

THE WORLD BANK GROUP ARCHIVES

PUBLIC DISCLOSURE AUTHORIZED

Folder Title: IDA VI Replenishment - Correspondence 01

Folder ID: 1771423

ISAD(G) Reference Code: WB IBRD/IDA 03 EXC-10-4539S

Series: Subject files

Sub-Fonds: Records of President Robert S. McNamara

Fonds: Records of the Office of the President

Digitized January 23, 2013

To cite materials from this archival folder, please follow the following format:

[Descriptive name of item], [Folder Title], Folder ID [Folder ID], ISAD(G) Reference Code [Reference Code], [Each Level Label as applicable], World Bank Group Archives, Washington, D.C., United States.

The records in this folder were created or received by The World Bank in the course of its business.

The records that were created by the staff of The World Bank are subject to the Bank's copyright.

Please refer to <http://www.worldbank.org/terms-of-use-earchives> for full copyright terms of use and disclaimers.



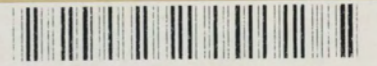
THE WORLD BANK
Washington, D.C.

© 2012 International Bank for Reconstruction and Development / International Development Association or
The World Bank
1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

PUBLIC DISCLOSURE AUTHORIZED

McNamara Papers

The World Bank Group
Archives



1771423

A1995-256 Other #: 4

309660B

IDA VI Replenishment - Correspondence 01

Folder 1 of 6

DECLASSIFIED
WBG Archives

OFFICE MEMORANDUM

8/15/2/6

TO: Files

DATE: November 1, 1978

FROM: J. Burke Knapp *JBK*SUBJECT: IDA 6 Replenishment - VENEZUELA

Mr. Mayobre called me today to say that he had talked on the telephone with Hector Hurtado yesterday regarding my memorandum to Mr. Mayobre dated October 17, in which I had raised the question about possible Venezuelan representation at the IDA Deputies' meeting in Paris in December. Mr. Mayobre said that Mr. Hurtado expressed his regrets in not having been able to see me in Washington last week and that I would be very welcome if I were to visit Caracas after the turn of the year. He felt, however, that in the meanwhile Venezuela would not desire to send an observer to the Paris meeting.

cc: Messrs. McNamara
Cargill
Ardito-Barletta
Vibert
D.R. Clarke
Gonzalez-Cofiño
Gabriel

JBKnap:isk

matter and that he could obtain Martinez de Hoz' reaction himself. I left it at that.

P.S. I told Mr. Sola that Mexico had agreed to participate in the Replenishment and to send a Deputy to Paris - this seemed to make a substantial impression on him.

P.P.S. At the end of our conversation Mr. Sola asked if we had a figure in mind for the Argentine contribution. I ducked this question but impressed upon him that any figure was really a "funny figure" since it only required actual payments of an average of 10 percent of the sum annually over the period 1981-90.

cc: Messrs. McNamara
Cargill
Vibert
Ardito-Barletta
Gabriel
D.R. Clarke
Scherer

JBKnapp:isk

540
ROUTING SLIP

DATE:

October 10, 1978

NAME

ROOM NO.

Messrs. McNamara ✓

Cargill

Stern

Gabriel

10/16

APPROPRIATE DISPOSITION

NOTE AND RETURN

APPROVAL

NOTE AND SEND ON

CLEARANCE

PER OUR CONVERSATION

COMMENT

PER YOUR REQUEST

FOR ACTION

PREPARE REPLY

INFORMATION

RECOMMENDATION

INITIAL

SIGNATURE

NOTE AND FILE

URGENT

REMARKS:

In connection with the references in the attached memorandum to the Bank's capital increase, these were incidental to our discussion of IDA 6 and I did not press for any more explicit declarations.

FROM:

J. Burke Knapp

ROOM NO.:

F.1318

EXTENSION:

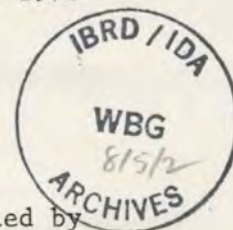
76671

580
OFFICE MEMORANDUM

895/2/5

TO: Files

DATE: October 10, 1978

FROM: J. Burke Knapp *JBK*SUBJECT: IDA 6 - UNITED STATES

I called on Fred Bergsten on Friday, October 6, accompanied by Ed Fried and Frank Vibert. Arnold Nachmanoff from the Treasury was also present.

I gave a general summary of where we stand on plans for IDA 6, referring to the Deputies Meeting in Paris in December and the papers that we were preparing as supporting material.

I then described the results of our consultations with delegations at the Annual Meeting, saying that I thought a good atmosphere was developing for establishing a high figure as the target for the Sixth Replenishment but that there were obvious problems ahead in the field of burden-sharing resulting from the expressed intention not only of the U.S. but also of Sweden and Canada to reduce their percentages. I emphasized the efforts we were making to rally new IDA donors in order to help strike a balance in burden-sharing.

Fred heartily welcomed our efforts to get new donors and urged that we also work on Germany and Japan to get them to take an increased share. This led to a discussion regarding the U.S. percentage and he, like Henry Owen, said that we must take the Schweiker Amendment quite seriously. However, he said that he had already told Schweiker that the 25 percent target for IDA could only be achieved over a period of time. I said that I recognized we would have to get the U.S. percentage below 30 in IDA 6 (if only to break the psychological barrier by getting down into the 20's) - Fred did not respond by indicating any specific figure. I urged that in the forthcoming consultations with Congressional leaders he not get locked into any particular figure, and leave this matter for international negotiations.

With regard to the total amount of IDA 6, Fred said that the U.S. attitude would certainly be positive and supportive but he thought the U.S. would have a real problem in agreeing to any particular figure without simultaneously establishing their percentage. I urged him in any case to support those who might be advocating a high (\$12 - 12.5 billion) target.

The discussion turned to the matter of consultation with Congressional leaders and Fred said that they would probably give priority to the Bank's general capital increase. He thought it might not be possible to approach the IDA matter until after the turn of the year (too late for the December Deputies' meeting) but it might come up earlier. He said that Schweiker and Inouye had called for early consultations on the matter of making up the payments on IDA 4, but that this was a separate question. I did not press him further for a specific schedule

on the consultations but he seemed clearly aware that the pressures are mounting for early discussion of the Bank's capital increase in the Bank Board and that the U.S. would have to consult with Congressional leaders before those discussions resume.

