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Washington, D.C.

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The World Bank  
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Volume 1

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Jan - Oct. 1969

THIS FILE IS CLOSED AS OF Oct. 31, 1969

FOR FURTHER CORRESPONDENCE PLEASE SEE Vol. 1969 - II

RECORDS MANAGEMENT SECTION

Mr. Robert S. McNamara

October 31, 1969

J. Burke Knapp

IDA - Third Replenishment

Returned herewith are your drafts "A" and "B" of Paragraph 18, together with - as you invited - a suggestion "C".

My alternative is closer to "A" than to "B". I hesitate to give any specific figures for Latin America or Africa and the reference to 20 countries and 35 countries is a little misleading since many of these countries (especially in Latin America) clearly have no claim at all on IDA resources. Also, please note that I discuss our difficulties in meeting competing needs of IDA recipients in terms of a \$600 million to \$650 million annual lending program (the actual level or the level which we would have if Part I countries merely maintained their proportionate contribution to IDA) rather than upon a theoretical \$500 million program which it seems to me we should regard as unthinkable.

Also it seems to me that the reference to the Pearson Commission recommendations comes better at the end of the paragraph.

Attachments

JBK:ism



Headquarters:  
Washington, D.C., U. S. A.

✓ IDA - Cap Resources & Replenishment

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
Cable Address - INTBAFRAD PARIS

INTERNATIONAL DEVELOPMENT ASSOCIATION  
Cable Address - INDEVAS PARIS

EUROPEAN OFFICE:  
4, AVENUE D'ÉNA, PARIS (16<sup>e</sup>) - FRANCE  
Telephone - 553-2510

  
ing. OECD/DAC

October 24, 1969

Dear Shirley:

Decaux at the OECD Secretariat has asked me for some information. As part of the Annual Aid Review procedure, they have been asking DAC members to forecast their disbursements over a year or so ahead. Some members have replied that one of their difficulties is to know when drawings will be made on their IDA contributions.

I attach a copy of a question from Decaux to which I said I would try and obtain an answer from our Treasurer's Department. Could I ask you to take this matter up with the Treasurer's and get me the necessary information?

Personally, I cannot see that this is a big problem for the DAC member countries. As I understand the procedure, they give notes for their contributions each year and the Treasurer's Department draws on these notes during the year. Accordingly, at the most, the DAC member countries should know that the disbursements will have to be made within a twelve-month period although they may not know the exact month in which their notes will be encashed. Perhaps, however, I have not got the full story.

Yours sincerely,

Encl.

G. C.  Wishart

Miss Shirley Boskey  
Development Services Department  
International Bank for  
Reconstruction and Development  
Washington, D.C.

I.D.A. Drawings on Deposited  
Non-interest Bearing Non-transferable  
Demand Obligations on Account  
of Supplementary Resources  
of Part I Members

The question concerns I.D.A.'s policy for choosing whose demand obligations to draw upon at any given time. To what extent does I.D.A. draw upon the demand obligations in the country where a bill for procurement orders has to be paid? If this is the policy, what does I.D.A. do when for example it has German bills to pay but no German demand obligations left? To what extent does I.D.A. seek to draw down demand obligations on a proportional basis? Do Part I Members ever make special informal arrangements for advanced or retarded drawings?

Form No. 89  
(2.66)

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT  
ASSOCIATION

INTERNATIONAL FINANCE  
CORPORATION

<b>ROUTING SLIP</b>		Date Oct. 24, 1969
OFFICE OF THE PRESIDENT		
Name		Room No.
General Files		C-213
To Handle		Note and File
Appropriate Disposition		Note and Return
Approval		Prepare Reply
Comment		Per Our Conversation
Full Report		Recommendation
Information		Signature
Initial		Send On
Remarks		
Records of Discussions between Mr. McNamara and/or Sir Denis Rickett and Representatives of Governments at Annual Meeting and shortly thereafter.  <i>Filed - Individual Countries</i>		
From Office of Sir Denis Rickett		

Austria - Oct. 1, 1969  
 Canada - Sept. 29, 1969  
 Denmark - October 1, 1969  
 France - October 1, 1969  
 Germany - October 8, 1969  
 Iceland - October 10, 1969  
 Ireland - October 10, 1969  
 Italy - October 2 - 8 and 22, 1969  
 Japan - September 29, 1969

Netherlands - October 10, 1969  
 Norway - October 1, 1969  
 S. Africa - October 8, 1969  
 Sweden - October 10, 1969  
 Switzerland - October 22, 1969  
 U.K. - Sept. 24, Oct. 8, 9, 14 and 17, 1969

Mr. Robert S. McNamara

October 24, 1969

J. Burke Knapp

IDA: Amount of Third Replenishment

I have just had the opportunity of reading the October 17 draft memorandum on the above subject, and would like to give you the following comments.

1. In the last sentence of Paragraph 1 I suggest referring to "a major increase" rather than "a substantial increase."

2. A matter of terminology arises in Paragraphs 3 and 9, namely the distinction between aid flows net of capital repayments and net of debt services (capital repayments plus interest). To cover the first case, I would suggest sticking with the conventional term of "net capital flow." I find it confusing in Paragraph 3 to use the term "net financial flow", which seems to me to express the second concept. In Paragraph 9 when referring to the "net transfer of resources", I suggest that this be explicitly defined as meaning net after both capital repayments and interest payments.

3. In the section on the "Burden of Debt Service" commencing with Paragraph 5, I find very curious the omission of reference to the three major IDA recipients, namely India, Pakistan and Indonesia. Rather than attempting to classify these countries in the categories established in Paragraphs 5, 6 and 7, I would suggest that this section commence with specific reference to these three countries (including reference to the data given with respect to them in Table III). You could then introduce Paragraphs 5, 6 and 7 as a classification of other recipients of development assistance.

I would further ~~in~~ in the light of recent events - substitute Paraguay for Bolivia in Paragraph 6.

4. I have very serious doubts about the inclusion of Paragraph 13, including Table V. I realize that this is one of the points made in the Pearson Commission Report and I do not deny that it has some validity. However, the purpose of this paper is to convince donors to the IDA replenishment and I think this point is not useful - and perhaps counter-productive - for this purpose. As I have remarked on previous occasions, I am afraid the attitude of many large IDA donors is that the IDA lending program should fortify, rather than moderate, imbalances in their own bilateral programs, and certainly many of these countries are quite allergic to the use of per capita figures as a measure of the propriety of the distribution of development assistance.

5. Perhaps as a substitute for Paragraph 13 a passage might be included, stressing the advantages of untied multilateral aid vs. tied bilateral aid. This is not a popular subject either with all donor countries, but they all recognize the point and (even including the United States) they recognize in principle the desirability of moving away from tied aid "to the extent that balance-of-payments conditions permit."



October 24, 1969

6. My final point relates to the second half of Paragraph 18, referring to the geographical allocation of IDA credits, on which I have the following comments:

(a) I suppose that at some point in the IDA replenishment discussions it will be necessary to say something on this subject, but I have serious doubts about including any discussion of it in this initial paper. When and if something needs to be said, I would recommend that it be couched in very general terms, i.e. something to the effect that a major increase in the scale of the third replenishment would permit a wider geographical diversification of IDA lending, while at the same time permitting a substantial absolute increase (though perhaps relative diminution) in the allocations to the three major IDA recipients.

(b) I would definitely recommend omitting Table VI. Aside from its spurious accuracy, I am afraid that it would simply provoke all kinds of arguments about geographical distribution, which are best left for future resolution.

(c) The first half of Paragraph 18 concludes with the statement, "There is no doubt that IDA has the capacity to handle that volume of resources without either impairing the Bank's own lending program or in any way reducing the Group's stringent standards of project evaluation and economic performance assessment." If it were felt necessary to follow this sentence with supporting material regarding the "effective demand" for IDA-type funds, I would suggest something along the lines of the following:

"Furthermore a country-by-country review by the Bank staff of the 'effective demand' for IDA funds, in terms of both the absorptive capacity of IDA recipients and the justified requirements for concessional aid, clearly indicates that IDA needs resources of this order of magnitude to meet the requirements being presented to it by member countries."

cc: Sir Denis Rickett, Mr. Adler

JBK:  dk

IPA

MEMORANDUM

Settlement of Accounts

The following question has arisen: To what extent would contributions of a member under the First and Second Replenishments and other supplementary contributions made by it be taken into account if (i) such member ceases to be a member of IDA, or (ii) IDA suspends its operations and distributes its assets?

Article VII of the Articles of Agreement of IDA contains the provisions which would govern the rights and duties of governments ceasing to be members of IDA or upon a distribution of IDA's assets. In brief summary the Article provides as follows:

(a) Cessation of Membership: When a government ceases to be a member the Association and the government are to proceed to a settlement of accounts. As part of such settlement they may agree on the amounts to be paid to the government on account of its subscription (defined to mean its initial subscription and any additional subscription). If no agreement is reached within a specified period, the Association shall return to the government (i) funds paid in by it on account of its subscription or derived therefrom as principal repayments held by the Association on the date when the government ceased to be a member, except to the extent that the Association decides that such funds will be needed by it to meet its commitments under its financing obligations, and (ii) its pro rata share of all principal repayments received by the Association after such date on loans contracted prior thereto, except those made out of supplementary resources provided to the Association under arrangements specifying special liquidation rights. The pro rata share to be returned to the member is defined (with certain adjustments) to mean such proportion of loan repayments as the amount paid by the government on account of its subscription bears to the total amount paid by all members on account of their subscriptions.

(b) Distribution of Assets: Under Article VII, Section 5, if IDA suspends its operations and distributes its assets, IDA shall distribute its assets to members pro rata in proportion to amounts paid in by them on account of their subscriptions, both initial and otherwise. Any such distribution is subject to prior settlement of all outstanding claims by IDA against the member receiving a distribution and to any special arrangements for the disposition of supplementary resources agreed upon in connection with the provision of such resources.

All contributions by members under the First and Second Replenishments were made on a basis whereby (except in certain respects which

are not relevant to the question now under consideration) they are to be treated in the same respect as the initial subscriptions of Part I members. (Paragraph (e) of Resolution No. 48, adopted by the Board of Governors on June 29, 1964 entitled "Additions to Resources"; paragraph (g) of Resolution No. 66, adopted by the Board of Governors on September 20, 1968 entitled "Additions to Resources; Second Replenishment" and paragraph (b) of Resolution No. 67 adopted by the Board of Governors on September 20, 1968 entitled "Supplementary Contributions to Resources; Second Replenishment.") Under these resolutions, therefore, all such contributions would be treated as subscriptions for purposes of determining a member's share either upon cessation of membership by the member or upon a distribution of IDA's assets. The special supplementary contributions heretofore made by Sweden, Norway, Denmark and Kuwait were made and accepted by IDA on essentially the same basis.

It is concluded therefore that contributions heretofore made by members under the First and Second Replenishments and other supplementary contributions made by them would be regarded as subscriptions for the purpose of determining the share of any of them if (i) such member ceases to be a member of IDA or (ii) IDA suspends its operations and distributes its assets.

/s/ L. Nurick

Lester Nurick  
Legal Department

October 21, 1969

cc: Sir Denis Rickett  
Mr. Scott

Cleared with Mr. Broches

Ministry of Overseas  
Dev,  
✓ Co. IDA - Capital - Resources  
& Replenishment

Mr. Robert S. McNamara

October 15, 1969

Denis Rickett

Mr. R.B.M. King

You are seeing tomorrow morning Mr. R.B.M. King of the Ministry of Overseas Development.

2. Mr. King was appointed Deputy Secretary of the Ministry last year in succession to Geoffrey Wilson who had been promoted to be Permanent Secretary. Mr. King is thus the second ranking permanent official of the Ministry.
3. He joined the Civil Service in 1939 at the age of 19 but left the following year to serve in the Army. He took part in the campaigns in North Africa and Italy and won the Military Cross at Cassino. After the war he rejoined the Civil Service and, after holding various appointments in the Ministry of Supply, the Ministry of Works and the Treasury, became Principal Private Secretary to the Minister of Works in 1956. In 1958 he was seconded for a period of service to the Cabinet Secretariat and acted as Secretary to the Commonwealth Education Conference in 1959 as well as a succession of constitutional conferences which conferred independence on a number of colonial territories. In 1961 he was transferred to the Department of Technical Cooperation which, as you know, was the predecessor of the Ministry of Overseas Development. He has been with the Ministry since its formation in 1964.
4. Mr. Cope and I saw Mr. King this afternoon and I gather that the points which he will wish to raise with you tomorrow concern especially:-
  - (a) The timetable for and general handling of the negotiations for the Third Replenishment.
  - (b) Bank lending policies particularly in regard to the issue of program versus project lending.
  - (c) The Bank's role in the coordination of the giving of aid both by multilateral and by bilateral donors. On this point he had in mind particularly the recommendation of the Pearson Commission that you should take the lead as President of the World Bank in calling a conference.
5. On (a) above, Mr. King told us that Sir Geoffrey Wilson was ready and willing to pay visits to other capitals in support of representations through diplomatic channels so that the British Government could play its full part in bringing pressure to bear on other governments to go for a high level of IDA replenishment. He asked a number of questions about the persons to be nominated as Deputies (should they be Executive Directors or officials from the capitals?); about the place where the meetings were likely to be held; the date of the first meeting and whether we intended to circulate any papers to the meeting. I said that the first point was largely a matter

for the governments. If they wished to nominate their Executive Director to attend meetings in Washington and an official from the capital to attend meetings in Europe, I did not think we should object though there were naturally advantages in having one person present at all the meetings. As to the place of the meeting, I thought that at least one of the meetings would be held in Washington though others might take place in Europe. On the date of the meeting I said that I understood that you felt that there should be bilateral consultations with some of the Governors before the first meeting was held.

6. Mr. King told me that the Cabinet are considering tomorrow a White Paper on public expenditure which will contain figures for all the principal categories of expenditure in the financial years 71/72, 72/73 and 73/74. The size of the British Aid Programme will therefore have been determined in advance and this will obviously affect to some extent what they can do for IDA within that programme.

7. On (b) above, Mr. Cope explained that the Bank's policy was to resort to program lending where it was clearly shown that the necessary assistance could not be given through project lending, either because the necessary projects were not available or because there was a need for quicker disbursing assistance. While the Bank's policy in regard to program lending to India had been affected by the recent discussions in the Board, it was not true that we had abandoned program lending to India altogether. We hoped, however, to achieve the same results through suitable selections of projects particularly if a reasonable proportion of local currency expenditure could be financed.

8. Mr. King asked to what extent the Bank would be prepared to undertake the appraisal of projects on behalf of other lenders, e.g. by accepting joint finance or by selling participation to them in Bank loans. Mr. Cope said that the Bank was already doing this to a large extent but that there was a limit imposed by staffing resources on the extent to which they could appraise projects for which they were not the principal lender.

9. On (c) above, Mr. Cope said that this, together with other recommendations of the Pearson Commission, was at present being studied by the Bank and we had not yet arrived at a firm view on it.

c.c. Mr. Cope

October 13, 1969

(Dear Emile,)

This is to confirm that I am looking forward to seeing you at dinner in Paris on the evening of Friday, October 31st. I am asking one representative from each of the countries represented on Working Party III and also Emminger and yourself as chairman and ex-chairman, respectively.

Dinner will be at 8:00 p.m. unchanged at the Restaurant Lucas Carton. I hope that we can have an informal discussion of some of the financial problems which will form the background to the Third Replenishment of I.D.A. It is, of course, primarily a social occasion.

(yours ever,

Denis)

D. H. F. Rickett  
Vice President

Mr. E. van Lennep  
Secretary General  
Organization for Economic  
Cooperation and Development  
2 Andre Pascal  
Paris 16e, France

( ) Handwritten by Sir Denis  
DHFRickett:emcc  
IDA

Mr. Robert S. McNamara

October 9, 1969

Denis Rickett Sir Denis Rickett

I.D.A. Third Replenishment Negotiations

I am submitting to you draft letters for you to send to the Ministers of the Part I governments asking them each to appoint a Deputy to represent them in the negotiations.

2. The letters are based on the draft which I showed you on Tuesday evening, the concluding paragraphs of which have been amended in the way you indicated.

3. There are slight differences of drafting according to whether you did or did not see the Minister concerned in the course of the Annual Meeting. In addition, you will see that in two cases (Italy and Denmark) the letter is addressed to the Governor for I.D.A. of that country. This has been done on the advice of Mr. Rota and Mr. Karlsson. In the case of the United Kingdom, I have addressed the letter to the Chancellor with copies to the Minister of Overseas Development and to Sir Leslie O'Brien as the U.K. Governor for I.D.A. I do not think that either Sir Leslie or Mrs. Hart would expect you to address the letter to them.

c.c. Mr. Knapp

OECD

cc: I.D.A. - Capital - Resources + Replenishment  
cc: IRAB - Capital - General

ANNUAL MEETING 1969

RECORD OF DISCUSSION

O.E.C.D.

Oct 8, 1969

Mr. van Lennep, who had on the previous day assumed office as Secretary General of OECD, called to see Mr. McNamara on Thursday, October 2nd, at 9:30 a.m. He had with him Mr. Jean Cottier, the Deputy Secretary General, and Mr. Giretti, Assistant Secretary General (with responsibility for development).

Mr. McNamara, after offering his warm congratulations to Mr. van Lennep on his appointment, outlined for him the timetable which we had in mind for negotiations on the Third Replenishment. If fresh commitment authority was to be available not later than July 1st 1971 and if, as seemed reasonable, a year should be allowed for action by Parliaments, the negotiations should be concluded at the governmental level by the end of next summer. This would obviously be a difficult timetable to keep to, given the delay which might well occur in the formulation of an aid policy by the new United States Administration. The Commission under the chairmanship of Mr. Rudolph Peterson had only recently been appointed and was not likely to report before February or March next year. Nevertheless, we should do our best to persuade the United States Government to reach a decision without delay on its policy towards the Third Replenishment of IDA.

Mr. McNamara then described the study which we were making of a possible change in the capital structure of the Bank. The IMF had asked its Executive Directors to report by December 31st on the need for a general increase in quotas as well as for special increases for individual countries. The Bank's policy in the past had been to make adjustments in the Bank subscriptions of individual countries whose relative quotas in the Fund were changed. We were not obliged to take action in parallel with a general increase but we had, in fact, done so in 1959. At that time Fund quotas had been increased by 50% while the Bank's subscribed capital had been increased by 100%. The increase had, however, taken place entirely in the unpaid capital. If there were to be an increase now, it was his view that the case rested on a need for additional called capital to strengthen the debt equity ratio of the Bank in line with the general expansion of its operations. He did not know what the results of the study would be but his guess was that we should need an increase in the subscribed capital of the same order of magnitude as the increase in Fund quotas and that 20% of it should be available for call over, say, the next four or five years. The Bank would hope to reach a decision on this question within the next 90 days. He hoped that in the forthcoming negotiations the Bank Group would have the support of the OECD and of the DAC. He would certainly keep Mr. van Lennep informed.

A discussion followed on the work of the DAC and its relationship to the work of the organization as a whole, particularly discussions between Finance Ministers.

Mr. van Lennep agreed that it would be an advantage if the link between the DAC and the Council could be strengthened. He was examining the terms of reference of the DAC in order to consider whether they needed to be brought up to date in any respect. He wanted to bring Finance Ministers and Aid Ministers



more closely together. Similarly, discussions on aid and trade should be better coordinated.

Mr. McNamara then described the steps which the Bank was taking to give careful study to the recommendations of the Pearson Commission insofar as they affected the work of the Bank Group.

Mr. van Lennep said that the Pearson Report would be discussed by the DAC at its high level meeting which would take place on 27th and 28th November next. It would be very useful if Mr. McNamara could attend that meeting.

Mr. McNamara asked what would be the relation between the DAC high level meeting in November and the meeting of the OECD Ministerial Council in April 1970. He would not himself find it easy to attend the DAC high level meeting in November but he would certainly consider whether he could do so if the meeting seemed likely to achieve important results.

Finally Mr. van Lennep mentioned the references in Mr. McNamara's speech to the problems of urbanization and industrialization. The OECD Development Centre, under the direction of Dr. Yudelman, had done a good deal of work on these subjects which might be of interest to Mr. McNamara.

Mr. McNamara said that he would be glad to study the results achieved by the Centre.

D. H. F. Rickett  
Vice President  
October 8, 1969

Mr. Francis R. Poore

October 7, 1969

M. M. Lennon

IDA - Payments of Second Replenishment  
Contributions in Cash

The following Part I countries have paid their first instalment to the Second Replenishment in their own currency -

	<u>US dollar equivalent (in millions)</u>	<u>Called and disbursed</u>	<u>Presently remaining</u>
Finland	\$ 1.36	\$ -	\$ 1.36
Germany	39.00	14.00	25.00
Norway	4.40	1.50	2.90
Sweden	9.88	3.50	6.38
South Africa	1.00	-	1.00

In addition, Luxembourg paid their first instalment of \$200,000 in US dollars. When Part I members paid the 90% portions of their initial subscriptions and their contributions to the First Replenishment in currency other than their own, the rule was that this could be disbursed first, but the regulations under which the Second Replenishment contributions may be disbursed provide that such payments may be used first only if such contributing member so requests. Therefore, the payment by Luxembourg has been invested in US Treasury bills and will be considered used pro rata with contributions of other accelerating countries as needed for disbursement on Second Replenishment Credits.

In the "Report of the Executive Directors to the Board of Governors on Additions to IDA Resources; Second Replenishment" dated March 8, 1968, Section 16 is as follows:

"The Executive Directors wish to call to the attention of contributing members that it would be helpful to the Association if these members were to pay their contributions in currency (either in their own currency or that of another member) without substituting notes therefor. This would help the Association in the administration of its finances and would enable it to derive some income from the investment of such funds prior to their being used for disbursement on Second Replenishment Credits. Several members have expressed their intention to make payment of their contributions in such manner. It is also provided that any portion of a contribution of a contributing member paid in currency for which notes or similar obligations shall not have been substituted will be used by the Association forthwith if such contributing member so requests."

The remaining balance of Germany's contribution (\$25 million equivalent) is invested in German Treasury bills. The currency received from the other four countries listed above is deposited in our accounts with their Central Banks subject to pro rata drawings. No attempt has been made to-date to invest such moneys.

When Sweden in August, 1968 paid the first instalment of their special additional contribution to the Association we cabled and asked them to invest this money in Swedish Treasury bills. They cabled back that a special exception had been made to allow IBRD to invest in these securities but that they were not prepared to extend this privilege to the Association. In the same cable the Riksbank stated that they were willing to let the Association keep these funds in 1, 2 or 3-month fixed deposit accounts carrying interest at a rate based on yield on United States Treasury bills. This offer was not accepted; instead, we asked them to convert the Kronor to US dollars and deposit it in our account in the Federal Reserve Bank of New York and this money was invested in US Treasury bills. This was possible because under the terms of the Special contribution the Kronor was convertible. The same procedure was followed when they paid the second instalment in July 1969.

In the case of the currency which Sweden has paid for the first instalment of their contribution to the Second Replenishment we might consider requesting them to deposit it in a Time account under the terms proposed in August 1968 cited above. As to the other currency held, i.e., Finland, Norway and South Africa, we might explore with the several Governments the possibility of investing these moneys in some form of short-term or liquid securities or time accounts. The IBRD has no investments in South Africa or in Norway but they do have investments in Finland which are comparatively long-term but which I understand may be redeemed at par on 3 month's notice. Finland, Germany and South Africa have always made their payments to IDA in currency, so we can presume that their second instalments of the Second Replenishment, which are due on November 8, 1969, will also be received in currency.

cc: Messrs. Gabriel, Rutland, V.Chang, Gray, Duarte  
Misses O'Brien, Johnston

MLennon/ar

FILE: IDA - Investments

F

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CONFIDENTIAL

JUL 26 2023

WBG ARCHIVES

IDA/R69-59

FROM: The Secretary

October 1, 1969

ADDITIONS TO RESOURCES: SECOND REPLENISHMENT

1. The resolutions attached as Annexes A and B to report IDA/R68-11/1 dated March 8, 1968, were adopted on September 20, 1968 by a vote of the Board of Governors, without meeting, in accordance with Section 13 of the By-Laws of the Association (IDA/R68-52 dated September 27, 1968).
2. In order, however, to give countries which had not voted on the resolutions an opportunity to do so, the Executive Directors on June 26, 1969, extended to September 30, 1969 the period within which votes might be cast (IDA/R69-46).
3. Attachment A is a record of the complete vote to the end of the extended period.
4. In the absence of objection (to be notified to the Secretary or Deputy Secretary by the close of business on October 6, 1969), this report will be deemed approved, to be so recorded in the minutes of a subsequent meeting of the Executive Directors of the Association.

Distribution:

Executive Directors and Alternates  
President  
President's Council  
Executive Vice President, IFC  
Vice President, IFC  
Department Heads, Bank and IFC  
Secretary, IMF

INTERNATIONAL DEVELOPMENT ASSOCIATION

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Vote of Board of Governors on Additions to Resources;  
Second Replenishment

AUG 17 2023

RECORD OF VOTE

WBG ARCHIVES

<u>Affirmative Votes Cast By:</u>			<u>Members</u>	<u>Votes</u>
Afghanistan	Greece	Nepal		
Argentina	Guatemala	Netherlands		
Australia	Guyana	Nicaragua		
Austria	Haiti	Niger		
Belgium	Honduras	Norway		
Bolivia	Iceland	Pakistan		
Botswana	India	Paraguay		
Brazil	Indonesia	Peru		
Burma	Iran	Philippines		
Burundi	Iraq	Rwanda		
Cameroon	Ireland	Saudi Arabia		
Canada	Israel	Senegal		
Central African Rep.	Italy	Sierra Leone		
Ceylon	Ivory Coast	Somalia		
Chad	Japan	South Africa		
Chile	Kenya	Spain		
China	Korea	Sudan		
Colombia	Kuwait	Sweden		
Congo (Brazzaville)	Laos	Syrian Arab Rep.		
Cyprus	Lebanon	Tanzania		
Dahomey	Lesotho	Thailand		
Denmark	Libya	Togo		
Dominican Rep.	Luxembourg	Tunisia		
Ecuador	Malagasy Rep.	Turkey		
El Salvador	Malawi	United Arab Rep.		
Ethiopia	Malaysia	United Kingdom		
Finland	Mali	United States		
France	Mauritania	Upper Volta		
Gambia	Mauritius	Viet Nam		
Germany	Mexico	Yugoslavia		
Ghana	Morocco	Zambia	93	246,226
<u>Votes Not Received From:</u>				
Algeria	*Guinea	Panama		
Congo, Dem. Rep.	Jordan	*Swaziland		
Costa Rica	Liberia	Uganda	11	8,540
Gabon	Nigeria			
			<u>Totals</u>	<u>254,766</u>

\* Recent members

Secretary's Department,  
October 1, 1969

Mr. Leif E. Christoffersen

September 29, 1969

K. Georg Gabriel

IDA- Statements of Contributions

We are attaching herewith ten copies each of the individual statements of Contributions of the following Part I Country Members of IDA:

Belgium  
France  
Germany

Italy  
Netherlands  
Sweden  
United Kingdom

You have previously received statements for Canada, Japan and United States.

cc: Messrs. Poore/Gabriel, Rutland, Subramanian  
Miss Lennon

FILE: IDA - Miscellaneous Reports

JDuarte/es

5

Sir Denis Rickett

September 29, 1969

L. Nurick

IDA - adjustment of voting power

I understand from Mr. Broches that the Japanese authorities now seem to have indicated an interest in an adjustment of voting power which might affect the votes of Part II members. In this connection, I think you will be interested in the statement made by Mr. Suzuki at the meeting of the Board to consider the IDA replenishment (on March 8, 1968) in which he quotes from a cable which he received from his Minister:

"Thank you Mr. Chairman. I mentioned the adjustment of voting power among Part I countries is rather a condition of Japanese contributions, when the minister responded to your request earlier for this Second Replenishment. In the discussions were some misgivings. I am not sure what Mr. Stone's proposal implies, but as far as Japan is concerned, I want to make it clear that we are not proposing an adjustment between Part I and Part II countries. In this connection I would like to quote my minister's cable when he replied about his contributions, and I quote:

'I would be willing to accept 5.54% on the condition that the final document clarifies that the study be made to find a way to eliminate the discrepancy between the voting power and the share of the actual contributions; that is, initial subscriptions plus the first and second contributions of all Part I member countries, and that the matter be settled before any additional replenishment of IDA resources is considered,' so it is quite clear that Japan is not asking for this ratio between Part I and Part II countries."

