Folder Title: IDA VI Replenishment - Correspondence 05

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McNamara Papers

Folder 5 of 6

FORM NO. 75
(9-78)

THE WORLD BANK

ROUTING SLIP	DATE: February 19, 1981

NAME	ROOM NO.
Mr. Robert S. McNamara	
cc: Messrs. Qureshi	
Gabriel	
Wood	

	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:

(1) Table II completed.
(2) List of Advance Contributors.
(3) Draft Statement for governments.

FROM: PVA	ROOM NO.:	EXTENSION:
Paul V. Applegarth	C-1204	75765/6

IDA VI Replenishment

Table I - Commitment Authority
(By FY in $ millions)

	As Negotiated				Reagan Plan				McN Plan			
	81	82	83	Total	81	82	83	Total	81	82	83	Total
US	940	1070	1230	3240	540	850	1850	3240	540	850	1850	3240
Others	2540	2890	3330	8760	1454	2294	5012	8760	2540	2890	3330	8760
Total	3,480	3,960	4,563	12,000	1,994	3,144	6,862	12,000	3,080	3,740	5,180	12,000
%	29	33	38	100	16.6	26.2	57.2	100	25.7	31.2	43.1	100

"Other" donors will be asked to authorize commitments against their contributions on the "Negotiated" schedule with the understanding that: 1) at no time would such commitments exceed 270% (73%÷27%) of the "probable" US IDA VI appropriation (that figure will change as legislative action takes place; until appropriated in FY 81 it will be "2,000 mill." 2) at no time will "cash" be drawn from "Others" other than in the ratio 73/27 ...

Table II - Outlays
(By FY in $ millions)

	As Negotiated			Reagan Plan			McN Plan		
	US	Others	Total	US	Others	Total	US	Others	Total
81	18	49	67	10	27	37	16	43	59
82	114	308	422	70	188	258	102	276	378
83	269	727	996	197	531	728	249	675	924
84	468	1265	1733	410	1108	1518	452	1222	1674
85	576	1557	2133	534	1443	1977	564	1526	2090
86	607	1641	2248	600	1622	2222	605	1637	2242
87	473	1279	1752	524	1418	1942	487	1317	1804
88	339	917	1256	388	1050	1438	353	952	1305
89	186	503	689	234	633	867	199	539	738
90	134	362	496	189	511	700	149	401	550
91	56	152	208	84	229	313	64	172	236
Total	3240	8760	12000	3240	8760	12000	3240	8760	12000

← incl Outlays for new commitments + US share 72/72

718 4/24

ADVANCE CONTRIBUTIONS TO THE SIXTH REPLENISHMENT a/
(In millions)

	Country	National Currency	US$ Equivalent	SDR Equivalent	Unit of Obligation
Part I:	Australia	67.843	76.399	58.278	Nat'l Currency
	Canada	165.609	141.995	108.316	Nat'l Currency
	Denmark	247.680	48.000	36.615	Nat'l Currency
	Finland	89.447	24.000	18.307	Nat'l Currency
	France	445.500	107.609	82.086	Nat'l Currency
	Germany	880.350	500.002	381.410	SDR
	Iceland b/	1.380	0.361	0.276	Nat'l Currency
	Ireland	2.077	4.400	3.356	Nat'l Currency
	Japan	140377.220	625.845	477.405	Nat'l Currency
	Luxembourg	14.250	0.500	0.381	Nat'l Currency
	Netherlands	204.206	104.400	79.638	Nat'l Currency
	New Zealand	2.900	2.908	2.219	Nat'l Currency
	Norway	200.000	40.630	30.993	Nat'l Currency
	South Africa	0.826	1.000	0.763	Nat'l Currency
	Sweden	230.000	55.302	42.185	Nat'l Currency
	(15)		1733.351	1322.228	
Part II:	Korea	421.080	0.871	0.665	Nat'l Currency
	Yugoslavia	127.047	6.667	5.085	Nat'l Currency
	(2)		7.538	5.750	
		TOTAL	1740.889	1327.978	

a/ This table is based on IMF representative exchange rates and the SDR value of currencies published by the IMF on October 5, 1979.

b/ Effective January 1, the currency of Iceland was changed such that 100 old Krónur = 1 new Króna.

DRAFT
PVApplegarth:sl
February 19, 1981

Draft Statement of Mr. McNamara's Proposal for Discussion with Governments

As you and your authorities know, the Reagan administration has expressed its intention to request Congressional authorization of the full amount negotiated for the U.S. in IDA6. However, the Administration has proposed to alter the schedule of appropriation originally contemplated for the three year IDA6 period. In order to minimize the disruption to IDA's planned operations and the consequent impact on the poorest developing countries which could be caused by this change, IDA is requesting other donors to authorize commitments against ~~the~~ THEIR contributions on the schedule originally negotiated. To preserve the spirit of the burden sharing arrangements underlying the IDA6 agreement and to ensure other donors' interests are not prejudiced by this action, IDA would proceed with the understanding that:

(i) At no time would IDA6 commitments against donor contributions exceed 370%[1/] of the U.S. appropriation that IDA can expect to receive with reasonable certainty. This would ensure that U.S. share of total IDA6 commitments represented the 27% share negotiated in the agreement.

(ii) At no time would IDA make calls on other donors other than in the 73:27% ratio negotiated in the agreement. [as adjusted for the understanding reached regarding calls from the United Kingdom.]

1/ 100% ÷ 27%.

718 4/23

WORLD BANK

OFFICE OF THE PRESIDENT

1. Fill in the detail by country for Tables I & II

2. Test "Advance" contributions by country

3. Prepare a draft text of the New Proposal* for discussion with govts; state "protective" clauses; + "Operating" plan —

* "No Risk — No Cost"

IDA VI Replenishment

Table I – Commitment Authority
(By FY in $ millions)

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Others	2540	2890	3330	8760	1454	2294	5011	8760	2540	2890	3330	8760
Total	3,480	3,960	4,563	12,000	1,994	3,144	6,861	12,000	3,080	3,740	5,180	12,000
%	29	33	38	100	16.6	26.2	57.2	100	25.7	31.2	43.1	100

a) "Other" donors will be asked to authorize commitments against their contributions on the "Negotiated" schedule with the understanding that:
1) At no time would such commitments exceed 270% (73%÷27%) of the "assumed" US IDA VI appropriation (that figure will change as legislative action takes place; until approximately 11/1/81 it will be "2000 million").
2) At no time will "cash" be drawn from "Others" other than in the ratio 73/27 to the US.

Table II – Outlays
(By FY in $ millions)

	As Negotiated			Reagan Plan			McN Plan ← use Outlays for agreed commitments & US share 72%		
	US	Others	Total	US	Others	Total	US	Others	Total
81	18								
82	114								
83	269								
84	468								
85	576								
86	607								
87	473								
88	339								
89	186								
90	134								
91	56								
Total	3240								

IDA VI Replen *12 Billion

US share 27% 3.240 "

	"Plan" Per Agree	Carter Prop	Reagan Prop
FY 82	940 (29%)	1080 (33.3%)	540 (16.8%)
83	1080	1080	1100 (33.9%)
84	1220	1080	1,600 (49.4%)
	3,240	3,240	3,240 (100.0)

81 540
2 850
3 1850

1. Bad for commitments in FY81
2. But an excellent base for IDA VII negotiations
3. Because of 2, propose to all other donors:
   a. They authorize commitment of their funds on the 29%, 33%, 37% schedule + the US & donors* agree "no penalty" on cash to the
   b. We process projects on presently "approved" FY81-85 Program + carry over *400m on 7/1/81 + *380m on 7/1/82

aly of that curr. at such times that
no danger of others putting in more
than Fund.

OFFICE MEMORANDUM

718/4/21

TO: **Mr. Moeen A. Qureshi, SVPFI**

DATE: **February 18, 1981**

FROM: **H. Golsong, VPG**

SUBJECT: **IDA - Sixth Replenishment**

You have asked what the legal position would be under the Sixth Replenishment Resolution on the assumption that the United States obtains full Congressional authorization for its IDA 6 commitment of $3.24 billion and an appropriation in U.S. FY81 of $540 million, in FY82 of $850 million and in FY83 of $1,850 million. It is assumed that the United States would deposit its notification under Section E of the Resolution that it would make its total subscription and contribution in accordance with the terms of the Resolution, $540 million without qualification and $2,700 million subject to obtaining the necessary appropriations.