(Subsequently, Ed Fried, who stayed on with Fred Bergsten after Frank Vibert and I had left, told me that they had further discussed the matter of Congressional consultations on the Bank's capital increase and had considered the possibility of having the Gonzalez Committee hold hearings on the subject some time this fall. Fried also referred to two further matters that would be related to the U.S. position on the general capital increase, namely compensation and human rights - these had not been mentioned by Fred Bergsten.)

cc: Mr. McNamara o/r
Mr. Cargill
Mr. Stern
Mr. Gabriel
Mr. Nurick
Mr. Vibert

JBKnapp:isk

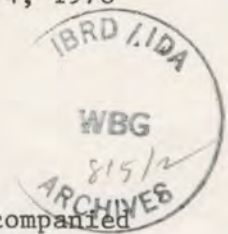
OFFICE MEMORANDUM

825/2/4

TO: Files

DATE: October 4, 1978

FROM: J. Burke Knapp

SUBJECT: IDA 6 - UNITED STATES

I went to call on Henry Owen today at my request, accompanied by Ed Fried and Frank Vibert. My main purpose was to acquaint Henry with the results of the various talks that took place during the Annual Meeting concerning the IDA 6 Replenishment. I gave Henry a fairly full rundown which need not be elaborated in this memorandum. I concentrated on the question of the amount of the next IDA Replenishment, and some of the problems that were emerging in the area of burden-sharing.

On the amount, I said that our thinking and our talks had been in the area of \$11 - 12½ billion representing various stages of significant increase in real terms over IDA 5. Henry indicated full acceptance of this range (subject to a comment on burden-sharing, see below) and even professed to some surprise that no country had spoken for a higher figure during the recent discussions.

On burden-sharing, I mentioned the troubles we were having with Canada and Sweden, who were seeking reductions of their shares, compounded by the attitude of the U.S. with respect to its share. Henry referred to the Schweiker Amendment calling for a reduction of the U.S. contribution to IDA to 25 percent and said that we must all take this into serious account. On this point he said that full U.S. support for a high figure for the total replenishment was obviously linked to the U.S. achieving a substantial reduction in its percentage share. I remonstrated that I did not think we could possibly raise matching money for a U.S. contribution of only 25 percent. This led to a discussion of new donors, which Henry welcomed saying that the achievement of a wider circle of donors would be a substantial plus in making Congressional presentations. During this talk regarding new donors Henry invited us to let him know at any time through Ed Fried if we wanted the President to put in a plug for IDA 6 with visiting Chiefs of State from prospective donor countries.

I said that we hoped the U.S. Deputy would come to the December meeting with a very positive approach in general and a high figure for the IDA Replenishment in particular. This led to a discussion of the program for the U.S. Administration's consultation with Congressional leaders on the subject of the Bank's general capital increase and IDA 6. Henry thought that there should be time for such consultations before the December meeting and urged Ed Fried to consider this. I will pursue this matter with Fred Bergsten when we call upon him on Friday. When, at the close of our meeting, Henry asked if there was "anything he could do for us", I said yes, please do not get locked into a firm percentage figure on the U.S. share in IDA 6 when engaging in Congressional consultations - let this remain open for international negotiations.

10/16

Files

October 4, 1978

Finally, in describing the Japanese position in IDA 6, I mentioned the precondition stated by the Japanese that they get some adjustment of their subscription and voting power in the Bank. I remarked that by every test Japan was fully entitled to such an adjustment and that it would bring a welcome accretion of capital to the Bank. This raised the question, however, of who among the rest of the membership would concede voting power. I remarked that this should come from the Part I countries rather than from the developing countries, and this might raise the question of a reduction in the U.S. voting power in the Bank below 20 percent. Henry indicated great sympathy with the Japanese case and did not seem greatly concerned about a reduction in the U.S. share.

cc: Mr. McNamara o/r
Mr. Cargill
Mr. Stern
Mr. Gabriel
Mr. Vibert

JBKnapp:isk

895/2/3 24
July 1978

JOINT STATEMENT
BY FORMER SECRETARIES OF THE TREASURY



As former Secretaries of the Treasury, we want to reaffirm again this year our belief that United States participation in the international financial institutions -- the World Bank and the regional development banks -- is vital to American economic and political interests.

Since the Second World War successive Presidents of the United States -- Truman, Eisenhower, Kennedy, Johnson, Nixon and Ford -- with strong bipartisan backing in the Congress, have supported the World Bank and the regional development banks as major elements of our foreign policy.

As Secretaries of the Treasury during this period, we have consistently nurtured the growing role of these institutions in the world economy.

We did so because these institutions provided the most orderly, effective and business-like way of promoting international cooperation between the developed, democratic nations in assisting the poorer, less developed nations in giving hope for solid economic progress to their peoples.

The multilateral development banks provide a way of sharing the burden equitably, which otherwise would tend to fall disproportionately on the richer and larger nations such as the United States.

These institutions are set up so that the decisions on loans, hard or soft, are made by Executive Boards of Directors, representing member countries, but voting on a weighted basis, reflecting quantity of support, on recommendations from a staff of international civil servants. By this device, the politicizing of aid by individual nations can be avoided; appropriate terms and conditions to make the lending effective can be attached without the resentment of the borrower being directed at an individual lending nation; and the types and forms of loans can be made to reflect the points of view of borrowers and lenders alike. Moreover, procedures following up the extension of the loan can be administered so as to assure its appropriate use without the charges of interference that might otherwise attach to an individual lending nation.

We firmly believe that a continued U.S. leadership role in the multilateral financial institutions is vitally necessary to a continuance of these organizations along the efficient, business-like lines described, and to our own cooperative effort in the world.

The House of Representatives will soon vote on the FY 79 Foreign Assistance Appropriations Bill. The House Appropriations Committee will report the bill to the floor with an \$876 million reduction in the Administration's budget request. It is crucially important that no additional cuts be made. Any such cuts would seriously erode the U.S. position in the banks by putting the United States further behind in meeting past pledges. We believe that any further reduction this year would run counter to important U.S. interests and policies.

Unfortunately, it is possible that amendments may be offered again this year which would earmark U.S. contributions to the banks in a way which will prohibit their use for loans for certain countries and certain commodities. If such restrictive amendments were to be adopted, they would effectively end U.S. participation in the banks. The Charters of these multilateral institutions do not permit the banks to accept funds so conditioned by individual members. These institutions have become such an integral part of the world economic system and U.S. foreign policy that such a result would gravely undermine the world economy and the future well-being of the American people. *real*

We are pleased that the Appropriations Committee decided not to recommend any legislative restrictions on the use of funds appropriated in this year's bill. We urge the House and the Senate to reject any restrictive amendments that would have such devastating effects on the banks and U.S. participation in them, as well as to vote down any further reductions in the appropriations for the World Bank Group and the regional development banks.