LNurick:vv

cc: Mr. Broches

Mr. Robert S. McNamara

September 23, 1969

J. Burke Knapp

Washington Meeting on IDA Replenishment

The final negotiations on the second replenishment were conducted by the "Washington Meeting of Deputies on IDA Replenishment" on February 19 - 21, 1968. I am giving you below the list of the heads of delegations, indicating which were Executive Directors, and in a further column my best guess as to who might be designated for purposes of negotiations of the third replenishment.

	<u>Second Replenishment</u>		<u>Third Replenishment</u>
United States	Hirschtritt*		Gov't. official
United Kingdom	Maude	ED	Gov't. official
France	Plescoff	ED	ED
Germany	Hanemann		Gov't. official
Japan	Suzuki	ED	ED
Canada	Hudon	ED	Gov't. official
Italy	Rota	ED now but not at that time	ED
Sweden	Klackenberg		Gov't. official
Netherlands	Boomstra		Gov't. official
Belgium	van Campenhout	ED	ED

Smaller Countries:

Australia -			
South Africa	Stone	ED	ED
Austria	Haushofer	Alt. ED	Alt. ED
Denmark	Secher		Gov't. official
Finland	Kalliala		Gov't. official
Luxembourg	Steinmetz		Gov't. official
Norway	Lovold		Gov't. official

\* Representing Assistant Secretary of the Treasury Knowlton, who was ill.

Something may depend upon whether meetings are held in Washington or London. For example at the London Meeting of Deputies on IDA Replenishment on December 18 - 19, 1967, the British delegation was headed by Geoffrey Wilson rather than by Maude, and the Japanese delegation by Tanaka rather than by Suzuki.

cc: Sir Denis Rickett

JBK:dk





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FROM: The Secretary

September 23, 1969

IDA THIRD REPLENISHMENT

Attached for the information of the Executive Directors is a memorandum from the President on the "IDA Third Replenishment".

Distribution:

Executive Directors and Alternates  
President  
President's Council  
Executive Vice President, IFC  
Vice President, IFC  
Department Heads, Bank and IFC



INTERNATIONAL DEVELOPMENT ASSOCIATION  
WASHINGTON, D. C. 20433, U. S. A.

OFFICE OF THE PRESIDENT

September 23, 1969

MEMORANDUM TO EXECUTIVE DIRECTORS

Subject: IDA Third Replenishment

1. In this memorandum I wish to report briefly to Executive Directors on our plans for the commitment of funds available to IDA under the Second Replenishment and on the timetable and procedure which I propose for negotiations leading to a Third Replenishment.
2. As Executive Directors know, it had originally been hoped that the arrangements for the Second Replenishment would come into effect in time to enable the funds provided to be committed by June 1970. Unfortunately there has been a considerable delay and the Second Replenishment finally became effective only on July 23rd 1969.
3. The delay which has occurred in bringing the arrangements into effect would have been far more harmful in its consequences but for the action of a majority of the Part I countries in making advance contributions not conditional upon the coming into effect of the Second Replenishment. Fourteen governments expressed their willingness to make such contributions and of these eleven either did not need or were able to obtain in time legislative authority to enable them to do so. Advance contributions amounted to \$245 million and these, together with other resources available to IDA including special supplementary contributions from certain governments and net income transferred from the IBRD, enabled commitments for IDA credits to be entered into in fiscal year 1969 amounting to \$385 million as compared with \$106.5 million in fiscal year 1968.
4. Thus by July 1st 1969, out of the \$1200 million available from country contributions to the Second Replenishment, there remained about \$950 million available for new commitments. To this there will be added, from time to time, supplementary resources available from transfers of Bank profits and otherwise.
5. As Executive Directors will recall, the Resolution on the Second Replenishment contemplated that the additional resources to be made available

under it to IDA should be used for new commitments in the period ending June 30th 1970. The report of the Executive Directors on this Resolution stated that the Association would aim to commit the resources available at a reasonably even pace over the fiscal years 1968, 1969 and 1970. Last year I still had hopes that this objective could be broadly met and, in memoranda which I presented to the Board in July and September 1968, I recommended an IDA lending program which was intended to enable IDA to commit the whole of the Second Replenishment funds by June 30th 1970.

6. Because of the unexpectedly long delay in bringing the Second Replenishment into effect, it has now become clear that it would not be practicable to commit the whole of the funds available to us by June 30th 1970. I therefore propose to extend by one year the period during which these resources would be committed.

7. We have thus lost a year. I believe that Executive Directors will agree that it is most important that we should lose no further time and that the Association should be provided with additional commitment authority not later than July 1st 1971. I therefore ask that it be accepted as an objective that new arrangements for a Third Replenishment should be negotiated and legislative approval obtained for them not later than June 30th 1971.

8. Taking into account the protracted period which may be required in some countries to obtain legislative approval, I propose that negotiations between Part I countries should begin as soon as possible with a view to achieving agreement among the Part I governments by June 30th 1970. In order to deal with this task I plan to ask Ministers of the Part I countries to nominate Deputies to be available to meet from time to time under IDA chairmanship.

9. To sum up, the timetable which I propose would be as follows:

- (a) during the course of the Annual Meeting I shall hope to obtain preliminary views from as many Governors as possible, particularly those of the Part I countries. This can be supplemented, if necessary, by further bilateral consultations from time to time;
- (b) negotiations should be begun between the Part I countries as soon as possible, with a view to agreeing by June 30th 1970, upon the arrangements which they would propose to the Association for the Third Replenishment. These arrangements should be considered and approved by the Executive Directors not later than July 31st 1970;

- (c) thereafter, the Part I governments should submit the arrangements to their legislatures for approval with the object of bringing them into effect not later than July 1st 1971.

10. I should like to request each of you, and particularly those Directors representing the Part I countries, to give me every support in achieving the successful completion of this program.

*Robert S. McNamara*

M E M O R A N D U M

To: Mr. Robert S. McNamara

September 18, 1969

From: A. Broches

Subject: IDA Replenishment - Question of Adjustment of Voting Power

At the meeting in your office on Wednesday, September 10, 1969 we briefly discussed the question of the adjustment of the voting power of Part I countries. In accordance with your request Mr. Nurick is preparing for September 24 a redraft of his earlier memorandum on adjustment of voting power in which he will include a section dealing with adjustments which would affect the voting rights of Part II member countries.

There was also some discussion at that meeting of the terms of reference specified in the Report of the Executive Directors, dated March 8, 1968, to the Board of Governors recommending the approval of the Second Replenishment. Since this is an important and sensitive matter, I believe it may be useful to recall the record.

At the meeting of the Executive Directors on March 8, 1968 which considered this report, there was considerable discussion as to whether the report of the Executive Directors should state explicitly that the scope of the review should not extend to the consideration of any adjustment which would affect the voting rights of Part II member countries or whether the report should be neutral on this point, leaving for future determination by the Executive Directors the question whether their review should consider an adjustment which would affect the voting rights of Part II member countries.

The draft of the report first submitted to the Executive Directors for their consideration stated in this connection that the study would "also include a review of adjusting the voting power as among Part I member countries to reflect their total financial contributions to the Association."

Mr. Stone, in commenting on this draft, said that the phrase "as among Part I member countries" prejudged the issue as to the scope of the study. He said as follows: "I can't see how those conducting the study could take these words as being anything other than, so to speak, a term of reference, precluding them from examining ways and means of effecting the objective of those who called for the study, which was not Australia, without-- in any other way than by reducing the powers, voting powers of certain Part I countries. I don't particularly want to suggest

any words which would suggest the other course. I want to avoid words which would prejudge the issue." Mr. Stone then suggested that this sentence read as follows: "It would also include a review of the desirability of adjusting the voting power to reflect total financial contributions of Part I member countries to the Association." In commenting on the suggested change Mr. Knapp said that "it changes the whole idea and brings in the whole question of the relation between the Part I and Part II groups."

No vote was taken on Mr. Stone's suggested language. Later in the meeting Mr. Stone said that he was not happy with his own language and suggested the following as an alternative: "It will also include a review of the appropriate relationship between voting power and the provision of financial resources to the Association." In commenting on his proposal Mr. Stone said that "my main worry on this is that the present words prejudice the issue" and he added (referring to his proposal) that "these words don't indicate what we are talking about." Dr. Machado then made a strong statement objecting to any suggestion which would involve a study of Part II voting power and ended by proposing to add the words "without affecting the voting rights of Part II member countries to make perfectly clear any adjustment or changes in voting proportion will be purely a matter of the rich and will not affect the voting rights of the poor." Later in the discussion, Mr. Woods and Mr. Knapp had the following exchange:

Mr. Woods: "What have you to say on this subject of Part I and Part II voting rights? First, let's get the situation, the facts straight. Is it true that in these discussions the question has to do solely and exclusively with adjustment of voting power of Part I countries, leaving Part II countries entirely aside?"

Mr. Knapp: "I'd rather put it this way: One country in particular felt some adjustment should be made in this voting power which was becoming disproportionate to its contributions; and their specific proposal was that that be taken care of by adjustment among the Part I countries."

Mr. Woods: "So that Mr. Stone's language, which does embrace the Part II question, was beyond what was discussed in connection with this negotiation."

Mr. Knapp: "That is correct."

Mr. Woods: "Well, if that is the case, then it seems to me the proper position for you to be taking or for me to be taking is that Mr. Stone's suggestion enlarges in a manner that's quite troublesome the original intention of the Part I countries."

Mr. Knapp: "Well, my comment was that Mr. Stone's language, although it enlarges it, might still be quite satisfactory to the country that raised

the problem. Now whether it's wise or not for this group to so extend the terms of reference, I have no comment on that."

Mr. Rajan later said that he believed Mr. Stone's amendment enlarged the scope of the original sentence as far as voting power is concerned and that it was his understanding that Part I countries "in their generosity have decided to leave the voting rights of the Part II countries, the beneficiaries, to retain them as they were." Mr. Lieftinck said that he would not "go beyond the clearly expressed desire for reconsideration of relative voting power as among Part I countries. That is the only point that has been raised."

After a recess Mr. Woods put up to the Directors for a vote a redraft of paragraph 23 (formerly paragraph 22), the last sentence of which read as follows: "The study will also include a review of the desirability of adjusting the voting power as among Part I member countries to reflect their total financial contributions to the Association."

Mr. Stone then said that if the only reason that Mr. Woods was proposing to put this to a vote was to take account of his (Stone's) objection "that I think I almost alone have raised, then I think I should perhaps save you the trouble of polling the Board by saying I will not press the objection further."

Mr. Woods said that he nevertheless wanted a vote. Mr. Suzuki said that he wanted to make it clear that his government was "not proposing an adjustment between Part I and Part II countries." Dr. Machado said that he was delighted to hear Mr. Suzuki and said that in order to make the matter perfectly clear he wanted to add to the paragraph the following words: "without affecting the voting rights of Part II member countries" even though this language might be regarded as redundant. Thereafter there was a general discussion raised by Mr. Lieftinck as to the effect of the Articles of Agreement on any readjustment.

Mr. Woods then put to a vote the sentence with Dr. Machado's amendment, such sentence reading as follows: "The study will also include a review of the desirability of adjusting the voting power as among Part I member countries to reflect their total financial contributions to the Association, without affecting the voting rights of Part II member countries."

The amendment was approved by the Executive Directors, with Messrs. Donner, Lieftinck and van Camphenout voting against, Mr. Stone abstaining and Messrs. Kochman and Plescoff absent.

Mr. Woods then called for a vote on a second amendment, namely to delete the words "of adjusting" and to include after the word "desirability" the words "and practicability of adjusting (with or without amendment of the Articles of Agreement)". The sentence then read as follows: "The study will also include a review of the desirability and practicability of adjust-

ing (with or without amendment of the Articles of Agreement) the voting power as among Part I member countries to reflect their total financial contributions to the Association without affecting the voting rights of Part II member countries."

This amendment was approved by the Executive Directors with Dr. Mejia-Palacio voting against, Messrs. Jahanshahi, Skjerdal and Suzuki abstaining and Messrs. Kochman and Plescoff absent.

The paragraph as a whole was then approved by the Executive Directors, with Dr. Mejia-Palacio voting against, Messrs. Jahanshahi, Stone and Rajan abstaining and Messrs. Kochman and Plescoff absent.

It is clear therefore both from the language of paragraph 23 of the Report of the Executive Directors and the discussion at the meeting of the Board, that the review to be made by the Executive Directors pursuant to paragraph 23 is not to cover consideration of any readjustment of voting power which would affect the voting power of Part II member countries.

(Initialed) A, B.

cc: President's Council  
Mr. Wm. Clark  
Mr. L. Nurick



IDA

Moh Shoib

Resources &amp; Replenishment

## OFFICE MEMORANDUM

(69)

TO: Mr. Robert S. McNamara

DATE: September 16, 1969

FROM: Denis Rickett

DR

SUBJECT: Third I.D.A. Replenishment

I attach 2 papers which have been prepared by the staff of the Development Finance Studies group in response to the request made at the meeting of your Council last Wednesday.

Attachments

c.c. President's Council

THIRD IDA REPLENISHMENT

Alternative payments schemes for a replenishment of  
\$3.0 billion commitment authority spread evenly over  
a three-year period

(figures in US\$ millions)

Alternative 1. Payment in cash or notes in three years, to be made during the same fiscal year as that of the commitment authority.

Fiscal Year	<u>1972</u>	<u>1973</u>	<u>1974</u>
	1,000	1,000	1,000

Alternative 2. Payment in cash or notes in five years, to be made in successive fiscal years starting with the first year of commitment.

Fiscal Year	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
	600	600	600	600	600

Alternative 3. Payments as needed for disbursements. Under this alternative it is assumed that the IBRD will transfer \$100 million in each year of the commitment period. A commitment authority of \$1,100 million each year is therefore used in the calculation.

(i) Assuming that the IBRD funds are used pari passu with other funds, the drawings from the national contributions would take the following pattern, if the historical pattern prevails. (Drawings expressed in round numbers).<sup>1/</sup>

Fiscal year	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>later years</u>
	100	300	500	500	500	400	400	300

(ii) Assuming that the IBRD funds are used first, as available, the drawings from the national contribution may take the following pattern, if the historical pattern prevails. (Drawings expressed in round numbers).<sup>1/</sup>

	0	200	400	600	500	500	400	400
--	---	-----	-----	-----	-----	-----	-----	-----

<sup>1/</sup> No program lending and no balance of payments safeguards are assumed.

## THIRD IDA REPLENISHMENT

### Major Issues

#### 1. Role of concessionary aid

Need for larger concessionary aid in general and for a larger IDA in particular.

#### 2. How to replenish IDA

##### A. Full replenishment through "automatic" arrangements made once for all. Funds to be obtained from:

- (i) Link to SDR distribution?
- (ii) Other formulae (e.g. earmarking of tax revenue; transfer to IDA by Part I countries of interest and amortization payments received from LDCs; link to gross national product)?

##### B. (i) Use of arrangements outlined in (i) and (ii) above for supplementary contributions.

(ii) Use of Special Funds for supplementary contributions, with or without conditions attached.

(iii) Increasing transfers of IBRD to IDA.

(iv) Resources from Part II countries or from transfers of some Part II countries to Part I.

##### C. Methods of replenishment. Four possibilities:

(i) continuing with contributions?

(ii) replacing contributions totally or partially with loans? (problem raised by Germany) If so, is the amount of payments to be increased by adding present value of repayments to the lending country, or to be increased in such a way as to obtain the same grant content?

(iii) replacing contributions with outright grants?

(iv) replacing contributions with subscriptions? If the latter is adopted the problem of voting powers between Part I countries as a whole and Part II countries as a whole arises. Possible solution to the problem. Changes in the Articles?

- (v) Problem of voting power as among Part I countries regardless of whether contributions, grants or loans are used (problem raised by Japan). Satisfactory solution of this problem only through changes in the Articles.
- D. Replenishment through periodic negotiations as in the past.
- (i) Amount of the replenishment. Commitment period: Three years or longer? Payments period: Three or five years or calls as needed?
  - (ii) Burden sharing: need to fill a small gap. To be done through: (a) minor adjustments to present scale? (favored solution); (b) through the adoption of a new formula based on national income or other elements? (c) with or without ceilings (e.g. maximum of 40 percent)?
  - (iii) Balance of payments safeguards. Dispensing with them? (most desirable solution); maintaining the present ones but with more limited relief? continuing with the present ones?
3. Use of IDA funds
- A. General management issue. Semi-annual consultations? Annual budgets?
  - B. Area and purpose of credits:
    - (i) extending area through changes in per capita income criterion? Through ad hoc changes?
    - (ii) Program lending? Local currency financing?
    - (iii) Subsidization of IBRD interest rates: through cash grants? annual transfers to Bank? for limited period or the whole lifetime of loans?
4. Timing and procedures
- A. Desirability of a resolution.
  - B. Completion of requested Executive Directors report on methods and voting power before starting of multilateral consultations?
  - C. Target of June 30, 1970 for completion of multilateral agreement; and target of June 30, 1971 for ratification. How are governments prepared for this time schedule?
  - D. Changes in qualifying majority for effectiveness of replenishment: lower majority for first instalment? and majority as in Second Replenishment for full replenishment?



Mr. Robert S. McNamara

September 3, 1969

Denis Rickett Sir Denis Rickett

IDA Third Replenishment Studies

The draft working papers on the Third Replenishment of IDA have been revised since you saw them at the beginning of August and, together with certain additional papers for which you asked, have been included in a briefing book which is being circulated today to you and to the recipients of this memorandum.

2. These papers taken together represent a formidable amount of reading and I therefore attach as a guide to them:

- (a) a summary bringing out the main issues contained in the papers (this is a revised and up-to-date version of the progress report which I submitted to you on August 7);
- (b) a general briefing paper prepared by Mr. Sacchetti. There is some overlap between these two papers but I think that they can be conveniently read together.

3. In addition, Mr. Clark and Mr. Perry Sallon are working in consultation with Mr. McGibbon on a shorter and more popular version of Working Paper No. 1 dealing with the case for concessionary aid.

4. At your meeting on Wednesday you will, no doubt, want to have a general discussion (which might be conveniently based on the summary referred to in paragraph 2 above) and to consider, in particular, the following points:

- (i) What line should you take in your discussion on Wednesday evening with Mr. Reuss and the members of his subcommittee, e.g. on such questions as the link between reserve creation and development finance; the amount of the Third Replenishment; and any innovations in the technique of using IDA funds, e.g. for subsidies to meet part of the interest charges on Bank loans?
- (ii) What is our general view about the possibility of an increase in the Bank's capital whether called or uncalled or both? And what further work, if any, needs to be done to enable us to reach a decision?
- (iii) What is our view on the question of interest subsidies? If we think this suggestion worth pursuing, at what stage in the negotiations for the Third Replenishment should it be raised?

If it appears amongst the recommendations of the Pearson Commission, can it best be discussed with governments in the light of what the Commission says about it?

- (iv) Do we need on this occasion to present to the Annual Meeting a draft resolution by the Board of Governors giving instructions for work to be begun on the Third Replenishment? (The general sense of our discussion at your meeting this morning seemed to be that this was unnecessary and possibly undesirable at this stage.)
- (v) Do you wish to circulate anything in writing to the Governors of the Part I countries before the Annual Meeting or will you discuss it with them first in general terms? (I have available a draft *ad-memoire* in case this is needed but I am inclined to doubt whether it should be circulated at this stage.)
- (vi) What instructions would you wish to give about future work? One obvious task is that we should now complete the staff study asked for by the Executive Directors in paragraph 23 of their report of March 8, 1968 (on the form and method of future replenishments and on the possibility of adjusting voting power). There may, however, be other aspects of development finance which you would like to have explored.

Attachments (as stated)

c.c. Messrs. Knapp  
Alderson  
Broches  
Douthett  
Friedman  
Clark

Mr. Patrick de Fontenay

September 5, 1969

Denis Rickett Sir Denis Rickett

SDR Creation and the Financing of Aid

I should be grateful for any comments you would have on the attached draft of an article by Mr. Fried of the Brookings Institution which is to appear in the next issue of Foreign Affairs.

2. I should particularly like to have your views on two points:-

(a) Is there any justification for saying that "The rules provide in effect that 70% of any country's total SDR receipts represents a non-repayable claim on the resources of other countries"? (See page 5) And is there any justification for using this figure of 70% in calculating the proportion of their SDR allocations which developed countries might be asked to make available to IDA? (See page 15)

My understanding is that all SDRs are repayable by a country which leaves the scheme or by all countries if the scheme is liquidated. If neither of these two things happen, the requirement is, I think, that over a five-year period countries should maintain on the average a holding of SDRs amounting to 30% of their allocation. The French attached great importance to this provision because of their concept that SDRs were a form of credit. Other countries considered that this provision amounted to a requirement affecting the composition of reserves. In other words, since they intended to treat SDRs as part of their published reserves, the requirement to "reconstitute" their holding of SDRs at any time meant merely that they would hold in consequence more SDRs and less of other assets than would otherwise have been the case.

(b) The second passage, which I have already referred to (at the top of page 15), suggests that the U.S. legislation regarding SDRs should be amended so as to enable the Administration to raise counterpart funds from the sale of SDRs to the Federal Reserve Banks not merely in the case of SDRs tendered by other countries in exchange for dollars, but in the case of SDRs allocated to the United States by the IMF for which no dollar payment is required. If such legislation were enacted by Congress, would this mean that such counterpart funds could be used by the Administration for subscriptions to IDA without any further appropriation authority? What is the position in other countries as well?

3. These two questions may be answered by implication in the paper which you have already written on SDRs but I should be glad to have any further comments specifically on these two points.

c.c. Mr. Sacchetti



Sir Denis Rickett

September 4, 1969

Ugo Sacchetti <sup>US.</sup>

Work on the Third IDA Replenishment

1. This is to give you a brief report on the status of the work on the Third Replenishment.
2. All the Working Papers have been amended and retyped, and new ones prepared. They are all in the Black Book which you will receive tomorrow morning from Miss Eschenbach. The "popular version" of Mr. McGibbon's paper was drafted by Mr. McGibbon and is now with Mr. Sellon. (McGibbon was ill for 4-5 days).
3. I have prepared a short memorandum on a proposed Board of Governors resolution requesting the work on the Third Replenishment. You will find this in your office tomorrow morning, with a draft of the resolution attached. Likewise, you will find your draft of the memorandum from Mr. McNamara to the Governors to which I have added a few paragraphs as requested.
4. In view of the late hour (for you) I only attach my draft of the briefing paper in the expectation that it will be high in your agenda concerning this work.
5. A summary of the Working Papers has been prepared, but I am not clear whether or not it goes into the Black Book. I have a similar doubt on the paper on the interest-elasticity of IBRD bond issues, which is alien to the replenishment. I have given this paper second priority, but it should be ready in a few days. Mr. Pincus has produced a draft which you will find in your office. It has a cover note of mine which is in part superseded but in part still of interest to you.

Attachment

US:fm

August 15, 1969

Mr. Lester Nurick  
c/o Kelsey  
Adams Landing  
Grand Isle, Vermont 05458

Dear Lester:

I am enclosing the following: (a) a memorandum from Sir Denis to Mr. McNamara in regard to the third replenishment; (b) a redraft of your memorandum on interest subsidies prepared by Ronnie; and (c) a memorandum to you from me in regard to possible legal problems in connection with the specific interest subsidy scheme favored by Sir Denis.

Ugo Sacchetti called me today about your other memoranda which he wants to put in the black book on the third replenishment being prepared initially for Dir Denis and ultimately for Mr. McNamara. He suggested some minor wording changes in your memorandum on effectiveness which I accepted. He raised rather more important questions about your paper on voting adjustments. These were as follows:

- (a) on page 5 there is a reference to an Appendix A describing how one method of voting adjustments might work. I have not been able to find this appendix and have assumed that it has not yet been prepared. The reference to the appendix will be deleted in the draft going into the black book.
- (b) in connection with paragraph 12 Ugo wonders how it is possible for Part I members who are making additional contributions and not subscriptions to have their votes increased when you say in paragraph 13 that the Part II countries cannot get additional votes because they are not making additional subscriptions.
- (c) in paragraph 15 he wonders how the relationship of the voting power of Part I and Part II members would be adjusted if a country like Switzerland joined IDA as a Part I member.
- (d) finally, he points out in paragraph 16 that if the IDA Articles are to be amended this would require legislative action not only by the Part I countries making contributions to the replenishment but also by Part II countries.

We agreed that the voting memorandum would go into the black book initially without any changes to reflect these comments, but you will be

Mr. Lester Nurick  
Grand Isle, Vermont

- 2 -

August 15, 1969

able to make changes yourself in all the memoranda during the first week of September before the papers are given to Mr. McNamara.

I have sent copies of this letter and of the attachments to Ronnie in France and to Piero at the Bank. I have also sent copies of the letter and my memorandum on interest subsidies to Sir Denis who will return from leave on August 25 and to Sacchetti.

Sacchetti has also raised the question of whether we should have a resolution of the Board of Governors requesting the Executive Directors to make a proposal for a replenishment as we did in 1962 and 1965. I spoke to Shirley Boskey about our reasons for having such resolutions of the Governors in the past. She remembers no legal reason and thinks that we had the resolution in 1965 because we had it in 1962 and that we had it in 1962 to publicize the replenishment. I have marked up for Sacchetti the 1965 report of the Executive Directors recommending such a resolution.

Toby Clyde has sent you and Ronnie a draft Board paper on investment in U.S. agency obligations. A paper from Richardson on increases in the Bank's capital will go out on Monday.

I hope you are having a good summer.

Sincerely,

/s/

Hugh N. Scott

 HNScott/dg

cc: Mr. Broches (in France)  
Sir Denis Rickett (o/r)  
Mr. Sacchetti  
Mr. Sella

*J. W. Zales*  
INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT  
ASSOCIATION

INTERNATIONAL FINANCE  
CORPORATION

OFFICE OF THE PRESIDENT

August 11, 1969

Distribution

President's Council:

Mr. Knapp

Mr. Aldewereld

Mr. Broches

Mr. Demuth

Mr. Friedman

Mr. Shoaib

Mr. Wm. Clark (sent to him care of  
Paris Office to await  
his arrival after  
his vacation)

Prof. Mason

Mr. Nurick


Mr. Adler

Mr. Sacchetti

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: August 7, 1969

FROM: Denis Rickett SUBJECT: IDA Third Replenishment - Progress ReportI. INTRODUCTORY

The studies in which we are engaged are intended to do three things:

- (a) to provide an analysis of the case for concessionary aid;
- (b) to consider whether there are any other means by which additional resources can be provided for IDA apart from periodic negotiated replenishments from appropriated funds; and whether there are any new techniques by which IDA funds could, in future, be used more effectively;
- (c) to examine the principal questions which will have to be settled in negotiating a third replenishment, such as:
  - (i) the amount and form of the contributions;
  - (ii) the period to be covered and whether annual contributions should be at a level rate or on a rising scale;
  - (iii) the share to be contributed by each country;
  - (iv) whether, in the new arrangements, any balance of payments safeguards should be included.

