected large current account deficits of LDCs. Mr. McNamara replied that the incremental deficits were not very large in absolute amounts in the case of the low-income countries and that the financing had to come mainly from donor governments shifting ODA from middle-income to low-income countries. As to the intermediation by private markets in the case of middle-income countries, he expected no answer to be available by the time of the June Summit meeting. In his view, the IMF could play a larger role than in the past. Mr. Mentre pointed to the difficulty arising from the fact that the Fund wanted to be repaid whereas the commercial banks never wanted to be repaid. Mr. Stern pointed to the proposed Bank lending for structural adjustment. The Summit should endorse this new initiative.


cc: Mr. Rovani

CKW
February 11, 1980

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: January 31, 1980

FROM: Yves Rovani, EGY SUBJECT: Visit of Mr. André Giraud, French Minister of Industry and Mr. de Wissoq, Director of Energy

This is a quick briefing note for the visit today of Mr. André Giraud. I am also attaching copies of my briefing note for his earlier visit and my presentation to the pre-Summit meeting last December, for additional background.

Relations with France in the Energy Field

Relations in this sector continue to be excellent and we benefit from a number of intellectual exchanges and general studies including, as most recent examples:

BEICIP (affiliate of French Petroleum Institute)

- update of last year's report on the state of exploration in LDCs and recent developments, in preparation of next annual review, and
- planned brainstorming session with three of us, early Spring, on LDC gas potential and increased role that we could play in stimulating its production and use.

COMES (Commissariat à l'Energie Solaire)

1/31 The Commissioner for Solar Energy, Henry Durand, visited the Bank at the beginning of this month, at our invitation, and gave an interesting seminar on the 6-year French experience in renewable energy in the LDCs, which covers a broad range of technologies in a number of countries; and commented usefully on our proposed approach. He will pass through Washington next May and you might enjoy meeting him.

Our relations with the two French national oil companies, Elf Aquitaine (SNEA) and Compagnie Française des Pétroles, are more distant. Communications could be improved but our interests cannot be expected to coincide (particularly as we wish to promote the oil potential of LDCs on a competitive basis, a practice which is generally disliked by European oil companies). IFC has taken over the Congo exploration project which we had initiated with Elf Aquitaine. We are in touch with the latter regarding several other countries.

Future

I see two areas in the energy field where France could make its bilateral and multilateral role more effective:

- integrating their energy sector experience and increase resources to help LDCs in energy planning, and
- in renewable energy, focussing on LDCs and increasing resources for this purpose.

SUPPLEMENTARY NOTE

Current interests of Mr. Giraud

Mr. de Wissoq, Director of Energy in the Ministry, who accompanies Mr. Giraud, dropped in on me for a few minutes this afternoon and mentioned the following items:

- thank the Bank for the way Mr. Durand was received earlier this year;
- discuss the French Government's interest in coal and their preliminary ideas regarding coal development in India and Colombia (they have read the Coal Paper);
- suggest early action on a further move to encourage petroleum exploration in the LDCs, which would involve a system of mutual guarantees as yet not clearly defined.

I said to Wissoq that we had moved quickly to help prepare countries to promote their potential, and that the test of this approach would only come later when this potential was offered to companies.

He replied that he was fully aware of this and that the best time to consider alternative approaches would probably be late this year, however, French authorities believed that a political gesture supporting accelerated exploration would be needed sooner, in connection with the next Summit meeting.

Staffing

The management of Telecoms Australia regards secondment of well-experienced staff to the World Bank as (a) a most effective way of helping LDCs, which is their Government's policy and (b) a very formative stage in the career development of the staff concerned. They have selected, proposed and eventually seconded 3 staff to us successfully for a total of 9 years. The last, still on board, was their Chief Planning Officer.

I wish that this approach became accepted by managers of public agencies in developed countries, including France. Mr. Boiteux, Chairman of Electricité de France is sympathetic. There are two constraints: tight budgets and scarcity of talent on the one hand, general perception that expatriation is damageable to careers, on the other. A word to Mr. Giraud might help.

This would be timely since we are planning (with Burt van der Meer and Personnel) a recruitment drive for regional power engineers and economists directed inter alia at Electricité de France. We need about 7 such staff (including 2 to replace power engineers whom I would like to attract from the Regions to serve as energy planners). We are about to lose one EdF engineer-economist (Bernard Montfort) who had risen rapidly to division chief (in LAC). We have only one ex-EdF staff, a financial analyst-economist, in the Bank now. Other French staff in the energy field, including two from the French Petroleum Institute, all came on their own initiative.

I am in touch with COMES in my search for a project experienced renewable energy engineer.

Heavy Oil

Mr. Giraud stressed the heavy oil potential of LDCs in his meeting last June and I sent you subsequently a note on the subject. We have a mission in Turkey now, appraising a pilot project to test the technology for eventually developing the Bati-Raman heavy oil field. It follows a first engineering credit a year ago, which helped select such technology. We have initiated preliminary conversations or studies in about five more countries about their heavy oil potential (Madagascar, Morocco, Senegal, Colombia and Surinam).

Attachments.

cc: Messrs. Stern
 Baum
 Mr. McNamara's office (2)

YRovani:pa.

Mr. Robert S. McNamara

June 4, 1979

Yves Rovani, Director, EWF

Visit of Mr. André Giraud

At Mr. Koch-Weser's request earlier today, I have put together the following briefing material for your meeting with Mr. Giraud.

Who is Giraud?

André Giraud, Minister of Industry (and energy) is the leading personality in the energy field in France, a super technocrat and fast rising star in French politics.

He belongs to the elite of the "polytechniciens" (mining corps). He is very energetic, dynamic, creative and precise, a doer and a leader. He never walks, he runs.

During the fifties, Giraud rose rapidly to Deputy General Manager of the French Petroleum Institute (IFP) contributing personally to:

- (a) its rapid expansion;
- (b) active R and D and considerable advances in French petroleum technology; and
- (c) initiating transfer of IFP's experience and technology to developing countries, independently from the oil companies (and sometimes in direct conflict with French oil companies).

During the sixties, he served in various capacities in the Ministry of Industry (head of Petroleum Department; chief of staff of the Minister) before being given overall responsibility for atomic energy as the Government's delegate general. He had the political courage to give up the French nuclear power technology in favor of licensing from US manufacturers. He has co-sponsored with *Électricité de France* the very ambitious French nuclear power program.

What will Giraud talk about?

While in Washington, Mr. Giraud wished to visit the Bank, I guess, primarily to reaffirm the French Government's interest in--and support of--the Bank's accelerated energy program.