Robert B. Anderson
Joseph W. Barr
John B. Connally
C. Douglas Dillon

Henry F. Fowler
David M. Kennedy
George P. Shultz
William E. Simon

very serious questions abroad as to the credibility of the United States and the commitments that we have made in good faith to these ongoing programs. I have a letter from the President that I shall put into the Record at the conclusion of my remarks. It is under yesterday's date, and is addressed to the Speaker.

The President points out that the Appropriations Committee already has reduced the administration's request for the international participatory institutions by almost half a billion dollars.

He goes on to say that any further reductions would seriously impair our ability to participate effectively, and would have a seriously adverse effect on the foreign policy of the United States.

The President points out in his letter that the administration is seeking money for the third installment of our contribution to the fourth replenishment of the International Development Association fund. He points out that all other countries—let us think about this—all other countries have already made their full contributions to IDA, while the United States has contributed only half of its pledge.

It is not as though we were carrying the full weight of International Development alone, as indeed we were for a number of years immediately following World War II. We did that as a humanitarian gesture. Winston Churchill called the Marshall Plan the most unsordid act in the history of international relations.

Today, however, the United States, as a percentage of its gross national product, is not first among those giving and lending to the developing world. Every major industrial nation devotes a greater percentage of its gross national product to this kind of activity than does the United States. That puts us in a position of which we cannot be justly proud.

For that reason, and for the reason that the President earnestly desires the right and power to continue to fulfill our commitments made in good faith to these humanitarian institutions, and for the reason that the committee already has reduced by almost a half billion dollars the amounts requested by the President, I very earnestly request a no vote on these amendments so that we can hold intact what the committee, in its wisdom, has brought to the House.

Mrs. BURKE of California. Mr. Chairman, will the gentleman yield?

Mr. WRIGHT. I yield to the gentleman.

Mrs. BURKE of California. May I ask the gentleman from Texas one question? The gentleman from Mississippi has again stated that the President only requested \$20 million for UNICEF. Is it not true that in House Document 95-161, after our vote on the authorization, the President requested the amount for UNICEF, which is the \$25 million that is reflected in this bill, which will be partially deleted by \$5 million by this amendment?

Mr. WRIGHT. Yes, the gentlewoman is exactly correct.

Mr. ROUSSELOT. Mr. Chairman, will the gentleman yield?

Mr. WRIGHT. Of course, I yield to the gentleman from California.

Mr. ROUSSELOT. I thank the gentleman for yielding. I am sure the gentleman has studied the Lott amendment carefully enough to know that in most cases, with one or two exceptions that might be add-ons after the authorization committee acted, the Lott amendment basically conforms with what the administration requested? The gentleman is aware of that?

Mr. WRIGHT. I would not agree. I would say to my friend from California, I have studied the Lott amendment, and I have taken it item by item.

The CHAIRMAN. The time of the gentleman from Texas (Mr. WRIGHT) has expired.

(By unanimous consent, Mr. WRIGHT was allowed to proceed for 1 additional minute.)

Mr. WRIGHT. Mr. Chairman, let me just say that I have looked at the Lott amendment, and I have examined the line items to which it refers, and I believe it cuts dangerously below what we should be contributing to these international institutions.

Mr. Chairman, under permission previously granted, I want to insert into the Record of the debate at this time a letter from the President of the United States.

The CHAIRMAN. I understand that the gentleman obtained that permission in the House before we went into the Committee of the Whole.

Mr. WRIGHT. The Chairman is correct.

The letter is as follows:

THE WHITE HOUSE,
Washington, D.C., June 21, 1977.

HON. THOMAS P. O'NEILL,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: I understand that the FY 1978 appropriations for the international development banks are scheduled to come to the House floor shortly. I am writing to request your support for passage of the bill with funding levels as close as possible to those which I originally requested.

As you know, the Appropriations Committee reduced our request for the banks by almost half a billion dollars. I believe that any further reductions would seriously impair our ability to participate effectively in the ongoing activities of the banks and would therefore have a seriously adverse effect on the foreign policy of the United States.

It is of particular importance to obtain an appropriation for the International Development Association (IDA) as close as possible to my original request. We are deeply concerned with the Committee's recommendation to cut \$225 million from that request. Any further reductions would be disastrous.

The entire IDA V agreement, negotiated over a period of two years among twenty-three donor countries, will have to be renegotiated unless the United States contributes its full \$300 million share to the first installment. The agreement was given global attention in the communiqué which I, along with my colleagues from six other nations, issued at the conclusion of the Summit meeting in London in early April. It is a major element in overall North-South relations, and was endorsed as such at the recent Conference on International Economic Cooperation in Paris. Any disruption of IDA V would trigger an extremely serious breach in relations between the United States and

the developing countries, and would adversely affect relations between the United States and other donor countries as well.

In addition to the \$300 million requested for IDA V, the Administration is seeking \$375 million for the third installment of our contribution to the fourth replenishment of IDA. All other countries have already made their full contributions to IDA IV, while the United States has contributed only half of its pledge. Any further reduction in the appropriation would give rise to serious doubts as to whether the United States intends to carry through on the contribution which it agreed in 1975 to make to IDA IV.

I also seek your support to avoid any language which would prevent the use of funds appropriated in the bill for bank lending to Indochina. Specifying that U.S. funds could not be used for loans to these countries by the multilateral development institutions would in all probability make it impossible for these institutions to accept our funds. It would, in effect, jeopardize continued U.S. participation in the banks. I support the language on this issue recommended by the Committee, which is similar to language contained in the Foreign Assistance and Related Program Appropriations Act for FY 1977.

Sincerely,

JIMMY CARTER.

Mr. JOHN T. MYERS. Mr. Chairman, I move to strike the requisite number of words, and I rise in support of the amendment.

(Mr. JOHN T. MYERS asked and was given permission to revise and extend his remarks.)

Mr. JOHN T. MYERS. Mr. Chairman, we have just heard the majority leader, the gentleman from Texas (Mr. WRIGHT) who is one of the more eloquent Members of this body, recite what transpired at the breakfast meeting yesterday morning with the leadership from both sides of the aisle, that the President did not want to see this bill cut because it would violate a commitment or an agreement that we have with other nations.