2. Draft papers on all these subjects have now been prepared by the group of economists working for me under Mr. Sacchetti. Further work is required on some of them and we have not yet completed the history of the previous negotiations; the paper on regional banks, and the paper on the use of the guarantee powers of the Bank, which were subsequently commissioned. It may, however, be useful if I summarize in broad outline the results of the work already done.

II. THE CASE FOR CONCESSIONARY AID

3. Our analysis of the case for concessionary aid as originally planned was based on two alternative methods of approach:

- (a) it would examine the need for capital of the developing countries as determined by a target rate of growth (e.g. 6-1/2%) and limited by the various factors which together make up "technical absorptive capacity". Such calculations, in terms of aggregates for the developing countries as a whole, are somewhat artificial and are intended to indicate broad orders of magnitude only. More reliable estimates can, of course, be prepared on a country-by-country basis. Using either method, however, it can be shown that the needs of the developing countries for additional capital over the next 10 years are very large.
- (b) it would take as an alternative starting point the internationally recommended targets of a net <sup>1/</sup> flow of financial assistance of 1% of national income and of 1% of gross national product. It would then seek to show that, given the present average terms of lending, to achieve either of these targets would require a very large and therefore unrealistic gross flow of lending (to cover interest payments as well as amortization in addition to new lending); or a smaller but still very large gross flow (covering new lending and amortization only) which would result in a mounting debt service problem for the developing countries. Even if a gross flow on the larger scale could be achieved, this only defers the problem of debt service at the cost of making it ultimately much larger. It would require a much more rapid growth of exports by the developing

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<sup>1/</sup> I.E. Net of amortization.

countries than is at all likely. It is not difficult to show, therefore, that the proposed targets, if they can be achieved at all, cannot be achieved on the present terms of lending. A substantial increase in the amount of aid made available on concessionary terms is required. Failing that, it will be almost inevitable that serious debt servicing problems will be created. The only other alternative would be a reduction in capital flows leading to a slowdown in the rate of growth and employment.

4. It is less easy to show what proportion of the increased concessionary aid required must come from multilateral organizations and, in particular, what proportion of it must come from IDA. It can, however, be said that if present trends in the terms of bilateral lending continue, the situation will deteriorate unless the proportion of multilateral aid in the total is increased. And it is possible to argue that the proportion of IDA lending in the multilateral total should be increased to offset the effects on the indebtedness of the developing countries which will result from an expansion of Bank lending on hard terms. This last proposition, however, is not necessarily true. It is the total of concessionary aid from all sources which must match the total of hard lending from all sources. The case for an expansion of IDA must be based on other and more general grounds such as the greater efficiency of multilateral organizations and their greater success in persuading the recipient countries to adopt the right policies.

5. It is possible also to reinforce the case for a higher rate of IDA lending by pointing to the slow progress which the Part II countries would have made by 1980 in raising their income per head above the level of \$250 even if they could achieve a growth rate of, say, 6-1/2% per annum. Even in countries where income is above this poverty line, there is a great shortage of the basic infrastructure of economic

and social services. In all developing countries, moreover, there is an acute problem of unemployment.

6. You have already seen the first draft of the paper prepared on this subject by Mr. McGibbon. As a result of discussions in the working group and with Prof. Mason, a number of changes are being made. In particular, much less emphasis will be placed on the analysis of needs in para. 3(a) above.

7. I have asked Mr. Clark to help us in preparing a simpler and more "popular" version which can be used in your discussions with members of Congress and drawn upon in public speeches and other publicity work intended to build up a case for IDA.

### III. NEW SOURCES OF FUNDS AND NEW TECHNIQUES OF USE

8. Under the first of these two heads we have examined the following possibilities:

- (a) the possibility of a link between SDR creation and IDA replenishment;
- (b) the use of interest and amortization payments on official bilateral loans to developing countries;
- (c) the earmarking of the proceeds of taxes;
- (d) other automatic formulae on which a long-term agreement for the periodic replenishment of IDA could be based, e.g. a link with GNP of Part I countries;
- (e) larger transfers of net IBRD income to IDA.

Papers on these subjects have been written by Mr. de Fontenay, Mr. Hulley and Mr. Sacchetti. Of the five possibilities examined, only the first and last seem to us to hold out any prospect that they might contribute to a solution of the problem. To many people there has seemed to be a good case for trying to establish a link between reserve creation and the finance of development. But this idea has never found much support from donor governments. The possibility of a direct allocation of SDRs to IDA was ruled out at the instance of the French Government in the drafting of the scheme and it would now require an amendment which would need approval by Parliaments to make



it possible. Nevertheless, this idea should not be altogether abandoned. There is always a chance that in a few years time official opinion on this subject might change. But it clearly will play no role at this stage in the Third Replenishment.

9. A more limited proposal has been put forward by Signor Colombo under which, once a decision on the creation and distribution of SDRs had been taken, governments might agree to allocate to IDA (or to invest in World Bank bonds) a sum equal to a stated proportion of the additional reserves they would have acquired. This seems to us to have only limited advantages and some disadvantages. This proposal also has not received much support from the Deputies of the Group of Ten, but it may be considered further next year after the first distribution of SDRs has taken place.

10. Under the heading of "Larger Transfers of Net IBRD Income to IDA", we have considered the effect on Bank earnings of an increase in the called capital of the Bank. The possibility of an increase in the subscribed capital of the Bank should, in any event, be considered because the planned general increase in Fund quotas which will take place early next year provides an opportunity for parallel action by the Bank which will not recur for some years (though there is no necessary link between increases in Bank subscriptions and in Fund quotas). An increase in the Bank's uncalled capital will, in any event, be needed in Fiscal Year 1972 if the total funded debt of the Bank is not to exceed the U.S. undrawn subscription and, if so, action should be taken in good time. An increase of, say, 50% would be sufficient for this purpose and would be the same in absolute amount (\$11.5 billion) as the increase made in 1959. If, in addition, a proportion of the increase, say, 20%, were to be called up, this would strengthen the Bank's earning capacity and hence make it easier for the Bank to make transfers to IDA. If this proportion (equivalent to \$1.8 billion <sup>2/</sup>) seems too

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<sup>2/</sup> These figures are calculated on the assumption that those countries which have released their 9% subscriptions in full will release the full amount of the called-up capital and that the remaining members will release only 1% (corresponding to 2% of the original subscriptions).

ambitious, we might go for 10% (equivalent to \$0.9 billion<sup>3/</sup>) and thus maintain the present ratio of called to uncalled capital. Clearly it would be much harder to convince governments of the need for an increase in the called-up capital than of a need for an increase in the uncalled capital. But the legal and political implications of such a step are being further examined by the officers of the Bank who are concerned. This is a matter which you will no doubt wish to discuss in the President's Council.

11. We have examined also a question of a less fundamental kind which was raised in the negotiations for the Second Replenishment, namely, whether there should be any change in the form in which contributions are made. This includes questions which have implications for voting rights, such as whether the Third Replenishment should take the form of additional subscriptions and not contributions; and financial questions, such as whether contributions should in future be by way of interest-free loans (on the Swiss model). In the Second Replenishment negotiations, a number of governments, particularly the Germans, were in favour of loans as opposed to contributions to IDA's resources; and the Japanese Government asked for a study to be made of the relation between the contributions and voting rights of the Part I countries. (See also para. <sup>19</sup>18 below.)

12. These questions, on which papers have been written by Mr. Hulley and Mr. Nurick, are to be considered in a Staff Study requested by the Executive Directors. This is a task which will have to be taken up immediately after the Annual Meeting, in consultation with representatives of Part I countries.

13. In judging all these possibilities, it is important to ask whether they would provide additional resources for IDA or whether they would compete with the amount

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<sup>3/</sup> These figures are calculated on the assumption that those countries which have released their 9% subscriptions in full will release the full amount of the called-up capital and that the remaining members will release only 1% (corresponding to 2% of the original subscriptions).

likely to be available in the Third and subsequent replenishments. There is an obvious danger, for example, that an increase in the Bank's called-up capital and allocations to IDA of SDRs (whether direct or indirect) might have this effect.

14. The second main question which we have considered in this part of the study is whether there are any new techniques by which a more effective use could be made of IDA funds. A paper on this subject has been written by Mr. Saxe. We have given attention particularly to the proposal which we understand is being studied by the Pearson Commission under which cash grants or credits (as opposed to development credits) would be used on a selective basis to soften the interest terms of Bank lending. There is nothing new about this in principle. The Bank Group already uses the policy of blending Bank loans and IDA credits to produce five different sets of terms, namely, pure Bank, hard, medium and soft blend, and pure IDA. The difference in the suggestion we are examining is that IDA would give grants or credits which would be used in the first instance not to finance development directly but, in effect, to buy an annuity from the Bank in the form of a waiver of interest over the first ten years of the loan. This would enable the Bank to lend to countries which would not, otherwise, have been creditworthy.

15. As compared with the usual blending technique, it would finance directly from IDA funds less development in the first year of the transaction and it is for this reason that it would economize in the use of scarce IDA resources. But there would be a net advantage to the borrower who could either not have borrowed from the Bank at all or could have done so only by diverting foreign exchange from investment expenditure over the next ten years.

16. It will be seen that one danger about this proposal is that it might be regarded as equivalent to pure balance of payments support and might lead to sterile discussion in the Board such as that which took place about programme versus project

lending. It is possible, however, that the discussion of this subject in the Pearson Report may lead to a different attitude on the part of certain governments (or certain Executive Directors).

17. Cash grants or credits could be used to soften the terms of Bank loans in a number of ways. We have given particular attention to the possibility of providing by this means an interest waiver on Bank loans for the first ten years of the loan.

18. As in the case of the proposal for an increase in the Bank's capital, you will, no doubt, want to discuss in the President's Council what would be involved in a proposal to the IDA Executive Directors that IDA should use part of its funds as a direct subsidy to the terms of Bank loans. One consequence might be a change in the distribution of IDA funds since there would no doubt be pressure to make loans on subsidized terms to Latin American countries.

#### IV. NEGOTIATIONS FOR THE THIRD REPLENISHMENT

19. Under this heading Mr. Sacchetti has prepared a series of papers dealing with the main questions which will have to be settled. These concern:

- (i) the amount of the replenishment;
- (ii) the length of the period to be covered;
- (iii) the respective contributions of the member countries;
- (iv) whether the replenishment should be made in equal annual instalments or on a rising scale;
- (v) whether the arrangements should, on this occasion, include any balance of payments safeguards.

The paper relating to the sharing of the burden ((iii) above) should be read in conjunction with the paper by Mr. Nurick discussing how it would be possible to make changes in the voting strength of the Part I countries to take account of changes in their relative contributions, without if possible affecting the balance of voting strength between the Part I and the Part II countries. He concludes that

this could not be done by any satisfactory method without an amendment of the Articles. It may, therefore, be necessary to consider as an alternative a solution which would allow the Part I countries to increase their voting strength vis-a-vis the Part II countries.

20. The conclusions which may be drawn from Mr. Sacchetti's papers can be briefly summarized as follows: The amount of the Third Replenishment cannot be settled now. So much depends on the attitude of member governments. There are indications that some governments might be prepared to support a large increase to, say, \$1 billion annually (there has been discussion of this in U.S. and Canadian circles). Other governments, such as France and Germany, may press for a low figure with little increase over the present level. Past experience shows that it would be a mistake to enter into prolonged discussion with the U.S. Government first and then seek to get the other governments to fall into line. It would be better to sound all the principal donors simultaneously, not naming any specific figure but stressing the needs of the developing countries for concessionary aid.

21. Whatever the amount of the basic replenishment, a strong effort should be made subsequently (perhaps calling a meeting for the purpose) to get those countries who would have been willing to contribute at a higher level than that finally agreed upon to make special supplementary contributions. It might be possible to agree that special conditions should be attached to such supplementary contributions, such as their designation for use in particular areas. Tying should, however, be avoided.

22. Before we could accept supplementary contributions for use in designated areas, we should have to be sure that we should get substantial additional amounts in this way and that the prospects of getting adequate basic contributions in subsequent replenishments would not be seriously prejudiced.

23. Two departures from the arrangements made for the Second Replenishment may be thought desirable. The first is that the qualifying majority (in terms of number of countries and total contributions) should be fixed at a lower level. The limit adopted for the Second Replenishment (12 countries with contributions totalling \$950 million) had the quite unintended effect of giving the United States a veto on the coming into force of the arrangement. We should try to avoid that this time though it may not be easy to reach agreement on it. If necessary, the arrangement could come into force in two stages, the first instalment becoming due when a certain number of countries had deposited their notifications and the full amount when a larger number had done so. These possibilities are examined in a note by Mr. Nurick.

24. The second possibility is that on this occasion the period over which instalments would be paid (by the deposit of notes) would be longer than the period over which funds would be committed. This corresponds to the facts of the situation, since disbursements lag behind commitments, and might be welcome on budgetary grounds to some governments. The change, if it absorbed the whole of the lag, would be once-for-all in the sense that a further lengthening of the payment period could not be introduced in subsequent replenishments.

25. As regards the commitment period, there <sup>might</sup> / be advantages on this occasion in making it five years, provided that the amount of the basic contributions negotiated was satisfactory. If it were not, we would have to fall back on a shorter period which should, in that case, be three years.

26. If it can be negotiated, a rising scale of contributions would be desirable. In the last resort, however, we should be prepared to accept equal annual instalments.

27. The present country shares in contributions to IDA are to some extent the product of historical accident in the sense that they have been modified by a series of ad hoc adjustments. Judged in terms of relation to GNP, several of the country

contributions are out of line, e.g. the Japanese and the U.S. contributions are too low. Nevertheless, to attempt to recast it altogether might lead to time-consuming negotiations which would not be justified by the results achieved. Some discussion of this issue will be necessary since, in the Second Replenishment negotiations, although two countries increased their share slightly, this did not suffice to fill the gap which was created by certain countries reducing their share. The gap was only filled by the Swiss loan and by supplementary contributions from certain countries on the strict understanding that these would create no precedent for the future.

28. On the whole we believe that it would be best to try to keep as closely as possible to the existing shares and to find some ad hoc method of closing the gap. Mr. Sacchetti suggests a number of alternatives in his paper. If, in the course of negotiations, the present shares of contributions are criticized, it might be possible to undertake a long-range study on possible alternatives which could be considered at the time of, or even in advance of, the Fourth Replenishment.

29. Finally there is the question of balance of payments safeguards. This may well prove a difficult issue. There will certainly be strong opposition from a number of countries to any proposal to continue the balance of payments safeguards for the United States in the Third Replenishment, the first instalment on which will not become due until November 1971 and the final instalment three to five years later. On the other hand, the United States may be unwilling to give up such safeguards altogether. Some compromise may therefore have to be found.

30. This is essentially a matter for negotiation among the Part I countries. Our interest lies in eliminating balance of payments safeguards, if possible, or in minimizing their scope and duration - and most of all in ensuring that if the U.S. or any country is granted deferrals in its payments, other countries are prepared to make a corresponding acceleration in their payments. Otherwise we should be left in doubt

about the amount of funds that we might call up from time to time, and hence about the amount of commitments which we could undertake.

31. The drafts of all the papers (of which you have received copies) are now being revised to make them as clear and convincing as possible and consistent with one another. They will then be submitted in a "briefing book" of the usual kind together with a full covering summary. I have also prepared a draft paper which you could circulate to the Governors of Part I countries before the Annual Meeting.

32. All these papers should be in final form no later than the end of the first week in September in order to leave time for you to discuss them with us before the Annual Meeting.



Mr. Jo W. Saxe

August 1, 1969

Denis Rickett

Use of IDA Funds

We are to discuss next week with Mr. Sacchetti and Prof. Mason in what way the paper, which you have already contributed on this subject, might need to be expanded as part of the briefing paper for the Third Replenishment.

2. May I say that I feel that this part of the paper, together perhaps with that on the increase of the Bank's capital and some of the papers in Part III, will be the key sections and it is important that we make sure that we set them out in the most convincing way possible. I have already mentioned to you that in some quarters these ideas are regarded with a certain hostility.

3. You should know, however, that Mr. McNamara, himself, is much interested in this idea. He said that he hoped that our paper would include an outline programme of lending for the Bank and IDA. In the present fiscal year the two institutions together are lending \$1700 million at an average rate of 5.4%. What will the total be over the next 5 years and what is the average rate of interest likely to be?

4. At present the Bank Group lending falls under five headings:

- (a) pure Bank
- (b) hard blend
- (c) medium blend
- (d) soft blend
- (e) pure IDA

The amount at present devoted to "pure IDA" was small - \$221 million. It should be increased over the next 5 years. The rate of lending on "pure Bank" loans could be allowed to rise somewhat higher to match the marginal cost of borrowing but only if this could be coupled with intermediate rates of lending, e.g. 7-1/2%, 5%, 3%, 3/4%. What estimates could we give of the amount of IDA and Bank money to be used respectively in subsidized loans of 5% and 3%? Were these intermediate terms to be straight forward Bank loans at constant rates of interest or would the average terms be achieved by devices such as interest waivers in the first 10 years?

5. It seems to me that if we are to meet this request we shall need a version of your paper which is somewhat longer and in rather more general terms. It would, I believe, be useful if it could include whatever evidence we have that such a technique will be politically acceptable to the member

countries. You mentioned, for example, that it is provided for in the latest Yaounde convention. It would also be useful to have some brief reference to the techniques of interest subsidization used by the Inter-American Development Bank in administering the social progress trust fund.

6. I mentioned to you that Mr. Demuth (who was very critical of the whole proposal) thought that at the very least we should give interest subsidies in the form of programme loans. When I reminded him that there has been strong criticism in the Board of programme lending, he replied that <sup>for</sup> that very reason cash grants or credits would be even more criticized. Perhaps one answer to this is that loans on the intermediate terms referred to above would go to a different range of countries. This will attract support, e.g. from the Latin Americans, but may meet with opposition from countries such as the United Kingdom and Canada who are already unhappy about the reduction in the share of IDA funds going to India and Pakistan.

7. Perhaps when we meet on Monday we could also discuss the note you have sent me about SEM.

c.c. Mr. Sacchetti

Mr. Ugo Sacchetti

August 1, 1969

Denis Rickett Sir Denis Rickett

IDA Third Replenishment

I have had the following instructions from the President:

- (1) In the briefs which will be prepared as usual for the Annual Meeting (they were prepared last year by Mr. Kalmanoff), he wishes to have data showing for each Part I country the amount of their aid programme, its distribution between bilateral aid and multilateral aid and its contribution to each of the regional organizations, such as ADB, IADB, EIB and ADB. He believes that ultimately much greater coordination will be needed between the World Bank and the regional organizations both on the raising of funds and on their use.
- (11) He wishes the briefing paper which we are preparing to include a summary of the projects financed from IDA funds under headings such as Agriculture, Education, etc. In the case of Agriculture, he would like figures of the total area benefitted by projects, and for Education, the number of students whose training is being financed. There is a table on these lines in the report of the Inter-American Development Bank.

Mr. Robert S. McNamara

July 31, 1969

Denis Rickett Sir, Denis Rickett

IDA Third Replenishment - The Need for Concessionary Aid

You mentioned at luncheon on Tuesday that you would like to see the first draft of Section I of our staff study dealing with the need for concessionary aid. I attach a copy of Mr. McGibbon's draft. We are still working on this and will produce a revision later. In the meantime, however, I have sent a copy to Prof. Mason. He will be in Washington at the beginning of next week and it might be useful if we were to discuss it with him.

2. Mr. Sacchetti has pointed out to me that in judging the figures for IDA lending given in paragraph 22 which appear to be much too low, one has to bear in mind:-

- (a) that the figures of \$0.4 billion and \$0.5 billion for 1973 and 1980, respectively, are on a disbursement basis and, therefore, represent commitment rates in Fiscal 70 and Fiscal 77, respectively;
- (b) the figures assume fulfillment of the national income target. If we take the GNP target instead, they would be 25% higher, namely \$500 million and \$625 million;
- (c) the basis for the calculation, namely the \$300 million in 1968, is not really representative since by the beginning of 1967 IDA was running out of commitment authority.

3. Since the paper is somewhat long and closely argued, I have prepared a summary of it which you may find useful. I attach it below.

Attachments (as stated)

c.c. Mr. Sacchetti

## SUMMARY OF PAPER ON CONCESSIONARY AID

### A. INTRODUCTION

1. Between 1960 and 1968 output in the developing countries increased by about 5 percent a year. The net capital inflow from all sources increased from \$7.8 billion in 1960 to \$13 billion in 1968. The total external public debt of the developing countries increased from \$21.6 billion at the end of 1961 to \$47.5 billion in mid-1968. (Paragraphs 1 - 4)

### B. GROWTH IN THE DEVELOPING COUNTRIES

2. The rate at which the developing countries have expanded their total output in recent years represents a considerable achievement. Can they keep it up in the future given the effect on them of policies pursued in the developed countries?

3. If they continue to grow at the present rate this will certainly not satisfy their needs, e.g. for higher living standards. What is more important is that even their impressive record to date has been less successful in providing employment. 20 percent of the male population of working age in these countries are unemployed at present. The problem is particularly serious amongst the urban population and amongst the literate element in it.

4. Faster growth in the developing countries will not necessarily lead to rising employment unless there are improvements in the organization and techniques of agriculture, but the high level of unemployment will underline the need for a faster growth of total output. (Paragraphs 5 - 10)

C. EXTERNAL CAPITAL NEEDS

5. During the 1960's the developing countries devoted an average of 18 percent of the GNP to investment and financed 85 percent of this from domestic saving. Some 20 percent of the additional income created over the period was saved. The net inflow of foreign capital increased from \$7.8 billion to \$13 billion between 1960 and 1968, but financed a decreasing proportion of their investment.

6. In spite of the existence of various bottlenecks which limit the absorptive capacity of the developing countries (principally a shortage of trained manpower and of domestic saving, and a rapidly rising debt service) there are good grounds for thinking that they could absorb considerably more capital annually than has been provided to them.

7. To raise the growth of output in the developing countries to around 6½ percent per annum over the decade of the 1970's would require an increase in investment to around 25 percent of GNP by 1980. If the net capital flow from donors was equivalent to 1 percent of the GNP of advanced countries, developing countries would have to save as much as 30 percent out of the additional income which would have accrued over the period. If they only save 25 percent the net need for external capital would be increased by about \$20 billion and the total flow from developed countries would be equivalent to about 1.8 percent of their combined GNP (\$40 billion in all) (Paragraphs 11 - 14).

D. THE FLOW FROM DONOR COUNTRIES AND AGENCIES

8. The total net flow of financial resources to developing countries in 1968 was \$13 billion. Of this 88 percent or \$11.5 billion came from DAC countries (official and private) 9 percent or \$1.2 billion from multilateral agencies and \$.35 billion from other countries. The flow from DAC countries represented .96 percent of their combined national income, or about .77 percent of their aggregate GNP. This was \$.5 billion short of the 1 percent national income target and \$3.9 billion short of the 1 percent GNP target. To achieve those targets in 1973 would require a net flow of \$16.5 billion on the national income basis and \$20.7 billion on the GNP basis. Given the cuts made in official aid programs in some of the major donors such as the U.K., U.S.A. and France, it is very doubtful whether these targets will be met unless private capital fills the gap which would mean that the average terms of lending would be harder.

9. Recent changes in the composition and terms of the capital flow are as disquieting as the shortfall in the total flow. The share of official aid has fallen and that of private capital has increased. Within official aid the proportion of grants has fallen and that of loans has risen. The share of multilateral agencies has not increased above the level of 9 percent. There has thus been a significant shift away from capital on concessionary terms which if continued could have serious consequences for the future debt burden of developing countries. For example, even if the net flow of official capital were to be no more than maintained at its 1968 level of \$6.2 billion in each year to 1980, then if there were no change in the average terms of lending the corresponding gross flow to service new debt would rise to about

\$10 billion in 1980. If the national income target for net flows were to be achieved the service on the corresponding debt in the developing countries would double by 1980 and the gross flow required would reach \$17 billion.

10. Similarly, if the share of private lending in the total flow is maintained, fulfillment of the 1 percent national income target would require by 1980 a gross flow of about three times the net flow.

11. It can be seen that to achieve even the 1 percent national income target over the 1970's could, if there is no change in the present terms of aid, impose a very considerable strain on the debt servicing capacity of developing countries or would give rise to requirements for gross flows which seem quite unrealistic. If net flows are to be increased there will have to be a considerable softening of terms. Flows from multilateral organizations must play a greatly increased part in providing concessionary finance. In particular, a large increase is needed in the amount of concessionary aid to be provided by IDA. This would also be justified not only on grounds of the lack of creditworthiness in developing countries, but also on grounds of their poverty; even if they achieve a growth rate of 6½ percent in the 1970's, 40 percent of the Part II countries would still have an income per head of less than \$250 by 1980. (Paragraphs 15 - 25)

E. CONCLUSIONS

12. The form and terms on which capital is currently being provided would, if continued, place an impossible debt servicing burden on the recipients or would give rise to very implausible <sup>GROSS</sup> capital outflow requirements from donors. A greatly expanded volume of finance on concessionary terms will be needed to avert this situation. By 1980 the need for IDA credits may be about four times the present net lending level.



13. Unless progress along these lines can be made, there will not only be a reduction in the rate at which incomes can be raised in developing countries. There will also be an aggravation of their already severe unemployment problem. Failure to make capital available on suitable terms will accentuate the problem of debt service which has already called for special measures in a growing number of countries. (Paragraphs 26 - 27)

August 1, 1969

DHFRickett:ism

Mr. Michael L. Hoffman

July 31, 1969

Denis Rickett ~~Sir Denis Rickett~~

IDA Third Replenishment

Thank you for your interesting memorandum on this subject of today's date. I can assure you that I am most anxious to get comments on the paper we are preparing from all those concerned with these matters in the Bank.

2. The draft paper by Mr. McGibbon which you saw was prepared on lines which were broadly approved by Mr. McNamara after consultation with Prof. Mason. It is, however, very much of a first draft. It is being discussed at the present time by the economists working for me and I also expect to have a discussion on it with Prof. Mason early next week.

3. It has already been pointed out in my group of economists that all calculations based on aggregates are of a somewhat artificial kind. On the other hand, the criticism which you make of the whole idea of a capital-output ratio, would surely also apply to any estimates of capital requirements which may be made on a country basis.

4. In any event, I will let you see subsequent drafts of the paper as they come along.

## OFFICE MEMORANDUM

✓ IDA - Cap Res + Rep - Gen

TO: P &amp; B Files

DATE: July 25, 1969

FROM: John Blaxall *JB*SUBJECT: AID Long Range Programming

1. Following my memorandum on the same subject of July 24, Mr. McNamara called Mr. Adler to say that he was "intensely interested" in any supplementary contribution to IDA that might be suggested. Any "strings" attached would of course be the subject of discussion, but he did not want to rule out any proposal without consideration.