Such action on the part of the United States would require no renegotiation of the Sixth Replenishment arrangements and no amendment of the Sixth Replenishment Resolution. The giving of the formal notification described above will permit the Replenishment to become effective in accordance with the terms of the Resolution (assuming sufficient notifications have been received from other Part I members). The payment provisions under Section B (4) (c) and (d) are flexible and would permit payments by the United States on the schedule of the suggested appropriations. However, since the United States will only have given an unconditional commitment to pay a part of the first tranche of its subscription and contribution (16.7% instead of 29%), there will be a limit on the ability of the Association to enter into new credits under Section F of the Resolution. Under this Section, the Association will only be able to commit 16.7% of the subscriptions and contributions of other members. Certain members have made advance contributions to the Association which are not subject to this limitation until the Replenishment becomes effective. If more than 16.7% of the subscriptions and contributions of these members are committed before the effectiveness of the Replenishment, it follows from Section F that no further amount may be committed in respect of these members' subscriptions and contributions until the United States has given further unconditional commitments. Individual members can waive this limitation in Section F on the Association's ability to make commitments against their subscriptions and contributions. The fact that one member has permitted commitments in excess of 16.7% of its subscription and contribution does not mean that the Association will have to commit less than 16.7% of other members' subscriptions and contributions.

02/18

7/8 /4/20

REDUCTIONS IN FOREIGN DEVELOPMENT AID PROGRAMS

The Administration will propose a 26% reduction from the current 1982 budget request for foreign development aid and further reductions during 1983-86. This action will halt the very rapid growth requested for development aid in the Carter budget, for example 33% in 1982. It is intended to assure that the most critical U.S. foreign policy objectives are served effectively, but at much less cost, by eliminating low priority activities.

The agencies and programs affected by the proposal include contributions to the multilateral development banks (such as the World Bank); payments to the United Nations and other international organization programs; the Agency for International Development; food aid shipments under Public Law 480; and the Peace Corps. All existing international commitments will be met; however, some payments to the U.N. and other multilateral programs will be stretched out.

Humanitarian programs, such as those providing emergency disaster relief and refugee feeding, will be maintained close to the levels of recent years. The AID programs, cut by 20% in 1982, will be reoriented to assure that they clearly contribute to the ability of Third World countries to improve their economic performance, rather than merely transferring dollars.

For future contributions to multilateral institutions, there will be a careful assessment of whether the U.S. funds will be used efficiently and how well the institutions are serving the United States and the international community. The reduced program of very low interest loans for exports of food under Public Law 480 will also be examined in light of the current rising trend in commercial agricultural exports to insure that it is targeted on the highest priority U.S. objectives abroad.

The reduction in the current 1982 appropriations request will be $1,854 million, rising to a cut of $3,187 million from 1986 spending as projected in the Carter budget. Foreign aid funds are actually spent over a period of years after they are appropriated; and as a result, the near-term savings in actual cash budget outlays will be small. In the past this circumstance has been used as argument against foreign aid cutbacks. Cash budget outlay savings will be $402 million in 1982, but will rise to $1.8 billion by 1986 and even higher in the following years, contributing importantly to the vital long-term effort to bring the Federal budget under control.

Further specific details on these development aid reductions will be provided when the revised budget is transmitted to the

338-363 O - 80 - 14

Congress. The proposal is expected to result in the following changes in funding:

	(in millions of dollars)					
	1981	1982	1983	1984	1985	1986
Current base:						
Budget authority....	5,430	7,246	6,567	7,680	8,188	8,644
Outlays............	4,944	5,180	5,666	6,360	6,912	7,430
Policy reduction:						
Budget authority....	-616	-1,854	-205	-2,513	-2,978	-3,187
Outlays.............	-85	-402	-584	-1,063	-1,527	-1,827
Proposed budget:						
Budget authority....	4,814	5,392	6,362	5,167	5,210	5,457
Outlays.............	4,859	4,778	5,082	5,297	5,385	5,603

Summary table of Budget Authority and Outlay Savings
1981-1986

Summary Table (con't)
(in millions of dollars)

	1981 BA	1981 O	1982 BA	1982 O	1983 BA	1983 O	1984 BA	1984 O	1985 BA	1985 O	1986 BA	1986 O	Item Totals BA	Item Totals O
Other Independent Agencies														
EPA Waste Treatment Grants.................	1,000	---	3,610	125	1,540	1,045	1,860	1,970	2,170	1,960	2,465	1,950	12,645	7,050
NASA....................	75	60	330	241	248	334	-90	86	-390	-156	-200	-124	-27	441
Civil Aeronautics Board-Airline subsidy.	---	---	56	50	64	64	54	54	34	34	2	2	210	204
Corporation for Public Broadcasting...........	---	---	43	43	52	52	73	73	98	98	111	111	377	377
Export-Import Bank.....	750	60	1,980	410	2,110	990	2,250	1,380	2,410	1,600	2,560	1,710	12,060	6,150
Foreign Aid (FAP)......	616	85	1,854	402	205	584	2,513	1,063	2,978	1,527	3,187	1,827	11,353	5,488
National Consumer Cooperative Bank.......	91	82	136	128	160	152	185	178	185	175	200	190	957	905
National Endowment for the Arts/Humanities..	---	---	165	85	186	131	203	193	222	223	239	231	1,015	863
National Science Foundation.............	63	26	66	15	90	81	120	109	153	141	183	155	675	527
Office of Personnel Management - Institution of annual COLA....................	---	---	558	510	472	424	430	389	416	366	417	367	2,293	2,056
Postal Service Subsidies	250	250	632	632	690	690	765	765	779	779	779	779	3,895	3,895
Student Loan Marketing Association (off-budget)................	---	---	---	(1,923)	---	(2,500)	---	(3,000)	---	(3,500)	---	(4,000)	---	(14,923)
Water Resource Development Construction programs.	---	---	95	90	340	337	545	544	515	514	215	217	1,710	1,702
Corps of Engineers...	(---)	(---)	(50)	(50)	(296)	(296)	(485)	(485)	(439)	(439)	(179)	(179)	(1,449)	(1,449)
Water & Power Resources Service..............	(---)	(---)	(35)	(35)	(28)	(28)	(43)	(43)	(57)	(57)	(20)	(20)	(183)	(183)
Soil Conservation Service..............	(---)	(---)	(10)	(5)	(16)	(13)	(17)	(16)	(19)	(18)	(16)	(18)	(78)	(70)
U.S. Railway Association Conrail subsidies.....	-350	-250	400	300	550	550	300	300	150	150	100	100	1,150	1.150
Subtotal............	2,495	313	9,925	3,031	6,707	5,434	9,208	7,104	9,720	7,411	10,258	7,515	48,313	30,808
Federal Personnel Reduction not related to above reductions.............	386	386	1,342	1,342	1,811	1,811	2,264	2,264	2,763	2,763	3,263	3,263	11,829	11,829
Effects on civilian agency pay costs of revising the Federal Pay Comparability Standard................	---	---	2,165	2,079	2,938	2,907	3,463	3,356	3,740	3,698	3,990	3,873	16,296	15,913
Mineral Leasing on Outer Continental Shelf and Federal Lands 6/...............	250	250	800	800	2,000	2,000	3,100	3,100	3,500	3,500	3,500	3,500	13,150	13,150

718/4/25

Data Relating to IDA VI and U.S. Participation

1. Total Commitment from donors: $12 billion
2. U.S. share 27% = $3.24 billion
3. Appropriations Required:

	Carter Proposed	Reagan Proposed
FY81 - 29% x $3.24 billion =	$940 million	540
FY82 - 33% x $3.24 billion =	$1070 million	850
FY83 - 38% x $3.24 billion =	$1230 million	1850
	$3240 million	3240

4. Outlays Required:1/

	Carter's Proposed ($ million)			Reagan Proposed $ million			
	FY81 Approp.	FY82 Approp.	FY83 Approp.	FY81 Approp.	FY82 Approp.	FY83 Approp.	
FY81	18			10			10
FY82	94	20		54	16		70
FY83	150	96	23	86	76	35	197
FY84	182	176	110	105	140	165	410
FY85	179	235	162	103	187	244	534
FY86	166	222	~~209~~ 219	95	176	329	600
FY87	82	156	235	47	124	353	524
FY88	52	104	183	30	83	275	388
FY89	17	42	127	10	33	191	234
FY90		19	115		15	174	189
FY91			56			84	84
							3240

~~Note: U.S. Fiscal Years~~

FPA
1/27/81

1/ Assumes calls made pro rata in proportion to unqualified commitments.

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718/4/19

MINUTE OF MR. McNAMARA'S MEETING WITH U.S. SECRETARY OF STATE ALEXANDER HAIG

WEDNESDAY, FEBRUARY 4, 1981

Mr. McNamara called on Mr. Haig, the U.S. Secretary of State, on February 4, 1981 at about 4.45 p.m. Mr. Meyer Rashish (Under Secretary for Economic Affairs) and Mr. Qureshi were present at the meeting.