According to my information, he had nothing more precise than that in mind until yesterday. He will most likely wish to explore the role that France could play in support of the Bank's program through:

- (a) its technology, engineering and manufacturing industry, and through
- (b) its oil companies, CFP and Elf Aquitaine.

June 4, 1979

We are in touch with Elf Aquitaine in connection with several projects.

He will also:

- emphasize the importance of improving technology for recovering known deposits of heavy oil (we agree; Bati-Raman engineering in Turkey, for example, deals with this), and
- reaffirm the French Government's intentions to proceed with its nuclear power program.

What could Mr. McNamara talk about?

French thinking has been helpful in the energy sector: i.e., BEICIP, an affiliate of the French Petroleum Institute has helped provide the data and some of the basis for our involvement in petroleum through studies done for us:

- in 1975, on petroleum potential and development constraints of oil importing developing countries.
- in September 1976, on country by country review of the needs of LDCs for assistance in exploration.

We have also benefited from the work of *Électricité de France* in the field of marginal cost pricing for electricity.

These contacts continue:

- Mr. Boiteux, President of *Électricité de France*, recently presided the external research panel of EWT (was received by Mr. McNamara in October).
- Mr. Desprairies, President Director-General of IFP, was in the Bank last month to lecture on the future world energy picture (was received at lunch by Mr. Stern).

The Bank will sponsor a meeting in Paris next June 25 and 26 of countries/agencies active in the field of energy development assistance. It will be chaired by Mr. Stern.

Mr. McNamara's office (2)

YRevani:pa.

Progress of the World Bank's Energy Program

Luncheon speech given by Yves Rovani,
Director, Energy Department, World Bank,
at the State Department, December 21, 1979,
in connection with the Pre-Summit Meetings.

Introduction

This progress report will deal with the two areas of the Bank's Energy Program which were emphasized in the Tokyo Summit Communique--specific reference will be made in each case--to the Bank's role in helping coordinate energy assistance to developing countries, an aspect which was also stressed in the Tokyo Communique.

1. HYDROCARBONS

The World Bank started lending for petroleum development in mid-1977. Since then, taking note of the Bonn Summit Communique, the Board of Directors of the Bank has approved an acceleration of the petroleum development program and an expansion into exploration--actions which have been welcomed by the participants at the Tokyo Summit.

The new indicative five year program, covering the fiscal years 1979-83, calls for:

- reassessment of petroleum potential, exploration promotion and technical assistance in 33 countries;
- direct assistance to exploration and assessment of possible discoveries in about 25 countries;
- production and distribution projects in 45 countries; and
- assistance in national energy planning in 60 countries.

Of course, many projects will contain more than one of these components. By 1983 the Bank expects to be lending about \$1.2 billion annually for hydrocarbons, which would help to finance projects with a total cost of about \$4.0 billion.

After our first loan in mid-1977 we made no loans in 1978 and 4 in 1979. We are now well into our first full year since the accelerated program was approved and expect to make 12 loans totalling \$400 million, contributing to total project costs of \$1.350 million. By next week, two will have been made; most of the remaining 10 are at advanced stages of preparation. Next year we shall finance at least 15 projects, for \$500 million, with a total project cost in excess of \$1.5 billion. The program has therefore taken off rapidly and I would like to briefly outline the current nature of this program and the impact it is having.

The Present Program

The Bank has already initiated petroleum-related activities in 42 countries and over the next two years we shall be working on projects in 32 of these countries, 5 of which might slip to FY82. Of these 32 countries, 16 are in Africa, 8 are in Asia and 8 are in Latin America.

In 18 countries we are collating and reviewing geological and geophysical information on reviewing the contractual framework, or both, using technical assistance funds directly or through our Project Preparation Facility. This has proved particularly helpful to the poorer African countries such as Mali, Mauritania and Madagascar.

Based on this and other related work, we expect to make technical assistance loans to 24 countries for complementary seismic work or exploratory drilling or both. The technical assistance loans are usually of the order of \$3-5 million and are intended to lead to competitive bidding for petroleum acreage and further investment in hydrocarbons by private industry, with or without Bank participation.

A related type of lending is engineering loans which we expect to make to 6 countries. These loans help to finance feasibility studies, engineering of infrastructure projects, pilot plants, and preparation of secondary recovery projects.

Exploration projects, preferably in association with oil companies, are planned in 5 countries at present, one of these (Congo) being financed by IFC. It should be noted that for this type of venture, where the risks are less amenable to analysis, we are going ahead with some caution. Our first project will be in Morocco; it will support a program of on-shore exploration, including seismic work and exploratory drilling. Of the total cost of \$95 million, it is expected that the Bank will contribute \$50 million.*

In 7 countries we currently have appraisal drilling projects under review. In these, of course, the risks are considerably lower and most of the projects should develop into production projects.

Production and distribution projects are currently planned in 15 countries. They fall into three major categories:

- secondary recovery projects, such as those in Bolivia, Colombia and Turkey;
- development of known oilfields, as in Pakistan, where the oil will be mainly used for domestic purposes; and
- gas production and distribution projects, such as those in Thailand and Egypt, where, again, the gas is used domestically to replace imported or higher value fuels.

One of our major purposes is to encourage cofinancing of hydrocarbon projects with multilateral, bilateral and particularly private institutions. Obviously, we have more success in this regard with the larger production and distribution projects and in middle income countries. One recent example is the Thailand offshore gas project approved by our Board a few weeks ago. The Bank loan amounts to about 21% of the project cost of slightly over \$500 million. Export

* Explore 5 petroleum basins by 36 party-months of seismic survey, and 108 rig-months to drill about 18 exploratory wells.

credits helped finance another 35%, commercial loans 29% and government the balance. The project provides the pipeline and infrastructure which will enable the government to buy the gas at the platform from the foreign oil company producing the field. The availability of this infrastructure will thus directly encourage private investment of several hundred million dollars in offshore production and further exploration and development in the Gulf of Thailand.

In association with, or in addition to, these projects, we have also planned to participate in national energy planning activities in 15 countries each year.

Finally, we continually review our approaches and look for new opportunities to make the Bank role in this sector more helpful and effective. For example, we consider there is considerable scope for heavy oil and gas development.

After this first full year of activities we shall review our experience and the state of petroleum exploration and development in developing countries. We then hope to organize a meeting of donors to share this experience and discuss further initiatives to be taken.