2. Mr. Adler so informed Mr. Heuser at AID, and also Professor Mason who consults for AID as well as for the Bank, and who had informally expressed to AID the same reaction as Mr. Adler on the question of a supplementary contribution to IDA tied to procurement in the US.

JBlaxall:aj

cc: Mr. Adler

**FOR IMMEDIATE RELEASE**



**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**



**INTERNATIONAL DEVELOPMENT ASSOCIATION**

1818 H STREET, N.W.

WASHINGTON D. C. 20433

TELEPHONE: EXECUTIVE 3-6360

Subject: Second Replenishment  
of IDA's Resources

July 24, 1969

President Robert S. McNamara of the World Bank and the International Development Association (IDA) announced that the Second Replenishment of IDA's resources came into effect on July 23, 1969, with the formal notification to IDA of U.S. agreement to participate. Under this Replenishment, about \$1,200 million is to be added to IDA's funds by 18 contributing member countries plus Switzerland, a non-member. At the present time, 16 member countries, contributing \$1,119 million, have formally agreed to participate.

These funds will enable IDA to continue making commitments to help finance development projects in the poorer countries in the IDA membership.

IDA credits are of 50-year maturity and are interest-free, although an annual service charge of 3/4 of one per cent is levied on amounts disbursed. There is an increasing need for this type of concessional financing particularly among the poorer developing countries, many of which have mounting debt-servicing problems but require further outside capital for productive projects.

Projects approved for IDA financing are just as carefully appraised and considered as any for the loans made by the World Bank. Indeed,

the Bank's staff and IDA's are identical and the project appraisal criteria used by each institution are the same.

IDA's resources, which are subject to replenishment periodically, consist mainly of contributions by the industrially developed countries in the IDA membership.

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IDA/SecM69-77

WBG ARCHIVES

FROM: The Secretary

July 24, 1969

Additions to IDA Resources; Effectiveness of Second Replenishment

1. Under the terms of paragraph (h) of the Resolution of the Board of Governors entitled "Additions to Resources; Second Replenishment" (Res. No. 66; adopted on September 20, 1968) the Second Replenishment becomes effective on the date when at least 12 contributing members whose contributions aggregate not less than \$950 million shall have given the Association formal notification that they will make the contributions authorized thereunder for them. On July 23, 1969 the United States gave the Association formal notification that it will make the contribution authorized thereunder for it. With the receipt of this formal notification, the Second Replenishment became effective on July 23, 1969.

2. IDA has now received the following formal notifications.

<u>Country</u>	<u>Amount</u> (in U.S. \$ million)
Australia	24.0
Austria	8.16
Canada	75.0
Denmark	13.2
Finland	4.08
France	97.2
Germany	117.0
Japan	66.48
Kuwait	5.4
Luxembourg	.6
Netherlands	29.28
Norway	10.68
South Africa	3.0
Sweden	29.64
United Kingdom	155.52
United States	<u>480.0</u>
Total	1,119.24

Distribution:

Executive Directors and Alternates  
 President  
 President's Council  
 Executive Vice President, IFC  
 Vice President, IFC  
 Department Heads, Bank and IFC

3. With regard to the remaining contributions of members that the Association is authorized to accept pursuant to the Resolution, it is expected that each of those members will give the Association, as soon as it can, formal notification that it will make the contribution authorized thereunder for it in accordance with the terms of the Resolution.

Mr. Perry K. Sellon

July 23, 1969

Denis Rickett Sir Denis Rickett

Second Replenishment of IDA - Draft Press Release

I have two comments on this. The first concerns the reference in the first paragraph to "...the notification of U.S. accession". Mr. Nurick will, I think, be suggesting some alternative words since technically the Second Replenishment is not an agreement to which countries accede. Similarly the phrase "...have ratified the Agreement" is not technically correct, though it gives the substance well enough.

2. I should also like to see some reference to the fact that the U.S. notification was needed to bring the arrangement into effect. I agree that this should be done without appearing to point the finger at the United States. This might be done somewhat as follows: "...announced that the Second Replenishment of IDA resources came into effect on July 23, 1969, as the result of a communication from the U.S. Administration informing IDA that the United States would be ready to make the contribution of \$480 million required from it under the arrangement."

3. My second comment concerns the second sentence of the third paragraph which, I think, may read "There is an increasing need for this type of concessional financing particularly among the poorer developing countries many of which have mounting debt servicing problems but require further outside capital for productive projects."

c.c. Mr. Wm. Clark  
Mr. Nurick



Mr. David M. Sassoon

July 18, 1969


Walter G. P. Rutland

IDA - First Instalment of Second Replenishment

Attached please find a draft of the letter which we propose sending out to those countries participating in the Second Replenishment who have not made advance contributions. None of these countries made supplementary contributions so it is not necessary to mention Resolution No. 67. These letters will be sent out when the replenishment becomes effective, probably next week. We are also attaching for your information copies of the Amended Form of Request and Amended Form of Note, which you approved in November of 1968. Reference to Resolution No. 67 will be deleted when sent to these countries.

Please let us have your comments.

Attachments

 cc: Messrs. Rutland  
V.Chang  
Duarbe  
Miss Lennon  
Miss O'Brien

 MLennon/ar

FILE: IDA - Second Replenishment

100 - Capital R+R  
F

no. 100/100?

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

RESTRICTED  
SSM/M/69-21  
July 17, 1969

SENIOR STAFF MEETING

Board Room, July 15, 1969, 2:00 p.m.

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Present: Messrs. McNamara (Chairman), Knapp, Aldewereld, Broches, Demuth, Sir Denis Rickett, Messrs. Shoaib, Cope, Adler, Alter, Ballantine, Baum, Cargill, Clark, El Emary, Evans, Graves, Mendels, Nurick, Poore, Ripman, Rist, Rotberg, Sadove, Armstrong, Benjenk, Cheek, Fontein, Mathew, Stevenson, Christoffersen, Shivnan (Acting Secretary)  
Representing IFC: Mr. von Hoffmann

IDA REPLENISHMENT

1. Mr. Clark reported that the Appropriations Bill had been passed by the House-Senate Conference, enabling Congress to appropriate the necessary funds for the U.S. contribution to the second replenishment of IDA. The measure was currently awaiting President Nixon's signature.

BANK BONDS

2. Mr. Aldewereld reported that the German Bundesbank was agreeable to the Bank's rolling over of \$32 million and DM 130 million maturing on August 1 by rolling over about half the total in D. marks for a period of 4-1/2 years and the other half in D. marks for five years.

3. Arrangements were being made to roll over a two-year bond issue of \$100 million held by some 60 central banks and other international organizations maturing on September 15, and to increase the total to \$175 million. The cooperation of the Executive Directors and of Department Heads was being sought to draw the attention of the various bondholders to the forthcoming offer.

SALARY CLASSIFICATION

4. Mr. Ripman described the main features of the salary administration system which had been discussed at a meeting of the Executive Directors that morning.

ADJOURNMENT

5. The meeting adjourned at 2:20 p.m.

M. P. Shivnan  
Acting Secretary

Distribution:

Senior Staff, Bank and IFC

Mr. Ugo Sacchetti

July 15, 1969

Francis R. Poore

IDA - Second Replenishment

As requested by you we attach herewith a schedule of payments received to June 30, 1969 and to be received subsequently under the second replenishment. This schedule assumes that the second replenishment becomes effective soon, that all Part I Countries deposit notification and that the first and second instalments are paid on or before November 8, 1969. For purposes of simplicity, we have included the Norwegian Special Supplementary contribution of \$1,320,000. This therefore makes the total to be received \$1,189,320,000.

You will note that as at June 30, 1969 we had actually received payments totalling \$183,040,000 whereas the committing authority to that date through advance contributions was \$244,520,000.

Luxembourg paid \$200,000 in June 1969, but since they had not deposited notification, this amount was held in a suspense account as at that date, and has been included on the Schedule as received in the period 7/1/69 - 11/8/69.

Please let us know if you should require additional information.

Enclosure

cc: Messrs. Poore, Rutland, V.Chang,  
D. Gray, Duarte, Marias,  
Miss Lennon

MLennon/ar

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Sir Denis Rickett

10 July 1969

Jo W. Saxe

WBG ARCHIVES

Third IDA Replenishment

The following extract from the final report of the Inter-governmental Group on Supplementary Financing will interest you.

"Some members expressed the view that the amount of resources provided for supplementary financing could not be determined independently of the total future resources available to IDA and in particular prior to determination of its third replenishment."

"Some members" were, I am told, the representatives of Canada and the United Kingdom. The U.S. people don't believe that the amount of the replenishment should first be determined. They believe that the total amount could be increased if supplementary finance were to be used as an argument for a large amount.

JWS:mm-v JWS

III IDA Replen.

Mr. Arthur Tiemann

July 7, 1969

Ugo Sacchetti *U.S.*

Deflator to Compare Contributions to IDA

This follows Mr. Kamarck's note to the files of June 26, 1969 and our subsequent telephone conversation of July 3 on the subject. As I mentioned to you we would need an appropriate index to express in real terms, for purpose of comparisons, the contributions of Part I countries to IDA. Since some of these comparisons apply to the future, some extrapolations, with all their shortcomings, are inevitable. The main purpose of the exercise is to compare payments of contributions to the Second IDA Replenishment, which are to be spread over a three-year period (1968-1970), with expected contributions for the Third Replenishment to take place presumably in the three years 1971-73. For completeness, however, we should include the First Replenishment for which payments of contributions were made in the period 1965-67.

My suggestion would be to use the implicit average GNP deflator for all Part I countries. I would however leave it to you if a more appropriate measurement can be chosen, bearing in mind that it should relate to payments by Part I countries to IDA and not to the value of goods and services eventually received by less developed countries when IDA credits are disbursed. For brevity I would also suggest to choose as base year the mid-point of the First Replenishment (i.e. 1966) and to "calculate" the deflators applicable to the mid-points of the Second and Third Replenishments, i.e. 1969 and 1972.

Whether you choose the index which I propose or another, I would appreciate receiving a brief note explaining how it is constructed.

US:fm

## OFFICE MEMORANDUM

TO: Mr. Ugo Sacchetti

DATE: July 1, 1969

FROM: Denis Rickett

SUBJECT: Briefing Paper for Third Replenishment

Mr. McNamara discussed with Prof. Mason this afternoon the first section of the briefing paper for the Third Replenishment. Prof. Mason had previously given me the attached note on this subject. As you will see, the main conclusion of this note is that we should place more weight on the estimates of supply rather than of requirements for aid in total though we should have to go on to answer the questions (a) whether, ~~we~~ certain countries at any rate, ~~they~~ would be able to absorb as large a flow as would be implied by this target, and (b) the extent to which they could afford to borrow it on hard terms.

2. In the discussion this afternoon, Prof. Mason began by repeating his doubts about the value of any estimates looking more than 10 years ahead. Would it not be wise to limit our argument to the second development decade? Mr. McNamara was quite satisfied with this.

3. Mr. McNamara said that he would prefer a much simpler form of argument than that set out in the first section of the outline which seemed to him "too mechanistic". Could we not say that the developing countries had recently been investing at the rate of \$50 billion per year of which \$38 billion has been provided from domestic savings and \$12 billion from external sources (\$8 billion public and \$4 billion private). This had been enough to make possible a rate of growth of 4-1/2%. Such a rate of growth is not likely to enable reasonably full employment to be maintained in the future. It is possible, therefore, that an attempt will be made by the developing countries to raise the rate of growth from 4-1/2% to, say, 6%. What rate of total investment would this imply? And how much of this could be financed from domestic savings? What increase, therefore, will be required in the supply of external capital? And how much of that increased supply will the developing countries be able to afford to borrow on hard terms? This, therefore, would give some indication of the amount of concessional aid which they would need. What would be the share of the IBRD and the IDA, respectively, in the totals of hard and soft aid?

4. Prof. Mason thought that this was a feasible approach provided that we stick to the notion of "the higher rate of growth needed to give full employment". This would provide an assumption about the rate of growth. We should still need an assumption about how effective domestic savings would be and how effectively the domestic resources made available would be substituted for external resources through additional exports or the saving of imports. Economists who had worked in this field - principally Hollis Chenery - had concluded that there was no "single" gap but a number of gaps depending on (1) the rate of growth assumed, (2) the availability of foreign resources,

(3) the efficiency of substitution of domestic resources for foreign resources. The Pearson Committee had adopted a simple approach by concentrating on a target rate of supply of external capital. They were assuming that the target of 1% of national income would be achieved early in the 70s and that the higher target of 1% GNP would be achieved a few years later. They were then asking what kind of growth rate this supply of external capital would make possible and to what extent the developing countries could absorb it.

5. As I told you this afternoon, Mr. McNamara would like the part of the argument dealing with creditworthiness, if possible, to be set out in simple terms and to lead up to an answer to the question "What would happen if the supply of concessional aid which we are assuming is not forthcoming?". Would this mean that hard lending would have to be smaller and growth rates therefore smaller or would it mean that a higher gross rate of lending would be needed (thus pushing off the problem into the future at the expense of making it larger) or would debt rescheduling become inevitable in certain countries?

6. I should be grateful if you would talk to Mr. McGibbon and pass on this guidance to him. It would be useful if we could have a first draft of this paper as soon as possible as I am sure it will have to be worked over a good deal in order to provide Mr. McNamara with what he needs. Would it, for example, be possible to have a first draft by the 15th July?

Sir Denis Rickett

June 27, 1969

J. Burke Knapp

Third Replenishment of IDA

May I offer the following comments on your outline of studies in connection with the above subject.

1. There is a fundamental problem, which is a favorite subject with the Germans, about the provisions in the IDA Charter regarding replenishment. (See Article III, Section 1). I should think your list of studies may have to extend to an analysis of Article III, Section 1, a defense of the present practice of basing periodic replenishments on Article III, Section 2 (c), and perhaps proposals for appropriate amendment of the Charter. This would require some elaboration of your item II A.5-6, which might also be extended to cover the question of voting power, which is alluded to only incidentally in your item III A.4. Incidentally, it seems to me that the idea in the second sentence of II A.7 goes rather far afield.

2. Somewhere under your Section III, I would suggest an item examining the possibilities of distinguishing in future replenishments between the annual rates of commitment, and the annual rates of payment in notes. I think you will know from our discussions what I have in mind.

cc: Mr. Friedman  
Mr. Broches

JBK:ism



JUN 27 1969  
10.30am

Sir Denis Rickett

June 26, 1969

Andrew M. Kamarck *AMK*

Sources of IDA Resources

In the Senior Staff meeting yesterday you outlined some of the new ideas that you are working on for IDA. It occurred to me that there were some other ideas that you might find worthy of consideration. I am attaching copies of two memoranda I wrote several years ago on similar subjects. In addition to these, you might wish to consider:

(i) As Mr. Friedman mentioned in the Senior Staff meeting, the Fund is working on a general and a special increase in quotas. I understand from some of the people in the Fund that the two together may total in the vicinity of \$8 to \$10 billion and that they are likely to come into effect January 1, 1971. If we are still on the basis where countries pay in 10% of their subscriptions to the Bank, this could increase the available resources of the Bank Group by \$800 million to \$1 billion. This would of course increase the profits available that one would consider turning over to IDA. Another way of handling this might be, however, for the Bank to consider lending the equivalent of any increases in paid-in capital to IDA. If the Bank also were to return to its original charter provision and get countries to pay in their full 20% of their capital subscriptions, part of this might also be used for loans to IDA. It might perhaps be easier for some countries to make money available to the Bank Group in the form of payment of their capital subscriptions than in the form of donations to IDA.

(ii) The Bank Group might explore the possibility of getting some of the multi-national corporations (particularly, the oil companies) to make donations or low-interest loans to IDA. They might make available, say, 1% of their net profits derived from their oil fields in the developing countries.

While you mentioned the possibility of getting money through a link with the SRD's, you did not mention the possibility of the Fund's contributing a part of its net profits to IDA. The Fund made a payment last year to the countries whose currencies have been used by the Fund. In essence, this was a payment that flows up-hill since the Fund's profits come from countries that require help and then these profits are paid over to the countries whose currencies are in demand. The net result (although very small in its total impact) is a transfer from countries that need help to countries who are in a surplus position.

cc: Mr. Friedman ✓

AMK/vhw

Mr. Irving S. Friedman

March 26, 1968

Andrew M. Kamarck

Some New Ideas on the Financing of the World Bank Group

One of the most important problems confronting the World Bank Group in the immediate future is finding additional finance. On both the Bank and IDA sides in the next two or three years, barring some major change in the international situation, the supply of funds is not likely to increase dramatically from our conventional sources. It would appear to be worthwhile, therefore, to explore new ideas that might provide additional funds. The following sketches some possibilities that may deserve to be looked at in greater detail.

1) Some months ago, I sent to you and Mr. Knapp a memorandum proposing that we look into the possibility of going back to the original practice of the Bank of having the paid-in capital shares be 20% of the capital subscription rather than the present 10%. The decision to limit the paid-in capital to 10% was taken a number of years ago when the absorptive capacity of the developing countries limited Bank lending to amounts that were below the amounts the Bank could fairly easily raise in the capital markets. These reasons no longer apply and the Bank should go back to the practice laid down in its Charter. If the members of the Bank paid in the second 10% of their capital subscriptions over a period of, say, 5 years, this would provide the Bank with around \$2 billion more of interest-free capital. It would also by the end of the period almost double the current net income of the Bank and thus make it possible to increase the Bank contributions to IDA.

2) It might be possible to work out a source of funds for the World Bank Group through improving the existing international financial machinery and practices for international adjustment. Specifically, what we might propose is that the industrial countries agree that any country that runs a sizeable current account surplus, not matched by exports of long term capital, should invest the bulk of its surplus in World Bank bonds or loans to IDA. The World Bank use of these funds would help the deficit countries, particularly if at the same time we postponed our use of any funds provided by the latter. In this way, a large current account surplus, instead of carrying the danger of setting off a deflationary spiral in the rest of the world, would automatically bring into play a suitable adjustment mechanism. At present, in the international payments system, the burden of adjustments is placed on the deficit countries - they are expected to cure their deficit by some measure of deflation or restraint on their growth. No parallel responsibility is laid on the surplus countries and they tend to resist any proposals that they help in the process of adjustment by taking domestic inflationary measures or measures to stimulate a faster rate of growth. There is an easier way for them to help, however, and this is through providing funds to the World Bank Group.

3) The battle for an automatic link between the creation of new international liquidity and the provision of development finance may have been lost. Until now, whenever a country wished to add to its holdings of international reserve assets it had to give up real resources: either to purchase gold or to acquire foreign exchange to be held in the reserves. The new system of SDR's will create international reserve assets without the need for any saving or payment in resources on the part of the recipients. Even more curious, the SDR's are to be distributed on the basis that in general the richer countries get the largest amount and the poorer countries get the smallest amount. Without proposing that there be any automatic link, it seems to me it would be perfectly logical to suggest that the industrial countries contribute to IDA or other multilateral institutions amounts corresponding to the new international reserve assets that they will receive free of charge. This would be perfectly costless contributions for them and in no way represent a real sacrifice for them: it essentially would mean that, just as in the past, the countries that wish to increase their reserves would be the countries that are willing to make resources available to other countries for this purpose.

4) The international community is becoming increasingly interested in the possibilities of exploitation of the ocean bottom. The resources of the Continental Shelf have already been appropriated by the nations adjoining them. It would make sense for these assets to have been taken in trust for all the peoples of the earth and to be used primarily to finance economic development. It might still be possible to reach agreement among the industrial countries to turn over any still unexploited mineral reserves on the Continental Shelf to the Bank Group for financing future development costs. In any case, the Bank should now take an active interest in keeping the resources of the ocean bottom from also passing into individual national possession.

AMK:ner

cc: Mr. Adler/Mr. de Vries

## OFFICE MEMORANDUM

TO: Mr. Irving S. Friedman

DATE: January 5, 1967

FROM: Andrew M. Kamarck

SUBJECT: Preliminary Memorandum: A Possible New Source of Funds for Development Finance?

(This memorandum should be considered, at this stage, merely as a part of the preliminary "brain-storming" stage of putting up various ideas which may or may not eventually be considered worth-while enough to invest more work in when we reach the stage of intensive preparation for Mr. Woods' proposed International Development Policy Conference.)

It is becoming more and more obvious that a major continued effort to provide the capital required to bring about the rapid development in the poor countries of the world which is becoming possible, would be greatly facilitated if a better source of finance than budgetary appropriations from the rich countries could be found. (This, of course, is one of the major incentives for shaping any scheme for creating new international reserve assets in such a way as to provide funds for development - but, even if such a scheme were ever agreed to, it would not provide sufficient funds by itself.)

4200?  
Ideally, what is needed is some source of riches that is clearly additional to existing national tax sources, to which international organizations could be considered to have a plausible claim and that, over the years, could be expected to grow to large amounts. There is such a source, and it may be still early enough in the game that no overwhelming national vested interests have been built up. The source I am referring to is the rich natural resources that lie on or under the sea bottom beyond the 12-mile limit and which man is only now on the verge of developing.

As exploration of the underwater resources has only barely begun, it is not possible to estimate what the economic potential is. It almost certainly is very large. Several major strikes of gas have been made in the North Sea outside the 12-mile limit. In the Arabian Gulf the drillers are going farther out to sea. Large deposits of manganese nodules have been found off the American coasts beyond the 12-mile limit. The Gulf of Mexico may have substantial deposits of oil, gas and sulphur.

The sale of concession rights, royalties, taxes on the exploitation of these minerals might become a very large source of funds. If these were made available to an international agency for financing development, there is a real possibility that they could grow to take care of the bulk of the needs for finance of the developing world.

In a sense, the idea would be parallel to the of some developing countries which use national oil revenues for development; this would use international mineral revenues for international development.

Up until very recently, I believe, these under-ocean resources legally belonged to no country and to no man. In 1964, a U.N. Convention, the Law of the Continental Shelf, was signed by 22 countries that changes this. The Law of the Continental Shelf gives to a coastal state sovereign rights to explore and exploit the natural resources of the sea bed and sub-soil of submarine areas adjacent to its coast outside territorial waters and to a depth of 200 meters, or, beyond that limit, to where the water depth admits the exploitation of natural resources. Where the areas thus assigned to coastal states would otherwise overlap, the boundaries between them are to be determined so far as possible by agreement between the states opposite or adjacent to each other; but in the absence of agreement the boundary is to be a line every point of which is equidistant from the nearest points of the base lines from which the breadth of the territorial seas of each state are measured. The rights granted in the law are exclusive; no other state may even survey, let alone exploit, the sea bed without the express consent of the coastal state; nor do the rights lapse if they are not exercised. The Convention was signed by 22 states including the United States, United Kingdom, USSR, Denmark, Malaya, South Africa and Venezuela, but not by any other West European or Persian Gulf states. However, the Convention is held to have legal force with respect to all other countries as well as the 22 signatories on whom it is strictly binding. Resort, in the case of dispute, is to the International Court of Justice at the Hague.

Clearly, there are many problems to work out. Now that the riparian nations have agreed on the division of the North Sea, for example, they may be reluctant to turn over their rights or the revenues or any part of the revenues resulting from the exploration of the North Sea to an international agency. On the other hand, since the exploration is still at the beginning, it might be easier for them to do so than to contemplate an indefinite and, probably growing commitment to foreign aid. Further, if the way this were done would be by turning over the whole of the area to an international agency to control the exploitation of and since the international agency would presumably award concessions on an international competitive basis, the mining companies interested might prefer this and help convince all the governments concerned the advantages of this way of financing development aid.

There are many possible variants of this idea: it might be agreed that some definite percentage of the proceeds of exploitation of a sea of gulf would also be made available to the riparian countries -- either for financing their own development if they are poor, or for their bilateral aid programs if they are rich.

A map showing the continental shelves is attached.

Attachment is copy of letter to  
Dr. Ossola from Sir Denis Rickett  
dated June 24, 1969 concerning  
Signor Colombo's proposal and the  
Meeting of the Deputies of the  
Group of Ten

June 25, 1969

(Dear Jack,)

Here is a copy of the letter which I have written to Rinaldo Ossola as a result of our talk earlier this week. I am sorry that there has been no opportunity to get your comments on the draft beforehand but I had to get it cleared here quickly if it was to be of any value.

I have sent the top copy to Rinaldo in Rome but I should be grateful if, when you see him on Friday, you would find out whether he has received it and, if not, give him this copy.

(Yours ever,

DENIS)

D. H. F. Rickett

Mr. J. J. Polak  
International Monetary Fund  
19th & H Streets, N.W.  
Washington, D.C. 20431

DHFRickett:emcc  
( ) Handwritten by Sir Denis

June 24, 1969

(Dear Rinaldo,)

I have been much interested to learn from Jack Pelak that the Deputies of the Group of Ten are to examine the proposal put forward by Signor Colombo at the Annual Meeting of the Bank and Fund last year under which the industrial nations would agree to transfer to I.D.A. or to invest in I.B.R.D. bonds a sum equivalent to a certain proportion of the amount allocated to them in the form of S.D.R.s.

You may know that Signor Colombo discussed this proposal with Mr. McNamara earlier this year and subsequently sent him a memorandum dated April 30 last outlining the proposal.

The World Bank Group is naturally interested in any proposal of this kind, particularly in one which would make it easier to obtain from time to time the necessary replenishment of I.D.A. funds. It is difficult to judge what the effect of the proposal is likely to be without rather more knowledge about the scale on which the S.D.R. plan is likely to be activated and about the proportion of the amounts received which governments might be willing to transfer to I.D.A. All we can say, therefore, at this stage is that Signor Colombo's proposal in either of its forms appears to us to be important and interesting and that we hope it will be fully considered by the governments concerned and by the Deputies under your chairmanship.

If there is anything which we can do to help you in this consideration, I hope that you will let us know. We have a member of our staff who has been assigned to work on this subject and I should be glad to put him in touch with you.

(With all good wishes,

yours ever,

Denis)

D. H. F. Rickett  
Vice President

Dr. Rinaldo Ossola  
Consigliere Economico  
Banca d'Italia  
Via Nazionale, 91  
Rome, Italy

c.c. Mr. McNamara  
Mr. Knapp  
Mr. Friedman  
Mr. Sacchetti

DHFRickett:emcc

( ) Handwritten by Sir Denis



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: June 24, 1969

FROM: Denis Rickett Sir Denis Rickett

SUBJECT: The Colombo Proposal

You said this morning that you would like to be clear about two points concerning this proposal:

- (a) Who would receive the benefits and who would meet the cost involved in adopting this method of financing development?
- (b) What are the political alignments in the international discussion of this question? Would there be risks for the Bank in taking sides too openly on this issue?

2. On the first point the answer is, I suggest, that the benefits would clearly go to the developing countries to whom I.D.A. was enabled to make credits by this means. Whether they would receive any additional benefit, which they would not otherwise have received, would depend on whether this method of financing I.D.A. was used to add to the resources of I.D.A. or merely as an alternative to the procedures for replenishment hitherto adopted.

3. As to the cost it would be borne by the Part I countries, as it is now, but in somewhat different proportions - the contribution of each country being based on its allocation of S.D.R. which, in turn, would be related to its I.M.F. quota (I am having a table prepared showing the differences in the distribution of the contributions).