After an exchange of greetings, Mr. McNamara said that while IDA 6 was clearly the most pressing issue for the Bank, there were a few other points as well that he would like to mention. First, he wished to inform the Secretary about Jamaica. The Bank's association with Jamaica was of long standing but the Bank's role and contribution diminished steadily during the tenure of Prime Minister Manley. In fact, the Bank had stopped operating in Jamaica sometime before the elections due to growing economic and political disruption in the country.

An important change in the situation had occurred with the election of Prime Minister Seaga. Mr. McNamara had met with Premier Seaga when he visited Washington in November and had discussed with him the resumption of Bank assistance. The Bank had quickly put together a substantial program for Jamaica consisting of seven loans, mainly for projects, for a total amount of about \$110 million to be provided over the next 12 months. The program included a structural adjustment loan which would facilitate the adjustment process in the economy and help stabilize and strengthen it. The Bank had also organized a Caribbean Consultative Group which was helping to coordinate and expand assistance to the region by bringing together a number of governments with an interest and stake in the region. Within the Consultative Group there was a sub-group for Jamaica which it had been expected the U.S. would organize and chair. Mr. McNamara had been informed that David Rockefeller had been asked to organize a private sector group with the objective of encouraging private capital flows to Jamaica. However, the task of assisting Jamaica was clearly much larger than could be tackled by private sector alone, and it would be essential to organize and coordinate official flows as well. If the U.S. had difficulty in finding someone to chair the Jamaican sub-group, the Bank would be prepared to suggest appropriate names, or to provide a person from the Bank, if necessary. Mr. McNamara mentioned the names of Peter Petersen, Peter Flannagan and Jack Hennessey as the type of person who would be suitable, and who, if prepared to work only part time on this task, could still provide very effective leadership. For its part, the Bank would be fully prepared to support this effort with technical and administrative backup.

According to Mr. McNamara, the prospective Bank role in Jamaica was analagous to that which the Bank had performed in Turkey. He recalled that he had initially raised the issue of Turkey with Chancellor Schmidt and had asked him to assume leadership in organizing the aid effort for Turkey. He had also proposed that a person with experience and authority should be designated to head that effort. Chancellor Schmidt had agreed to his suggestion and had picked Leister-Kiep, a member of CDU from the Government of Lower-Saxony, to head the

Turkish aid effort. Mr. McNamara pointed out that a similar approach could be used to organize and coordinate aid and capital flows to Jamaica. The Seaga Government represented perhaps the last opportunity to save the situation, and the opportunity should not be lost.

Next, Mr. McNamara turned to an issue which, though of lesser overall significance, had, nevertheless, caused him concern. An IBRD loan for Guyana had been presented to the Bank Board on the previous day. The night prior to the Board meeting, the U.S. representative on the Bank Board had suggested that the loan be withdrawn. This was totally inconsistent with Bank procedure and could not be done. As a result, the U.S. Director had abstained when the loan was presented to the Bank Board. The loan to Guyana was passed, with all other directors voting in favor of it, but it was a matter for great concern that, through actions such as these, the U.S. appeared to be sending quite the wrong signals to other countries. Mr. McNamara felt sure that the matter had not been considered within the State Department. Personally, he held no particular brief for the present Prime Minister of Guyana but he was a decided improvement on his predecessor. Moreover the loan itself was for structural adjustment, a program undertaken jointly with IMF and aimed at reducing consumption and at restructuring the economy. It was hard for Mr. McNamara to see how a negative U.S. attitude towards the Guyanan loan, which was only one illustration of a prevailing attitude, could be considered consistent with long term U.S. interests.

Mr. McNamara then spoke about the critical need for a sensible energy policy and for a program aimed at expanding energy investment in developing countries. He felt that a sensible energy policy had not yet been evolved, even in the United States. The recent action in the area of deregulation should help, and so should the new market-oriented policies for the energy sector signalled by the Reagan Administration, but there was still a long way to go, especially in reducing energy consumption. As regards the OECD nations, they appeared to be especially "accident-prone", in the sense that interruptions in supply could have a devastating impact on them, with all the attendant risks. In these circumstances, the Bank was trying, in a modest way, to develop an expanded program of financing energy development and conservation, which, although aimed primarily at the developing countries, was bound to benefit all nations.

Secretary Haig said that he was glad to hear about the steps that the Bank was taking with respect to Jamaica; they appeared very useful. He agreed with Mr. McNamara about the importance and urgency of assistance to Jamaica. A few days earlier he had discussed the matter with the Canadian Foreign Minister who had also shown strong interest in developments in the Caribbean region, and in Jamaica in particular. The U.S. would like all the help that the Bank could provide on Jamaica. Secretary Haig had known Leister-Kiep and his role in Turkey and he agreed that someone appropriate should be found to head the group on Jamaica. He asked Mr. Rashish to look into the matter.

With respect to the issue of the Guyana loan, Secretary Haig said, after checking with Mr. Rashish, that they had not been aware of this matter in the State Department. This was not surprising since the U.S. Executive Director received his instructions from the Treasury. However, there would be merit in State having a bigger role in this general area. Secretary Haig asked Mr. Rashish to look into the Guyanan loan issue. The Secretary looked forward to working closely with Mr. Don Regan on such matters because the latter was a good "team player".

On energy, Secretary Haig was in complete agreement with Mr. McNamara's views. He perceived the vulnerability of NATO countries to supply-side risks and said that they in the State would like to know more about the Bank's plans in the energy field.

Mr. McNamara then turned to the IDA 6 matter. He expressed appreciation for the support that Secretary Haig had provided and the position he had taken, and said that the Bank -- and he personally -- would be prepared to help in any way they could once the budget was sent to the Congress.

Describing the status of IDA 6, Secretary Haig said that the Administration would go ahead and propose to the Congress the full amount of the U.S. share of IDA 6 without any cuts. As regards the General Capital Increase, the subscription would be phased over six years. The Secretary felt that the review sent out by OMB had not been thought through and therefore it had not been too difficult to get the position changed. However, there remained a serious problem ahead, and it concerned the prospects of IDA 6 in the Congress. In that area Mr. McNamara's help would be needed.

Mr. McNamara responded that he would assist to the maximum extent possible but the Bank would have to do so under the direction of both State and Treasury. He did not think it appropriate for an international institution such as the Bank to be "free wheeling" within the U.S. Administration. Indeed he had been reluctant to contact State until he had first established contacts with the Treasury, which was the designated channel for communication with the U.S. Government. The Bank, and he personally, had a lot of friends on the hill and if the Administration were prepared to give strong support, he was sure that the IDA legislation would pass. Secretary Haig said that the Bank's support would be valuable at the Congressional stage, and that he would like to remain in touch with Mr. McNamara on this and other matters.

cc: Mr. Stern

MAQ

MAQureshi:gmb
February 5, 1981

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7 18 14/14

MINUTE OF MR. McNAMARA'S MEETING WITH MR. MEYER RASHISH, U.S. UNDER SECRETARY FOR ECONOMIC AFFAIRS, WEDNESDAY, FEBRUARY 4, 1981

Prior to his meeting with Secretary Haig, Mr. McNamara stopped by to see Mr. Meyer Rashish, Under Secretary for Economic Affairs. Others present included Messrs. Barney Rush and Mr. Jacques Gorlin, Special Assistant and Executive Assistant to the Under Secretary, respectively, and Mr. Qureshi.

On IDA 6, Mr. Rashish explained the current status, namely that the entire amount of IDA 6 budgetary appropriation proposed in the Carter budget would be retained unchanged, but that the proposed U.S. subscription to the GCI would be phased over 6 years.

Messrs. Rashish and Gorlin foresaw problems with these proposals at the Congressional stage. Mr. McNamara expressed his desire to be as helpful as possible. The Bank had many friends on the Hill, and he personally had excellent relations with a number of key Senators (e.g. Mathias) and Congressmen. Mr. Gorlin recalled how effective Mr. McNamara's breakfast meetings with members of the Senate and the House had been, and he urged that similar contacts should be renewed. Mr. Rashish agreed that the proper way of enlisting the Bank's support should be carefully reviewed, and he would pursue this matter on the basis of further discussions with the Bank.

02/09

Mr. Rashish was of the view that the Stockman proposals reflected a certain degree of over-zealousness in the early period of the Administration. The lesson he had already learned in the few days he had been in Office was to recognize that the assumption of responsibility tended to constrain severely the choices that were available. There were great differences between the flexibility enjoyed by a detached critic -- such as he himself had been prior to joining the Government -- and the limited room for maneuver available to a person who had to shoulder the responsibility of day-to-day government.