2. RENEWABLE ENERGY

As regards renewable energy, the Bank continues to support hydroelectric power development on the expanding scale called for by its considerable improved economics relative to other primary energy sources in many countries. In FY80, lending for all types of power investments, including transmission and distribution will reach a new peak: some 26 operations, amounting to over \$2 billion and contributing to total projects costs of about \$10 billion. This program includes hydroelectric projects with a total capacity of about 5,400 MW, more than the total hydroelectric development financed by the Bank in the previous 5 years.

Our plans for aiding developing countries increase their use of other renewable energy sources, biomass, micro hydro, windpower and other forms of solar energy are moving ahead as rapidly as possible and with due regard to the severity of the "second energy crisis" in rural areas. However, our progress in this respect has been less rapid than for the conventional energies for three reasons:

- i) because the issues surrounding the production and use of renewable energy are less clear;
- ii) because we are not convinced that we have a sufficient grasp of the relevant facts; and
- iii) because, except in the important forestry sector, we simply have less experience in this field.

An intensive effort to prepare the basis for an expanded program of Bank assistance for renewable energy development is now underway. We have established a special multi-disciplinary task force to examine which types of renewable energy are most ready in terms of their technical and economic feasibility, the applications in developing countries for which they appear most suitable, and the types of Bank operations in which they might be included.

The Tokyo Summit Communique stated that the donor nations would welcome the Bank playing a role in coordinating their renewable energy assistance efforts. At this stage in our thinking, we believe that the Bank could most usefully play a coordinating role in the technical, or R and D, area. To achieve more effective coordination in this area we look forward to playing an active role in helping to establish more effective means for the:

- i) collection, evaluation and dissemination of information on the state-of-the-art;
- ii) establishment and maintenance of an inventory of R and D activities of interest to the developing countries; and
- iii) preparation and implementation of agreed international standards for measuring the performance of renewable energy devices.

In doing so, we must take into account the preparations now underway for the 1981 UN Conference on New and Renewable Energy in order neither to pre-empt the Conference nor duplicate its efforts. One way of doing this, and in the process assisting the Conference, is to determine the feasibility of designating national institutions to perform the three tasks I have listed. Such institutions would be in countries with a current lead in the technologies concerned; e.g., Brazil for alcohol production, Holland for windmills, India for bio-gas.

We also intend to convene a meeting later in the year to discuss how research on renewable energy sources might be coordinated, priorities defined and resources for this purpose increased. This meeting would also consider the assistance necessary to translate research results into pilot operations and, subsequently, into full-scale implementation.

Conclusion

We have moved very fast in developing the Bank's own activities in petroleum exploration and development and in the use of renewables considering the lead times that are involved in mobilizing staff and generating energy projects.

We are also aware of the needs for coordination and intend to stress them in our work; in developing countries by helping strengthen institutions and their capability to coordinate external assistance to serve their needs; in the international community by helping focus external assistance and develop the comparative advantage of the institutions involved. This is the general direction of our increased dialogue and is also the purpose of the meetings on hydrocarbons and renewables to which I referred earlier.

Thank you very much.

OFFICE MEMORANDUM

TO: Memorandum for Record

FROM: Roger Chauffournier *R*

SUBJECT: Visit of Mr. Roland-Billecart

DATE: March 24, 1980

Mr. Roland-Billecart, Director General of the French Caisse Centrale de Coopération Economique, paid a call on Mr. McNamara at 6.00 p.m. Monday, March 17. He was accompanied by Mr. Chinot, a Director of the same institution and by Mr. Mentré, Executive Director for France. Mr. Qureshi and the writer attended the meeting.

Mr. Roland-Billecart said he wanted to follow the precedent established by Mr. Postel Vinay, then Director General of the Caisse, who had met Mr. McNamara when the Bank was launching its program in Africa. Having assumed his duties recently he wished to establish a personal contact early. Mr. McNamara congratulated Mr. Roland-Billecart, as well as his institution for the rapid expansion of its activities in the last three years and for the close working relations with the Bank.

3/31
Mr. Roland-Billecart said this expansion would continue as Minister Monaury was committed to support it. Mr. Roland-Billecart also expressed his satisfaction with the good cooperation with the Bank but expressed disappointment that it had not proved possible to extend co-financing further. He mentioned that there were only 5 projects in progress which were co-financed with the Bank and that there would be fewer in the future. He asked whether this was the reflection of a new Bank policy with respect to co-financing. Mr. McNamara reassured Mr. Roland-Billecart that there was no change in policy towards co-financing. Mr. Chauffournier explained that on the contrary, because of the relative scarcity of IDA resources in relation to needs, we were seeking co-financing. Because of our excellent relations with the Caisse Centrale and the flexibility which the institution had shown in working with us, we looked at them as a privileged partner. We agreed to review projects for co-financing with Mr. Roland-Billecart before his departure. 1/

Mr. Roland-Billecart went on to express concern about the precarious financial situation of the African countries. He said that last year the Caisse had offered a new window for the poorest countries, extending loans

1/ We did meet with Mr. Roland-Billecart to review co-financing in East and West Africa. Mr. Bart participated representing EMENA. It appeared that there were several co-financing opportunities in sight for 1981-83 and Mr. Roland-Billecart appeared reassured. Incidentally, he said he had no intention of raising this issue when he left for Washington but, upon arrival Mr. Razafindrabe had told him he was surprised that the Caisse Centrale was not doing more with the Bank.

for 30 years with 10 years of grace at an interest rate of 1.5% to 2%. Mr. Roland-Billecart said he had noted our initiative to extend loans in support of structural adjustment and he supported the initiative. He said the Caisse would consider joint financing with us. Mr. Roland-Billecart added that the Caisse was considering a program loan for the Ivory Coast.

465
FORM NO. 75
(9-78)

THE WORLD BANK

ROUTING SLIP		DATE:
		March 14, 1980
NAME		ROOM NO.
M Koch-Weser		E 1227
3/17		
APPROPRIATE DISPOSITION	NOTE AND RETURN	
APPROVAL	NOTE AND SEND ON	
CLEARANCE	PER OUR CONVERSATION	
COMMENT	PER YOUR REQUEST	
FOR ACTION	PREPARE REPLY	
INFORMATION	RECOMMENDATION	
INITIAL	SIGNATURE	
NOTE AND FILE	URGENT	
REMARKS:		
Caio,		
This is the IFC brief for Mr. McNamara's meeting with Caisse Centrale on Monday. Also please note that Mr. Roland-Billecart is the Director-General, and Mr. Chinot is the Assistant Director-General of CCCE. The background information provided by P&B therefore needs to be revised accordingly.		
FROM:	ROOM NO.:	EXTENSION:
Cyrus Ardalan	E-1241	75253

IFC JOINT ACTIVITIES WITH CAISSE CENTRALE DE COOPERATION ECONOMIQUE

Co-financing operations between IFC and CCCE have expanded rapidly in recent years. Since 1976, IFC has co-financed three operations with CCCE, comprising IFC participation of \$9.7 million and CCCE participation of \$33.5 million. This compares with five operations in the period prior to 1976 involving \$10.9 million and \$5.0 million of IFC and CCCE participation, respectively. The attached Table provides a summary of these operations. The Table also indicates operations currently in the pipeline, revealing a continued expansion of our co-financing operations with CCCE.