4. The Colombo proposal thus differs from the idea of a link between liquidity and aid originally put forward under which a certain amount in S.D.Rs. would have been allocated directly to I.D.A. Under that version, the transfer of resources would have come from the countries who were members of the S.D.R. scheme and had therefore agreed to accept S.D.Rs. as a reserve asset and means of settlement. The burden falling on any one country from time to time would vary with their balance of payments position, the resources being provided by the creditor countries in return for an addition to their reserves. This would be felt as a burden mainly by persistent creditors whose need for additional reserves was small and whose economy was subjected to pressure of demand largely as a result of their large export surplus (Germany would be the typical example).

5. The advocates of the "link" would probably feel that the Colombo proposal was less attractive precisely because it substitutes a fixed scale of individual contributions for a system in which the resources are provided by a group of countries collectively in proportions that vary between the

members of the group from time to time. On the other hand, the Colombo proposal would be less likely to arouse opposition as has the "link" proposal in the past from countries likely to be in a strong creditor position.

6. The direct link was opposed in the Group of Ten discussions in the past mainly by France whose attitude to the S.D.R. scheme in general seems to be changing. But the Germans and the Dutch were also critical.

7. What the attitude of the various countries would be to the Colombo proposal is more doubtful. It is, as can be seen from some points of view, a less radical proposal than the "direct link" (block allocation to I.D.A.). It is, however, perhaps significant that Colombo and Carli, both of whom carry considerable weight in international monetary discussions, should be prepared to sponsor it. We know that Colombo has been canvassing fairly actively in favour of it and has mentioned it to President Nixon, Paul Volcker, Dewey Daane and Schiller.

8. What is said above relates to the version of the proposal which is concerned with the finance of I.D.A. The alternative proposal put forward is that countries receiving S.D.R. should invest a certain proportion of the addition to their reserves in I.B.R.D. bonds. The economic effects of this are, I suggest, closer to those of the direct link since the Bank is, in effect, creating additional liquidity by issuing its bonds. But the resources made available are provided on a loan and not on a grant basis.

9. So far as the Bank is concerned, I would not, of course, propose that we should take any definite position at this stage on the details of the proposal. It would however, in my opinion, be regarded as significant if the Bank declined even to offer a general expression of interest and good will such as I have suggested in my draft letter. There is clearly plenty to study.

c.c. Mr. Knapp  
Mr. Aldewereld  
Mr. Friedman  
Mr. Broches

*Mr. Adler*

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IDA/R69-46

From: The President

June 24, 1969

ADDITIONS TO IDA RESOURCES; SECOND REPLENISHMENT

1. The Board of Governors has until June 30, 1969 or such later date as may be determined by the Executive Directors to vote on the proposed resolutions attached as Annexes A and B to the Report of the Executive Directors dated March 8, 1968 entitled "Additions to IDA Resources; Second Replenishment" (IDA/SecM68-17). The date originally fixed for such voting was June 30, 1968 but this date was extended first to September 30, 1968, then to December 31, 1968, then to March 31, 1969 and then to June 30, 1969 by resolutions of the Executive Directors.
2. Adoption of the resolutions requires that replies shall have been received from a majority of the Governors and that Governors exercising not less than 2/3 (i.e. 169,000 votes) of the total voting power shall have approved the resolutions. As of the date hereof 92 countries have cast 181,668 votes in favor of the resolutions; consequently the minimum number of votes required for adoption of the resolutions has been exceeded and the resolutions have been adopted. However, 10 countries have not yet voted on the resolutions as follows:

Algeria	Jordan	Uganda
Congo (Dem. Rep. of)	Liberia	United States
Costa Rica	Nigeria	
Gabon	Panama	

In order to give those countries which have not yet voted on the resolutions an opportunity to do so, it is recommended, although this is not legally necessary, that the date for voting be further extended to September 30, 1969 and accordingly the draft resolution submitted to the Executive Directors for their approval so provides (see paragraph 4 below).

Distribution:

Executive Directors and Alternates  
 President  
 President's Council  
 Executive Vice President, IFC  
 Vice President, IFC  
 Department Heads, Bank and IFC

3. Under the terms of paragraph (h) of the resolution "Additions to Resources; Second Replenishment" attached as Annex A to the said report of the Executive Directors, none of the contributions therein authorized shall become payable unless, on or before June 30, 1968 or such later date as the Executive Directors may determine, at least 12 contributing members with contributions aggregating not less than \$950 million shall have given formal notification to the Association that they will make their contributions in accordance with the terms of said resolution. The June 30, 1968 date was first extended to September 30, 1968, then to December 31, 1968, then to March 31, 1969 and then to June 30, 1969, by resolutions of the Executive Directors. As of the date hereof formal notifications have been received from 13 countries with contributions of \$635,640,000 in the aggregate. It is expected that the required minimum number of members will not have given the Association the above described notifications by June 30, 1969.

4. Accordingly, I recommend that the Executive Directors adopt the following resolution, and in the absence of objection (which should be notified to the Secretary or Deputy Secretary by the close of business on June 26, 1969) it will be considered adopted, to be so recorded in the minutes of an early meeting of the Executive Directors:

"RESOLVED

THAT there is hereby extended until September 30, 1969 the period in which (a) votes may be received from Governors on the draft resolutions attached as Annexes A and B to the Report of the Executive Directors dated March 8, 1968 entitled 'Additions to IDA Resources; Second Replenishment', and (b) the condition specified in paragraph (h) of the resolution entitled 'Additions to Resources; Second Replenishment' attached as Annex A to the said Report may be satisfied."

Robert S. McNamara  
President

Mr. Irving S. Friedman

June 23, 1969

Denis Rickett Sir Denis Rickett

The Colombo Proposal

I spoke to Mr. Polak again on the telephone this morning.

2. He said quite definitely that he did not think that it would be welcome to the Deputies of the Group of Ten if we were to suggest that the Bank might have an observer present at their meeting next Friday. He did, however, think that it would be useful if a letter could be sent to Dr. Ossola as Chairman of the Deputies giving at least a preliminary expression of the Bank's view.

3. I said that I thought that at this stage anything which we sent could only be in very general terms. I would, however, discuss with those concerned here what could be said.

4. I attach a draft of a letter which, if Mr. McNamara agreed, I might sent to Dr. Ossola. Would you consider this and perhaps have a word with me about it after our meeting this afternoon?

c.c. Mr. Sacchetti  
Mr. de Fontenay

D R A F T  
DHFRickett:emcc  
June 23, 1969

DRAFT LETTER TO DR. OSSOLA

I have been much interested to learn from Jack Polak that the Deputies of the Group of Ten are to examine the proposal put forward by Signor Colombo at the Annual Meeting of the Bank and Fund last year under which the industrial nations would agree to transfer to I.D.A. or to invest in I.B.R.D. bonds a sum equivalent to a certain proportion of the amount allocated to them in the form of S.D.Rs.

You may know that Signor Colombo discussed this proposal with Mr. McNamara earlier this year and subsequently sent him a memorandum dated April 30 last outlining the proposal.

The World Bank Group is naturally interested in any proposal of this kind, particularly in one which would make it easier to obtain from time to time the necessary replenishment of I.D.A. funds. It is difficult to judge what the effect of the proposal is likely to be without rather more knowledge about the scale/<sup>on which</sup> the S.D.R. plan is likely to be activated and about the proportion of the amounts received which Governments might be willing to transfer to I.D.A. All we can say, therefore, at this stage is that Signor Colombo's proposal appears to us to be important and interesting and that we hope it will be fully considered by the Governments concerned and by the Deputies under your chairmanship.

If there is anything which we can do to help you in this consideration, I hope that you will let us know.

Mr. Robert S. McNamara

June 23, 1969

Denis Rickett Sir Denis Rickett

The Colombo Proposal

When Mr. Friedman and I were discussing with you last week the preparation of the briefing paper for the Third Replenishment, I mentioned that Mr. Polak had told me that the Deputies of the Group of Ten would be discussing at a meeting on June 27th the proposal made by Signor Colombo for a link between SDRs and IDA or IBRD financing.

2. After our talk I told Mr. Polak that I did not think that the Bank would be ready to take a position on this question before the meeting of the Deputies. He quite understood this but pressed very strongly that we should send some kind of general statement to Dr. Ossola, the Chairman of the Deputies, expressing our interest in and support for the proposal.

3. I attach a draft of a letter which, if you agreed, I might send to Dr. Ossola. As you will see, this does not commit the Bank on the questions involved beyond saying that we think Signor Colombo's proposal important and interesting and hope that it will be fully considered.

4. I should add that at a luncheon which Mr. Knapp, Mr. Friedman and I attended today in honour of Dr. Carli, we were told that both Colombo and Carli favour this proposal and any support which we can give it will be welcome.

- c.c. Mr. Knapp
- Mr. Friedman
- Mr. Sacchetti
- Mr. de Fontenay

DRAFT LETTER TO DR. OSSOLA

I have been much interested to learn from Jack Polak that the Deputies of the Group of Ten are to examine the proposal put forward by Signor Colombo at the Annual Meeting of the Bank and Fund last year under which the industrial nations would agree to transfer to I.D.A. or to invest in I.B.R.D. bonds a sum equivalent to a certain proportion of the amount allocated to them in the form of S.D.Rs.

You may know that Signor Colombo discussed this proposal with Mr. McNamara earlier this year and subsequently sent him a memorandum dated April 30 last outlining the proposal.

The World Bank Group is naturally interested in any proposal of this kind, particularly in one which would make it easier to obtain from time to time the necessary replenishment of I.D.A. funds. It is difficult to judge what the effect of the proposal is likely to be without rather more knowledge about the scale on which the S.D.R. plan is likely to be activated and about the proportion of the amounts received which Governments might be willing to transfer to I.D.A. All we can say, therefore, at this stage is that Signor Colombo's proposal in either of its forms appears to us to be important and interesting and that we hope it will be fully considered by the Governments concerned and by the Deputies under your chairmanship.

If there is anything which we can do to help you in this consideration, I hope that you will let us know. We have a member of our staff who has been assigned to work on this subject and I should be glad to put him in touch with you.

c.c. Mr. McNamara  
Mr. Knapp  
Mr. Friedman  
Mr. Sacchetti  
Mr. de Fontenay



Sir Denis Rickett

June 20, 1969

L. Nurick /s/ L. Nurick

IDA; Votes

Attached is a draft dated July 19, 1965 of a memorandum on reallocation of votes of Part I members of IDA. This memorandum never got finished because we had very difficult problems with the whole idea and we were never convinced that the scheme was any good. However, I send it to you for background information.

Attachment



# Record Removal Notice

<b>File Title</b> IDA - Capital - Resources and Replenishment - 1969 / 1971 Correspondence - Volume 1		<b>Barcode No.</b>  1055241		
<b>Document Date</b> June 12, 1969	<b>Document Type</b> Memorandum			
<b>Correspondents / Participants</b> To: Mr. Robert S. McNamara, President From: Covey T. Oliver, U.S. Executive director				
<b>Subject / Title</b> Charge for IDA Operations, New Budget				
<b>Exception(s)</b>				
<b>Additional Comments</b> Declassification review of this record may be initiated upon request.		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.  <table border="1"><tr><td><b>Withdrawn by</b> Shiri Alon</td><td><b>Date</b> August 17, 2023</td></tr></table>	<b>Withdrawn by</b> Shiri Alon	<b>Date</b> August 17, 2023
<b>Withdrawn by</b> Shiri Alon	<b>Date</b> August 17, 2023			

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OFFICE MEMORANDUM

JUN 2 1969

11 a.m.

May 28, 1969

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To: Mr. McNamara  
Mr. Knapp  
Sir Denis Rickett  
Mr. Broches  
Mr. Cope (2)  
Mr. Friedman ✓  
Mr. Rotberg/Mr. Poore  
Mr. Ripman  
Mr. Mendels  
Mr. W. Clark  
Mr. Scott  
Mr. Sellon  
Mr. Moreau  
Mr. Hulley  
Mr. Sacchetti  
Mr. Blaxall

From: L. Nurick

Subject: IDA; Second Replenishment

Attached is a copy dated today of the report on the status of IDA Replenishment.

Attachment

May 28, 1969

REPORT ON STATUS OF IDA REPLENISHMENT

I. A. Formal Notifications Received

<u>Country</u>	<u>Amount</u>
Australia	\$24,000,000
Austria	8,160,000
Canada	75,000,000
Denmark	13,200,000
Finland	4,080,000
France	97,200,000
Germany	117,000,000
Japan	66,480,000
Kuwait	5,400,000
Netherlands	29,280,000
Norway	10,680,000
Sweden	29,640,000
United Kingdom	<u>155,520,000</u>
Total	\$635,640,000 (\$950,000,000 needed)

B. Date when Formal Notifications Expected

<u>Country</u>	<u>Amount</u>	<u>Date Expected*</u>
Belgium	\$20,400,000	shortly (legislation pending)
Italy	48,360,000	shortly (legislation pending)
Luxembourg	600,000	shortly
South Africa	3,000,000	after June 1969
United States	480,000,000	

\*Based on information received from Governments.

II. The status of advance contributions and special supplementary contributions is as follows:

A. Advance Contributions

	<u>Amount</u>
(i) <u>Formal Action Completed</u>	
Austria	\$ 2,720,000 (1st instalment)
Australia	24,000,000 (entire contribution)
Canada	75,000,000 (entire contribution; two instalments total- ing \$50,000,000 paid)
Denmark	4,400,000 (1st instalment)
Finland	1,360,000
Germany	39,000,000 (1st instalment)
Japan	22,160,000 (1st instalment)
Netherlands	9,760,000 (1st instalment)
Norway	4,400,000 (1st instalment)
Sweden	9,880,000 (1st instalment)
United Kingdom	<u>51,840,000</u> (1st instalment)
Total	\$244,520,000
(ii) <u>Legislation Pending</u>	
Belgium	6,800,000 (1st instalment)
Italy	16,120,000 (1st instalment)
Luxembourg*	200,000 (1st instalment)

---

\*We have been advised by the Luxembourg authorities that they are willing to make payment of the first instalment and expect to complete the necessary legislative formalities shortly.

INTERNATIONAL DEVELOPMENT ASSOCIATION

STATUS OF RESOURCES

MAY 19 1969  
4 p.m.

As of April 30, 1969

(Expressed in millions of United States Dollars)

	Available for	
	<u>Credits Prior to</u> <u>"Second Replenishment"</u>	<u>"Second Replenishment"</u> <u>Credits</u>
<u>Resources:</u>		
Subscriptions:		
Part I members - 10% and 90% portions	\$ 751.4	\$ -
Part II members -		
10% portion	24.9	1.2
90% portion released and usable	15.1 <u>1/</u>	.3
Supplementary resources	809.2	212.6 <u>2/</u>
Transfers from IBRD	210.0	75.0
Repayments	-	.1
Loan from Swiss Confederation	-	12.1
Net Income	21.4	8.4
	<u>\$1,832.0</u>	<u>\$309.7</u>
<u>deduct:</u>		
Development credits signed through April 30, 1969, net of cancellations and refundings	1,832.0	189.7
Development credits approved by Executive Directors but not signed as at April 30, 1969 - Congo (Brazzaville), Tanzania and Tunisia	-	14.1
Available for formal commitment	<u>\$ -0-</u>	<u>\$105.9</u>

1/ Includes all amounts released on a convertible basis and that portion of non-convertible releases which has actually been utilized or which has been designated for specific purchases under an approved credit.

2/ Consists of advance contributions of Germany (\$39 million), Canada (\$75 million), Sweden (\$9.88 million), Denmark (\$4.4 million), Norway (\$4.4 million), United Kingdom (\$51.84 million), Finland (\$1.36 million), Australia (\$24.0 million) and Austria (\$2.72 million).

Controller's Department  
Accounting Division  
May 14, 1969

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May 2, 1969

Mr. Arthur Karasz  
Director, European Office  
International Bank for Reconstruction  
and Development  
4 Avenue d'Iena  
Paris 16e, France

(Dear Arthur,)

Many thanks for your letter of April 29th and for your comment on the record of our conversation with Colombo.

You are quite right in saying that Colombo's suggestion applies to Bank obligations and I should have mentioned this fact in my record. But it is quite clear that it also applies to the financing of IDA. For example, in his speech at the Annual Meeting he said the following:

"...An improvement which could be carefully studied and eventually made, without modifying the text of the Amendment, could consist of a pledge by the main industrial countries to use the part of their reserves corresponding to a portion of their Special Drawing Rights allocations for the replenishment of IDA or for subscription to World Bank bonds."

In the Corriere della Sera for January 30th last he was reported as having repeated this suggestion to the Financing Commission of the Italian Senate and there also the suggestion was described as being "to make available to organizations which finance development (IDA and IBRD) a part of those reserves arising from the creation of additional new liquidity in the form of Special Drawing Rights."

Which version of the scheme is to be preferred is a little hard to say. An agreement on the part of monetary authorities to invest a certain proportion of the newly created additional reserves in World Bank bonds would have the advantage that in many countries (if not all) such a decision could be taken by the central bank with the approval of the government to

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Mr. Arthur Karasz

- 2 -

May 2, 1969

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the extent that that was required but without the need for the approval of an appropriation by Parliament.

If, on the other hand, we are looking for new methods of financing IDA, then it is not easy to see what the precise advantages of Colombo's suggestion would be. In most countries Special Drawing Rights would be allocated to monetary authorities and would not give rise to any counterpart in the hands of the government. An undertaking, therefore, of the kind Colombo suggested would not, so far as I could see, avoid the need for the approval of an appropriation by the Legislature. It might, however, make the process easier since, so far as I can see, the agreement of the governments concerned would be a long-term commitment.

Colombo obviously continues to be interested in his plan. He discussed it with McNamara when the latter was in Rome last week. As you rightly say, the important question is whether such a plan (particularly as applied to IDA) would be supported by other governments.

We shall be leaving for Japan on Friday, May 9th, and shall look forward to seeing you at Basle on June 7th. It is possible that we might spend a day or two in Paris after the meeting. I shall be in London on the afternoon of Friday, May 30th, and shall try and call you at your office or, failing that, later at your house.

(All good wishes,

yours ever,

Denis)


D. H. F. Rickett  
Vice President

( ) Handwritten by Sir Denis  
DHFRickett:emcc



Mr. William Clark

May 13, 1969

Julian Grenfell 

Third IDA Replenishment

Would you consider discussing with Sir Denis the supporting role that our European Information Services (EIS) might play in his activities on behalf of the Third Replenishment in Europe? Someone in Paris should start keeping a special watch on any indications in the press, or any hearsay, about the prevailing mood. We should use the EIS discreetly as eyes and ears for Sir Denis. Later on there should be some really positive support that the EIS can give.

cc: Sir Denis Rickett  
Mr. Sellon

JGrenfell:jhg

Mr. Lester Nurick

April 30, 1969

Francis R. Poore

Second Replenishment - IDA

With the possibility that IDA will become effective early in June and that we would begin drawing Second Replenishment funds 30 days thereafter, say early in July, we have some questions that need to be clarified before we can call.

1. Is Kuwait a Pro Rata Country? Our files indicate that there was to be a possible reconsideration of their position on this.
2. What does pro rata of the drawing mean?
  - a. Is it determined by the percentage of funds to be contributed by each country to \$1,188 million or possibly \$1,200 million? If we use this method, then the pro rata countries will have been called upon for their respective shares when we have called a total of \$1,188 million (or \$1,200 million) after effectiveness of the Second Replenishment.
  - b. Is it the percentage of the amount of funds not yet called from each subscribing member to the total uncalled funds available at the time of drawing? On the first drawing after effectiveness, total funds would mean the available first instalment of the Second Replenishment (that which was not called for disbursement out of the advance contributions), plus other funds such as the unused portion of the Bank transfer, income, Swiss loan, etc. If we use this method, calls upon the pro rata countries will be spread over the remainder of calls for disbursements on credits designated as "Second Replenishment Credits."
3. If France should delay ratification and assuming we would be calling only on those countries which have ratified (excluding France) there are further questions:-
  - a. If we use the method outlined under 2(a) above, can we, on the first call after France ratifies, catch up by calling on them pro rata for their share of past calls?
  - b. If we follow the method outlined under 2(b) above, France would automatically catch up by paying a higher percentage of each call after ratification and calls upon them would be spread out over the total remaining calls for disbursements on Second Replenishment Credits.

4. The problems presented by the United States pro rata stipulation are as follows:-

- a. The United States pro rata share of \$1,200 million is 40%; it is 40.404% of \$1,188 million. Their pro rata share would vary at each call if the method outlined under 2(b) above were used.
- b. Essentially, except for the first call after effectiveness of the Second Replenishment (see (c) below), the only reason for ascertaining the U.S. pro rata share of any call is to determine the amount "deferred," since calls upon it are limited to the percentages determined by identifiable procurement. Deferred amounts are important because (i) they are not callable until three years after date of deferment and (ii) these amounts are excluded from "funds available for call."
- c. The U.S. may be called on for their procurement share of all disbursements under Second Replenishment Credits (as defined). This would include disbursements made before the Second Replenishment becomes effective. Therefore, in some preliminary calculations which we have made, it would appear that in the first call made after the effectiveness of the Second Replenishment the U.S. would be called upon for their pro rata share of the drawing, since this would be less than their share determined by applying the procurement factor to total disbursements to that date. After that call, it appears, the amounts called from the U.S. would be based on procurement and there would be deferred amounts.

5. Another question which should be considered is the use of free funds. We can use all of them before making any calls on contributions, or we could vary from percentages ascertained under 2(b) above so that we would call a larger amount of free funds. This could reduce our available free funds to the point that we would end up with no flexibility in handling IDA funds. As a matter of policy, I do not think this would be desirable. With the United States' position as it is today, it is a good thing that we have free funds. Some governments also expect to be called for funds and have provided for the call in their budgets. If we decide to use free funds first, unused funds may develop at the end of the fiscal years for some governments and we will be called upon to either call and use the funds in a hurry or explain why.

I am attaching copies of three memoranda we have on this subject: one from Mr. Knapp, one from you and one from Mr. Cavanaugh. All of them are out of date but they contain all the correspondence we have on the subject.

I am also attaching a Schedule showing the results if calls were made from the pro rata countries under the method outlined in 2(b) above and the balance needed for the estimated disbursements drawn pro rata from accelerating countries and free funds.

After you have had time to think this over and you may have additional thoughts, Miss Lennon and I would like to discuss the problem with you.

Attachments

cc: Messrs. Poore, Hugh Scott, Rutland, V.Chang,  
Gray, Duarte, Miss Lennon

FPoore/MLennon/ar

FILE: IDA - Policy & Procedure

Mr. Robert S. McNamara

April 29, 1969

L. Nurick /s/ L. Nurick

IDA Second Replenishment; Effectiveness; Deposit by United States of Formal Notification

A. Effectiveness of Second Replenishment Arrangements: Notes and Drawings

1. When twelve countries with contributions aggregating \$950 million deposit "formal notifications" (Notifications) that they will make their authorized contributions, the Second Replenishment arrangements become effective. Eleven countries with contributions aggregating \$471,960,000 have deposited their Notifications. Accordingly, the Second Replenishment arrangements will automatically become effective on the date (the Effective Date) when the United States deposits its Notification.
2. The contributions are payable in three instalments either in notes or currency; the first instalment is payable within 30 days after the Effective Date, the second instalment is payable on November 8, 1969 and the third on November 8, 1970. (Paragraph (d) of the Second Replenishment Resolution.)
3. Consequently, if the United States deposits its Notification on, say, June 1, 1969, the first instalment of the United States and other contributing members would be payable by July 1, 1969.
4. A distinction must be recognized between (i) the deposit of a note (a Letter of Credit in the case of the United States), and (ii) the drawings on such note. The deposit by the United States of its Letter of Credit within the 30-day period after the Effective Date is required to satisfy its obligation to pay its first instalment, but actual drawings on the Letter of Credit (and the Notes of other contributors) would not be made until IDA needs the cash to meet its disbursement requirements.

B. United States Legislative Position

5. As soon as the authorizing bill now before the Senate is enacted into law, the United States can, as a legal matter, deposit its Notification without waiting for the enactment of the appropriation bill. However, counsel to the United States Treasury Department advises me that the United States cannot deposit its Letter of Credit until the appropriation bill is enacted.
6. It should be noted that the legislative device used for the IDA authorization bill permits the United States legally to commit itself to an international agreement before the necessary appropriations act is passed.

If the United States does commit itself and if the appropriations bill is not passed, the United States is in default under the agreement. For that reason, there is obvious pressure on Congress in that kind of case to enact the required appropriations; on the other hand the Administration may be reluctant to take the step which will serve to put this pressure on Congress, although it has done so on other occasions (see Appendix B).

7. The problem that arises in this case, therefore, is whether the United States would be prepared to deposit its Notification without waiting for the enactment of the appropriation bill. In deciding this question the United States will, no doubt, consider (a) how long it expects to take to obtain enactment of the authorization bill, (b) when IDA would make a drawing on the United States contribution and (c) whether failure to deposit its Letter of Credit might embarrass it. These points are discussed below.

#### C. Appropriations Bill

8. I am advised by counsel to the United States Treasury Department that they expect to obtain the appropriation by adding an item to a supplemental appropriations bill (now before the House Appropriations Committee) after it passes the House and goes to the Senate. They then expect that the Senate will pass the supplemental appropriations bill as thus amended, that the amended bill will then go to House/Senate conference and will be favorably reported out by the conference and passed. This amendment covering the IDA appropriations would be introduced in the Senate even though at that time the Senate had not acted on the authorization bill and the IDA appropriations amendment, therefore, would be made subject to enactment of the authorization bill. The supplemental appropriations bill contains appropriations for various governmental agencies and will have to be passed by June 30 to keep these agencies in funds; the Treasury, therefore, believes that the appropriations bill for IDA has an excellent chance of being enacted by June 30.

9. If the IDA appropriations is not included in this supplemental appropriations bill, the Treasury officials say that the appropriation would have to wait until the next regular Foreign Aid Appropriation bill is considered by Congress, which will not be until sometime next fall. Obviously, therefore, much depends on getting the IDA appropriation enacted with the pending supplemental appropriations bill.

#### D. Drawings on Contributors after the Effective Date

10. After the Effective Date the Second Replenishment arrangements will govern the procedure by which drawings on members' contributions can be made; consequently, if a drawing is made it must be made on the first instalments of all contributing countries (i.e., on the United States, for its pro rata share or its share of prior procurement under Second Replenishment Credits,

whichever is less; on certain countries for their pro rata share; and on the remaining countries, for the balance of the call).

11. However, IDA need not make a call until it needs the cash for disbursement. It can use resources otherwise available to it in order to defer making a call. It is estimated that, if the Second Replenishment arrangements become effective on June 1, 1969, we could defer making a call on the first instalments of the contributing members until sometime between April 1 and June 30, 1970. (Attached as Appendix A is a table showing how this estimate is arrived at and the assumptions on which it is based.) If necessary, therefore, we could advise the United States that if they deposit their Notification as soon as the authorization bill is enacted we would not expect to make a call on their contribution for at least nine months and possibly longer.

#### E. Possible Embarrassment

12. A deferment of drawings for such a long period of time should certainly satisfy the United States that as a practical matter it will not have to respond to a call by IDA on its contribution at a time when it does not have the appropriation necessary to pay it. But there is another problem which may be raised. If the United States deposits its Notification on, say, June 1, and the United States does not deposit its Letter of Credit by July 1, it would, technically, be in default under the terms of the Second Replenishment Resolution. This Resolution (which is a resolution of the Board of Governors) does not provide for an extension of time of the delivery of notes. Presumably, the fact that the United States Letter of Credit had not been delivered would be noted in the next published financial statement of IDA. In the Financial Statement of IDA of December 31, 1967, reference was made to the fact that a "past due" note in the amount of \$104 million had been paid. This was the amount due from the United States on account of the third instalment of the First Replenishment. It was due on November 8, 1967 and was delivered January 11, 1968. The United States was not mentioned specifically by name in this reference in the Financial Statement.