The need for formulating an appropriate and effective energy policy and program was discussed both in the context of the U.S. and other industrialized countries, and in terms of the requirements of the oil importing developing countries. Mr. McNamara referred to the risky and accident-prone energy environment in which the OECD countries would operate over the next decade, and therefore to the importance of global measures to ensure conservation, reduction in consumption, and a broadening of energy alternatives. In this connection, Mr. McNamara noted his recent discussion with a group of oil executives which had given him cause for great concern about the policy vacuum that existed in this field. Mr. Rashish expressed great interest in this general area and hoped he could pursue it further with the Bank. Mr. Rush enquired about the attitude of the private oil companies to the Bank's initiative in the energy sector. Mr. McNamara noted that a couple of years ago, the Chairman of Exxon, Mr. Garvin, had been critical of the Bank's expanded involvement in this sector.

On the other hand there were companies, such as Gulf, that were strongly supportive. There was now much greater recognition in the private sector that the Bank's activities would be complementary rather than competitive and there was now considerable support from private oil companies for an expanded Bank role.

The issue of the U.S. Executive Director's abstention on the Guyanan loan was also discussed. Mr. Rashish felt that the State Department should have a greater voice in the appointment of the Executive Director to the Bank, and in framing his instructions. This was a matter that he intended to look into.

On Jamaica, Mr. McNamara described the history of Bank relations with Jamaica and asked whether the U.S. intended to chair the sub-group on Jamaica. If the U.S. did not wish to do so, the Bank would be prepared to designate someone. It would also be prepared to provide all necessary backup and technical support for the sub-group. Mr. Rashish said that David Rockefeller had been asked to head a private sector group to organize private capital flows to Jamaica. He agreed that this did not meet the needs of the Jamaican situation fully and that an appropriate head for the sub-group should be found. He promised to look into this matter.

Mr. Rashish concluded by saying that the Bank appeared to be doing some very important things. There were various aspects of the Bank that he did not know well and he would like to get to know the Bank better. Mr. McNamara responded that he was most welcome and he would gladly arrange for Mr. Rashish to come to the Bank and to meet with him and his associates.

cc: Mr. Stern

MAQureshi:gmb
February 6, 1981

7-18/14/9

JAMAICA - OFFICIAL CAPITAL AVAILABILITIES AND REQUIREMENTS a/

(April 1981 to March 1982)
(US$ million)

Source	Jamaican assessment	Bank assessment c/
Availabilities		
a) IMF (EFF/CFF)	260.0	260.0
b) World Bank b/	110.0	110.0
c) IDB	15.0	15.0
d) OPEC Fund	20.0	15.0
e) Trinidad Oil Facility	16.0	16.0
f) Venezuela Mexico Oil Facility	100.0	100.0
g) USA	71.0	35.0
h) Other Caribbean Group Donors	52.5	52.5
i) Commercial Bank's Refinancing	79.5	61.5
j) Trinidad Refinancing	18.5	18.5
k) Canadian Refinancing	22.0	22.0
l) New loan from banks in Steering Committee	70.0	40.0
m) New loan from European Banks	60.0	-
n) Additional assistance from Caribbean Group Donors	60.0	-
o) Sale of Bauxite to US for stockpiling	50.0	-
Total Availabilities	1,004.5	745.5
Total Requirements	1,004.5	798.0
Difference	0	52.5

a/ Excluding project financing and private direct investment.
b/ Assumes a US$35 million EDF loan and US$75 million SAL. The total SAL amount, might not be fully available for disbursing in the April 1981/March 1982 period, depending on date of Board approval and on tranching arrangements.
c/ Preliminary.

1/3/81

Current Bank Lending Program

		US$ million	Appraisal	Board Presentation
	FY81			
1.	EDF II	35 to 40	November 1980	April 1981
2.	Technical Assistance Loan for Economic and Financial Management	5	March 1981	June 1981
3.	Petroleum Exploration	5 to 10	January 1981	June 1981
	FY82			
4.	Kingston Free Zone	15	December 1980	July 1981
5.	SAL I a/	30 - 50	April 1981	August 1981
6.	Export Agriculture	15	N.A.	Early 1982
7.	Power III	30	June 1981	March 1982

$135 to $165 million next 12 months

a/ Further SALs may be considered in FY83 and 84.

2/3/81

135

4. In addition, Kingston Free Zone loan $10-15 million July-Aug and Agricultural Export $5 million Jan-Feb '82.

JAMAICA

for economic & financial management

1. IMF negotiations are expected to be completed next week for an EFF of about SDR 500 million, disbursable over three years. Available for 1981 about $200 million.

2. We are working on the replenishment of the Export Development Fund which we established under the previous program loan to Jamaica. Estimated amount $34 million. (IDB might make a $40 million loan for industry in conjunction with us.) If the Fund negotiations stay on schedule, we ought to be able to take this project to the Board in ~~March~~ April. Also in preparation for this fiscal year is a technical assistance project (about $5 million) and a Petroleum Exploration and Promotion Project ($5-10 million), for which a mission is now in the field. not less than IDB

3. A Bank economic mission is scheduled to leave for Jamaica February ~~10~~ 16. One of their objectives would be to prepare for a Structural Adjustment Loan. ~~Even if all goes well,~~ such a loan would ~~not be ready until the fall~~ be ready long in Sept. ($30 to 50 million) -- one of a series of 2 or 3.

4. A meeting with the private bankers is now in progress to reschedule payments. Some may agree to increase exposure.

5. The first of the preparatory meetings of the Jamaica Aid Group will start in mid-February. The U.S. has been asked by the Jamaicans to chair it. If they want to make a serious effort, they ought to appoint someone of reasonable public stature, especially for this purpose, who would also follow up with potential donors. If not we could chair it.

6. Current estimates still suggest a substantial unfinanced current account deficit if efforts to stimulate investment and output are successful. However, there is much uncertainty about the estimates, including the effect of the prospective changes in the exchange rates, the behavior of private capital, and the possible reflow of previous flight capital.

7. Our only short-term flexibility would be to add $10-15 million to the EDF loan for imports of agricultural inputs and treat the combined package as a program loan (or a separate program loan) on the grounds that quick disbursing assistance is needed and this is a preparation for an SAL. (The fact that an EFF is in place would be evidence that the Government is moving on adjustment.) We might want to keep this flexibility in reserve for the time being. justified?

Pete
Nat
Ed Martin
Jack

Bill Rogers
Peter

1/29

THE WORLD BANK 7/18 14/18

Office of the President

Haig, 7/29

He agreed to support IDA VI w/o reneg- if I would help obtain add'l support for Jamaica ("one good turn deserves another")

I said I would - He said could he tell Seaga. I said yes with the understanding that IDA VI was secure.

[Suggest appt of a "Paterson" (à la Schmidt + Tenley) to push support for Jamaica (later other parts of the Carib + possibly Central America) + work with Baltha[illegible] + me - I would help after 7/1.]

7 18/4/17

THE WORLD BANK

Office of the President

Mathias 1/30/81

Merriam + Bob Russell

Conservative supporters of IFI's for overnight briefings within the next 30 days - [Peterson, Dillon, Clausen, Conn - Ill, Bob Anderson,] [illegible]

[illegible] - tactically put them thru IDA VI with Bill.

Stress geo-politics: Eastern Europe

Soviet & Turkey + Middle East

Soviets + Cuba - [illegible] - Salvador

Afr (Nigeria & oil)

Econ - e.g. [illegible] (Brz Report & Energy [illegible])

food [illegible]

IDA VI

THE WORLD BANK

7 18/4/16

Office of the President

Haig – ment – security etc. trade part of GCI for IDA
Full auth bill: would pass; no cost; [illegible]

Percy } ment
Mathias } stat
memos

Afr. Comms

FRG – Schulmann telexes [illegible] (must be general) from Lautenschlager to Haig – [illegible] will call [illegible] Schulmann to speed up – telex [illegible]

France – Mentré to Paris [illegible] to [illegible]

Japan – [illegible] to Haig [illegible] to Regan & For. Min.

Canada – [illegible] to Haig & Treas – [illegible] will call [illegible]

Nigeria – Abdullah to mobilize Afr. [illegible] & [illegible]

Algeria – Benyahia will talk to the Amb.

Mexico – Ernie to call [illegible] for [illegible] to call Regan

Senegal to France

Clausen – call Regan & Regan & Allen – [illegible]

Shultz

Fowler

Ernie – table of effect of 50% cut

7 1 8/4/12

WORLD BANK

OFFICE OF THE PRESIDENT

1/28

To Senator Mathias

Mac, as soon as you can spare a moment, may I come up to discuss with you the attached sheets relating to the IDA VI Replenishment.

I will come at any time convenient to you.

Bob McNamara

718 14/11

WORLD BANK

OFFICE OF THE PRESIDENT

1/28

To Senator Percy

Chuck, as soon as you can spare a moment, may I come up to discuss with you the attached sheets relating to the IDA VI Replenishment.

I will come at any time convenient to you.