Mr. Chairman, I am not suggesting that our Nation should violate a commitment or that we should not honor the agreements which we have made. But it does seem to me that just last week, when we had the public works and energy research and development appropriation bill before this House, we dealt with a request from the same President asking for a cut list, originally taking out more than 30 water projects. These were water projects containing agreements which had already been entered into with State and local governments. In every project, State and local governments had already committed dollars and other commitments, yet the President asked us to cut those. He wants to keep a commitment with some other nation, but he does not—the same President—want to honor commitments we have made with people of our own country.

Mr. Chairman, it seems to me that this is a little inconsistent. If it is a commitment he is concerned about, then that commitment should also lie with the water projects in his own country, some of which were almost complete, one or two almost ready to close the gates, to provide much-needed water for communities, to carry out needed flood control, and various irrigation needs. Irrigation districts and flood control groups have



8/13/10/2 2

ASSISTANT SECRETARY

JUN 22 1977



Dear Mr. Obey:

I am writing you to express my deep concern about the two proposed amendments to the FY 78 Foreign Assistance Act which would prohibit the use of funds appropriated for international development bank lending to selected countries and one which would prohibit the use of such funds for lending for palm oil, sugar and citrus products production in developing countries. If these amendments were to become law the U.S. would have to condition its contributions and subscriptions to the international development banks on a requirement that these funds not be used to finance loans for certain commodities or loans to certain countries.

Specifically, the fact that U.S. funds could not be used for loans to specific countries or for specific commodity production would almost certainly make it impossible for these institutions to accept U.S. funds and would jeopardize continued U.S. participation in the banks.

The terms and conditions on which the United States contribution and the contributions of all other countries, are made available to the international development banks are laid down in their Articles of Agreement and in the replenishment resolutions of the Boards of Governors of these institutions. Neither the Charter nor such resolutions contain provisions permitting the banks to agree to receive funds subject to a unilaterally imposed restriction that the funds not be used for loans to certain countries or for certain commodities. In fact, any decision with respect to particular loans, must be made in accordance with the multilateral decision-making process and the criteria for making loans established in the Charter.

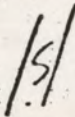
In 1975, the Inter-American Development Bank refused to accept contributions earmarked for a specific purpose from the United States. The funds were accepted

only after the earmarking requirement was repealed in subsequent legislation.

A requirement that contributions from a member cannot be used, in certain countries or to finance loans for certain commodities would be totally inconsistent with the multilateral framework within which these institutions operate. Such earmarking would set a bad precedent. If the U.S. were to earmark funds, other countries would undoubtedly follow the same practice. This would eventually lead to a complete breakdown of the international cooperative character of the development banks.

I hope this material is useful to you and very much appreciate your help in defeating these amendments.

Sincerely,



C. Fred Bergsten
Assistant Secretary for
International Affairs

The Honorable
David Obey
House of Representatives
Washington, D.C. 20515

April 23, 1975

The Honorable
William E. Simon
Secretary of the Treasury
Washington, D.C.

0859

Dear Mr. Secretary:

I am grateful for Mr. Cooper's letter of April 7, 1975, informing me of the actions of the United States Congress with respect to the commitment of the United States pursuant to Resolution AG-12/70. As you know, it had been the intention of the Bank's Governors in approving the above cited Resolution that the resources to be made available thereunder should cover the period 1971 through 1973. The other member countries of the Bank have made their contributions with this understanding and within this time frame. It is deeply regretted that the appropriation process of the United States has not made it possible to bring this exercise to a timely conclusion and to enable the Bank to meet the lending expectations which the Governors had anticipated in approving the increase on December 31, 1970.

I have read with great interest that portion of the United States legislation which apportions a certain amount of the resources which are to be contributed by the United States for cooperatives, credit unions and savings and loan associations, and the Committee report dealing with the "earmarking". As you are aware, the Bank shares the concern that its resources be utilized to assist the most disadvantaged citizens of our membership and, indeed, a great share of our lending has been devoted to this end. Although, in many instances the Bank has financed the three types of credit institutions mentioned in the Senate Report, many of them through intermediate credit institutions, the details apparently have not been made known to the appropriate Congressional Committees. However, it should be noted that the various types of cooperative credit institutions in our Latin American member countries may not be in all cases the direct counterparts of the type of credit unions, savings and loan associations and cooperatives as they are known in the United States. For reasons of history, culture and legal systems, the types of cooperatives prevalent in Latin America may in some countries tend to differ somewhat in form and design. They are, nevertheless, cooperatives dedicated to mobilizing human and physical resources, as well as internal savings for a common goal, principally in the area of agriculture or urban growth. While some of our members do have the same type of institutions, others do not, but I would assume that it was the

(Was a original)

Original

intention here not necessarily to force Latin America to accept the particular type of a United States cooperative institution but rather the spirit of trying to reach the less advantaged individuals through cooperative institutions. If this is the case, I think the Bank has fulfilled many times over the dedication of amounts for the purpose set forth in the Senate Report. If it is not the case then I would doubt that the Bank is the appropriate vehicle for forcing Latin America to accept a particular form of cooperative or self-help institution.

As I have indicated, we have made loans to savings and loan associations directly, both with the Bank's own resources and with the Social Progress Trust Fund. In the more recent past, the initiative in direct financing of credit unions and savings and loan association has passed to the Agency for International Development and the Inter-American Foundation which were deemed more appropriate organizations for channeling resources in this direction. One reason why the Bank has not lent directly to savings and loan associations in recent years is precisely because such financing tended to benefit the middle class which has the capacity to mobilize savings rather than aid the more disadvantaged sectors of the economy. Direct financing of credit unions raises problems of adequate guarantees. That is why in these cases we have operated through local financial institutions.

Let me turn next to the matter of "earmarking". The Bank is an international cooperative institution. The Agreement Establishing the Bank is in essence an international treaty among the member countries in which they pledge themselves to a cooperative effort. This Agreement lays down precise guidelines both for the making of the loans as well as for the decision-making process to be followed. With respect to the making of the loans, it should be noted that the Bank's charter requires that, first of all, such loans be for high priority economic purposes which are determined principally by the borrowing country; secondly, the Bank is required to give careful examination to the loan, to take account of the borrowers repayment capability and to assure certain guarantees for this purpose. In order to make loans, a precise decision-making mechanism is established by the Bank's charter by which the Board of Executive Directors is required to consider management proposals and approve or disapprove the loan proposal on its merits without regard to any political consideration. The Board of Executive Directors is selected and elected by the Governors whereby nine Directors make the necessary decisions on the basis of the authority delegated to them by the Board of Governors.