13. It may be that the United States will not express concern about this aspect of the matter, but if they do we should point out that other contributing countries have expected the United States to deposit its Notification as soon as the authorization act is obtained as it has in the past and that it would be embarrassing if the United States now waited until the appropriations bill was passed.

LNurick:vv

cc: President's Council  
Mr. Poore  
Mr. Sellon

INTERNATIONAL DEVELOPMENT ASSOCIATIONEstimated Cash Available for Disbursement on Second Replenishment  
Credits from July 1, 1969 to April 1, 1970

(In millions of US dollars)

Summary of cash available from July 1, 1969 to April 1, 1970

Swiss loan	\$ 8.1
Unused IBRD transfer out of 1967/68 income	50.5
Transfer from IBRD out of 1968/69 income (available in October, 1969) <u>1/</u>	85.0
Other sources - estimated net income for 1968/69 and 1969/70 (to 4/1/70) and 10% of new Part II members' subscriptions	<u>15.0</u>
Total	<u><u>\$ 158.6</u></u>

Estimated commitments and disbursements to April 1, 1970Commitments

Fiscal year 1968/69	\$395
Fiscal year 1969 to April 1, 1970	<u>450</u>

Disbursements during fiscal year 1969 to April 1, 1970

On 1968/69 commitments	\$ 34
On 1969/70 commitments	<u>115 2/</u>
Total	<u><u>\$149</u></u>

## Assumptions:

1. Assumes a transfer of \$85 million is authorized at the next annual meeting of the Board of Governors and that the Executive Directors authorize the proceeds to be paid to IDA without regard to the pro rata rule.
2. Assumes \$100 million fast disbursing credit in fiscal year 1969 to April 1, 1970. Disbursement to begin November 1, 1969 and to be completed by April 1, 1970.
3. Second Replenishment becomes effective June 1, 1969.
4. \$132 million is disbursed on Second Replenishment credits in fiscal 1968/69 for which cash has already been called.

Treasurer's Department  
Finance Division  
April 25, 1969

## APPENDIX B

Several cases where the President of the United States has obligated the United States to pay money under an international agreement prior to congressional appropriation are as follows:

### I. Establishment of IDA

At the time the President deposited formal notification of its acceptance of the obligations of the Articles of Agreement an Appropriations Act had been passed appropriating only the first instalment of its subscription, the full subscription being payable in five annual instalments. Therefore, the next four instalments were not covered by appropriations at the time the United States joined IDA and separate appropriations acts were passed later for each instalment. However, since the first instalment was covered by an appropriations act, this case is not a completely satisfactory precedent for the present case.

### II. The First Replenishment of IDA

Pursuant to an authorizing act, the President deposited the United States notification on May 28, 1964 and the First Replenishment became effective on June 29, 1964. The appropriations act covering the first instalment of the United States contribution was not enacted until October 20, 1965, some 17 months after the deposit of the United States notification. This case is weakened as a precedent since, when the United States deposited its notification on May 28, 1964, it was clear that payment of the first instalment was not due until November 8, 1965.

### III. Inter-American Development Bank

The procedures followed by the United States in the case of increases of subscriptions to the capital stock of the IADB and increases in the resources of the Fund for Special Operations (FSO) vary somewhat from those used in the case of increases of subscriptions to the capital stock of the Bank and the resources of IDA.

As far as increases in subscriptions to the capital stock of the IADB are concerned, the United States has committed itself to subscribe to certain shares pursuant to authorization legislation, but the actual subscription can only be made when an appropriation is enacted. This distinction, in fact, is spelled out in the IADB's prospectuses. In the case of the Bank, the appropriation was incorporated directly into the authorization act.

In the case of increases in the resources of the FSO, the procedure is somewhat like that used for IDA, but with some material differences.



The most recent increase was authorized by an act approved on September 22, 1967 and the United States Governor voted for the Resolution of the Board of Governors of IDA on December 28, 1967, some three months after the enactment of the authorization. The appropriation for the first instalment was approved on January 2, 1968 as part of the general Foreign Assistance Appropriations Act. It seems, therefore, that in this case the United States waited until the appropriation was passed by Congress before committing itself to the increase. (The way in which prior increases were handled is not clear and I am trying to get further information about them.)

#### IV. Development Fund Agreements

It should be noted that sometimes the United States makes clear, when it signs an international agreement, that its commitment may be subject to further congressional action. For example, in the Indus Basin Development Fund Agreement, dated September 19, 1960, each of the participating Governments undertook to contribute a certain amount to the Fund. The undertaking, signed by the Executive on behalf of the United States, was explicitly subject to necessary Congressional action. The section in question read as follows:

"Each of the Governments specified below undertakes, as a party to this Agreement, subject to such parliamentary or congressional action as may be necessary, to make a contribution to the Fund in its own currency of the nature and in the amount specified opposite its name below:"

Identical or nearly identical language was used in the Indus Basin Development Fund (Supplemental) Agreement of 1964, the Nam Ngum Development Fund Agreement of 1966 and the Tarbela Development Fund Agreement of 1968.

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AUG 17 2023

RESTRICTED  
SSM/M/69-13  
April 25, 1969

SENIOR STAFF MEETING

WBG ARCHIVES

Board Room, April 22, 1969, 2:00 p.m.

Present: Messrs. Knapp (Chairman), Demuth, Friedman, Sir Denis Rickett, Messrs. Cope, Adler, Baum, Calika, Cargill, Chadenet, Chaufournier, Diamond, Evans, Fontein, Graves, Hoffman, Kamarck, Knox, Lind, Mendels, Nurick, Ripman, Sadove, Williams, Wright, Davies (Secretary)  
Representing IFC: Mr. Fuchs

THIRD IDA REPLENISHMENT

1. Sir Denis Rickett reported that, during his recent visit to Europe, he had taken preliminary and informal soundings of the prospects for a third IDA replenishment in one or two countries. Naturally, since the second replenishment was not yet effective, his enquiries had met with cautious and conservative responses. Some points of interest, however, had emerged. In Bonn dissatisfaction had been expressed with the method used for the first and second replenishments whereby contributions were made by Part I countries only, and were not accompanied by corresponding increases of voting power. Instead, it had been suggested, all IDA members should increase their subscriptions. This would mean that 10% of the subscription increases of Part II countries would have to be paid in convertible currencies.
2. Officials in Bonn had also revived the suggestion that, as an alternative, Part I countries might make loans to IDA on concessionary terms.
3. The Italian Minister of Treasury, Mr. Emilio Colombo, favored the idea, which he had supported at the 1968 Annual Meeting, that there should be a link between the Fund's Special Drawing Rights (SDR) and the financing of IDA. While he thought that the amount of SDR to be created and their distribution should be based on some objective principle and not on the needs of the developing countries, he proposed that, when the total amount and its distribution had been determined, the developed countries should agree to transfer the equivalent of a certain proportion of their SDR to IDA. This proposal would have the disadvantage that IDA would still depend on parliamentary appropriations in the Part I countries. At the Annual Meeting, Mr. Colombo had suggested as an alternative that the main industrial countries might agree to use the part of their reserves corresponding to an agreed proportion of their SDR for subscription to Bank bonds, but this, of course, would provide financing for the Bank and not IDA. Mr. Colombo hoped that the Ministers of the Group of Ten would accept his proposal in principle and instruct their Deputies to study it.

Distribution:

Senior Staff, Bank and IFC

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AUG 17 2023

WBG ARCHIVES

#### TWO-YEAR BONDS

4. Sir Denis Rickett reported that, while in Rome, he had asked Governor Carli why the Banca d'Italia had not, as the Bank had hoped, increased its subscription to the March issue of Bank two-year bonds by more than \$5 million (i.e. from \$5 million to \$10 million). Governor Carli had replied that the bonds presented a problem of liquidity. The Banca d'Italia, like most central banks, had to observe a statutory limit to the amount it could invest for more than a one-year term. Sir Denis commented that this was a point for the Bank to consider when planning future bond issues.

#### SWISS INTEREST IN THE BANK

5. Sir Denis Rickett reported that, while in Berne, he had found Swiss officials very interested in the Bank Group and its operations. Ambassador Jolles, Director of the Commerce Division of the Department of Public Economy, had asked whether they could receive the Bank's country economic reports, which would show what the Bank was accomplishing. Mr. Demuth said that, in January, Ambassador Marcuard, the head of the Swiss technical assistance agency, visiting the Bank, had asked to be supplied with the Bank's economic and project reports on specified countries. He (Mr. Demuth) had, after consulting the Area and Project Departments, arranged for these reports to be supplied regularly through the Swiss Embassy. Evidently Ambassador Jolles was unaware of this arrangement.

#### COMMODITY STABILIZATION STUDY

6. Mr. Friedman reported that all the papers on commodity problems which the staff had undertaken to prepare had been distributed, and all but two - those on the proposed new international commodity agency and on supplementary financing - had actually been discussed in the series of seminars for Executive Directors. The seminars were being increasingly devoted to draft decisions of the Executive Directors on various aspects of possible Bank action in the field of commodity stabilization. Work in this field was on schedule; the seminars would probably be completed by May 1, and a draft report would be distributed on May 6 for formal Board consideration on May 20. It was impossible to say in advance what difficulties might arise at that stage. The views which governments were already expressing through the seminars were not necessarily the final views they would put forward when it actually came to reaching agreement in the Board. However, it did not seem over-optimistic to believe that the deadline of the end of June would be met.

#### THE COORDINATION OF AID: INDONESIA AND KOREA

7. Mr. Hoffman reported that he had attended the recent meetings of the Inter-Governmental Group on Indonesia and the Consultative Group for Korea.

8. The Inter-Governmental Group on Indonesia, a consortium in all but name, was a dedicated and businesslike body which was well run under Dutch chairmanship. Much of the meeting in The Hague had been taken up by discussion of the targets for food and non-food aid, and by statements by individual countries of their proposed commitments. The Indonesian representatives had given an account, which had been well received, of the progress of economic recovery. So far their planning had been largely confined to sector studies and the preparation of one-year estimates of the sources and uses of resources, and they had not yet turned to long-term macroeconomic planning, to which they attached little importance.

9. The Group had praised the work of the Bank mission, and governments had indicated that they were looking to the Bank for guidance on the best ways of applying bilateral aid. This suggested that the Bank's influence in such a body did not depend very much on its being chairman.

10. The Korean Consultative Group Meeting in Paris had also been satisfactory. The chief topics of discussion had been Korea's difficult short-term debt situation and the proposed steel mill. The German and U. S. representatives had questioned the economic justification for the latter, and Mr. Goodman had said that the Bank considered it an uneconomic project. The Government had not been persuaded to abandon it, but the Deputy Prime Minister did affirm his willingness to consider carefully the Bank's criticisms and to keep an open mind on the project. The Government had been congratulated on its economic performance, and individual Korean officials had made very good impressions.

#### ANNUAL MEETINGS

11. Mr. Mendels reported that the 1970 Annual Meetings, which would be held in Copenhagen, would begin on Monday, September 21, which was earlier than usual. The 1969 Washington meeting would begin on September 29.

12. In reply to Mr. Chadenet, who asked whether there would not be some advantages in conducting most of the activities of an Annual Meeting in Washington in the Bank itself instead of in the Sheraton Park Hotel, Mr. Mendels said that, while it might be convenient from the point of view of the Bank's operational staff to use the Bank building more, there were many advantages in having a maximum of Bank and Fund activities, as well as the delegations and staff, all under one roof.

#### JAPAN'S AID PROGRAM AND RATE OF GROWTH

13. The Chairman said that one press report on the current controversy in Tokyo on the scale of Japan's external aid had pointed out that, if Japan adhered to its announced intention of devoting 1% of its GNP to external aid, this would mean a \$5 billion aid program by 1980, when GNP was expected to reach \$500 billion.

14. Sir Denis Rickett added that, at the meeting of the "Machlup Group" in Lugano which he had attended, Mr. Karhawagi had stated that, while Japan had expected an 8% growth rate, accompanied by a \$350 million balance of payments deficit, in 1968, a growth rate of 13% and a balance of payments surplus of \$1.2 billion had in fact been attained.

ASIAN DEVELOPMENT BANK ANNUAL MEETING

15. Mr. Cargill reported on the Annual Meeting of the Governors of the Asian Development Bank in Sydney, Australia, which he had attended. The representation of member countries had generally been at a high level. ADB's lending operations had shown a promising upturn in the past year, but were still impeded by a shortage of staff and by the devotion of too much of the time of existing staff to technical assistance often unrelated to loan projects.

16. ADB hoped soon to market a bond issue in Germany, not because it was in urgent need of funds, but because it wanted to establish its credit in capital markets. The delegates had been disappointed by the absence from the speech of Mr. David Kennedy, the U. S. Secretary of the Treasury, of an announcement, which had been widely expected, of a U. S. contribution to ADB's Special Fund for soft loans. Contributions to the Special Fund were tied, not only in that they had to be spent in the country of origin, but also in respect of the purpose for which and the country in which they were to be used.

REORGANIZATION OF TREASURER'S DEPARTMENT

17. The Chairman announced the division, as from May 1, of the functions of the existing Treasurer's Department between a new Treasurer's Department and a new Controller's Department, as subsequently described in an Administrative Circular.

ADJOURNMENT

18. The meeting adjourned at 2:40 p.m.

C. H. Davies  
Secretary

Mr. Irving S. Friedman

April 25, 1969

Denis Rickett *Sir Denis Rickett*

Visits to Japan and Australia

I mentioned to you that I had been asked by Mr. McNamara to pay visits next month to Japan and Australia. I expect to be leaving Washington on the morning of May 8th.

2. You very kindly said that you would ask your staff to provide whatever briefing for me they could. The questions with which I will be concerned are:

- (i) The Third Replenishment of IDA (for this, I think I have enough briefing already).
- (ii) Possible further sales of World Bank short-term bonds.
- (iii) Possible repatriation by the Japanese and Australian Governments of World Bank loans to them.
- (iv) Japanese and Australian aid programmes.

3. It would be most useful if I could have a general background note on the size and growth of the two economies and, consequently, what we can reasonably expect them to do. Both were I think, until recently, net capital importers and, presumably, Australia still is.

4. I gathered from Mr. Stone that, in any event, the year 1969/70 would not be an easy year for the Australian Government since they have a very large Sterling loan maturity (he thought £50 million or so) which they would almost certainly be unable to refinance in London.

5. I am sorry not to be able to give you longer notice, but I presume that a certain amount of briefing was prepared for Mr. McNamara's visit to Japan and that it is mainly a matter of updating material which we already have.

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AUG 17 2023

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WBG ARCHIVES

OFFICE MEMORANDUM

April 23, 1969

APR 28 1969

10 a.m.

To: Mr. McNamara  
Mr. Knapp  
Sir Denis Rickett  
Mr. Broches  
Mr. Cope (2)  
Mr. Friedman ✓  
Mr. Rotberg/Mr. Poore  
Mr. Ripman  
Mr. Mendels  
Mr. W. Clark  
Mr. Scott  
Mr. Sellon  
Mr. Moreau  
Mr. Hulley  
Mr. Sacchetti

From: L. Nurick

Subject: IDA; Second Replenishment

Attached is a copy dated today of the report on the status of IDA Replenishment.

Attachment

April 23, 1969

REPORT ON STATUS OF IDA REPLENISHMENT

I. A. Formal Notifications Received

<u>Country</u>	<u>Amount</u>	
Australia	\$24,000,000	
Austria	8,160,000	
Canada	75,000,000	
Denmark	13,200,000	
Finland	4,080,000	
Germany	117,000,000	
Kuwait	5,400,000	
Netherlands	29,280,000	
Norway	10,680,000	
Sweden	29,640,000	
United Kingdom	<u>155,520,000</u>	
Total	\$471,960,000	(\$950,000,000 needed)

B. Date when Formal Notifications expected

<u>Country</u>	<u>Amount</u>	<u>Date Expected*</u>
Japan	\$66,480,000	shortly (legislation approved)
Belgium	20,400,000	shortly (legislation pending)
Italy	48,360,000	shortly (legislation pending)
France	97,200,000	not known
Luxembourg	600,000	about May, 1969
South Africa	3,000,000	after June 1969
United States	480,000,000	

\* Based on information received from Governments



II. The status of advance contributions and special supplementary contributions is as follows:

A. Advance Contributions

	<u>Amount</u>
(i) <u>Formal Action Completed</u>	
Canada	\$75,000,000 (entire contribution; 2 instalments total- ling \$50,000,000 paid)
Denmark	4,400,000 (1st instalment)
Germany	39,000,000 (1st instalment)
Norway	4,400,000 (1st instalment)
Sweden	9,880,000 (1st instalment)
Australia	24,000,000 (entire contribution)
Austria (Resolution now before EDs)	2,700,000 (1st instalment)
Finland	1,360,000 (1st instalment)
United Kingdom	<u>51,840,000</u> (1st instalment)
Total	<u>\$212,580,000</u>
(ii) <u>Governmental authorization obtained; IDA Resolution to be adopted</u>	
Netherlands *	9,800,000 (1st instalment)
(iii) <u>Legislation Pending</u>	
Belgium	6,800,000 (1st instalment)
Italy	16,120,000 (1st instalment)
(iv) <u>Position being considered by Government</u>	
Japan (Legislation approved; first instalment of \$22,160,000 awaiting Cabinet approval which is expected shortly)	

\* Certain details remain to be agreed

B. Special Supplementary Contributions

Denmark	\$15,000,000 (payable in 3 equal instalments in fiscal years beginning April 1, 1969)
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(In addition, Sweden made a special supplementary contribution of \$21,360,000 in August 1968)

Files

April 18, 1969

John A. King *JAK*

Proposed Extension of the Hickenlooper Amendment to the Bank Group

1. At the hearing on the bill for IDA replenishment held by the Committee on Foreign Relations on April 16, 1969, Senator Mundt, after referring to Peru, suggested an amendment to the replenishment bill as follows:

"Notwithstanding any other provision of law no funds authorized under this Act or under any other Act shall be expended as contributions to any of the international organizations listed below which furnishes assistance to the government of the people of any country during any period while such country shall be ineligible for bilateral assistance from the United States by reason of subparagraph (e)(1) of Section 620 of the Foreign Assistance Act of 1961 as amended" that is a Hickenlooper Amendment, and then I list "the International Bank for Reconstruction and Development and any affiliate thereof, the International American Development Bank and any affiliate thereof, the Asian Development Bank and any affiliate thereof, and the United Nations in so far as contributions are made to the UN Development Program."

"During such a period of ineligibility the United States representatives to any such organization shall so exercise the voting power of the United States in such organization as to disapprove any loan, grant contribution or other form of financial assistance to the government or people of any country which shall be so ineligible."

2. In describing his proposed amendment Senator Mundt said:

"Reduced to simple conversational terms that means that the Hickenlooper Amendment would be reinforced and supported by instructions that when a country has been declared ineligible because of a violation of the terms of the Hickenlooper Amendment our representatives to any of these banks will be instructed to vote "no" against making loans to those countries during that period of ineligibility."

The text of the amendment would appear to go considerably farther than this, by blocking US contributions to IDA for any purpose.

3. In reply, Secretary Kennedy pointed out that

- a) It was the Bank Group's policy not to lend to countries which had expropriated property without compensation.
- b) The amendment was undesirable because it would require renegotiation of the replenishment agreement and because it might lead to other countries imposing other restrictions.

c) Senator Mundt's objective could be achieved through a simple directive from the Secretary of the Treasury to the US Executive Director to vote against any loan or credit to a country against which the Hickenlooper Amendment had been invoked.

Secretary Kennedy assured Senator Mundt that he would do this.

cc: Messrs. Broches, Lecuona, Riley, Wyss

JAKing/mt

Mr. W. M. van Saagsvelt

April 16, 1969

Raymond E. Deely

Holdings of Bank's Obligations

Hal Reynolds of the N.A.C. called me this morning and said that, in anticipation of a possible question to the Secretary of the Treasury at hearings this morning on IDA, he would like to know how much of the Bank's obligations was held by government accounts and by others. In the few minutes available, I picked up the following figures for him from the December 31, 1968 Financials:

	<u>Millions</u>
<u>U.S. Dollars</u>	
Central bank issues	\$ 469.5
Austrian National Bank	5.0
Saudi Arabian Monetary Agency	15.0
Deutsche Bundesbank	<u>252.7</u>
	742.2
<u>Deutsche Mark</u>	
Deutsche Bundesbank	355.8
<u>Swiss Francs</u>	
Swiss Confederation	<u>15.4</u>
	<u>\$ 1,113.4</u>

If questioned about the balance of our obligations outstanding, he was, I believe, going to say that it was held mostly by insurance companies, commercial banks, pensions and other trust funds and other institutional investors. I think this is reasonable.

REDeely:ls

X X

INTERNATIONAL DEVELOPMENT ASSOCIATION

STATUS OF RESOURCES

As of March 31, 1969

(Expressed in millions of United States Dollars)

<u>Resources:</u>	Available for	
	Credits Prior to "Second Replenishment"	"Second Replenishment" Credits
<u>Subscriptions:</u>		
Part I members - 10% and 90% portions	\$ 751.4	\$ -
Part II members -		
10% portion	24.9	1.2
90% portion released and usable	15.1 <u>1/</u>	-
Supplementary resources	809.2	135.9 <u>2/</u>
Transfers from IBRD	210.0	75.0
Repayments	-	.1
Loan from Swiss Confederation	-	12.1
Net Income	21.4	7.4
	\$ 1,832.0	\$ 281.7
 <u>Deduct:</u>		
Development credits signed through March 31, 1969, net of cancellations and refundings	1,832.0	176.3
Development credit approved by Executive Directors but not signed as at March 31, 1969 - Central African Republic	-	4.2
Available for formal commitment	\$ -0-	\$ 101.2

1/ Includes all amounts released on a convertible basis and that portion of non-convertible releases which has actually been utilized or which has been designated for specific purchases under an approved credit.

2/ Consists of advance contributions of Germany (\$39 million), Canada (\$75 million), Sweden (\$9.33 million), Denmark (\$4.4 million), Norway (\$4.4 million), United Kingdom (\$51.34 million) and Finland (\$1.36 million).

Treasurer's Department  
Finance Division  
April 14, 1969

IDA - Capital - Resources + Replenishment  
General

Form No. 27  
(6-68)  
INTERNATIONAL DEVELOPMENT  
ASSOCIATION

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE  
CORPORATION

**OUTGOING WIRE**

**TO:** INTBAFRAD  
PARIS

**DATE:** March 27, 1969

**CLASS OF SERVICE:** *Telex*  
*HF*

**COUNTRY:** FRANCE

**TEXT:**  
**Cable No.:** 385 FOR KARASZ

*not in file*

UNITED STATES

RE YOUR 484 PLEASE TELL HANEMANN THAT WE ARE AWAITING ~~US~~ ACTION TO  
MAKE SECOND REPLENISHMENT AGREEMENT EFFECTIVE AND WOULD EXPECT TO CALL  
MEETING OF PART ONE COUNTRIES TO DISCUSS IDA ALLOCATIONS SOON THEREAFTER  
REGARDS

KNAPP

**NOT TO BE TRANSMITTED**

MESSAGE AUTHORIZED BY:

NAME J. Burke Knapp, Vice President

DEPT. Office of the President

SIGNATURE \_\_\_\_\_  
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

JBKnapp:ism

CLEARANCES AND COPY DISTRIBUTION:

cc: and File to Messrs. McNamara  
Rickett  
Friedman

COMMUNICATIONS  
MAY 25 8 07 AM '69

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For Use By General Files and Communications Section

**ORIGINAL (File Copy)**

(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch: \_\_\_\_\_

INTERNATIONAL DEVELOPMENT  
ASSOCIATION

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE  
CORPORATION

OUTGOING WIRE

TO: INTRABAD  
PARIS

DATE: March 27, 1969

CLASS OF  
SERVICE

*telex*  
*HX*

COUNTRY: FRANCE

TEXT:  
Cable No:

382 FOR KARASS

UNITED STATES

RE YOUR 484 PLEASE TELL HANSMANN THAT WE ARE WAITING FOR ACTION TO  
MAKE SECOND REPLINISHMENT AGREEMENT EFFECTIVE AND WOULD EXPECT TO CALL  
MEETING OF PART ONE COUNTRIES TO DISCUSS IBA ALLOCATIONS SOON THEREAFTER  
REGARDS

KNAPP

NOT TO BE TRANSMITTED

MESSAGE AUTHOR  
GENERAL FILES

Mar 27 6 40 PM 1969

COMMUNICATIONS  
Mar 27 6 04 PM 1969

cc: and file to Messrs. McManis,  
Ricker,  
Triedman

RECEIVED

ORIGINAL FILE COPY

Checked for Dispatch

(IMPORTANT) See Registrar's Guide for preparing form



Mr. Francis R. Poore

March 25, 1969

M. M. Lennon (ml)

IDA - Calls for Disbursement on Second Replenishment Credits

For your information I am attaching a schedule giving the amounts which will be called on April 15, 1969 against advance contributions to the Second Replenishment. There are two computations - one if the Australian advance contribution has been approved by the Executive Directors and is available for call and the other if the Australian advance contribution is not included in the proration.

You will note that Norway and Finland have been included. Both of these advance contributions have been approved by the Executive Directors. Norway is in the process of requesting note substitution (reference cable dated March 5, 1969 received from them) and a letter was sent to Finland on March 13, 1969 requesting payment. The Swiss Bank Loan has not been included.

These computations assume that \$28.8 million of the United Kingdom advance contribution will have been disbursed prior to April 1, 1969 and therefore the balance of their contribution, \$23.04 million, is used for the purpose of ascertaining the call to be made upon them on April 15th. It is also assumed that the \$50 million which Canada will have paid on their advance contribution will be disbursed first.

cc: Messrs. Rutland, V. Chang, Duarte, Marias,  
Misses O'Brien & Lennon

MLennon/ar

A

INTERNATIONAL DEVELOPMENT ASSOCIATION

Calls on Advance Contributions and Bank Transfer

For Second Replenishment Credit Disbursement

For Payment April 15, 1969

(In thousands US dollar Equivalent)

<u>Part I Member Country</u>	<u>Amount</u>	
	<u>If Australian excluded</u>	<u>If Australian included</u>
Germany <u>1/</u>	\$ 13,657	\$ 12,991
Denmark	1,540	1,469
Norway	1,540	1,469
Sweden <u>2/</u>	3,459	3,289
Finland	478	451
United Kingdom	8,069	7,678
Australia	-	2,667
<u>IBRD Transfer</u>	<u>26,257</u>	<u>24,986</u>
Total Call	<u>\$ 55,000</u>	<u>\$ 55,000</u>

1/ Advance contributions paid in currency and invested  
in German Treasury Bills

2/ Advance contribution paid in currency

Treasurer's Department  
Finance Division  
March 25, 1969

A

Sir Denis Rickett

March 24, 1969

J. Burke Knapp

Possible Part I Countries in Third IDA Replenishment

As we begin thinking about the third replenishment of IDA, I would like to suggest the following list of candidates for addition to the Part I list. I would suggest talking with these countries on this subject at the Annual Meeting.