Bob McNamara

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7/18/4/13

CONFIDENTIAL

MINUTE OF MR. McNAMARA'S MEETING WITH U.S. TREASURY SECRETARY REGAN

TUESDAY, JANUARY 27, 1981

Mr. McNamara met with Mr. Donald Regan, Secretary of the Treasury, on January 27, 1981 at 5.15 p.m. for about half an hour. Present at the meeting were Messrs. Beryl Sprinkel, Tim McNamara and Richard Erb (all from the Treasury) and Moeen Qureshi.

Mr. McNamara said that there were several important matters concerning the Bank that he would like to discuss with the Secretary and his associates but, given the limited time, he wished to concentrate on the issue of IDA 6 since it was the most pressing issue at the moment.

Secretary Regan responded that he was briefed on the issue of IDA 6 and knew its significance, including its international implications. He wanted to be candid - the program was in trouble. OMB was in the process of reviewing all expenditures and the new administration was determined to be quite drastic. It had set itself the objective of achieving a 2% reduction in FY 81 and 5% in FY 82. Commitments made by the previous administration would not necessarily be honored. Even entitlement programs would not be spared. If cuts could be made through executive order, they would be made and, if necessary, new legislation would be sought for this purpose. The President was asking his Cabinet members, virtually on a daily basis, whether they had been able to identify any new opportunities for making economies in expenditures. There was thus a lot of pressure within the administration and the OMB boys were "out with their hatchets".

Secretary Regan added that he recognized that there were international aspects of the IDA problem -- some of these concerned Secretary Haig (State Department), they also concerned the Treasury. This was the time for Mr. McNamara to make the case for IDA to Secretary Haig, and wherever else he could in the U.S. Government.

Mr. McNamara responded that this was precisely the reason why he was starting out with discussions at the Treasury. He recognized that the administration had a problem, or rather two problems: one of image, the other of substance.

Taking the substantive problem first, Mr. McNamara passed around a data sheet showing the cash outlays that would result from a U.S. undertaking to contribute \$3.24 billion under IDA 6. The cash outlays would be disbursed over nearly 10 years: they would amount to only about \$18 million in FY 81 and \$114 million in FY 82, and would rise gradually thereafter. The IDA 6 agreement had been drafted specifically to take into account the constraints under which the U.S. operated. There was considerable flexibility in the agreement; for example, it would be possible to slip the schedule for annual cash outlays, or "calls" on the U.S., by a year, if necessary. There was also some additional flexibility available in IDA procedures which he and his associates would be glad to discuss with Treasury officials in more detail.

But if economy was the objective, then IDA 6 was not the place to get it. The amount of actual cash payments envisaged from the U.S. over the next 2-3 years would be far too small to make any difference in the overall U.S. budgetary picture.

As regards "image", Mr. McNamara could see that there was some scope for giving an impression of budget economies by cutting the commitment to IDA 6 and trying to renegotiate the arrangements. He pointed out, however, that the renegotiation of IDA 6 would be extremely difficult. It had taken nearly 2-1/2 years to negotiate the agreement. Over the years, IDA agreements had been structured to take into account the special problems and requirements of the U.S. which was the largest contributor. The U.S. share had dropped progressively from 42% in the IDA 1 to 39% in IDA 3 and only 27% in IDA 6. This share, viewed in relation to GDP, was much smaller for the U.S. than for most other industrialized countries. By contrast, the U.K. share of over 10% was much too high when compared, for example, with the share of France of about 5%. The U.K. had been persuaded with great difficulty to maintain its high share. In the event of a renegotiation of IDA 6, it would clearly not be prepared to maintain its share, nor would it be justified to expect it to do so. But the problems extended beyond the U.K. Other countries such as Germany and Japan had been prevailed upon to take on a higher share than they were originally prepared to accept -- Japan had agreed to contribute 14.65% and Germany 12.5%. These countries would not allow the U.S. to renegotiate its share down while at the same time maintaining their own share unchanged. Under the circumstances, renegotiation represented a dangerous alternative; at best it would take a very long time to achieve and, more likely, it could run IDA out of business.

Mr. McNamara then turned to the IDA 6 issue, as it appeared to him in his capacity as an American citizen rather than an international civil servant. He said that he had convinced Japan to take a high share in IDA 6 on the ground that this constituted the cheapest way to buy security. In the same vein, he believed that it was in the long term foreign policy interest of the U.S. to support IDA. He cited the example of the Persian Gulf where the U.S. had strategic interests, and of countries such as Kenya, Somalia and Yemen, which the U.S. wished to strengthen, and where IDA was the primary source of foreign assistance. The Bank was in a position to influence these countries to adopt appropriate policies and take corrective steps with respect to their domestic economic situation which the U.S. would not be able to accomplish.

Turkey was yet another example where the Bank had worked with the country from the beginning on a step-by-step basis, providing both advice and financial assistance. In the case of Turkey, the Bank was a major but not a primary source of financing but its role in the formulation of the present economic program, and indeed in the designation of the person who had been put in charge of the program, had been extremely important.

In short, Mr. McNamara concluded by saying that while he could not see much substantive gain accruing to the administration from an attempt to cut existing commitments to IDA, he could see enormous confusion and problems resulting from such an effort both for IDA as an institution, for IDA recipients, and for OECD nations who were partners of the U.S. in this international effort.

Mr. Sprinkel asked whether it was not true that IDA resources were going to many soft projects that did not really earn a good return ? Mr. McNamara explained IDA lending procedures, emphasized the strict appraisal standards that were followed and the attention given to assessing their development merit, and, in particular, to the adequacy of their economic rate of return. He stated that an independent audit and evaluation system existed within the Bank. This Group examined all projects undertaken by the Bank and reports of its findings were published annually and disseminated publicly. He offered to discuss this matter in more detail with Sprinkel and to provide him with all the information he might wish to have on this subject.

Mr. Sprinkel then asked whether IDA loans did not lead the governments of the recipient countries to expand the role of the public sector in an unnecessary fashion, thereby pre-empting the appropriate role of the private sector. Mr. McNamara responded that all IDA loans had to be guaranteed with respect to repayment by the recipient Governments, irrespective of whether the funds were channelled to the Government or some other agency. It was true that a significant part of IDA funds were allocated to the financing of infrastructure, and to other fundamental productive efforts such as increasing agricultural production and institution building where the public sector had a leading role. The main test in each case was developmental merit. On this aspect also, Mr. McNamara said that it would be worthwhile to provide further information to Mr. Sprinkel on a subsequent occasion.

Mr. Tim McNamara asked whether the U.S. foreign policy objectives towards countries such as Kenya, Somalia and Yeman could not be better served through bilateral aid. Mr. McNamara said that, roughly three-fourths of U.S. aid was bilateral aid and only about one-fourth consisted of multilateral assistance, and he did not expect much increase in the multilateral component. Bilateral aid could not be an effective substitute for multilateral aid because the U.S. was not in a position to attain through bilateral means the results in terms of improved economic policy and performance which the Bank could achieve, and these results were very much in the long term U.S. interest.

Secretary Regan asked for Mr. McNamara's assessment of the situation and support in the Congress regarding IDA 6. Mr. McNamara said that an authorization bill had passed the Senate last year and had been marked up for House consideration but did not get House consideration due to the confused state of affairs towards the end of that Congressional session. He added that IDA had some good friends in the Congress such as Messrs. Percy, Mathias and Conti, but the Congressional reaction would depend upon the position taken by the Administration. If the Administration gave it strong support, the legislature would definitely be passed; without such support it would fail.

In response to Secretary Regan's question as to the next steps that should be taken, Mr. McNamara said that he would suggest that at this time the Administration should proceed to seek authorization for the full amount of IDA 6 and appropriation authority for the first installment (i.e. 29%). Authorization was the critical element. Existing contributions made under the bridging arrangement entered into by 16 donor nations for an amount of $1.7 billion would suffice until March. Some hiatus in IDA now seemed inevitable. However, if the U.S. Administration was prepared to take a strong supportive stand, and if it was prepared to indicate to the other donors that it would pilot the IDA bills through Congress, then it should be possible to set up some interim procedures beyond March and hold IDA together until U.S. legislative action was completed.

Secretary Regan thanked Mr. McNamara for his visit which was most timely since a Cabinet discussion of the budget, including the IDA 6 matter, was scheduled for the following morning. He said "he had got the message" and would do the best he could. He urged Mr. McNamara to go ahead and contact Secretary Haig also on the subject of IDA 6. He mentioned that Mr. Sprinkel would be the person to contact in the Treasury on IDA matters.

cc: Mr. Stern

1/28 I was told by 2 sources that after I left Regan issued instructions to Sprinkel to avoid a renegotiation of IDA VI.