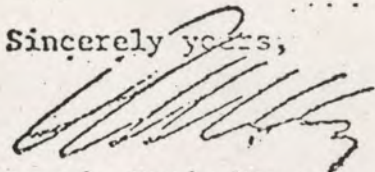
Any unilateral mandate by an individual member with respect to the use of funds would flow both against the letter and the spirit of the Bank's charter and even though there might be very worthwhile circumstances, it would open the door for all members to similarly lay down terms governing the use of their respective contributions and subscriptions. The intrusion of such mandates into the decisions of the Board of Directors would, in my opinion, do irreparable harm to the international cooperative character of this or an

similar institution. If any one member can determine that its resources be utilized for only one purpose, then another member, for example, require that the resources it contributes be utilized only in certain countries and not in other countries. The possibility of restrictions of this kind is limitless. Any decision to dedicate resources for a particular purpose should be determined in a multilateral manner in accordance with the decision-making process provided in the Bank's charter, so that all members contribute with the same understanding. In any event, dedication of funds for a specific purpose in advance of project presentations presents serious handicaps for a financial institution.

It is indeed an ironic circumstance that in this particular case, the desires of the Congress have in effect already been fulfilled, perhaps not precisely in the form set forth in the legislation but in its spirit. Indeed, the work program for this year contains loan proposals for cooperative organizations in excess of the amount "earmarked". However, the acceptance of resources with conditions would lead us down a path which I could not recommend to the Bank's membership.

I hope and trust that you can prevail upon the Congress of the United States to remove the restrictions on the US\$50 million so that it can be contributed to the institution in accordance with Resolution AG-12/70. In the meantime, I have asked my staff to prepare additional material which I hope can be made available to you shortly, indicating in fuller measure the contribution and assistance that this institution has made to cooperative enterprises in Latin America. In accordance with Mr. Cooper's request, copies of the Senate Report have been made available to the Bank's Board of Executive Directors and professional staff.

Sincerely yours,



Antonio Ortiz Mena



THE DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

DEPUTY ASSISTANT SECRETARY
OF THE
TREASURY

FEB 13 1976

Dear Mr. President:

As you know, the Foreign Assistance and Related Programs Appropriations Act for fiscal year 1975 provides that out of the \$225 million appropriated for the Fund for Special Operations of the Inter-American Development Bank, \$25 million be made available to cooperatives, \$10 million to local credit unions or national or regional federations thereof and \$15 million to responsible savings and loans associations or other mortgage credit institutions whose primary purpose is to serve rural and urban citizens at the most economically disadvantaged level. Because, in our view, earmarked contributions raise serious problems in the context of a multilateral institution, the earmarked \$50 million has not been made available to the Bank by the Treasury Department and the President has in May 1975 submitted a budget amendment to the fiscal year 1976 appropriation request for the Bank asking that the limitations on the use of the \$50 million be removed. The Congress has not yet taken action with respect to the Administration's appropriation request.

We have, however, been asked by the Committee on Banking, Currency and Housing of the House of Representatives to ascertain whether or not the Bank, under the present provisions of the Charter and relevant resolutions, rules, and regulations, would be able to accept the \$50 million subject to the conditions specified in the 1975 Foreign Assistance Appropriations legislation.

I would appreciate it very much if you could let me have your opinion on this matter as soon as possible.

Sincerely yours,

John A. Bushnell
Deputy Assistant Secretary

The Honorable
Antonio Ortiz Mena
President
Inter-American Development Bank
808 17th Street, N.W.
Washington, D.C. 20577

PRESIDENT

February 19, 1976

The Honorable
William E. Simon
Secretary of the Treasury
Washington, D.C.

Dear Mr. Secretary:

Deputy Assistant Secretary Bushnell, under letter of February 13, 1976, transmitted to me the request of the Committee on Banking, Currency and Housing of the House of Representatives, to "ascertain whether or not the Bank, under the present provisions of the Charter and relevant resolutions, rules and regulations, would be able to accept the \$50 million subject to the conditions specified in the 1975 Foreign Assistance Appropriations legislation."

Mr. Bushnell's letter traces the history of the so-called earmarking provision which required that out of the \$225 million appropriated to meet in part the outstanding obligation of the United States to increase its contribution to the Fund for Special Operations, \$25 million is to be made available to cooperatives, \$15 million to savings and loan associations or similar mortgage institutions and \$10 million to credit unions or national associations thereof. The letter records that the United States has not made the \$50 million "earmarked" amount available to the Bank, and that the President of the United States requested the Congress in May 1975 to withdraw the "earmarking" provision, given the serious implication that such a provision has for all multinational institutions.

I wish to respond to the question raised by the Committee as simply and directly as possible. The Bank could not accept the "earmarked" funds for both legal and policy reasons.

With respect to the legal aspects, the General Counsel of the Bank advises me as follows:

The \$225 million appropriation in question was to cover a part of the United States share of a replenishment of the Fund for Special Operations which had been authorized by the Bank's Board of Governors in 1970. The United States Governor voted in favor of the Resolution increasing the Fund's resources by \$1.5 billion dollars. The vote of the United States Governor at that time was cast pursuant to specific prior authorization of the Congress and when casting his vote, the United States Governor voted in favor of the Resolution without reservations, informing the Bank that he

did so pursuant to law, as did all the other Governors of the 24 member countries. Subsequently, the United States Governor informed the Bank that the United States would make its contribution of \$1 billion provided in Resolution AG-12/70 subject to appropriation by the United States Congress of the amounts necessary. The contributions of the member countries to the augmented Fund for Special Operations were to have been paid in three annual installments, the last of which was due December 31, 1973. All other members have met the time schedules except for the United States which, in addition to the \$50 million "earmarked" funds still is short by \$275 million. It goes without saying that each member's contribution is made in consideration of the contribution of all the others -- on equal terms and conditions.

As you know, the Bank is a cooperative international institution. Member Governments subscribe to shares of stock and in turn receive voting rights which are exercised on all questions placed before the Board of Governors who decide on all overriding policy questions and a Board of nine Executive Directors, elected by the Governors, who are responsible for the conduct of the operations of the Bank. The Boards of Governors and Executive Directors instruct the Staff with respect to the areas of lending activity which should be pursued. The Staff of the Bank then prepares, for the approval of the Executive Directors, the loan operations pursuant to the guidelines laid down by the Charter, particularly Article III, Section 7, which specifies the "Rules and Conditions for Making or Guaranteeing Loans." The Bank's Charter does not admit to any other means of making loans. To accept funds from one member government under a requirement to utilize them for a category of borrowers or for any specific purpose would remove this authority from the Boards of Governors and Executive Directors and would infringe on the multinational character of the Bank. Additionally, it could force the making of loans inconsistent with the requirements of Article III, Section 7, since pre-commitments for financing would have been effected by the acceptance of the earmarked funds.

