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INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

Washington, D.C.
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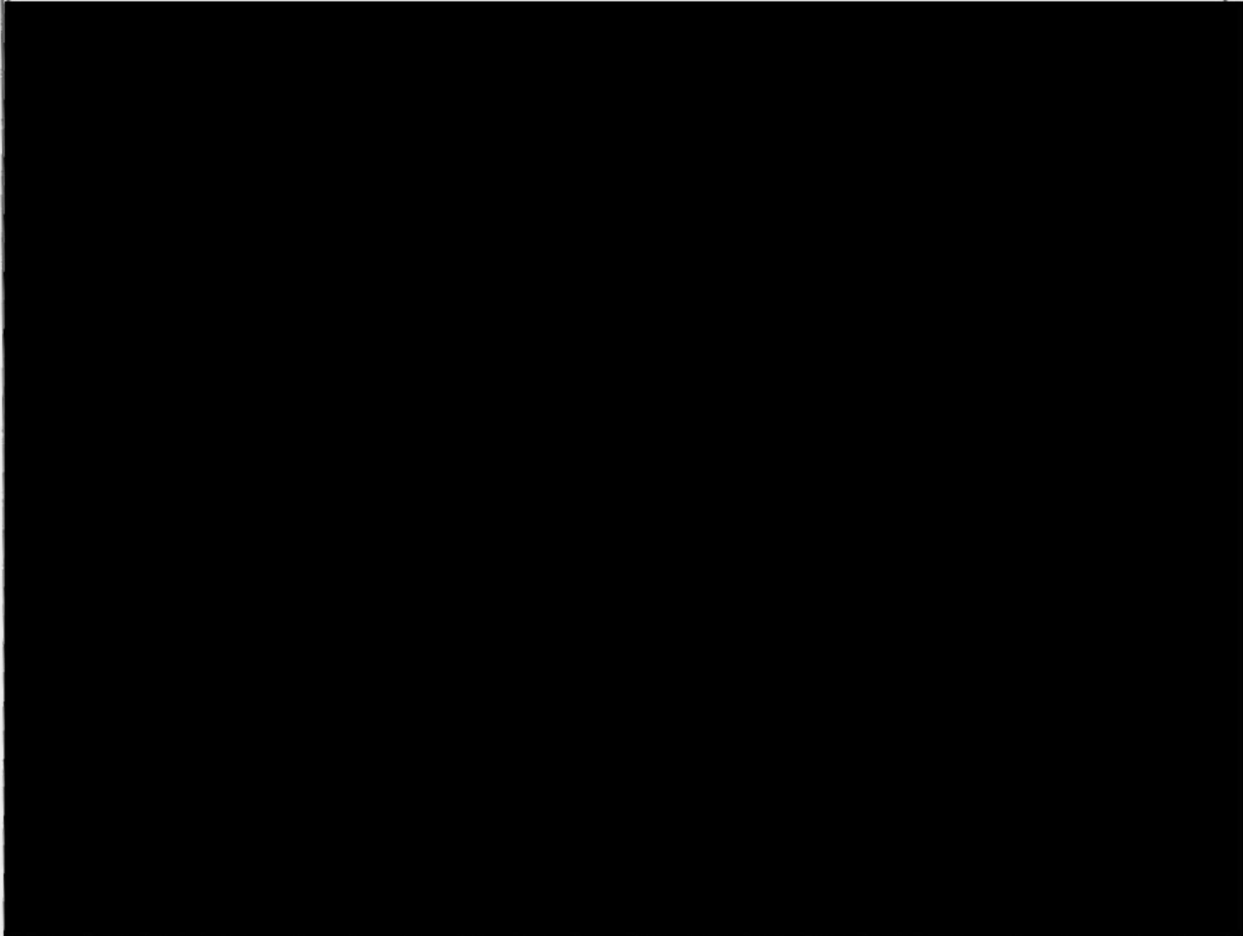
A meeting of the Executive Directors of the International Bank for Reconstruction and Development was convened at 10:33 o'clock, A.M. in the Board Room, 1818 H Street, Northwest, Mr. George D. Woods, President, presiding.