March 14, 1980

JOINT ACTIVITIES BETWEEN IFC AND CCCE

PORTOFOLIO

Project description

<u>Country/Company</u>	<u>Calendar year approved</u>	<u>Amounts (\$ millions)</u>		
		<u>IFC</u>	<u>CCCE</u>	
Morocco-BNDE	1962	1.5	0.3	Development Bank
Ivory Coast-BIDI	1965/78	0.41	3.5	Development Bank
Tunisia-Cofitour	1969	8.0	0.9	Tourism Development Bank
Zaire-Sofide	1970	0.8	0.1	Development Bank
Senegal-Sofisedit	1974	0.2	0.2	Development Bank
Cameroon-Safacam	1976/79	1.2	3.3	Rubber and palm plantation. IFC's investments provided funds for developing 925 ha of rubber 1950 ha of palm trees, and a 20 ton per hour palm oil mill. The total project cost is about \$12 million.
Mali-Somaci	1978	0.61	0.6	PVC pipes and bleach. The project will produce 640 tons of PVC pipes for irrigation and 950 tons of bleach for water purification and for bleaching of cotton in local textile mills. The cost is estimated at \$2 million.
Cameroon-Alucam	1979	7.9	29.6	Aluminium smelter. Expansion of smelting capacity from 53,000 to 80,000 MTY by conversion from Soderberg cells to prebaked anode cells and installation of additional anode cells. The project cost is estimated at US\$ 120 million.

PIPELINE

Ivory Coast-Sitral		1.0	4.76	Aluminium extrusions, production of anodized rolls, angles and bars. Project cost estimated at \$ 15 million.
Madagascar-Novotel		n.a.	n.a.	Construction of 4 hotel units with total of 330 rooms at a cost of about \$ 15.5 million.
Niger-Sonichar		n.a.	n.a.	Coal mining to generate 16 MW of electric power. Project cost estimated at US\$ 120 million.
Senegal-Novotel		2.4	4.8	Construction of 280 rooms hotel at an estimated cost of \$ 17.4 million.
Senegal-ICS		24.0	23.8	Production of 198,000 tpa of phosphoric acid and complex fertilizer. Project cost estimated at US\$ 260 million.
Senegal-Tanisen		1.8	n.a.	Installation of plant to treat 2,500 hides and skins per day into wet blue for export. Project cost is about \$ 8.8 million.
Sierra Leone-Seracem		1.1	3.5	Clinker grinding plant with a capacity of 120,000 tpa of portland cement. Project cost estimated at \$ 8.3 million.

40

OFFICE OF THE PRESIDENT

Meeting with Mr. Deniau, Minister of Foreign Trade, May 12, 1980

Present: Messrs. McNamara, Deniau, Mentre

Mr. Deniau said that he would like to discuss two issues: (i) it would be helpful if France could participate to a greater extent than in the past in Bank-financed procurement and consultancies; and (ii) in view of the fact that the present international framework of North/South discussions made it difficult to find solutions, he would like to suggest an approach under which more limited programs would be discussed among a more limited group of countries with a higher likelihood of progress. In this connection he would like to point to the French idea of a Trilogue.

Mr. McNamara replied that, with regard to French participation in Bank procurement, Mr. Chadenet, who would retire from Bank service on October 1, might be able to assist the French Government. Mr. Mentre added that, at a meeting with private sector representatives organized last year in Paris, Mr. Stern and others had concluded that, in the traditional sectors, French firms showed a good presence, but that in new areas there was much less French participation.

As to the framework for North/South negotiations, Mr. McNamara said that he was skeptical as to the acceptance of the French Trilogue proposal because he doubted that OPEC would put up substantial funds for countries of no immediate political interest to them; however, one promising area for a Trilogue could be energy. The Venice Summit in June could put additional emphasis on developing this sector. He hoped that a more ambitious program for developing this sector could be undertaken with OPEC participation and financing; however, he warned that it was very difficult these days to get OPEC money for anything. It was not even possible to obtain OPEC financial assistance for Egypt. If he were in charge of OPEC, he would play "Robin Hood," i.e., increase oil prices and put the incremental revenues into a fund for financing development in poor countries. Mr. Deniau replied that, in his view, OPEC was not interested in the poor; these nations wanted to earn money. Mr. McNamara argued that OPEC also wanted to increase energy supplies and therefore this sector might be of some promise for cooperation.

Finally, Mr. Mentre observed that OPEC did not want to participate in the risk of financial intermediation because, in their view, these loans would never be repaid.

CKW
May 22, 1980

FRENCH EMBASSY

PRESS & INFORMATION DIVISION



JEAN-FRANCOIS DENIAU

Minister of Foreign Trade

Jean-François Deniau was named Minister of Foreign Trade in the cabinet of Prime Minister Raymond Barre on April 5, 1978. He is an expert in European affairs.

Mr. Deniau was born on October 31, 1928 in Paris. He is a doctor of law, holds a degree in humanities and is a graduate of the Institut d'Etudes Politiques and the Ecole Nationale d'Administration.

He began his career as an *inspecteur des finances* in 1952. In 1955 he joined the staff of the French Interministerial Committee on Questions of European Economic Cooperation, and later took part in the Val de Duchesse (Belgium) negotiations from which the EEC emerged. In 1956 he was a member of the French delegation to the European Organization on Economic Cooperation (OECD) and to the Intergovernmental Conference on the Common Market and EURATOM. In 1958 he was transferred to the European Economic Community where he was head of the department handling the association of nonmember countries; from 1959 to 1963 he was director general in charge of negotiations on admission into the Community.

From 1963 to 1966 Mr. Deniau was French Ambassador to Mauritania. The following year he was responsible for interministerial affairs concerning the SECAM color television process and in this capacity chaired the French-Soviet committee on color television.

Mr. Deniau was a member of the Commission of the European Communities from 1967 to 1973. He first handled trade questions, then in July 1970 was put in charge of the discussions on Community enlargement and relations with Africa. From January 1973 to April 1973 he was responsible for the Community's policy on aid to development, the budget and finances.