MAQureshi:gmb
January 28, 1981

1/21/81
718/4/10

The Sixth Replenishment of IDA was negotiated among the following 33 countries:

Australia	Germany	South Africa	Argentina	Portugal
Austria	Italy	Sweden	Brazil	Romania
Belgium	Japan	United Kingdom	Greece	Spain
Canada	Luxembourg	United States	Iceland	Venezuela
Denmark	Netherlands	Kuwait	Ireland	Yugoslavia
Finland	New Zealand	Saudi Arabia	Korea	
France	Norway	U.A.E.	Mexico	

The negotiations were difficult and protracted, covering 19 months between December 1978 and June 1980. The outcome was an agreement that the participants would provide $12 billion over a period of approximately 11 years to finance the disbursements on loans which IDA would make over the three-year period beginning July 1, 1980. The United States succeeded in reducing its share in the Sixth Replenishment to 27% as compared to 32% in the Fifth Replenishment and 42% when IDA began operations in the early 1960s.

Until the United States obtains Congressional approval for its contribution to the Sixth Replenishment, the agreement is not binding on the other 32 donor countries. However, recognizing that Congressional approval was likely to be delayed until the latter part of 1980, and reassured by the pledge of the US Government to obtain the authorization at the earliest possible opportunity, 16 countries voluntarily agreed to provide a total of $1.7 billion to IDA in advance of their negotiated commitment. This was done in order to avoid delaying the implementation of projects which IDA had already appraised and which the Board of Directors had approved subject to availability of new IDA resources. When the $1.7 billion is fully committed in March 1981, IDA will--as a practical matter--be out of business until the United States is prepared to act.

A question has been raised as to whether the Sixth Replenishment agreement could be renegotiated in order to reduce the size of the US commitment. The answer is that a renegotiation would be extremely difficult to achieve and would almost certainly take many months to complete. Moreover, it would be contrary to several important US interests to seek such a renegotiation even if it could do so without much difficulty.

Consider first the prospects for a reasonably prompt and smooth renegotiation. The conditions that now make it tempting for the United States to seek a reduction in its commitment--namely; intense budgetary pressures in the context of determined efforts to limit the growth in public expenditures while maintaining a strong defense--affect other nations as well. For example, the Thatcher government has made it plain that it regards the share of the United Kingdom in the Sixth Replenishment (10.1%) as grossly out of line with that country's relative economic strength compared to, say, France (5.4%). It reluctantly agreed not to seek a major reduction in its share during the Sixth Replenishment only because it felt bound by the commitment given early in the negotiations by the Callaghan government not to seek a reduction in this Replenishment negotiation. That commitment in turn was based on the judgment that a major reduction in the UK share, taken together with the US effort to reduce its own share from 32% to 27%, would have made agreement impossible. If now the United States seeks to change the agreement, there is little doubt that the UK will demand--with some justification--a reduction in its share. This would in all likelihood trigger demands for adjustment from other countries, such as Japan, which were persuaded to accept unusually high shares in this negotiation --14.65% for Japan--as the price of achieving a Replenishment as high as $12 billion, a figure which they have been able to point to as evidence of their commitment to good relations with the Third World.

Moreover, several donor countries will have an interest in delaying any renegotiation attempt initiated by the United States. Although the OPEC countries have the financial resources to carry a greater share of IDA, they will certainly not increase their share if that means "bailing out" the United States or other industrial countries. The other developing country donors, such as Mexico and Yugoslavia, are likely to resist renegotiation even if it were to involve a simple pro rata reduction. It will be politically attractive for them to take the position that they stand by the agreement--and they expect the United States to do likewise. Finally, it is quite likely that France and perhaps other developed countries would welcome the opportunity to assume the role of champions of IDA and to castigate the United States for disrupting the flow of vitally needed assistance from 32 other donors to the poorest countries of the world.

For these reasons, an effort to renegotiate the Sixth Replenishment would certainly not be accomplished with dispatch. But, even if it could be done, it would be damaging to several important US interests to seek to do so. First, there is the obvious point that, if the United States seeks to renegotiate an international agreement because it faces severe budgetary problems, the precedent will not be lost on US allies in NATO or elsewhere. This is particularly so because the agreement is widely perceived as being highly advantageous to the United States and because other governments, especially Germany and Japan, had great difficulty persuading their respective parliaments to go ahead with advance commitments for this Replenishment. In other words, they have gone out on a limb to defend an agreement which they feel lets the United States off lightly.1/ If the United States now says it would like to renegotiate, the sense of letdown will be profound and it is bound to have an effect on other multinational negotiations.

1/ The US share of 27% is below that indicated as appropriate for the United States by a number of economic measures, such as its share in GNP or in trade with developing countries. The EEC share is 38% and, as noted, Japan's share is 14.65%.

Secondly, the security interests of the United States in the Persian Gulf area are served by the stability of several regimes in Eastern Africa (Somalia; Kenya), the Middle East (Yemen Arab Republic) and Southwest Asia (Pakistan), where IDA is a major source of economic assistance. While continued assistance to these countries doesn't guarantee stability, an abrupt cessation of IDA operations will certainly disrupt the development efforts and weaken the political position of those within these countries who favor close ties with the United States. While these effects could perhaps be offset through bilateral aid, that would take considerable time and would require the United States to pay 100 cents rather than 27 cents on the dollar, thereby offsetting the budgetary savings which are the purpose of the exercise. Moreover, IDA is in a position to offer advice on politically painful adjustment measures in a way which the United States cannot do without damaging bilateral relations. This applies not merely in the Persian Gulf region but in other countries (e.g., Egypt; India) where improvements in economic management serve long-range US interests.

Thirdly, the outcry from the developing countries which would inevitably accompany any US attempt to renegotiate IDA would, at a minimum, distract attention from the damage being done to many developing countries by the higher oil prices. The North-South Summit in Mexico tentatively set for mid-1981, which the German Government has supported as a means to urge restraint on the oil producers (Saudi Arabia, in particular), would instead provide a forum for berating the United States. The Ottawa Summit in Toronto which is to come shortly thereafter and which was decided by the Heads of State in Venice as an occasion to review North-South issues, would also be a source of embarrassment not only for the United States, but more particularly for Canada. Such embarrassment is perhaps less important than the linkage the OPEC countries--especially Saudi Arabia--have drawn between the state of the North-South dialogue and their willingness to discuss arrangements for a more orderly energy market.

What would be the gains to set against these costs? Even if the US were able after much effort to negotiate, say, a 20% reduction in IDA6 and, to take the extreme case, none of that were to be offset by compensating increases in bilateral expenditure, then the US outlays would be reduced by about $6 million in FY81 and $32 million in FY82. In the peak years FY84 and FY85, the "savings" might reach $130 million in current prices, or under $100 million in terms of 1981 dollars.

In light of these considerations, it is difficult to see how a hard-headed calculation of US interests could avoid coming to the conclusion that an attempt to renegotiate the Sixth Replenishment agreement would be a very poor deal for the United States. It would be poor tactics to hand the critics of the US, including of course the Soviet Union itself, such an obvious weapon to use against it in the Third World. And it would be poor timing to back away from an agreement just after important allies have gone out on a limb to defend that agreement and have committed $1.7 billion to keep IDA in business while giving the United States time to act.

Data Relating to IDA VI and U.S. Participation

1. Total Commitment from donors: $12 billion

2. U.S. share 27% = $3.24 billion

3. Appropriations Required:

   FY81 - 29% x $3.24 billion = $940 million

   FY82 - 33% x $3.24 billion = $1070 million

   FY83 - 38% x $3.24 billion = $1230 million

   $3240 million

4. Outlays Required:

	($ million)		
	FY81 Approp.	FY82 Approp.	FY83 Approp.
FY81	18		
FY82	94	20	
FY83	150	96	23
FY84	182	176	110
FY85	179	235	162
FY86	166	222	~~209~~ 219
FY87	82	156	235
FY88	52	104	183
FY89	17	42	127
FY90		19	115
FY91			56

Note: U.S. Fiscal Years

FPA
1/27/81

SUMMARY TABLE OF PROGRAMMATIC DECREASES TO THE JANUARY BUDGET
FY 1981 - 1986
(in millions of dollars)