A clear distinction must be drawn between the replenishment of the Bank's general resources by multilateral agreement, which is the case raised by Mr. Bushnell's letter, and a situation in which a given member country, or even a non-member, desires to provide the Bank with special funds for a particular purpose which is agreed upon in advance between the country and the Bank. This type of situation has been met by the creation of trust funds where the donor enters into a special agreement with the Bank setting forth the uses to be made of the funds. The United States established the Social Progress Trust Fund precisely for the purpose of directing lending in certain designated areas but discontinued providing resources in 1964, favoring instead contributions to the Fund for Special Operations in order to achieve more equitable burden sharing arrangements. Subsequent increases in the Fund for Special Operations were subject to multilateral agreements on the terms and conditions under which such increases were to take place.

With respect to the policy aspects of the matter, I would say the following:

Where member governments indicated special desires with respect to the payments made by them on account of their capital subscription or contribution to the Fund for Special Operations, they have instructed their representative on the Boards of Governors or Executive Directors to convey those views and seek their acceptance. The United States Executive Director did manifest to the Bank the concern of the United States with respect to lending to cooperatives as recorded in various Senate Reports and the Bank has, as I have indicated in my previous correspondence with you, been quite responsive to the need for making financial assistance available to cooperatives and similar type self-help enterprises in Latin America. During 1975, the Bank's Board of Executive Directors approved an amount of \$138.5 million in loans whose beneficiaries are cooperatives, credit unions and national associations thereof and other non-profit institutions dedicated to assisting the most economic disadvantaged rural and urban citizens. I believe that this record speaks for itself with respect to the responsiveness of the Bank to the desires of its members, provided that such financial assistance can be extended within the framework of the multilateral decision-making process provided in the Bank's Charter.

In conveying these views to the Committee on Banking, Currency and Housing, I would appreciate it if you would also advise them of the sentiments expressed in my letter to you of January 27, 1976, in which I stated that we are striving, under the guidance of our governing boards, to maximize the transfer of resources to low income groups of individuals through cooperative-type organizations without sacrificing quality and integrity and that my personal support is in this endeavor which is so vital to improve the lot of peoples of Latin America and their accelerated development. Our inability to accept the "earmarked" funds does not stem from any opposition to lending to cooperatives, but is determined by the multilateral nature of our institution.

Finally, I would be remiss if I did not reiterate the concern I expressed to you in my letter of April 23, 1975, for the future viability of this or any similar institution if any one member should seek to determine that its resources may be utilized for only one purpose. In such an event, another member might equally well require, for example, that the resources it contributed be utilized only in certain countries and not in other countries. The possibility of restrictions of this kind would be limitless.

The Honorable
William E. Simon
Page 4

I sincerely hope and trust that the United States Congress will continue to support this public international institution which has served all its members so well during its sixteen year history.

Sincerely yours,

Antonio Ortiz Mena

Mr. Edward R. Fried, US Executive Director

September 28, 1977

A. Broches, Vice President and General Counsel

Restrictions by the United States on Subscriptions and Contributions

1. The purpose of this memorandum is to set out the reasons for my opinion expressed in my memorandum on the above subject to you in reply to yours, both dated today.

2. In my memorandum to you of August 29, 1977 I concluded that the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) would be legally unable to accept subscriptions and contributions made by the United States on certain conditions contemplated in H.R. 7797. These conditions are that none of the funds provided under the bill to the two organizations are to be used by the two organizations for assistance in certain countries or for certain types of projects. The reason for my conclusion was that the terms and conditions on which the institutions were authorized to accept subscriptions and contributions were spelled out in Board of Governors Resolutions and, by reference, in the institutions' Articles of Agreement and that these terms and conditions left no room for the acceptance of conditions of the kind contemplated in H.R. 7797.

3. When writing to you on August 29, 1977 I did not address the hypothetical question whether, if the Executive Directors of the institutions were willing as a matter of policy to recommend to the Boards of Governors to amend the Resolutions above referred to so as to authorize acceptance of the conditions sought to be imposed by H.R. 7797, the Bank and IDA could properly do so consistently with the institutions' respective Articles of Agreement.

4. This question involves the interpretation of the constituent instruments of the institutions. The power of interpretation is vested in the Executive Directors of the institutions, subject to an appeal to the Board of Governors (IBRD, Art. IX, IDA, Art. X). While the Executive Directors have considerable latitude in the exercise of their powers of interpretation they may not use it so as to in effect amend the Articles of Agreement. In my opinion, stated in my memorandum of even date to you, the Executive Directors could not properly as a matter of law adopt interpretive decisions which would permit these institutions to accept U.S. contributions subject to conditions as proposed in H.R. 7797.

5. My opinion is based on the following provisions, among others, of the Bank's and IDA's Articles of Agreement which would be violated by acceptance of the conditions above referred to:

- (a) Article I which states the Bank's purposes, including in paragraph (i) "the encouragement of productive facilities and resources in less developed countries" and in paragraph (ii)



"to promote the long-range balanced growth in international trade". These provisions must be deemed to be incorporated by reference in IDA's statement of purposes (Article I).

- (b) Article IV, Section 10 (IBRD) and Article V, Section 6 (IDA) which enjoin the institutions from being influenced in their decisions by the political character of the member or members concerned, and thus do not permit the exclusion of certain members from the circle of potential borrowers on political grounds.
- (c) The requirement in Article IV, Section 10 (IBRD) and Article V, Section 6 (IDA) that only economic considerations shall be relevant to the institutions' decisions and that these considerations shall be weighed impartially in order to achieve the purposes stated in Article I, thus excluding the intrusion of national commercial considerations.

6. There is an additional point which is relevant only to the IBRD. The funds to be provided to the Bank under the appropriation would include the callable portion of the Bank's capital. These funds may not be called for use in lending operations. Calls on this portion of the capital may be made only when needed to meet the Bank's obligations arising out of its borrowings or guarantees. If H.R. 7797 were to be interpreted as applying the conditions laid down therein to the callable portion of the U.S. subscription to the Bank's capital, that alone would make the conditions unacceptable as violating the obligation imposed by the Articles on members to respond to calls on the callable portion of the capital. As you know, these unconditional obligations of members are relied upon by the investors in the IBRD's debt obligations.

(Initialed) A. B.