Mr. Deniau's first cabinet position was Secretary of State to the Minister of Foreign Affairs in the Messmer cabinet formed on April 5, 1973.

He was subsequently named Secretary of State to the Minister of Agriculture and Rural Development on March 1, 1974 and held that post until May of the same year.

From January 31, 1975 to January 11, 1976 he again held the post of Secretary of State to the Minister of Agriculture. Thereafter he served as French Ambassador to Spain until September 1977.

At the time of his present appointment, Mr. Deniau had been Secretary of State to the Minister of Foreign Affairs since September 26, 1977.

Jean-François Deniau is the author of two books, *Le Marché Commun* (1969) and *La mer est ronde* (1975).

Mr. Deniau is a Chevalier of the Legion of Honor and Commandeur du Mérite Agricole.

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BRIEFING NOTE

Mr. Michel d'Ornano - France's Minister of the
Environment and Quality of Life

Background

Mr. Michel d'Ornano (Dor-na-no) is one of the closest cabinet members to President Valery Giscard d'Estaing. During his seven years (1967-74) as a deputy in the National Assembly he was deputy floor leader of Giscard's Independent Republican (RI) Party. He was secretary-general of the RI Party for part of 1974, and has been its vice president since 1977. Mr. d'Ornano is considered to be dynamic, personable, and politically astute. His national responsibilities have included assisting in the reorganization of the French Government and leadership in France's domestic and foreign programs on energy and nuclear power. These duties have included previously serving as Minister of Industry and Research. He has served on the Foreign Relations Committee of the National Assembly, has participated in NATO Assembly activities, and was an early supporter of Great Britain's membership in the European Community. He is in his mid-fifties, married, and has two children. Prior to government service he was a successful business man.

The Ministry of Environment and Quality of Life

France was one of the first countries to create a separate ministry for the protection of the environment. Known as the Ministry for the Protection of Nature and the Environment, it operated on the ministerial level under the aegis of the Prime Minister's Office from its establishment in 1971 to 1974. A series of cabinet reshuffles culminated in its functions being taken over directly by the Minister for the Quality of Life in 1976, ostensibly to bring an end to rivalries stemming from an overlapping of responsibilities.

The Minister has six subordinate environmental offices, three of which are seen as being most important -- the Office for the Prevention of Pollution and Nuisances; the Office for the Protection of Nature; and, the Mission for the Rural and Urban Environment. The Office for the Prevention of Pollution and Nuisances deals with the problems of air and water pollution, waste disposal, noise control, and with interministerial coordination of these matters.

The Minister has both administrative and decision-making roles, and responsibility for interministerial coordination. His mission reportedly is to assure the protection of landmarks and the landscape; to improve the quality of life and the environment; and, to prevent, reduce or suppress pollution of all sorts, whether from agricultural, industrial or commercial


sources. In point of fact, the Minister appears incapable of acting independently even when exercising competences uniquely attributed to his office. To exercise functions which appear to be uniquely his, the Minister must operate through other ministries, bureaus or departments which are made available to him without being attached to his ministry.

An examination of the performance of the ministry over the years suggests that with the multiplicity of ministries, secretariats, commissions, and committees with varying degrees of responsibility for, or a coordinating interest in, environmental protection, it has largely performed a coordinating role -- a role that critics claim overshadows its limited decision-making responsibilities.

France has enacted a plethora of laws, decrees and orders dealing with environmental protection and has a variety of enforcement procedures available for compliance. Knowledgeable observers report, however, that the nation has been slow in effectively stemming environmental degradation and associated health hazards.

Finally, to the best of my knowledge, the Minister has no responsibility for the international dimensions of environmental protection, although he may be generally informed. There appears to be relatively little appreciation in contemporary France of the deeper issues of the earth's ecological plight. To link up pollution and the destruction of ecological systems with questions of economic growth and, ultimately, human survival, has seemingly not yet occurred to most French people. The Government still displays a bullish conception of the ecological future, and remains committed to what is perjoratively called the "consumption society" both at home and abroad where it has economic interests.

Attachment


JALee: on
May 29, 1980

Questions

As regards questions that might appropriately be posed to the Minister, the following are suggested:

- (a) With regard to French companies having industrial facilities in developing countries, what provisions are made for environmental protection (pollution control)?
 - (b) Does the French bilateral aid program(s) routinely provide for environmental protection measures in developing countries? Do they finance activities designed purposely to rehabilitate or enhance the environment; e.g., reforestation, erosion control, urban improvements, etc.?
 - (c) Training in the environmental field is urgently needed in many of the francophone countries. Can the Government of France assist in this undertaking?
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42

OFFICE OF THE PRESIDENT

Meeting with Mr. Haberer, Director of the French Treasury, November 24, 1980

Present: Messrs. McNamara, Haberer, Mentre

Mr. Haberer opened the meeting by offering his appreciation to Mr. McNamara for the opportunity to meet with him. He said that today's meeting on the energy affiliate had proceeded very well. He reaffirmed the strong interest of the French Government in this matter. He noted especially the positive points of view of the representatives of the Arab countries. Mr. McNamara agreed that the presence of the Arabs was a very positive factor, especially in view of the problems created by the PLO issue. He added that one purpose of the meeting on energy was precisely to get Arab representatives in Washington. Mr. Haberer repeated the interest of the French Government to participate in the discussions on energy, and also to use all of its influence with respect to other countries. Mr. McNamara thanked Mr. Haberer for his comment and added that obviously energy is a priority which should be addressed very quickly, although it will take time to establish the affiliate. He said that the affiliate clearly could benefit all parties involved--the OECD countries, the capital-surplus countries and the oil-importing developing countries.