Budget Authority and Outlay Savings

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Executive Office of the President												
Staffing levels.......	6	7	6	7	5	7	8	9	11	9	13	12
Funds Appropriated to the President												
Appalachian Regional Development programs.	110	6	125	100	129	77	134	99	144	102	157	162
International development assistance (including Peace Corps and Inter-American Foundation).	542	10	1,511	147	-7	383	2,070	713	2,433	1,095	2,810	1,369
International commodity agreements....	---	---	119	20	-39	-15	-15	---	-20	---	---	---
Special Defense Acquisition Fund*....	---	---	---	321	---	254	---	213	---	252	---	203
Administrative reductions not included above................	6	6	7	7	---	---	---	---	---	---	---	---
Subtotal...........	658	22	1,762	595	83	699	2,189	1,025	2,557	1,449	2,967	1,934
Department of Agriculture												
P.L. 480 Food aid.....	76	76	100	100	110	110	266	266	358	358	369	369
Conservation cost-sharing..............	---	---	56	16	56	30	56	39	56	47	56	55
Commodity Credit Corporation												
-Storage Facility loans*.............	---	25	---	100	---	110	---	120	---	130	---	150
-CCC loan interest rates...............	---	4	---	45	---	49	---	54	---	59	---	66
-Grain Reserve interest waivers*...	---	80	---	167	---	180	---	200	---	225	---	250
-Target prices*......	---	---	---	---	---	---	---	58	---	108	---	119
Rural Electrication Administration.......	16	6	---	10	---	---	---	---	---	---	---	---
Farmers Home Admin....												
-Direct Loan Programs	---	30	---	105	30	179	105	255	179	331	255	407
(Direct loan obligations)......	(565)	---	(2,354)	---	(2,354)	---	(2,354)	---	(2,354)	---	(2,354)	---
-Grant and Homeownership Assistance.....	5	---	111	10	112	14	112	15	114	18	144	20

Attachment 1

SUMMARY OF PROGRAMMATIC INCREASES TO THE JANUARY BUDGET
(in millions of dollars)

	1981 BA	1981 O	1982 BA	1982 O	1983 BA	1983 O	1984 BA	1984 O	1985 BA	1985 O	1986 BA	1986 O
<u>Funds Appropriated to the President</u>												
International Security Assistance												
Military Assistance......	—	—	105	40	100	65	100	95	100	100	100	100
International Military Education and Training.........	—	—	12	6	12	11	12	11	12	12	12	12
Foreign Military Sales Credit.....	—	—	632	309	632	551	632	713	632	713	632	713
Economic Support Fund............	—	—	150	52	150	150	150	150	150	150	150	150
Subtotal.......	—	—	899	407	894	777	894	969	894	975	894	975
<u>Department of Agriculture</u>												
Agricultural Research and Extension...	—	—	20	20	20	20	20	20	20	20	20	20
Commodity Credit Corporation: Polish debt rescheduling....	—	88	—	—	—	—	—	—	—	—	—	—
Subtotal......	—	88	20	20	20	20	20	20	20	20	20	20

Attachment 2

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BUDGET AUTHORITY
US BILATERAL AND MULTILATERAL ASSISTANCE: 1970-1985
(Millions of Current US$)

	1970	1972	1974	1976	1978	1979	1980	Estimated 1981	Proposed 1982 Carter	Proposed 1982 Stockman a/	Proposed 1983 a/	Proposed 1984 a/	Proposed 1985 a/
BILATERAL ASSISTANCE													
1. Development Assistance													
International Development Cooperation Agency													
IDCA/AID Operating Expenses					213	253	272	304	351				
Agency for International Development					1,294	1,500	1,584	1,408	2,305	1,700	1,751	1,804	1,858
Trade and Development Program					-	-	-	-	7				
Total Bilateral Development Assistance					1,507	1,753	1,856	1,712	2,663	1,700	1,751	1,804	1,858
2. Economic Support Fund/Peacekeeping													
South Vietnam													
Egypt													
Israel													
Turkey													
South Africa Regional Program													
Caribbean/Central America													
Other													
Sub-total													
Peacekeeping Operations													
Total Economic Support Fund/Peacekeeping					2,219	2,321	1,972	2,153	2,450	2,350	2,421	2,494	2,569
3. P.L. 480 Food Aid													
Titles I/III								482	477	250	-	-	-
Titles II								823	786	786	825	866	909
Total P.L. 480 Food Aid					923	806	886	1,305	1,263	1,036	825	866	909
4. Peace Corps					86	99	100	109	122	95	95	95	95
5. Refugee Assistance					79	227	483	491	611				
6. Offsetting Receipts and Other					-336	-310	-296	-310	-364				
TOTAL BILATERAL ASSISTANCE					4,478	5,036	5,086	5,835	6,898				
Memo Items:													
Export-Import Bank					-	105	1,842	7,021	4,594				
International Monetary Programs					0	0	0	5,518	-				
International Commodity Agreements					0	0	0	88	239				
MULTILATERAL ASSISTANCE													
1. World Bank Group:													
IDA					800	1,258	1,072	1,100	1,080	540	540	540	540
IBRD: Selective Capital Increase:					380	163	163	328	535	0	0	0	0
Paid-in					38	16	16	33	54	0	0	0	0
Callable					342	147	147	295	481	0	0	0	0
General Capital Increase:					-	-	163	33	712	0	0	0	0
IFC					38	40	19	-	14	14	0	0	0
Total World Bank Group					1,218	1,461	1,417	1,461	2,341	554	540	540	540
2. Other Multilateral Institutions													
IADB: Ordinary Capital					365	588	589	612	861	59	51	0	0
Paid-in					-	-	44	52	59	59	51	0	0
Callable					-	-	545	561	802	0	0	0	0
FSO Earlier Contributions					480	-	-	25	125	125	0	0	0
1980-83 Replenishment					-	-	175	175	175	175	175	0	0
AsDB: Ordinary Capital					218	194	154	248	50	0	0	0	0
Paid-in					17	19	15	25	5	5	0	0	0
Callable					151	175	139	223	45	0	0	0	0
ADF Earlier Contributions					50	-	-	4	56	56	0	0	0
Second Replenishment					-	-	111	111	111	111	112	0	0
AfDB: Ordinary Capital													
African Development Fund					10	25	25	42	58	58	0	0	0
IFAD					-	-	-	-	85	0	0	0	0
Total Other Multilateral Institutions					1,123	807	1,054	1,217	1,521	589	338	0	0
TOTAL MULTILATERAL ASSISTANCE					2,341	2,268	2,471	2,678	3,862	1,144	878	540	540
INTERNATIONAL ORGANIZATIONS													
1. Voluntary Contributions (Subhead 150)													
UNDP				100	115	126	126	126	145	n.a.			
UN Relief and Works				40	52	52	52	52	-	0			
UN Children's Fund				20	25	30	35	36	45	n.a.			
OAS				24	18	16	16	16	17	n.a.			
IAEA				-	-	-	12	13	-	n.a.			
Other				7	29	35	19	19	41	0			
Total Voluntary Contributions				191	239	259	260	262	248	73			
2. Assessed Contributions (Subhead 153)													
UN													
WHO													
UNESCO													
FAO													
ILO													
Other													
Sub-total													
Inter-American Organizations													
OAS													
Other													
Regional Organizations													
OECD													
Other													
Other International Organizations													
GATT													
Other													
Total Assessed Contributions													
TOTAL ASSESSED AND VOLUNTARY								722	902	700	700	700	700

a/ Proposals submitted by Office of Management and Budget (OMB), January 27, 1981.

OUTLAYS
US BILATERAL AND MULTILATERAL ASSISTANCE: 1970-1985
(Millions of Current US$)

	1970	1972	1974	1976	1978	1979	1980	Estimated 1981	Proposed 1982 Carter	Proposed 1982 Stockman a/	Proposed 1983 a/	Proposed 1984 a/	Proposed 1985 a/
BILATERAL ASSISTANCE													
1. Development Assistance													
International Development Cooperation Agency						1,374	1,609	1,828	1,898				
IDCA/AID Operating Expenses					207		261	303	334				
Agency for International Development					1,007		1,100	1,307	1,340	1,569	1,734	1,832	1,869
Trade and Development Program							-	-	2				
Total Bilateral Development Assistance													
2. Economic Support Fund/Peacekeeping													
South Vietnam													
Egypt													
Israel													
Turkey													
South Africa Regional Program													
Caribbean/Central America													
Other													
Sub-total													
Peacekeeping Operations													
Total Economic Support Fund/Peacekeeping					1,908	1,755	1,904	2,104	2,314				
3. P.L. 480 Food Aid													
Titles I/III								515	477	250	-113	-535	-555
Titles II								955	786	786	825	866	909
Total P.L. 480 Food Aid					808	976	1,073	1,471	1,263	1,036	712	331	354
4. Peace Corps					90	94	101	107	121	95	95	95	95
5. Refugee Assistance					75	166	446	486	585				
6. Offsetting Receipts and Other					-336	-304	-311	-319	-363				
TOTAL BILATERAL ASSISTANCE													
Memo Items:													
Export-Import Bank					-106	200	1,836	2,350	2,657				
International Monetary Programs					-	-	12	-	-				
International Commodity Agreements					-	-	-	5	30				
MULTILATERAL ASSISTANCE													
1. World Bank Group:													
IDA						376	472	572	704	642	663	652	586
IBRD: Selective Capital Increase:													
Paid-in													
Callable													
General Capital Increase:							16	63	140				
IFC					38								
Total World Bank Group													
2. Other Multilateral Institutions													
IADB: Ordinary Capital													
Paid-in													
Callable													
FSO Earlier Contributions													
1980-83 Replenishment													
AsDB: Ordinary Capital													
Paid-in													
Callable													
ADF Earlier Contributions													
Second Replenishment													
AfDB: Ordinary Capital													
African Development Fund					10	-							
IFAD					20			25	40				
Total Other Multilateral Institutions													
TOTAL MULTILATERAL ASSISTANCE					858	683	784	988	1,219	1,107	1,103	1,080	935
INTERNATIONAL ORGANIZATIONS													
1. Voluntary Contributions (Subhead 150)													
UNDP													
UN Relief and Works													
UN Children's Fund													
OAS													
IAEA													
Other													
Total Voluntary Contributions													
2. Assessed Contributions (Subhead 153)													
UN													
WHO													
UNESCO													
FAO													
ILO													
Other													
Sub-total													
Inter-American Organizations													
OAS													
Other													
Regional Organizations													
OECD													
Other													
Other International Organizations													
GATT													
Other													
Total Assessed Contributions													
TOTAL ASSESSED AND VOLUNTARY								745	853	719	679	704	703