OFFICE MEMORANDUM

TO: Mr. Aron Broches
Vice President and General Counsel

FROM: Edward R. Fried
U.S. Executive Director

SUBJECT: Restrictions by the United States on Subscriptions
and Contributions

DATE: September 28, 1977

In your memorandum of August 29, 1977, you concluded that the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), would be legally unable to accept subscriptions and contributions made by the United States on certain conditions contemplated in H.R. 7797. These conditions are that none of the funds provided under the bill to the three organizations are to be used by the three organizations for assistance in certain countries or for certain types of projects.

Paragraph (a) of Article IX of the Articles of Agreement of the IBRD provides, in pertinent part:

"Any question of interpretation of the provisions of this Agreement arising between any member and the Bank or between any members of the Bank shall be submitted to the Executive Directors for their decision."

The Articles of Agreement of the IDA contain similar provisions.

I understand that it is your opinion that it would not be proper as a matter of law for the Executive Directors of the IBRD and IDA to adopt an interpretive resolution which would permit these institutions to accept U.S. contributions subject to conditions as proposed in H.R. 7797.

I would appreciate your confirmation that this understanding is correct.

Mr. Edward R. Fried, US Executive Director, IBRD and IDA

September 28, 1977

A. Broches, Vice President and General Counsel, IBRD and IDA

Restrictions by the United States on Subscriptions and
Contributions

In reply to your memorandum of September 28, 1977 on the above subject I herewith confirm my opinion that it would not be proper as a matter of law for the Executive Directors of the IBRD and IDA to adopt interpretive decisions which would permit these institutions to accept U.S. contributions subject to conditions as proposed in HR 7797.

(Initialed) A. B.

COMMITTEE ON AGRICULTURE
COTTON SUBCOMMITTEE
(RANKING F. POLLOCK)
CEREALS AND RICE SUBCOMMITTEE
INTERSTATE AND FOREIGN COMMERCE
COMMUNICATIONS SUBCOMMITTEE
ENERGY AND POWER SUBCOMMITTEE
COMMITTEE ON COMMITTEES
TASK FORCE ON REFORM



Due to

WASHINGTON, D.C. 20515
(202) 225-3901
DISTRICT OFFICES:
SUITE 228 FEDERAL BUILDING
730 FLORIDA
BATON ROUGE, LOUISIANA 70801
(504) 344-7679
U.S. POST OFFICE BUILDING
HAMMOND, LOUISIANA 70401
(504) 345-4929

19

Congress of the United States
House of Representatives
Washington, D.C. 20515
October 11, 1977

1 - Alt. Executive Director
2 - Permanent Office Copy

Dear Colleague:

We hope you have read our previous letter on the "palm oil" amendment to the Foreign Assistance Appropriation Bill (H.R. 7797). It now appears the only major argument against this amendment by the Administration, as expressed in a letter you may have received from the Secretary of the Treasury, is that it in some way prohibits these institutions from accepting the U.S. contributions in the bill.

11/10/77
BRD
WBG
10/12/77
ARCHIVES

We discussed in our last "Dear Colleague" there is nothing in the amendment which precludes the lending institutions from receiving our contributions as a member state. It simply places a condition upon the use of the funds for certain purposes, but allows their use for any other purposes.

Is there then anything in the charters of these institutions which prohibits the banks from accepting such conditioned contributions? NO. A report prepared at our request by the Library of Congress dated October 4, 1977, verifies this position. It reads in part:

"There does not appear to be any language in any of these charters (of the IMF, IBRD, and IADB, used for an example) which requires refusal of general contributions or payments because of the attempted attachment of conditions or restrictions to such payments or contributions made by member states." (parenthesis and emphasis ours)

As a matter of fact, there are at least two precedents where they have accepted money with conditions from us. Our Colleague, Bill Young, in an earlier letter reported in FY 1970 a prohibition on the use of U.S. funds for Cuba was adopted in legislation for the United Nations Development Program. Our contributions were accepted under that condition. Secondly, there was a human rights limitation placed upon

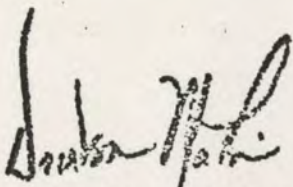
Meccan
DEC 70 +
12800
90 STAT. 591
MAY 31, 1976

our voting representatives to two lending institutions in P.L. 94-302, and the funds were accepted.

Therefore, if the amendment does not prohibit the institutions from accepting the money, and the charters of the banks do not prohibit it; what does prohibit the receipt of these funds? NOTHING.

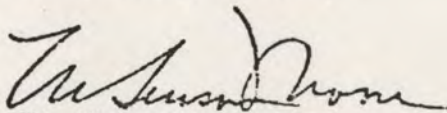
Even if there was a prohibition contained in the charter, the only action needed would be for a set number of the members of any institution to amend the charter to allow the reception of these funds. In another, separate report dated today, the Library found that, depending on the particular institution, between three-fifths to three-quarters of a bank's membership voting in the affirmative, but together holding between three-fourths and 85 percent of the total voting power, is all that is necessary to amend most of these charters. Certainly, any bank facing a realistic prospect of collapse would take such action.

The crux of this issue boils down to the fact that these institutions simply want us to deliver our vast contributions to them WITHOUT ANY STRINGS ATTACHED! We can't say we blame them for trying as it does restrict their activities with our money. But the question for us as Representatives is not the maintenance of their complete autonomy, but our duty to our taxpayers to see that their money is not spent against their wishes and economic well being. The amendment does that and nothing more, and deserves our continued support.



Dawson Mathis
Member of Congress

Sincerely yours,



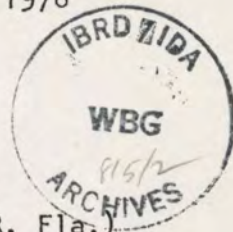
W. Henson Moore
Member of Congress

815/2/2

OFFICE MEMORANDUM

TO: Mr. John E. Merriam

DATE: May 18, 1978

FROM: Peter Riddleberger *PR*SUBJECT: Clarence Long

1. The chances are growing that Clarence Long and Bill Young (R. Fla.) will not try to reduce IDA funds and add on restrictive amendments to the Foreign Aid Appropriations Bill when the Committee marks up on May 25.

At a State Department reception several days ago, Long told a number of guests that he was gearing up for a Floor battle to reduce IFI funds by \$600 million. At the same reception, Elford Cederberg (R. Mich.) said that he and George Mahon (D. Tex.) would be working to block Long. Bill Young also told a reporter from the St. Petersburg Times that he would probably not try to add his country restrictions in Committee, but instead wait until the bill came to the Floor.