17/01
Mr. Haberer said that he wanted to raise three points in addition to the discussion on the energy affiliate. First, he said that the French Government was constantly preoccupied with the problems of Africa, especially in sub-Saharan countries. He mentioned that Mr. Berg, responsible for the Bank-sponsored study on sub-Saharan Africa, had been in Paris recently where he had left a very positive impression. Mr. Haberer said that he was hopeful that such a study could lead to some operational decisions. In fact, he thought that a special program for Africa could be very useful. Mr. McNamara replied by saying that the African study is expected to be ready in time for the meeting of the Development Committee in Gabon next May. He expressed, however, his uneasiness about the situation in Africa which he described as very difficult, and he cited the cases of Mali, Upper Volta, but also Tanzania, among others, as extremely preoccupying. He repeated the statement made during the Annual Meeting that the forecast for sub-Saharan Africa is gloomy, with the projection of a negative income growth in the coming years. He also commented that he was not sure whether the Bank would be in a position to say precisely what could be done to correct this situation. He asked Mr. Haberer for assistance from the French Government in this matter. Mr. Haberer then asked Mr. McNamara how some additional IDA resources could be channelled to Africa. Mr. McNamara replied that there is no hope of getting more IDA funds. Digressing for a moment, he asked Mr. Haberer to use his best efforts to publicize the importance that the French President, Mr. Giscard d'Estaing, attaches to the problems of development. As a contrast, he deplored that Mr. Reagan's people are so ignorant about development problems. Returning to the problem of resources, Mr. McNamara said that, if there is no possibility of getting IDA funds, the Bank would have to reallocate existing IDA resources. For that matter, the creation of the energy affiliate is one way of making re-allocation of existing funds possible.

Second, Mr. Haberer said that the French Government was still much interested about the prospect for a Frenchman to become Vice President in the Bank Group. He asked Mr. McNamara his views on this. Mr. McNamara replied that he did not want to make further changes in the senior management of the Bank before his departure next June. He said that he preferred to have these problems resolved

by his successor. He added, however, that changes always can occur in top management, and French nationals are likely to be among the prime candidates. Mr. McNamara offered his appreciation for the French Government's willingness to put some good candidates forward. He finally said that, in his view, it was quite likely that a Frenchman would be in the position of Vice President within the next two years.

Third, Mr. Haberer said that he was involved in the preparation of the forthcoming Ottawa Summit meeting. He asked for Mr. McNamara's view on what the French should focus during this Summit. Mr. McNamara replied that, although it may look self-serving for the Bank, the French should focus on the issue of strengthening the Bank and the Fund. He commented that the problem of intermediation in the transfer of resources from capital-surplus countries to oil-importing developing countries is becoming critical. The role of the IMF and the Bank is key in this intermediation process. He added that the impact of the energy affiliate on France's budget would be very small, but the benefits can be very high. The creation of the energy affiliate is clearly in the interest of OECD countries. He mentioned also that Mr. de Larosiere feels the same way, since the Fund is in a situation similar to that of the Bank with respect to the intermediation problem. Finally, he informed Mr. Haberer that he had said the same thing to Mr. Trudeau last week.

OL
November 26, 1980

OFFICE OF THE PRESIDENT

Meeting with Mr. Olivier Giscard d'Estaing, January 13, 1981

Present: Messrs. McNamara, Giscard d'Estaing

Mr. Giscard d'Estaing first offered his thanks for the opportunity to meet with Mr. McNamara. He indicated that CECI (Centre European de Cooperation Internationale) has now initiated some work with China. He also said that CECI is starting work on projects dealing with small- and medium-size companies. Mr. McNamara said that he was glad to hear that CECI was moving into the latter direction and he mentioned that the Bank is also doing more in that field. Mr. Giscard d'Estaing continued by saying that his organization has received special subsidies from the French Government to work in this field, and it is now looking for similar support from the British and other governments. To Mr. McNamara who asked how the larger projects sponsored by CECI are doing, Mr. Giscard d'Estaing replied that some are doing very well, e.g., a large Fiat undertaking in China. He said, however, that some countries are more reluctant than others to consider large projects. Several countries, e.g., Algeria, prefer more modest projects, and they are more inclined to look for social (e.g., housing) than industrial projects. Nevertheless, CECI is supporting some sugar plant projects, and, in general, in the industrial field, there is more demand in the agrobusiness sector. To Mr. McNamara who enquired whether CECI was putting money itself into these undertakings, Mr. Giscard d'Estaing replied that CECI does not operate as a business venture, but rather it operates as a club. Therefore, only the members of the club are putting up the money themselves.

Mr. McNamara asked Mr. Giscard d'Estaing what his views are on China. Mr. Giscard d'Estaing replied that, in his view, the economic development of China is likely to be very slow. The Chinese economy is very centralized and people at the lower level do not show much initiative. The Chinese will have to change their mentality with respect to industrial development. Mr. McNamara agreed that development will be much slower than everybody had previously thought, including the Chinese themselves. Mr. Giscard d'Estaing commented, however, that, on the other hand, the Chinese display a remarkably open mind and modesty at the top level. It will be essential to build up their confidence with respect to the outside world. In that respect, multilateral assistance seems to be more attractive to them than bilateral assistance, since they remember too well their bilateral association with the Soviet Union. Mr. McNamara commented that the Chinese will need a large amount of assistance of all kinds, especially technical and managerial. Mr. Giscard d'Estaing said that it was precisely with this view in mind that CECI created the Euro-Asia Center with the INSEAD, a European business school, and it is now contacting the Chinese to identify ways of providing assistance in the field of project management.

Mr. McNamara told Mr. Giscard d'Estaing that the Bank had recently sent to China a number of people who came back with the same impression of the slowness in the prospects for development of the country. Mr. Giscard d'Estaing indicated that France has some plans for nuclear plant construction in China. Mr. McNamara commented that he thought nuclear development in China is also likely to be very slow. Mr. Giscard d'Estaing said that he thought there exists a good technical capability in China for oil development. Mr. McNamara agreed that the Chinese are extremely bright, but he pointed to the tremendous loss of about 10 years of output of higher education due to the negative impact of the Cultural Revolution.