New Zealand  
Ireland  
Iceland

Libya  
Saudi Arabia  
Trucial States

Spain  
(although Spain has a per capita GNP of  
only \$640, I think they are ready)

Venezuela  
Argentina

I omit Israel and Greece, despite per capita GNP of \$1,160 and \$660 respectively.

There is also the case of Switzerland, which should at least make another loan and which might possibly be persuaded to make an outright contribution even if it cannot become a member.

cc: Messrs. McNamara, Friedman, Cope

JBK:dk  


March 24, 1969

Mr. Hal F. Reynolds  
United States Treasury Department  
Main Treasury Building, Rm. 5047  
Washington, D. C.

Dear Mr. Reynolds:

Pursuant to your request, I am attaching herewith  
a table showing the status of the advance contributions  
to the Second IDA Replenishment.

Sincerely yours,

/s/ L. Nurick

Lester Nurick  
Associate General Counsel

Attachment

LNurick:vv

cc: Mr. Sallon  
Mr. Peare  
Mr. Scott

[By Messenger]

Status of Advance Contributions(1) Formal Action Completed

	<u>Amount</u>
Canada	\$75,000,000 (entire contribution; 1st instalment of \$25,000,000 paid)
Denmark	4,400,000 (1st instalment)
Finland	1,360,000 (1st instalment)
Germany	39,000,000 (1st instalment)
Norway	4,400,000 (1st instalment)
Sweden	9,880,000 (1st instalment)
United Kingdom	<u>51,840,000</u> (1st instalment)
	\$185,880,000

(ii) In addition, five other countries have enacted legislation or are shortly expected to enact legislation which will make available approximately an additional \$59,000,000.



# Record Removal Notice

<b>File Title</b> IDA - Capital - Resources and Replenishment - 1969 / 1971 Correspondence - Volume 1		<b>Barcode No.</b>  1055241		
<b>Document Date</b> March 20, 1969	<b>Document Type</b> Memorandum			
<b>Correspondents / Participants</b> To: Mr. Jean B. DeBoeck From: Walter C.P. Rutland				
<b>Subject / Title</b> IDA - Deposits of Second Replenishment Funds				
<b>Exception(s)</b> Financial Information iv				
<b>Additional Comments</b>		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td><b>Withdrawn by</b> Shiri Alon</td><td><b>Date</b> August 17, 2023</td></tr></table>	<b>Withdrawn by</b> Shiri Alon	<b>Date</b> August 17, 2023
<b>Withdrawn by</b> Shiri Alon	<b>Date</b> August 17, 2023			

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AUG 17 2023

IDA/R69-21

WBG ARCHIVES

From: The President

March 19, 1969

ADDITIONS TO IDA RESOURCES; SECOND REPLENISHMENT

1. The Board of Governors has until March 31, 1969 or such later date as may be determined by the Executive Directors to vote on the proposed resolutions attached as Annexes A and B to the Report of the Executive Directors dated March 8, 1968 entitled "Additions to IDA Resources; Second Replenishment" (IDA/SecM68-17). The date originally fixed for such voting was June 30, 1968 but this date was extended first to September 30, 1968, then to December 31, 1968 and then to March 31, 1969 by resolutions of the Executive Directors.
2. Adoption of the resolutions requires that replies shall have been received from a majority of the Governors and that Governors exercising not less than 2/3 (i.e. 168,198 votes) of the total voting power shall have approved the resolutions. As of the date hereof 92 countries have cast 181,668 votes in favor of the resolutions; consequently the minimum number of votes required for adoption of the resolutions has been exceeded and the resolutions have been adopted. However, 10 countries have not yet voted on the resolutions as follows:

Algeria	Jordan	Uganda
Congo (Kinshasa)	Liberia	United States
Costa Rica	Nigeria	
Gabon	Panama	

In order to give those countries which have not yet voted on the resolutions an opportunity to do so, it is recommended, although this is not legally necessary, that the date for voting be further extended to June 30, 1969 and accordingly the draft resolution submitted to the Executive Directors for their approval so provides (see paragraph 4 below).

Distribution:

Executive Directors and Alternates  
 President  
 President's Council  
 Executive Vice President, IFC  
 Vice President, IFC  
 Department Heads (Bank and IFC)

3. Under the terms of paragraph (h) of the resolution "Additions to Resources; Second Replenishment" attached as Annex A to the said report of the Executive Directors, none of the contributions therein authorized shall become payable unless, on or before June 30, 1968 or such later date as the Executive Directors may determine, at least 12 contributing members with contributions aggregating not less than \$950 million shall have given formal notification to the Association that they will make their contributions in accordance with the terms of said resolution. The June 30, 1968 date was first extended to September 30, 1968, then to December 31, 1968 and then to March 31, 1969, by resolutions of the Executive Directors. As of the date hereof formal notifications have been received from 11 countries with contributions of \$471,960,000 in the aggregate. It is expected that the required minimum number of members will not have given the Association the above described notifications by March 31, 1969.

4. Accordingly, I recommend that the Executive Directors adopt the following resolution, and in the absence of objection (which should be notified to the Secretary or Deputy Secretary by the close of business on March 24, 1969) it will be considered adopted, to be so recorded in the minutes of an early meeting of the Executive Directors:

"RESOLVED

THAT there is hereby extended until June 30, 1969 the period in which (a) votes may be received from Governors on the draft resolutions attached as Annexes A and B to the Report of the Executive Directors dated March 8, 1968 entitled 'Additions to IDA Resources; Second Replenishment', and (b) the condition specified in paragraph (h) of the resolution entitled 'Additions to Resources; Second Replenishment' attached as Annex A to the said Report may be satisfied."

Robert S. McNamara  
President



Mr. Victor Chang

March 18, 1969

M. N. Lennon *me*

IDA - Drawing on IBRD Grant for  
Second Replenishment

It now appears that there will be a call on April 1, 1969 for payment on April 15, 1969 for disbursements on second replenishment credits. The amount which will be called from the 1968 IBRD transfer will be approximately \$26.25 million.

cc: Messrs. Poore, Rutland, Tharmaratnam, Duarte  
Misses O'Brien, Johnston, Lennon

MLennon/ar

*A*  
FILE: IDA - Transfer of IBRD Income to IDA

Mr. Rainer B. Steckhan

March 18, 1969

L. Nurick <sup>7s/</sup> L. Nurick

IDA Second Replenishment; Extension of Time for Voting

Attached for Mr. McNamara's approval is a memorandum to the Executive Directors, together with a resolution, for extension until June 30, 1969 of (a) the time for voting on the replenishment resolutions and (b) the time for depositing formal instruments of notification. The documents are in the same form as was used for the last extension of time and have been approved by Sir Denis Rickett and Mr. Mendels.

Attachment

Mr. J. Burke Knapp  
Denis Rickett Sir Denis Rickett

March 17, 1969

Advance Contribution to I.D.A.

The latest state of play is as follows:-

Firm

Australia	\$24.0 million	A draft resolution for the Executive Directors has been agreed between Nurick and John Stone who has cabled it to Canberra for approval.
Austria	\$ 2.7 million	The offer was made in a letter from the Minister of Finance to Mr. McNamara but a resolution has not been submitted to the Board since there are certain points outstanding about the rate at which we can draw on their contribution.
Canada	\$75.0 million	Action completed.
Denmark	\$ 4.4 million	Action completed.
Finland	\$ 1.4 million	Action completed.
Germany	\$39.0 million	Action completed.
Netherlands	\$ 9.8 million	Dr. Lieftinck told me a week or so ago that he had received a cable from his Government informing him of their intention to make an advance contribution of the first instalment only and that a letter would follow shortly. We have heard nothing since.
Norway	\$ 4.4 million	Action completed.
Sweden	\$ 9.9 million	Action completed.
United Kingdom	\$51.8 million	Action completed.
Total	\$222.4 million	

March 17, 1969

Awaiting Parliamentary Approval

Belgium           \$ 6.8 million

The legislation has been referred to the Finance Commission of the Senate who had been asked by the Minister of Finance to give it priority.

Italy             \$16.1 million

The legislation is before the Senate. We were told that it would be considered "sometime after February 20th".

---

Total           \$22.9 millionPending

Japan             \$22.1 million

The legislation, which contains general enabling powers, is expected to be approved by the Diet before the end of this month. The Japanese Minister of Finance has said that if at that time the Second Replenishment Resolution has not become effective, he will consider making an advance contribution.

IDA - Capital - Resource Replenishment  
General

INTERNATIONAL DEVELOPMENT ASSOCIATION

STATUS OF RESOURCES

As of February 28, 1969

(Expressed in millions of United States Dollars)

<u>Resources:</u>	Available for	
	Credits Prior to "Second Replenishment"	"Second Replenishment" Credits
Subscriptions:		
Part I members - 10% and 90% portions	\$ 751.4	\$ -
Part II members -		
10% portion	24.9	1.2
90% portion released and usable	15.1 <sup>1/</sup>	-
Supplementary resources	809.2	132.7 <sup>2/</sup>
Transfers from IBRD	210.0	75.0
Repayments	-	.1
Loan from Swiss Confederation	-	12.1
Net Income	21.4	6.5
	<b>\$ 1,332.0</b>	<b>\$ 227.6</b>
Deduct:		
Development credits signed through February 28, 1969, net of cancellations and refundings	1,332.0	155.2
Development credits approved by Executive Directors but not signed as at February 28, 1969 - Somalia and Dahomey	-	5.1
Available for formal commitment	\$ -0-	\$ 67.3

<sup>1/</sup> Includes all amounts released on a convertible basis and that portion of non-convertible releases which has actually been utilized or which has been designated for specific purchases under an approved credit.

<sup>2/</sup> Includes advance contributions of Germany (\$39 million), Canada (\$75 million), Sweden (\$9.88 million), Denmark (\$4.4 million) and Norway (\$4.4 million).

Treasurer's Department  
Finance Division  
March 14, 1969

CROSS REFERENCE SHEET

COMMUNICATION: SENIOR STAFF MEETING SSM/M/69-7  
DATED: March 4, 1969  
TO:  
FROM:

FILED UNDER: SENIOR STAFF MEETING

IDA RESOURCES

SUMMARY:

1. The Chairman reported that that morning the Banking and Currency Committee of the U. S. House of Representatives had approved the IDA Bill by 30 votes to 3. The Administration had given its full support to the Bill. He believed that the advance contributions made by other Part I countries had had a decisive influence on the Committee, and he was grateful to Sir Denis Rickett and the others who had helped to obtain these advance contributions. There was still a long road ahead, however, before they could count on the United States contribution.
2. Sir Denis Rickett said that 9 of the 17 Part I countries other than the United States had already made firm offers of advance contributions supported by the necessary parliamentary authority. Three more - Belgium, Italy and the United Kingdom - had announced their intention of making advance contributions, and were awaiting legislative action which, in the case of the United Kingdom, was expected on March 6. The Japanese Government would consider making an advance contribution when the Diet had passed general enabling legislation, probably by the end of March.
3. There was no reason at present to expect advance contributions from the remaining four countries - France, Kuwait, Luxembourg and South Africa.
4. The Chairman said that the advance contributions already in prospect, together with the special supplementary contributions of the Scandinavian countries, the Swiss loan and the \$75 million Bank transfer, would enable IDA to support the \$384.7 million program of credits for the 1969 fiscal year shown in the latest (January 31) report on lending operations. If the United States contribution were approved, it would be possible to support programs of \$600 million net in both the 1970 and 1971 fiscal years. The term "net" referred to the lending which could certainly be achieved, as distinct from the gross figure of planned operations, which was subject to slippage. It was difficult, for example, to estimate how much IDA could lend in African countries in the 1970 fiscal year, since the record of the past few years was too slight to afford guidance.

CONFIDENTIAL

OFFICE MEMORANDUM

To: Mr. McNamara  
Mr. Knapp  
Sir Denis Rickett  
Mr. Broches  
Mr. Friedman  
Mr. Rotberg/Mr. Poore  
Mr. Ripman  
Mr. Mendels  
Mr. W. Clark  
Mr. Scott  
Mr. Sellon  
Mr. Moreau  
Mr. Hulley  
Mr. Sacchetti

March 3, 1969

**DECLASSIFIED**

**AUG 17 2023**

**WBG ARCHIVES**

From: L. Nurick

Subject: IDA; Second Replenishment

Attached is a copy dated today of the report on the status  
of IDA Replenishment.

Attachment

March 3, 1969

REPORT ON STATUS OF IDA REPLENISHMENT

I. A. Formal Notifications Received

<u>Country</u>	<u>Amount</u>
Australia	\$24,000,000
Austria	8,160,000
Canada	75,000,000
Denmark	13,200,000
Finland	4,080,000
Germany	117,000,000
Kuwait	5,400,000
Netherlands	29,280,000
Norway	10,680,000
Sweden	29,640,000
United Kingdom	<u>155,520,000</u>
Total	\$471,960,000 (\$950,000,000 needed)

B. Date when Formal Notifications expected

<u>Country</u>	<u>Amount</u>	<u>Date Expected*</u>
Belgium	\$20,400,000	shortly (legislation pending)
Italy	48,360,000	shortly (legislation pending)
Japan	66,480,000	shortly (legislation pending)
France	97,200,000	not known
Luxembourg	600,000	not known
South Africa	3,000,000	after June 1969
United States	480,000,000	not known (congressional hearings are to start on March 4, 1969)

\*Based on information received from Governments



II. The status of advance contributions and special supplementary contributions is as follows:

A. Advance Contributions

	<u>Amount</u>
(i) <u>Formal Action Completed</u>	
Canada	\$75,000,000 (entire contribution; 1st instalment of \$25,000,000 paid)
Denmark	4,400,000 (1st instalment)
Germany	39,000,000 (1st instalment)
Norway	4,400,000 (1st instalment)
Sweden	9,880,000 (1st instalment)
(ii) <u>Governmental authorization obtained; IDA Resolution to be adopted</u>	
Australia	24,000,000 (entire contribution)
Austria	2,700,000* (1st instalment)
Finland	1,360,000 (1st instalment)
Netherlands	9,800,000 (1st instalment)
(iii) <u>Legislation Pending</u>	
Belgium	6,800,000 (1st instalment)
Italy	16,120,000 (1st instalment)
United Kingdom	<u>51,840,000</u> (1st instalment)
Total of (i), (ii) & (iii)	<u>\$245,300,000</u>
(iv) <u>Position being considered by Government</u>	
Japan	

\*Certain details remain to be agreed

B. Special Supplementary Contributions

Denmark	\$15,000,000 (payable in 3 equal instalments in fiscal years beginning April 1, 1969)
---------	---

(In addition, Sweden made a special supplementary contribution of \$21,360,000 in August 1968)

Mr. S. R. Cope

February 28, 1969

Denis Rickett Sir Denis Rickett

Advance Contributions to IDA

Mr. McNamara has received a cable this morning from Mr. McMahon, the Treasurer of the Commonwealth of Australia, informing him that Australia will make an advance contribution amounting to the whole of its contribution to the Second Replenishment of \$24.0 million.

2. The latest state of play is, therefore, as follows:

Firm

Australia	\$ 24.0 million
Austria	2.7
Canada	75.0
Denmark	4.4
Finland	1.4
Germany	39.0
Netherlands	9.8
Norway	4.4
Sweden	9.9
Total	<u>\$170.6 million</u>

Awaiting Approval

Belgium	\$ 6.8 million
Italy	16.1
U.K.	51.8
Total	<u>\$ 74.7 million</u>

Pending

Japan	\$ 22.1 million
-------	-----------------

3. We are likely to receive confirmation of the U.K. contribution very shortly.

c.c. Mr. Sellon  
Mr. Nurick

Mr. Joerg Jaeckel

February 28, 1969

S. R. Cope

I.D.A.

In accordance with our conversation, I attach a statement showing the IDA funds available for commitment in the current fiscal year.



SRCope:mmr

IDA funds available for commitment in FY 1969

	<u>\$ million</u>	<u>\$ million</u>
Advance contributions - firm.		
Australia	24.0	
Austria	2.7	
Canada	75.0	
Denmark	4.4	
Finland	1.4	
Germany	39.0	
Netherlands	9.8	
Norway	4.4	
Sweden	<u>9.9</u>	170.6
 Supplementary contributions:		
Denmark	15.0	
Sweden	21.4	36.4
 Swiss loan		12.1
Transfer of Bank profits		75.0
IDA earnings and miscellaneous receipts		15.0
Brought forward from 1967/8		<u>7.2</u>
		<u>316.3</u>
 Advance contributions awaiting Parliamentary approval:		
Belgium	6.8	
Italy	16.1	
U.K.	<u>51.8</u>	<u>74.7</u>

S. R. Cope  
February 28, 1969

Mr. S. R. Cope

February 25, 1969

Denis Rickett *Sir Denis Rickett*

Advance Contributions to the Second Replenishment of IDA

The following is the information asked for by Dr. vom Hofe in the second paragraph of his note to you dated February 24th.

Firm offers of advance contributions (with the necessary Parliamentary authority) have been obtained from the following countries:

Austria	\$ 2.7 million
Canada	\$ 75.0 million
Denmark	\$ 4.4 million
Finland	\$ 1.4 million
Germany	\$ 39.0 million
Norway	\$ 4.4 million
Sweden	\$ 9.9 million
<b>Total</b>	<b>\$ 136.8 million</b>

Contributions from the following countries are awaiting final Parliamentary approval:

Belgium	\$ 6.8 million
Italy	\$ 16.1 million
Netherlands	\$ 29.3 million
U.K.	\$ 51.8 million
	<b>\$ 104.0 million</b>

2. The following is our latest information on the position of the four countries from whom a firm offer with the necessary Parliamentary authority has not yet been received:

Belgium - An amendment was necessary to the legislation which had already been submitted to Parliament. The legislation, as amended, has now been placed before the relevant commission of the Senate and the Minister of Finance has urged strongly on the President of the Senate that it should be given very early consideration.

Italy - The legislation authorizing an advance contribution is under consideration by the Senate. It is hoped that it will be approved shortly after which it will go to the Chamber of Deputies. The Government may, however, feel that approval by the Senate will be sufficient to enable it to make an advance contribution.

Netherlands - The Minister has written to both Houses of Parliament asking for authority to make advance payments covering the whole Netherlands contribution. We expect a formal communication from the Netherlands Government in the near future.

U.K. - An order in council has been submitted to Parliament and it is expected that it will be approved very soon, possibly before the end of this month. We expect to be able to commit \$28 million of the U.K. advance contribution of \$51.8 million before the end of March.

## OFFICE MEMORANDUM

TO: Mr. S. R. Cope

DATE: February 24, 1969

FROM: Ernst vom Hofe *EV*SUBJECT: IDA Resources and IDA Credits in 1968/69*Jan 13.  
27**185  
240*

I have noted that over the last few weeks a number of IDA credits have been extended to African members of the Association. I would be very grateful to you if you could help me in bringing up-to-date my information on the total amount of contributions committed to IDA for 1968/69 and on eventual plans for the utilization thereof. Any information would, of course, be treated strictly confidential.

I would highly appreciate it if on this occasion you could also advise me whether the Part I-countries who intimated their possible participation in advance contributions (especially Italy) have proceeded in this respect in the meantime. In which way will the British contribution be made available to the Association?

*pending  
Australia  
Japan**copy to Sir Lewis Robertson  
WR 2/25*



Mr. J. Burke Knapp

February 11, 1969

Denis Rickett Sir Denis Rickett

Advance Contributions to the Second Replenishment

I attach for reference a copy of a note which I sent to Mr. McNamara on February 3 which was intended to show the contributions to IDA which we expected to be able to commit in advance of the Second Replenishment.

2. Since that note was written there have been the following further developments:-

- (i) We have been informed by Mr. Karlsson that the Finnish Parliament approved the Finnish contribution on December 31st.
- (ii) I have been told by Mr. Stone (though the information is still confidential) that the Australian advance contribution will give us ~~the~~ authority to commit their whole contribution of \$24 million.
- (iii) I have been told by Mr. van Campenhout that the legislation now before the Belgian Parliament authorizes the Government to give us authority to commit the whole of their contribution amounting to \$20.4 million.

3. I give below a revised table of contributions which may therefore be expected. I have excluded from this the special supplementary contribution of \$21.4 million from Sweden.

## (a) Already approved:-

Austria	\$ 2.7 million
Canada	\$ 75.0 million
Denmark	\$ 19.4 million
Finland	\$ 1.4 million
Germany	\$ 39.0 million
Norway	\$ 4.4 million
Sweden	\$ 9.9 million
<b>Total</b>	<b>\$ 151.8 million</b>

## (b) Awaiting approval:-

United Kingdom	\$ 51.8 million
Italy	\$ 16.1 million
Netherlands	\$ 29.3 million
<b>Total</b>	<b>\$ 97.2 million</b>

(c) Further contributions expected:-

Australia	\$ 24.0 million
Belgium	\$ 20.4 million
Japan	<u>\$ 22.1 million</u>
Total	<u>\$ 66.5 million</u>
GRAND TOTAL	<u>\$ 315.5 million</u>

Attachment

c.c. Mr. Friedman  
Mr. Nurick  
Mr. Rotberg

Mr. Jean-David Roulet

February 11, 1969

M. M. Lennon <sup>ML</sup>

IDA - Contributions of Pakistan Consortium Countries to Second Replenishment

As requested by you, listed below are the contributions of the Pakistan Consortium countries to the second replenishment of the resources of IDA.

<u>Country</u>	<u>Additional and supplementary contributions</u>	<u>Per cent of 1,188 million</u>
Belgium	\$ 20,400,000	1.72
Canada	75,000,000	6.31
France	97,200,000	8.18
Germany	117,000,000	9.85
Italy	48,360,000	4.07
Japan	66,480,000	5.60
Netherlands	29,280,000	2.46
Sweden	29,640,000	2.49
United Kingdom	155,520,000	13.09
United States	480,000,000	40.40
<b>Total</b>	<b>\$1,118,880,000</b>	<b>94.17</b>

cc: Messrs. Rutland, V. Chang, Duarte  
Miss Lennon

FILE: IDA - Misc. Reports

MLennon/rc

17

IDA-Capital-RIR  
1/20/69

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: February 5, 1969

FROM: Denis Rickett

SUBJECT: Advance Contributions to the Second Replenishment

Mr. van Camphenout told me this morning that in the course of a telephone conversation on other matters Governor Ansiaux of the National Bank of Belgium had told him that the amendment introduced into the Belgian legislation would permit the Government to make an advance contribution covering the whole of its contribution to the Second Replenishment. I asked Mr. van Camphenout if we could assume that the Government would avail itself of this authority and he said that in Ansiaux's opinion they should. He (van Camphenout) intended to check with the Ministry of Finance that this was their intention.

2. If this is confirmed, the Belgian advance contribution will be \$20.4 million (as against \$6.8 million for their first instalment only).

3. I had also discussed with Mr. van Camphenout a day or two ago the question whether we should ask Luxembourg to make an advance contribution. We had not troubled them about this since their total contribution was no more than \$600,000. Nevertheless, if they were likely to agree, it would be a welcome gesture of solidarity.

4. Mr. van Camphenout told me this morning that Ansiaux's opinion was that a letter should be sent to M. Werner, the Prime Minister of Luxembourg. I attach a letter in the hope that you may be able to sign this before you leave today.

Attachment

c.c. President's Council  
Mr. Rotberg  
Mr. Nurick  
Mr. Sellon

Mr. Andre van Campenhout

February 3, 1969

Denis Rickett

Advance Contributions to the Second Replenishment

In my note of January 31st on this subject I should have drawn attention to the fact that ~~the~~ information relating to the possibility of an advance contribution from Australia and Japan should be treated as confidential for the present.

DHFRickett:emcc

ROUTING SLIP

Date

Feb 3 '69

OFFICE OF THE PRESIDENT

Name

Room No.

Op. Files

C-209

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

Remarks

From

Sir Denis Rickett

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: February 3, 1969

FROM: Denis Rickett

SUBJECT: Advance Contributions to the Second Replenishment

I attach a table showing the contributions to IDA which we expect to be able to commit in advance of the Second Replenishment. These, as you will see, cover 13 countries and amount to a total of \$307.3 million. This total includes special supplementary contributions of \$15.0 million from Denmark and of \$21.4 million from Sweden, and the first instalment of \$0.8 million of the supplementary contribution from Norway. In addition, it includes contributions of their first instalment by all the countries except Canada and the Netherlands, the figures for whom cover their whole contribution.

2. The necessary Parliamentary authority has been obtained and firm offers made by the following countries:-

Austria	\$ 2.7 million
Canada	\$ 75.0 million
Denmark	\$ 19.4 million
Germany	\$ 39.0 million
Norway	\$ 4.4 million
Sweden	\$ <u>31.3</u> million
Total	\$ <u>171.8</u> million

3. Contributions from the following countries are awaiting final Parliamentary approval:-

United Kingdom	\$ 51.8 million
Finland	\$ 1.4 million
Italy	\$ 16.1 million
Netherlands	\$ <u>29.3</u> million
Total	\$ <u>98.6</u> million

4. In addition, we have good prospects of obtaining contributions from the following three countries:-

Australia	\$ 8.0 million
Belgium	\$ 6.8 million
Japan	\$ <u>22.1</u> million
Total	\$ <u>36.9</u> million

5. The following is our latest information on the position in the seven countries from whom a firm offer with the necessary Parliamentary authority has not yet been received:-

United Kingdom

An order in council has been submitted to Parliament and a resolution approving it is expected to be moved and passed before the end of February.

Finland

The Prime Minister of Finland wrote to you on December 9 saying that the Finnish Government had just submitted to Parliament a Bill authorizing them to release the first part of their contribution. I have asked Mr. Karlsson what progress the Bill has made.

Italy

The legislation authorizing an advance contribution is under consideration by the Senate and it was hoped that the Senate would act by the end of January after which it would go to the Chamber of Deputies. The Government would regard action by the Senate as sufficient to enable it to make an advance contribution. Mr. Rota has undertaken to enquire what progress the legislation has made in the Senate.

The Netherlands

The Minister has written to Parliament asking for authority to make advance payments covering the whole Netherlands contribution. The Minister expected to be able to send a formal communication to us early in the present month.

Australia

The payment of an advance contribution has been approved by the Commonwealth Treasurer and awaits final approval by the Prime Minister. (This information is confidential.)

Belgium

An amendment to the legislation is needed. This has been drafted by the Ministry of Finance and sent to the Ministry of Foreign Affairs. It is expected to be introduced into Parliament at any time now. The legislation may be approved within one or two months and possibly sooner.