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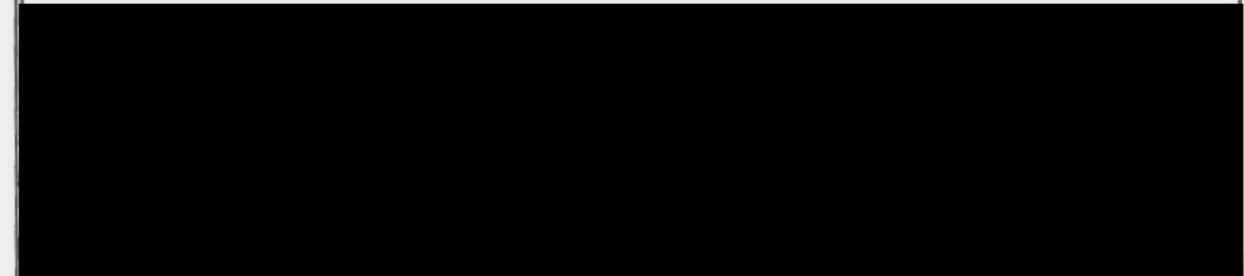
C O N T E N T S

Page

2. Other Business (Policy on Lending to Portugal and South Africa)	61
3. Date of Next Meeting	64



MR. WOODS:



This is our Africa day today. Gentlemen, I want to make a statement to you. I want to refer to copies of three resolutions relating to Portugal and South Africa which were adopted in December 1965 by the General Assembly of the United Nations at its 20th regular session in New York and which were recently circulated to the Executive Directors. These documents

came to you within the past three or four days. The resolutions, among other things, call upon the specialized agencies of the United Nations to refrain from giving financial or technical assistance to these two countries, that is, Portugal and South Africa, so long as they continue their present African policies. In the resolution on Portugal, the Bank is mentioned by name.

An Agreement entered into in 1947 between the Bank and the United Nations deals with relations between the two institutions. The Agreement permits the organs of the United Nations, after reasonable prior consultation, to present formal recommendations to the Bank which must be considered by the competent organs of the Bank. There were no such consultations on the matters in question. Furthermore, in the Agreement, the United Nations recognizes that by reason of the nature of its international responsibilities and the terms of its Articles of Agreement, the Bank is, and is required to function as, an independent international organization.

Finally, the United Nations recognizes in the Agreement that the action to be taken by the Bank on any loan is a matter to be determined by the independent exercise of the Bank's own judgment in accordance with the Bank's Articles of Agreement and therefore agrees that it would be sound policy to refrain from making recommendations to the Bank with respect to

particular loans or the terms or conditions of financing by the Bank.

The Bank's Articles provide that the Bank and its officers shall not interfere in the political affairs of any member and that they shall not be influenced in their decisions by the political character of the member or members concerned. Only economic considerations are to be relevant to their decisions. Therefore, I propose to treat requests for loans from these countries, Portugal and South Africa, in the same manner as applications from other members. Loan negotiations will be opened shortly and, if all goes well, I expect to present to you within a month or two proposals for loans to two Portuguese power companies to which we have been lending during the past three years. We also have under consideration a loan to the Electricity Supply Commission in South Africa to which we have lent on several occasions in the past. We expect to send a mission in the near future to appraise the project in South Africa.

I am aware that the situation in Africa could affect the economic development, foreign trade and finances of Portugal and South Africa. It will therefore be necessary in reviewing the economic position and prospects of these countries to take account of the situation as it develops.

That's the statement I wished to make, gentlemen, and

it will be available to the Directors later today.

Are there any questions or any comment any Director would care to make?

Mr. Kochman.

MR. KOCHMAN: I wanted to know if this statement will be distributed, but you stated it would.

MR. WOODS: Anyone else?

Dr. Mejia.

DR. MEJIA-PALACIO: I fully support your statement, Mr. Chairman, because I think this is the right thing to do. We cannot get involved in politics and we have to be out of these questions and not be influenced by other organs of the United Nations.

MR. WOODS: Thank you, Dr. Mejia.

Anyone else?

If not, I'd like to say gentlemen that on Thursday, March 31st, day after tomorrow we are scheduling a meeting of the Executive Directors of the Bank at 10:00 o'clock, if you'll note -- 10:00 o'clock. We have a rather full affair, and I think if we can we should start promptly at 10:00, to consider a proposed loan to Paraguay for roads and a meeting also of the Executive Directors of IDA to consider a credit to Paraguay for a livestock project.

The Bank meeting will be followed by an IFC Board

meeting to consider an investment in Morocco. Furthermore, on Thursday, the 31st of March there will be a meeting of the Bank and IFC financial policy committees, a joint meeting of the financial policy committees of the two institutions, for the purpose of discussing the report regarding Bank loans to IFC.

These are documents FPC 66-1 on the Bank side and FPC 66-1 on IFC. Thursday we hope to get to those matters.

If there is no further Bank business, I propose to adjourn this meeting and proceed with IDA with Mr. Knapp in the chair.

Is there any further Bank business?

Mr. Knapp will take over for the IDA meeting. I am committed to go to a luncheon to Mrs. Gandhi, which, for a combination of reasons, I can't be late at, so if you will forgive me, Mr. Knapp will proceed.

Thank you very much.

(Whereupon, at 12:30 P.M. the meeting was adjourned, followed immediately thereafter by a meeting of the Executive Directors of IDA.)