Mr. Giscard d'Estaing said that he had been very impressed by Mr. McNamara's statements made at last year's Annual Meeting. Mr. McNamara commented that his speech pointed to the very difficult times ahead, especially for the coming decade. The U.S. is turning its back on foreign assistance, and in several other countries, e.g., the UK, the budgetary pressures will create a shrinkage in financial assistance. Mr. Giscard d'Estaing asked whether Secretary Haig is now going to have a major influence in the shaping of foreign policy in the new Administration. Mr. McNamara replied that it is much too early to tell, since neither he nor Mr. Regan (Secretary of the Treasury) has yet organized their Departments. He indicated that they will have tremendous difficulty, since, if they do reduce taxes as envisaged, they will also have to reduce expenditures. In this process, they inevitably will cut where there is the least political opposition, e.g., foreign assistance. Mr. Giscard d'Estaing commented that surely the cuts in foreign assistance could not amount to much money. Mr. McNamara said that this was exactly the point which he made in a note which he recently sent to the new Administration. This note emphasized the fact that the savings to the U.S. would be minimal, but the costs to the developing countries would be extremely high. He mentioned again that he thought the situation would be very difficult, since the new Administration is still feeling its way. There is indeed a lot of controversy on what type of defense posture the U.S. should take. With respect to energy, Mr. Reagan may accelerate the decontrol of energy prices. However, what is needed is a much higher tax, possibly in the order of \$1 per gallon in order for the U.S. prices to reach world-price level. Mr. McNamara mentioned that the U.S. consumption of energy per unit of GNP has gone down recently, but certainly not enough. Mr. Giscard d'Estaing indicated that the French have a clear-cut policy to reduce the dependence on oil, especially through a strong policy of nuclear energy development. Mr. McNamara commented that France is absolutely right in moving in that direction. By contrast the construction of nuclear plants in the U.S. has now stopped. On the other hand, the U.S. has more possibilities of tapping large coal resources. At any rate, the U.S. still has a long way to go. As an illustration, Mr. McNamara mentioned that energy consumption in the U.S. is about 12,000 kilos of coal equivalent per capita, which compares to about 6,000 kilos in Germany and about 4,400 kilos in France. At the other end of the scale, for the world's 1-1/4 billion poorest people, it is 177 kilos. This level of consumption is clearly totally unacceptable. If the developing countries are to achieve a minimal level of economic growth, they must expand their energy consumption. To reach this objective, they will have to expand all forms of energy production: coal, forests, hydroelectricity, oil, etc. Mr. McNamara said that the production of oil-importing developing countries is about 8.5 millions of barrels of oil equivalent per day. It is estimated that they have the capability to expand production to 18.5 million barrels of oil equivalent per day at the end of the decade, but the investment needed to reach that objective is in the order of \$500 billion.

Mr. Giscard d'Estaing said that he had been worried about Mr. McNamara's recent reference to a possible price of \$60 per barrel of oil. He asked whether it was wise to mention such a figure at this time. Mr. McNamara replied that this figure was meant for both the Arab and OECD markets. The main reason for mentioning this figure is that OECD countries must realize that the price of oil will inevitably go up. Mr. Giscard d'Estaing then enquired about some developments with respect to the proposed energy affiliate. Mr. McNamara replied that the Bank is currently working on it. He indicated that Bank management will present two

papers to the Board in February: one dealing with the organization of the proposed affiliate, and the other one on the problems of financing. It is hoped that a Board discussion could take place in March. Then, assuming that the Board receives the paper favorably, there would be the appointment of deputies of Ministers of Finance. He told Mr. Giscard d'Estaing that the Bank is very much aware of the French Government's interest in the proposed affiliate. Mr. Giscard d'Estaing asked whether it would be possible to establish a system of dual price of oil for the richer and the poorer countries. Mr. McNamara indicated that this was what he would have done in 1973 if he had been in OPEC's place. It would amount to a tax system to force transfers from richer to poorer countries. In a sense, he said, this is what Mexico and Venezuela did last year when they decided on a joint program of assistance to nine small countries in Central America, in the order of \$600 million a year.

Mr. Giscard d'Estaing said that he was sorry that Mr. McNamara would not be here next year. Mr. McNamara said that he thought that the Bank now needs somebody to stay a minimum of five years, and possibly ten. He said that his successor, Mr. Clausen, is a very good choice. In his view, he is a sympathetic, knowledgeable and competent individual for the job.

OL
February 3, 1981

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: January 9, 1981

FROM: M. P. Benjenk, VPE *MB*

SUBJECT: Visit of Mr. Olivier Giscard d'Estaing
to the Bank, January 11-13, 1981

01/12
1. You have agreed to meet with Mr. Olivier Giscard d'Estaing on January 13, 1981 at 6 p.m. Mr. Giscard d'Estaing (whom I understand you have already met twice in the past three years) comes in his capacity as founder and President of the Centre Europeen de Cooperation Internationale, CECI.

2. Please find attached as Attachment 1 Mr. Olivier Giscard d'Estaing's program which we organized at his request and, as Attachment 2, background information on CECI.

Attachment 1

Meetings for Mr. Olivier Giscard d'Estaing
January 12 and 13, 1981

Monday, January 12, 1981

0930 - C 502 Mrs. Anne O. Hamilton (Division Chief, India), and
Mr. Alphonse Shibusawa (Division Chief, Sri Lanka)
acting for Mr. Michael H. Wiehen, Director, ASA.

1030 - C 602 Mr. Edward V. K. Jaycox, Director, AEA (China, Korea,
Indonesia, Philippines, Thailand).

1130 - E 923 Mr. Enrique Lerda, Director, LC2 (Brazil, Colombia,
Venezuela).

1200 - E 324 Mr. Bilse Alisbah, Director, WA1 (Liberia).

1500 - B 906 Mr. Eugenio F. Lari, Director, LC1 (Mexico, Peru,
Ecuador, Costa Rica, Panama).

1600 - F 718 Mr. Maurice P. Bart, Director, EM2 (Morocco, Tunisia,
Algeria).

Tuesday, January 13, 1981

1030 - D 347 Mr. Richard M. Westebbe, acting for Mr. de la Renaudiere,
Director, WA2 (Cameroon, Ivory Coast, Senegal, Gabon,
Guinea).

1200 - C 1001 Mr. Andre Gue, Director, EA2 (Zaire).

1430 - C 702 Mr. Attila Karaosmanoglu, Director, EM1 (Egypt).

1545 H.E. Francois de Laboulaye
Embassy of France
2535 Belmont Road, N.W.
Washington, D.C. 20008 Tel: 328-2600

1700 - I 12-100 Mr. Hans Wuttke, Executive Vice President, IFC

1800 - E 1227 Mr. Robert S. McNamara

January 7, 1981

Background on CECI

CECI was founded by Olivier Giscard d'Estaing in May 1975 with a set purpose of creating an international private non-profit association to permit better economic relations between the nations of Europe (particularly members of the EEC), Africa, Asia and Latin America. Such purpose to be achieved by organizing the widest possible cooperation between countries, international organizations of all types and with the private sectors of the countries concerned. In accordance with its statute the association is mainly searching for industrial investments in its developing countries constituency.

The membership of CECI is composed of individuals and public and private corporate bodies. Eight countries are members of CECI 1/; thirteen are associate members 2/ and there are five additional countries where CECI is represented 3/.

CECI is managed by an Executive Committee which carries its duties in accordance with the requirements of the Board of Directors which is composed of a maximum of 20 representatives of the founder members, member companies and of the member states. CECI relies upon subscriptions from its member nations. It advertizes the following services: information regarding the availability of expertise, equipment etc; help as liaison in putting together joint ventures, establishing commercial exchanges between members and helping mobilize financial resources for industrial projects.