5/18 In a most unusual move, Long will be writing dissenting views to his own Committee Report. Earlier this week Silvio Conte (R. Mass.) and David Obey (R. Wis.) were highly critical of Report language which blasts IFIs. They have insisted that the remarks be altered, and that Long be restricted to writing his own personal views.

* * *

2. Meanwhile, Professors James H. Weaver and Steven H. Arnold, who investigated the World Bank on behalf of Long, testified this morning before Henry Gonzalez' (D. Tex.) Banking Subcommittee. (See attached.) 5/19 R. M. N. kept. While their remarks were generally complimentary, they did question the value of the World Bank dominating the aid field.

During an exchange with Chairman Gonzalez the question was asked, "What would the effect be if the U.S. sharply reduced its participation in multilateral banks?" While the third witness, Ed Martin, said this would be disastrous, Weaver suggested that further analysis was necessary to determine what the "costs and benefits" are to U.S. participation. Their conclusion was very academic: more research is required.

PBR:pam

cc: Messrs. McNamara, Knapp, Cargill, Clark, Chadenet, Chenery, Stern
Messrs. Gabriel, Vibert, Bell, Nurick
Mrs. Boskey, Mrs. Stitt

815/2/1

Legality of Acceptance by IDA of US Contributions and Subscriptions
on Conditions Prescribed in H.R. 4473

I. The following six authorities have stated that if the subscriptions were to be conditioned as required by the House Bill it would not constitute a valid subscription and could not be accepted by IDA:

1. General Counsel of the World Bank
2. General Counsel of the U.S. Treasury
3. Comptroller General of the U.S.
4. The Congressional Research Service of the Library of Congress
5. The House of Delegates of the American Bar Association
6. The nine former Secretaries of the U.S. Treasury.



II. An extract from the statement by the General Counsel of the World Bank:

"You have asked for my views on the question....whether the World Bank,... could accept U.S. contributions contemplated by the Bill as passed by the House of Representatives...if they were made subject to conditions which would seek to impose on the Bank...restrictions contained in the Bill ... In my view the institutions could not accept the funds, so conditioned."

"The Resolution [of the donors to provide the IDA financing] reflects an agreement among 26 countries arrived at after long and painstaking negotiations. The Resolution, and IDA's Articles of Agreement which....are incorporated in the Resolution...contain provisions concerning the timing and the currency of payment and the Association's rights with respect to the use of the currencies paid in. Any attempt by a contributing member to impose additional restrictions on the use of the funds provided would be inconsistent with the agreement among donors and IDA's Board of Governors Resolution embodying it and resources, so conditioned, could not be accepted by the Association."

"If the Instrument of Subscription were to be conditioned as required by the House Bill the Instrument would not constitute a valid subscription."

III. An extract from a statement by the General Counsel of the U.S. Secretary of the Treasury:

" You have asked me whether the international development lending institutions could accept from the United States subscriptions and contributions which are made pursuant to the relevant resolutions of their Boards of Governors and which are subject to the conditions specified in [the House Bill]...."

"The General Counsels of the IBRD and IDA and of the IDB have expressed their opinions that acceptance of funds subject to such conditions would violate the terms of the relevant resolutions and would be inconsistent with the Charters of their institutions. In the light of these opinions it is hard to conceive that these institutions would be able to accept such funds. Indeed, the two General Counsels have expressed the view that it would not be proper as a matter of law for the Executive Directors of the IBRD, IDA or IDA to adopt an interpretative resolution which would permit these institutions to accept such funds."

"I concur in the conclusions of the General Counsels that the relevant resolutions and the Charters of the three institutions do not permit the institutions to accept U.S. funds subject to the conditions referred to above."

IV. An extract from a statement by the Comptroller General of the U.S.:

"This is in response to your request for our views concerning whether the international financial institutions could accept contributions or subscriptions from the United States conditioned upon the restrictions contained in [the House Bill]..."

"The Resolutions[of the institutions, relating to the contributions] set forth conditions concerning acceptance of subscriptions or contributions. They do not provide for the acceptance of contributions or subscriptions which impose conditions on the respective institution's use of the funds. Thus, each of the institutions....indicates that it could not accept contributions or subscriptions so conditioned. We would have no basis to question the interpretations placed on the resolutions by the institutions."

V. An extract of a statement of the Congressional Research Service:

"This memorandum is submitted in response to your request for a review of the Articles of Agreement, Board of Governors resolutions, subscription agreements and replenishment agreements of the IBRD, the IDA, the IFC, and the IDB, in order to determine whether these institutions may legally accept subscriptions and contributions from countries which contain conditions or restrictions similar to those contained in [the House Bill].

"It would seem that a strong argument can be made that the lending institutions may not, consistent with their Charters, and Board of Governors Resolutions, accept subscriptions or contributions from countries which contain conditions or restrictions similar to those contained in [the House Bill].

"In addition to the above, it may also be argued that the Charters or Articles of Agreement of IBRD, IDA, IFC and IDB constitute binding international treaty obligations of the United States. Article 26 of the Vienna Convention provides that "every treaty in force is binding upon the parties to it and must be performed by them in good faith."

"Article 27 of the Vienna Convention on the Law of Treaties provides that "a party may not invoke the provisions of its internal law as justification for its failure to perform a treaty."

"Thus, the sections of [the House Bill] if enacted, would appear to have violated the respective Charters, thereby placing the United States in breach of its treaty obligations under international law."

VI. An extract of a statement by the House of Delegates of the American Bar Association:

"Be it resolved, that the American Bar Association opposes unilateral restrictions on contributions for subscriptions to the World Bank and other international development banks which are inconsistent with their Charters."

The Report to the House of Delegates supporting the Resolution states:

"The issue...concerns Congressional attempts to restrict U.S. voluntary subscriptions or contributions in ways differing from the terms contained in the resolutions authorizing the institution to accept the funds."

"Such legislative restrictions directly conflict with the objectives set forth in the charters of the IFI's and with specific charter provisions designed to insure their freedoms from political influence."

"Clearly, the offering of restricted funds by a member of one of these institutions would violate the spirit of its charter and necessitate refusal by that institution."

"In summary, the international development banks would violate their charters if they accepted restricted funds."

VII. An extract from the statement by living ex-Secretaries of the U.S. Treasury: Messrs. Anderson, Barr, Connally, Dillon, Fowler, Kennedy, Shultz, Simon:

"If such restrictive amendments were to be adopted, they would effectively end U.S. participation in the Banks. The charters of these multilateral institutions do not permit the banks to accept funds so conditioned by individual members."