Japan

In a letter dated January 10, the Minister of Finance said that should the Second Replenishment be delayed, he would consider an advance contribution of the first instalment upon approval of the legislation by the Diet. Mr. Suzuki has confirmed that this means that once the legislation is approved, the Minister will take his decision if, by that time, the Second Replenishment has not become effective. Mr. Kashiwagi has told me that they hope that the legislation will be approved "by the end of March at the latest". (The information in this paragraph is confidential.)

c.c. President's Council  
Mr. Rotberg  
Mr. Nurick



IDA ADVANCE CONTRIBUTIONS

Country	Second Replenishment					Special Contri- butions
	Total per Formula	First Instal.	Advance Contributions			
			Second Instal.	Third Instal.		
Australia	24.0	8.0			8.0	
Austria	8.2	2.7			2.7	
Belgium	20.4	6.8			6.8	
Canada	75.0	25.0	25.0	25.0	75.0	
Denmark	13.2	4.4			4.4	15.0
Finland	4.1	1.4			1.4	
France	97.2					
Germany	117.0	39.0			39.0	
Italy	48.4	16.1			16.1	
Japan	66.5	22.1			22.1	
Kuwait	5.4					
Luxembourg	.6					
Netherlands	29.3	9.8	9.8	9.7	29.3	
Norway	10.7	3.6			3.6	.8
South Africa	3.0					
Sweden	29.6	9.9			9.9	21.4
U.K.	<u>155.5</u>	<u>51.8</u>			<u>51.8</u>	
	<u>708.1</u>	<u>198.6</u>	<u>34.8</u>	<u>34.7</u>	<u>270.1</u>	<u>37.2</u>

Notes

Firm offers of advance contributions have been received from Canada, in respect of her whole contribution, and from Austria, Denmark, Germany, Norway, and Sweden, in each case in respect of the first instalment of their contribution with the addition, in the case of Denmark, of a special supplementary contribution of \$15.0 million and, in the case of Sweden, of a special supplementary contribution of \$21.4 million and, in the case of Norway, of the first instalment of \$0.8 million of their supplementary contribution (totals \$171.8 million). Contributions from the United Kingdom, Finland, Italy and the Netherlands await final Parliamentary approval (totals \$98.6 million). In addition, we have good prospects of advance contributions from Australia, Belgium and Japan (totals \$36.9 million or more, if more than the first instalment is made available).

Mr. Andre van Campenhout

February 3, 1969

Denis Rickett Sir Denis Rickett

Advance Contributions to the Second Replenishment

Would you make the following amendment to the notes on the table which I sent you on Friday last, January 31st. Lines 6 and 7 should read as follows:-

"special contribution of \$0.8 million (totals \$171.8 million). Contributions from the United Kingdom, Finland, Italy and the Netherlands await final Parliamentary approval (totals \$98.6 million)."

DHFRickett:emcc

Mr. Andre van Campenhout

January 31, 1969

Denis Rickett ~~Sir Denis Rickett~~

Advance Contributions to the Second Replenishment

I attach a <sup>✓</sup>table showing the position of each country on the question of making an advance contribution to the Second Replenishment.

Attachment

IDA ADVANCE CONTRIBUTIONS

Country	Second Replenishment					Special Contributions
	Total per Formula	First Instal.	Advance Contributions			
			Second Instal.	Third Instal.		
Australia	24.0	8.0			8.0	
Austria	8.2	2.7			2.7	
Belgium	20.4	6.8			6.8	
Canada	75.0	25.0	25.0	25.0	75.0	
Denmark	13.2	4.4			4.4	15.0
Finland	4.1	1.4			1.4	
France	97.2					
Germany	117.0	39.0			39.0	
Italy	48.4	16.1			16.1	
Japan	66.5	22.1			22.1	
Kuwait	5.4					
Luxembourg	.6					
Netherlands	29.3	9.8	9.8	9.7	29.3	
Norway	10.7	3.6			3.6	.8
South Africa	3.0					
Sweden	29.6	9.9			9.9	21.4
U.K.	<u>155.5</u>	<u>51.8</u>	—	—	<u>51.8</u>	—
	<u>708.1</u>	<u>198.6</u>	<u>34.8</u>	<u>34.7</u>	<u>270.1</u>	<u>37.2</u>

Notes

Firm offers of advance contributions have been received from Canada, in respect of her whole contribution, and from Austria, Denmark, Germany, Norway, and Sweden, in each case in respect of the first instalment of their contribution with the addition, in the case of Denmark, of a special contribution of \$15.0 million and, in the case of Sweden, of a special contribution of \$21.4 million and, in the case of Norway, of a special contribution of \$0.8 million (totals \$223.6 million). Contributions from Finland, Italy and the Netherlands await final Parliamentary approval (total \$46.8 million). In addition, we have good prospects of advance contributions from Australia, Belgium and Japan (total \$36.9 million or more if more than the first instalment is made available).

CROSS REFERENCE SHEET

COMMUNICATION: SENIOR STAFF MEETING SSM/M/69-3

DATED: January 28, 1969

TO:

FROM:

FILED UNDER: SENIOR STAFF MEETING

SUMMARY:

IDA RESOURCES

1. Mr. Knapp reported that, in addition to the advance and special contributions from Canada, Denmark, Germany, Norway, Sweden and the United Kingdom on which they had counted in planning IDA commitments of \$330 million during the fiscal year, further advance contributions from Finland, Italy, Japan and the Netherlands were in sight which would raise the total to about \$380 million. Most of the additional \$50 million would be allocated to India and Pakistan, bringing their respective shares of the \$380 million to about 40% and 12-1/2%, the proportions of IDA lending which it had been agreed they should receive during the years covered by the Second Replenishment. This would not, however, give India and Pakistan their full entitlement of IDA credits to date, because they had received far less (India nothing) in the 1968 fiscal year than had been planned. If any further funds became available during the fiscal year, as a result of slippages in IDA lending to other countries or otherwise, they would therefore be allocated to India and Pakistan.

IDA - R & R  
to all countries  
Capitals

Mr. Robert S. McNamara

January 21, 1969

Denis Rickett Sir Denis Rickett

Notes on a Visit to Europe

I attach some notes which I have made of conversations which Mr. Karasz and I had during our recent visits to European capitals.

Attachment

c.c. President's Council  
Mr. Rotberg  
Mr. Nurick  
Mr. Karasz (European Office)

NOTES ON A VISIT TO EUROPE  
DECEMBER 3, 1968 TO JANUARY 14, 1969

In the course of this journey I visited Boston, London, Bonn, Paris, Ditchley (Anglo-American Conference on Economic Growth), Brussels, Vienna, Zurich and Basle (monthly meeting of the B.I.S.). The persons with whom I had appointments are set out in Annex I. I shall not try to record the conversations which I had with all of them in detail but merely to put down the salient points.

BOSTON

We stayed the night here with Professor & Mrs. Rodan. He arranged a luncheon for me which included Professors Samuelson, Millikan, Haberler and Kindleberger.

There was some discussion of the President's speech at the Annual Meeting. All agreed that this had been the outstanding event of the meeting. It was recognized that it was designed to appeal more to the developing countries than to the capital-providing countries. From their point of view it would, perhaps, have been better to lay less emphasis on the amount which the Bank would have to borrow over the next few years. The programme outlined in the speech must also raise the question of the effect of increased borrowing by the developing countries on hard terms over the next few years against the background of an almost inevitably stationary or declining amount of concessional aid.

I pointed out that the Bank's net loan disbursements to developing countries were of the order of 12½ per cent of total net loan disbursements to those countries and that the Bank would always be the preferred creditor on whose loans no country would willingly default.

There was also some discussion of the prospect of securing at some time in the future a link between reserve creation (through Special Drawing Rights) and the financing of concessional loans. It was agreed that this would have to come gradually, if at all, and that the first step must be to get the S.D.R. scheme adopted and then activated before trying to introduce new uses for S.D.R.s.

LONDON

My talk with the Governor of the Bank of England was concerned mainly with the outlook for the U.K. balance of payments and the future of the international monetary system on both of which he was cautiously optimistic. There was, however, some reference to the criticisms of World Bank policies in Switzerland following the relatively unsuccessful bond issue there. Sir Leslie said that the views of Swiss bankers could not always be accepted as reliable on matters outside their immediate competence. He did, however, express some concern at the very large financing needs which seemed to be implied in the Bank's policies. He agreed that, so far, we had been remarkably successful in meeting those needs.

My talks with Sir Douglas Allen, the Chancellor of the Exchequer, the Minister of Overseas Development and Sir Geoffrey Wilson were concerned mainly with the question of an advance contribution by the United Kingdom to I.D.A. It was made clear that, if the German Government finally refused to make an advance contribution, the British Government would re-examine the question. Fortunately, this did not prove necessary.

✓ BONN

I have already recorded in a letter to the President (Annex II) the discussions which Mr. Aldewereld and I had with Dr. Hankel and Dr. Hanemann in Bonn. We were told that after some hesitation the German Government had decided to submit to the Budget Committee of the Bundestag a proposal that Germany should make an advance contribution to I.D.A. of the first instalment (\$39 million) of their contribution. This proposal was approved by the Bundestag on the following Friday.

✓ PARIS

I called in Paris both on the Ministry of Foreign Affairs, the Ministry of Finance, the Bank of France, and the Caisse de Co-operation Economique, as well as on one or two private bankers.

The Ministry of Finance were not able to hold out any hope of an advance contribution by France to I.D.A. but said that they were studying the possibility of using aid funds to pre-finance specific projects in French speaking territories. This pre-financing could subsequently be repaid from the French contribution when the Second Replenishment became effective.

I discussed in general terms with Mr. Postel-Vinay of the Caisse de Co-operation projects which might be treated in this way (as set out in a note to me by Mr. McIvor dated October 30, 1968). We agreed that a key point would be whether the pre-financing could be made available in untied form.

In conversation with Mr. Rene Larre, Directeur du Tresor, he inquired about the possibility of a visit at some future time by Mr. McNamara to Paris. I said that I knew that Mr. McNamara would like to pay such a visit as soon as his other commitments permitted. Mr. Larre observed that the French Government had no strong claim to a visit from the President of the Bank at present since they were making no advance contribution to I.D.A. and were not a source of market borrowing for the Bank. He left me with the impression, however, that such a visit would be gratifying to French amour propre.

DITCHLEY

The subject of this conference was "The International Co-ordination of National Policies for Economic Growth". It was attended by a large and representative group of British and American bankers, economists, officials and representatives of international organizations (I.M.F., O.E.C.D. and I.B.R.D.).



It split up into two sub-groups, the first of which dealt with international trade, aid and investment, the second with exchange rate policies (including the possibility of wider margins, the crawling peg, and floating rates).

In the first group, of which I was a member, I tried to promote some discussion of Mr. Roosa's Sun Valley speech on International Capital Formation, including the proposal that in the short run aid contributions might vary with the balance of payments position of the donor. We did not get very far with this.

In the plenary session the main interest was focussed on exchange rate policies on which there was a lineup between the Central bankers and Treasury officials (Parsons, Deming and Coombes) on the one hand and the economists including, in particular, Fritz Machlup, on the other.

I was able to talk during the meeting to Raymond Bell of the U.K. Treasury about the U.K. contribution to I.D.A. In the light of what I told him about the German decision he agreed that the matter should be re-submitted forthwith to the Chancellor.

#### BRUSSELS

This was a short visit in which Mr. Karasz and I saw only the Governor of the Bank of Belgium and later the Minister of Finance (who was accompanied by his principal official).

Before our visit the Belgian attitude as reported to me by Mr. van Campenhout had been that an advance contribution to I.D.A. by Belgium could not be made under the legislation in the form in which it had been submitted to Parliament; that to amend it would take time; and that this was not worth doing since they had been informed by Mr. Deming that Congress was likely to ratify the Second Replenishment early in the life of the new Congress.

As a result of our talk with the Minister, we were able to persuade him that this latter forecast was likely to prove optimistic and that it would be well worthwhile to introduce an amendment into the Belgian legislation. If Belgium did not make an advance contribution she would be in a small minority of the principal contributors. He therefore gave instructions to his officials to prepare and send to the Parliament the necessary amendment. The Governor of the Bank confirmed this to us subsequently.

#### VIENNA

We discussed the question of an advance contribution with the Minister of Finance and his principal adviser on this subject, Dr. Neudörfer. They told us that they had received an opinion from their legal advisers to the effect that while it would be in accordance with the letter of their legislation to make an advance contribution, it would be contrary to the spirit

of it, since it was clearly contemplated that payments would only be made when they became due in accordance with the agreement. The lawyers had advised, however, that in the last resort the decision was one for the Minister.

Before we left Vienna Dr. Neudörfer told me that the Minister had decided to recommend to the Council of Ministers that the Austrian Government should make an advance contribution.

ZURICH

In Zurich we had luncheon with Dr. Reinhardt, President of the Schweizerische Kreditanstalt. He repeated to us what he had already said to Mr. Aldewereld about the possibility of a meeting of the Swiss Foreign Affairs Institute to be held in the Aula of the University at which Mr. McNamara could address a representative international audience on World Bank policies and prospects. This is being dealt with in correspondence between Mr. Aldewereld and Dr. Reinhardt.

Dr. Stopper, the President of the National Bank, gave a dinner party for us in the evening and Mr. Karasz and I had an hour's talk with him at the National Bank beforehand.

He referred to the bond issue and said that this should not be over-dramatized. The main cause of the failure was the international monetary situation at that time and the strong attraction of DM bonds, together with the large amounts of them recently issued by the World Bank. The criticism by some Swiss bankers of World Bank policies was not, in his view, justified and he implied that they had, in part, been put forward as an alibi by Swiss bankers who had misjudged the market situation.

This was a very different assessment from that of Dr. Schaefer whom we had seen in the afternoon and who was inclined to adopt a rather aggressive tone lecturing us on a wide range of topics, many of them unconnected with World Bank business.

BASLE

The meeting of the B.I.S. was useful in enabling us to renew contacts and we were able to speak to a number of central bankers. (Mr. Karasz has recorded separately a talk with Dr. Blessing.) The following were the main points:

(a) Dr. Jöge, Deputy Governor of the Riksbank was discouraging about the prospects of a bond issue in Stockholm (Mr. Aldewereld had asked me to raise this). The budget which was about to be introduced implied a large borrowing requirement by the Government and it would be essential to restrict other calls on the market to a minimum.

(b) Dr. Zijlstra, President of the Netherlands Bank, thought that we might expect to hear very soon from the Netherlands Government on the subject of an advance contribution to I.D.A. He was discouraging about market prospects in the Netherlands.

(c) Dr. Ossola of the Banca d'Italia undertook to apply some pressure to speed up the Italian advance contribution. He thought that Signor Colombo might authorize the making of the payment without waiting for the completion of the Parliamentary process, provided that it was clear that the legislation was likely to be approved.

LONDON

On my return to London I spoke to the Treasury (Mr. Figgures) and the Ministry of Overseas Development (Sir Geoffrey Wilson and Mr. Douglas Williams) about the legal difficulties which had arisen over the U.K. advance contribution. The lawyers were, it appeared, not in agreement amongst themselves, but some had taken the view that if the U.K. made an advance contribution it would be necessary to withdraw the U.K. ratification and submit another in a different form. The O.D.M. thought that the necessary Parliamentary approval would be obtained soon after Parliament reconvened on January 20th. I emphasized that the U.K. ratification (covering the second largest contribution) was vital in securing the figure of \$950 million of contributions necessary to bring the Second Replenishment into effect.

Sir Geoffrey Wilson told me that he expected to visit Washington in the week beginning March 16th. He understood that Mr. Maurice Strong might also be here at that time and suggested that they might have joint discussions with Mr. McNamara.

D. H. F. Rickett  
January 17, 1969

LIST OF APPOINTMENTSLONDONFriday, December 6

11:00 Governor of the Bank of England  
12:00 Sir Douglas Allen  
Treasury  
12:30 Chancellor of the Exchequer  
13:00 Lunch - Mr. Goldman  
Treasury  
15:00 Minister of Overseas Development  
15:30 Sir Geoffrey Wilson  
19:00 Dinner and Opera  
Mr. & Mrs. Figgures  
Mr. & Mrs. Armstrong

PARISTuesday, December 10

13:00 Luncheon with Mr. & Mrs. Koszul  
and Mr. & Mrs. Karasz  
Hotel Ritz  
15:00 M. Jacques Georges-Picot  
President-Director General  
Compagnie Financiere de Suez  
18:00 Reception at the Bank by  
Mr. & Mrs. Karasz to introduce  
the staff of the European Office

Wednesday, December 11

11:30 Mr. Brunet  
Directeur des Affaires Economiques  
Quai d'Orsay  
12:00 Mr. Herve Alphand  
Secetaire-General des Affaires Etrangeres  
Quai d'Orsay  
13:15 Luncheon with Mr. Maurice Perouse (private)  
14 Avenue Pierre Ier de Serbie  
(Note: Mr. Van Lennep was also present)

PARIS

Wednesday, December 11

16:00 Mr. Thorkil Kristensen  
Secretary-General  
OECD

16:30 Mr. Christopher J. R. Dow  
Economic Policy Committee  
OECD

17:30 Mr. Claudius Segre  
Lazard Freres  
5 rue Pillet Will

18:30 Mr. de Larosiere  
Ministere des Finances  
93 rue de Rivoli

Thursday, December 12

11:00 M. Rene Larre (representing Mr. Francois Ortoli)  
Directeur du Tresor  
Ministere des Finances  
93 rue de Rivoli

13:00 Luncheon at the  
Banque de France with  
Messrs. Brunet, de Lattre and Clappier

16:00 Mr. Francois Bloch-Laine  
President  
Credit Lyonnais  
19 Boulevard des Italiens

17:30 Mr. Andre Postel-Vinay  
Directeur-General  
Caisse Centrale de Cooperation Economique  
233 Boulevard Saint-Germain

BRUSSELS

Tuesday, December 17

18:00 M. Hubert Ansiaux  
Governor of the National Bank of Belgium

Wednesday, December 18

09:00 Baron Snoy, Minister of Finance,  
and M. Maurice d'Haeze

VIENNA

Tuesday, January 7

10:00 Dr. Arne Haselbach, Secretary of the  
Vienna Institute for Development  
(called on Sir Denis and Mr. Karasz  
at the Hotel Sacher)

15:00 Dr. Walter Neudörfer  
Sektionschef  
Bundesministerium für Finanzen  
Himmelpfortgasse 4-8

16:00 Dr. Koren  
Minister of Finance

Wednesday, January 8

15:00 Dr. Wolfgang Schmitz  
President  
Osterreichische Nationalbank  
Otto Wagnerplatz 3

ZURICH

Friday, January 10

12:30 Dr. E. Reinhardt, President  
and luncheon Schweizerische Kreditanstalt  
Paradeplatz

16:30 Dr. A. Schaefer, President  
Union Bank of Switzerland  
(Schweizerische Bankgesellschaft)  
45 Bahnhofstrasse

18:30 Dr. E. Stopper  
and dinner President and General Manager  
Schweizerische Nationalbank  
Börsenstrasse 15

BASLE

Saturday, January 11 - Monday, January 13

Meetings at Bank for International Settlements  
Centralbahnstrasse 7, during Board of Directors  
session

BASLE

Saturday, January 11

Sir Denis & Lady Rickett and Mr. Karasz had dinner with Dr. Milton Gilbert (Governor Hayes, Governor Rasminsky and Governor Schmitz were amongst those present).

Sunday, January 12

Sir Denis & Lady Rickett had luncheon with Mr. Gabriel Ferras. Mr. Karasz had luncheon with Dr. Milton Gilbert.

Sir Denis & Lady Rickett and Mr. Karasz had dinner with Dr. Antonio d'Aroma.

Paris,  
December 10, 1968

Mr. Robert S. McNamara,  
President,  
International Bank for  
Reconstruction and Development,  
Washington D. C. 20433.

Dear Bob,

Siem has already told you by telephone of the extremely satisfactory meeting which we had with Hankeel and others at Bonn yesterday. As you will know, they not only agreed to further market borrowing in successive tranches over the next four months, but they also told us that they had now decided to submit to the Budget Committee of the Bundestag a proposal authorizing them to make an advance contribution to IDA for the full amount of the first installment of their second replenishment contribution. Assuming, therefore, that the proposal is approved by the Bundestag, this will give us an immediate cash contribution of \$39 million.

Hanemann was careful to say that it was always possible that the Government proposal might not be approved by the Budget Committee. Immediately after the meeting, however, I went to call on the British Minister at our Embassy and asked him what he thought the chances were that the Government proposal would be approved. After speaking to his political experts, he said that there was at least a 75 percent chance of favourable action by the Bundestag who, it appears, are at present in a docile frame of mind, particularly on issues such as this, which do not arouse strong political controversy. Although, therefore, aid is not particularly popular in Germany, and multilateral aid less popular than bilateral aid, he thought it unlikely that the Budget Committee would reject a Government proposal of this kind. Let us hope that he will prove right. Hanemann told me that the matter would be decided at a meeting of the Budget Committee on Friday next, December 13th.



It seems to me therefore that the tactics which you worked out in your discussion with Prentice in London have been very successful. Hanemann said that they had originally had some doubt whether they should make a payment to IMA before it was legally due, but that they had now come down in favour of doing so. I feel pretty sure that the approach which the British Embassy made at your suggestion to the Ministry of Foreign Affairs will have contributed a good deal to getting a favourable decision. Perhaps also the recent events in the international monetary field and the obvious desire of the Germans to mend their relations with other countries may have had something to do with it.

When I was in London I saw Roy Jenkins and Reg Prentice and their various officials in order to follow up the talks which you had had. It was made fairly clear that if the Germans refused to make an advance contribution, the British Government would be ready to look at the matter again, though they gave no commitment about what the result would be. Now, fortunately this is not likely to be necessary and I hope that in addition to the \$39 million which we shall get from the Germans, we shall have rather more than \$51 million from the United Kingdom.

It so happens that a number of the financial officials are here in Paris for a meeting of Working Party III of the OECD and I am taking steps to get in touch with Emile van Lennep in order to learn the latest position of the Netherlands Government. We have, as you know, already been told by Grooters in Washington that they are favourably disposed towards making an advance contribution and are at present consulting their Parliament to find out whether fresh legislation will be needed.

I had intended, as you know, to go to Bonn and The Hague next week but certainly the first and possibly also the second visit will not now be needed. I am making enquiries to see whether I can arrange a meeting with the Belgian Finance Minister instead. I had not originally thought that it was worth making a further approach to the Belgians, judging by what I had heard from André van Campenhout in Washington. It seems possible, however, that there might now be a change in their position given that three other governments in the Common Market, namely the Italians, the Germans and the Dutch are likely to take action and that, in addition, we shall be getting advance contributions from Canada, Denmark, Finland, Norway, Sweden and the United Kingdom. In fact, now that the band-wagon has started to roll I should not despair of getting something from the Austrians and the Japanese. As you know, I saw Kashiwagi in New York just before I left. He promised to do what he could to get the Japanese legislation passed in the Extraordinary Session of the Diet which is taking place this month, and said that the legislation would be framed in sufficiently general terms to enable the Government to make an advance contribution if it so decided. Whether or not they would do so would depend on the actions of other governments.

I shall discuss the French position with the Ministry of Finance here later this week, but am not very hopeful of the result in the present French budgetary difficulties. As matters have turned out this is perhaps not too serious for us.

Sion will, I am sure, have told you that the atmosphere of the meeting in Bonn was extremely cordial and that Hankel was obviously anxious to smooth over any difficulties that they had been at the time of the Annual Meeting. He said that they recognized that there was unlikely to be a majority in favour of holding the Annual Meeting in 1970 in Berlin though they felt entitled to ask for a formal vote on the question in the Boards of the Fund and Bank. I imagine that by now this will have been decided. He suggested that it would help if you wrote a letter to Schiller, regretting that this decision has proved to be inevitable and thanking them for their cooperation over Bank borrowing and IDA interim financing. Sion will, I know, have told you of this.

Mr. Robert S. Mellamara

- 4 -

December 10, 1968

The question of German appointments to the Bank staff was also discussed and this also seemed to me to be handled in a very satisfactory manner.

On my way to London I stopped a night in Boston and had an extremely interesting luncheon talk with Paul Samuelson, Max Millikan, Charlie Kindleberger and others, arranged for me by Paul Rodan. Ed Mason unfortunately had 'Flu and could not be there.

I hope that you are by now fully recovered. I gather that the doctor was not able to keep you away from the Office for very long.

Denis Rickett

Mr. Aldewereld, Vice President.  
cc: Mr. Arthur Karasz,  
Director, European Office.

DR:mcL

ROUTING SLIP

Date  
Jan. 15, 1969

OFFICE OF THE PRESIDENT

Name	Room No.
Mrs. Luke <i>B. J. L.</i>	C-209

To Handle	Note and File
Appropriate Disposition	Note and Return
Approval	Prepare Reply
Comment	Per Our Conversation
Full Report	Recommendation
Information	Signature
Initial	Send On

Remarks

The attachment referred to in the memorandum was received from Mr. Hugh Scott. I do not have a spare copy for your file.

From

Sir Denis Rickett's Office

A-1230

Mr. Erik L. Karlsson

January 15, 1969

Denis Rickett Sir Denis Rickett

Advance Contributions to IDA

In answer to the request which you made to me this morning, I attach herewith a statement showing the present position in regard to contributions from members of the International Development Association made in advance of the Second Replenishment including special supplementary contributions.

2. This statement, as you will see, shows not only the amounts of such contributions but also the stage which has been reached in action in regard to them.

DRickett:emcc

IBRD LANGUAGE SERVICES DIVISION	
CONTROL No. E-332/69	DATE: April 4, 1969
ORIGINAL LANGUAGE: Russian (Soviet Union)	
DEPT. President's Office	TRANSLATOR: GHS/cdg

EXTRACT FROM "DENGJI I KREDIT"  
FOR JANUARY 1969, PAGE 82

Discussion of the report on the activities of the International Bank  
for Reconstruction and Development (IBRD) during the financial year 1967-68,  
and of the prospects for that Bank's operations during the next financial  
year, the course for which was set in the speech of its President, Mr. Robert  
S. McNamara, coincided with a sharp reduction in United States appropriations  
for foreign aid. The British press even goes so far as to call this circum-  
stance a "tragic" one, by which it means that this reduction will, in all  
probability, be followed by a decrease in the credits extended by other devel-  
oped countries, which, in recent years, have followed the lead of the United  
States in fixing the amount of the financial assistance they have given.  
During the financial year 1967-68 the US Congress appropriated 3.5 billion  
dollars for foreign "aid". In order to secure approval of the 1968-69 appro-  
priations the Administration has submitted to Congress a reduced "aid" pro-  
gram, amounting to 2.9 billion dollars, bearing in mind the demands for  
economy, in every field of budget expenditure, put forward by a majority of  
Congressmen. All available information goes to show, however, that the  
total figure of appropriations approved will be only about two billion dollars  
or even less.

The United States Congress also intends to withhold approval in the case  
of the allocation, over a period of three years, of 480 million dollars to  
replenish the funds of the International Development Association (IDA), an

\* T.N: This abbreviation appears as MBRR in the Russian text

\*\* T.N: This abbreviation appears as MAR in the Russian text

affiliate of IBRD that extends long-term credits on the most favourable terms. IDA funds amounted in the middle of 1968, to only 41 million dollars, but are due to be supplemented by a further 75 million dollars out of the profits of IBRD. The position adopted by the United States Congress may undermine the agreement concluded between 19 creditor-countries with regard to the allotment to IDA during the period from July 1968 to July 1971, of 1.2 billion dollars (at the rate of 400 million dollars per annum), even though a number of countries have already ratified that agreement.

As is pointed out by the British weekly journal "The Economist," the developing countries have managed to obtain little from the Washington meetings, apart from the rather expansive promises made by the President of IBRD. He is proposing to double, during the period up to 1973, the present volume of loans made by the Bank (i.e. to increase it from one to two billion dollars). The "generous" hand of McNamara will, however, be making loans at the existing high rate of interest - 6.5% per annum - even though India and a number of other countries are already paying the International Bank each year in the form of interest and as repayment for loans previously contracted, a larger sum than they receive from that institution in respect of loans freshly granted. It can further be concluded from McNamara's speech that the IBRD management will be allocating more funds to Latin America and Africa than in previous years and smaller amounts to the Asian countries, and also that the Bank will be increasing its investments in the development of agriculture and of those branches of activity that are engaged in providing services for foreign tourists.

E. Zolotarenko