Comments:

The reportedly unstated purpose of CECI's creation was to muster European forces in the industrial and banking fields in order to better compete in third world markets. Although CECI is said to be international and trans-European in character, it was a French creation and reportedly remains largely so. CECI sends missions to identify projects in LDCs and has come across to many Bank projects; hence its interest in maintaining contacts with the Bank at top level. Following Mr. Olivier Giscard d'Estaing's visit to the Bank in 1977, IFC asked its London representative to participate in CECI's Paris meetings, with a view to providing an additional link and informing the Bank of CECI's activities. In May 1980 Mr. Olivier Giscard d'Estaing visited China.

1/ Cameroon, Korea, Ivory Coast, Morocco, Mexico, Peru, Senegal, Zaire

2/ Algeria, Brazil, China, Columbia, Egypt, Ecuador, Gabon, Guinea, Indonesia, Liberia, Sri Lanka, Tunisia, Venezuela.

3/ Costa Rica, India, Panama, Philippines, Thailand

It is my understanding that CECI has not been too successful as it has met considerable international "politicization" and mistrust among the European business members whose membership is, nevertheless, impressive.

On previous occasions you have indicated that the best "partner" for CECI would be IFC. In 1978 you went as far as to suggest a number of developing countries (Morocco, Egypt, Turkey and Mexico) where CECI and IFC could cooperate most effectively.

Overall, it is a courtesy call which was mainly suggested because Mr. Olivier Giscard d'Estaing is the brother of the President of the French Republic.

January 9, 1981

44

Meeting with French Parliamentary Delegation, February 20, 1981

Present: Messrs. McNamara, Benjenk, Mrs. Parent, Mr. Vivien and others

Mr. McNamara opened the meeting asking Mr. Vivien, the leader of the delegation, about the purpose of his visit. Mr. Vivien explained that the objectives at the beginning of the decade of the 1970s were for an increase in the growth of the developing countries of about 6% per year. He observed that the actual figure was something like 5.2%. He asked Mr. McNamara what his views are concerning the coming decade 1980-1990, which he referred to as the third decade of development. Mr. McNamara explained that the major problem is that of oil-importing developing countries to adjust their economies to the increased price of oil. In his view, for the 1.9 billion poor people in the world, there is no way that they can approach a 5% annual growth rate. Especially for the poorest countries, e.g., sub-Saharan Africa, the 1980-85 annual growth rate is projected to be negative (minus .3% per year). Therefore, the guidelines of 5% annual growth rate are totally irrelevant, and one needs to be much more realistic. In general, the decade of the 80s will be quite different from what was thought it would be two years ago. The policies of two years ago are clearly no longer applicable. These countries should restructure their economies to pay for their imported oil. The alternatives are either to reduce consumption or to increase exports. Therefore external financing, more than had been previously planned, should be extended to those countries. In essence, Mr. McNamara added, this is what the world should now face. If there is agreement on this diagnosis, then the question becomes what should be done. In his view, there should be an increase in private financing, but also in international financing to those countries. At the same time, developing countries have to restructure their economies since, in the long term, the financing of their current account deficits cannot continue indefinitely.

Mr. Vivien expressed his worries with the situation just described by Mr. McNamara. He explained that he had met recently with President Giscard d'Estaing, Prime Minister Barre and Finance Minister Monory and they had come out of this meeting with the hope that the Development Committee meeting in Gabon in May would be an opportunity to present a new global strategy. He asked Mr. McNamara whether the two months remaining would be sufficient to prepare a full financial dossier in view of the circumstances described by Mr. McNamara. Mr. McNamara replied that, in his view, time would not be sufficient; however, the Gabon meeting could emphasize four major points. First, the point which he just made, that the outlook for the developing countries is unacceptably low, contrary to the interests of both the developing countries and the OECD countries because of the political implications. Second, the OECD countries should be ready to provide financial assistance if the developing countries are ready to restructure their economies. Third, the OECD countries have very serious fiscal and budgetary constraints and, therefore, additional financing to the developing countries should be contingent upon those constraints of OECD countries. And fourth, within this fiscal constraint, OECD countries with OPEC countries should increase their contribution to the Bank and the IMF. Mr. McNamara added that some may say that he is too pessimistic in his assessment of the situation and that the private market has the capacity to do most of the financing. He explained that, if this is the case, then the contingency plan which he proposes would not be needed but it would have very little cost. On the other hand, if his assessment is correct and if there is no contingency plan, it will be very costly for everybody.

Mr. Vivien observed that Mr. McNamara talked about the OECD countries. He said that added difficulties can be expected for 1981 and 1982. Taking a political approach, the Bank wants to borrow from the Arabs when there is still the problem with the PLO issue. Mr. Vivien added that Mr. de Larosiere feels rather optimistic with respect to this issue. He then added that he had heard Mr. Reagan's speech and that he could expect some additional difficulties for the Bank. He asked Mr. McNamara for his feelings on these issues. Mr. McNamara explained that, if one reads Mr. Reagan's speech carefully, it is not as bad as could have been expected. In essence, Mr. Reagan says that he will fulfill all previous commitments. For IDA VI in particular, the commitment is for the \$3.24 billion as previously agreed and planned, but with a schedule different from the original schedule. If Mr. Reagan does what he says he will do, there should not be too many problems for the Bank. As far as the general capital increase is concerned, Mr. Reagan assures a subscription as originally planned, but with a different schedule. Mr. McNamara said, however, that what was not addressed in Mr. Reagan's speech is the need to increase financing over the previously planned levels. Mr. McNamara added that this is exactly what the Libreville meeting should be about. Mr. McNamara then said that, in any event, if the U.S. does not want to increase its contributions, others should do it, and the U.S. will eventually come in. He gave the example of the energy affiliate, which he said France was among the first to support. The original plan was for \$13 billion, and the Bank now proposes \$25 billion. The proposal is for a separate corporation with \$1-\$1.5 billion in cash paid over a period of 3-5 years. For the U.S., this would mean a cash outlay of about \$200 million over three years, and this should be very easy to fit into the budget. In his view, there should be the possibility of getting agreements on these figures.

Mr. Vivien said that he understood the message that Mr. McNamara just expressed. He said that the commission which he chaired looks at the budget in France. He called Mr. McNamara's attention to what France is doing, especially in Africa. He concluded by reaffirming his hopes for the Libreville meeting. Mr. McNamara concluded by expressing his hope that France will insist in Libreville that the Bank prepare a plan to help the oil-importing developing countries.