a/ Proposals submitted by Office of Management and Budget (OMB), January 27, 1981.

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FOREIGN AID RETRENCHMENT

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January 27, 1981

January 27, 1981

"B" LIST

AGENCY: Funds Appropriated to the President: State, Treasury, and Agriculture Departments; Agency for International Development; and others

SUBJECT: Foreign Aid Retrenchment

POTENTIAL REDUCTIONS FROM:

	1981	1982	1983	1984	1985
Current Services					
			($ in millions)		
Budget Authority	-777	-1,530	N.A.	N.A.	N.A.
Outlays	-43	-387	N.A.	N.A.	N.A.
Carter Budget					
Budget Authority	-791	-2,597	-2,359	-3,656	-4,042
Outlays	-56	-674	-1,422	-2,338	-2,929

PROGRAM

The 1981 and 1982 budget authority for these programs is as follows:

	(BA in $ millions)		
	Current Services		Carter
Major Foreign Aid Programs	1981	1982	1982
. International Development Association	1,100	1,080	1,080
. Other Multilateral Development Banks	484	1,334	1,419
. International Organizations (assessed and voluntary contributions)	722	902	902
. Agency for International Development (AID)	1,697	1,707	2,386
. P.L. 480 Food Aid Title I and III soft loans	482	477	477
. P.L. 480 Food Aid Title II donations	823	786	786
. Peace Corps	108	122	122
. Economic Support Fund (except Egypt and Israel)	592	593	896
Totals	6,008	7,001	8,068

POTENTIAL CHANGES:

As the table shows, the Carter 1982 budget calls for a budget authority increase of more than $2 billion or 33% above current services levels for 1981 (the higher 1982 current services amounts in fact reflect policy decisions). Under normal circumstances Congress would not support such an increase in foreign aid, and if Congress is to be persuaded to adopt severe reductions in domestic programs, proposing such increases is out of the question.

A foreign aid program more in line with the domestic budget cutting effort would involve

-- budget authority levels considerably below current services for most programs, achieving aggregate 1982 outlay savings of $387 million below current services, and

-- limited growth, about 3% in selected programs during 1983-85, achieving outlay savings of $2.9 billion from the Carter 1985 projection.

In allocating the aggregate reductions among the major programs the following assumptions were used:

-- every major program should take some reduction,

-- bilateral aid has priority over multilateral aid programs.

-- security assistance has priority over development assistance, and

In summary, the basic actions to be taken are as follows

International Development Association (World Bank's concessional lending fund) - The United States would revoke its recent, non-binding pledge to contribute $3.24 billion for the 1981-1983 period and would reopen negotiations with other donors to reduce the contribution by half.

Other Multilateral Development Banks - The United States would make no contributions to concessional multilateral lending programs after current formal commitments have been paid. On the same basis it would cease to provide paid-in capital to non-concessional lending programs, attempting to continue these programs through guarantees of commercial borrowing. This would require renegotiation of the pending World Bank capital increase.

International Organizations - The total budget authority level would be held to $700 million per year. This would require that the United States refuse to support real increases in assessed contributions and eliminate or very sharply cut back voluntary contributions.

Agency for International Development - Bilateral development aid would be held to current services levels in 1982, $686 million below the Carter budget, followed by 3 percent growth during 1983-85.

P.L. 480 Food Aid - The Title I/III credit sale program would be phased out by 1984, possibly requiring alternative funding arrangements for Egypt, and Title II donations would be continued at the current services level.

Peace Corps - Volunteer levels would be cut by 25 percent over time.

Economic Support Fund - Funding would be well above current services levels, but a $100 million contingency fund would be eliminated.

PROBABLE IMPACT:

The primary impact of this proposal would be to eliminate or reduce U.S. participation in a range of multilateral organizations which are not responsive to U.S. foreign policy concerns and which in many cases may be ineffective in producing sound economic development. The reductions in aid would mainly affect the poorer countries of Africa and the Asian sub-continent. If other donors were to make similar cutbacks in their multilateral contributions, the reduction in new aid commitments could run as high as $4 billion. The reduction in actual flows of resources (i.e., outlays) would be only a small fraction of this amount in the 1982-83 period.

Bilateral development aid, held at current levels, could be concentrated on a small number of countries of key importance to the United States, perhaps at the loss of influence in countries of lesser importance. Major current security assistance objectives could be achieved, but any new major new initiatives would require reallocation of funds away from lower priority recipients.

FOREIGN AID RETRENCHMENT
Aggregate Comparision Table
1982 Reagan Budget

($ in millions)

Budget Authority	1981	1982	1983	1984	1985
a. Carter 1982 Budget	6,022	8,068	7,428	8,506	9,014
b. Current Services	6,008	7,001	NA	NA	NA
c. Proposed Alternative	5,231	5,471	5,069	4,850	4,972
d. Carter Budget Increases over Current Services	+14	+1,067	NA	NA	NA
e. Proposed Cuts from Carter Budget	-791	-2,597	-2,359	-3,656	-4,042
f. Proposed Cuts from Current Services	-777	-1,530	NA	NA	NA
Outlays					
g. Proposed Cuts from Carter Budget	-56	-674	-1,422	-2,338	-2,929
h. Proposed Cuts from Current Services	-43	-387	NA	NA	NA

January 27, 1981

FOREIGN AID RETRENCHMENT

Major Programs	1981 Carter Budget	1981 Current Services	1981 Potential Changes	1982 Carter Budget	1982 Current Services	1982 Potential Changes
Budget Authority			($ in millions)			
1. International Development Association (IDA)	1,100	1,100	560	1,080	1,080	540
2. Multilateral Development Banks (except IDA)	484	484	466	1,419	1,334	604
3. International Organizations (assessed and voluntary)	722	722	700	902	902	700
4. AID	1,711	1,697	1,500	2,386	1,707	1,700
5. P.L. 480 - Title I & III	482	482	482	477	477	250
6. P.L. 480 - Title II	823	823	823	786	786	786
7. Peace Corps	108	108	108	122	122	95
8. Economic Support Fund (except Egypt and Israel)	592	592	592	896	593	796
Totals	6,022	6,008	5,231	8,068	7,001	5,471
Outlays						
1. International Development Association	572	572	563	704	704	642
2. Multilateral Development Banks	442	442	424	555	555	465
3. International Organizations (assessed and voluntary)	745	745	732	853	853	719
4. AID	1,608	1,595	1,592	1,669	1,590	1,569
5. P.L. 480 - Title I & III	515	515	515	477	477	250
6. P.L. 480 - Title II	955	955	955	786	786	786
7. Peace Corps	107	107	107	121	121	95
8. Economic Support Fund (except Egypt and Israel)	560	560	560	723	515	688
Totals	5,504	5,491	5,448	5,888	5,601	5,214

January 27, 1981

FOREIGN AID RETRENCHMENT

Major Programs	1983 Carter Budget	1983 Potential Changes	1984 Carter Budget	1984 Potential Changes	1985 Carter Budget	1985 Potential Changes
Budget Authority			($ in millions)			
1. International Development Association	1,080	540	1,600	540	1,600	540
2. Multilateral Development Banks (except IDA)	520	338	542	--	542	--
3. International Organizations (assessed and voluntary)	886	700	957	700	1,027	700
4. AID	2,678	1,751	3,010	1,804	3,343	1,858
5. P.L. 480 - Title I & III	448	--	563	--	612	--
6. P.L. 480 - Title II	825	825	866	866	909	909
7. Peace Corps	130	95	142	95	155	95
8. Economic Support Fund (except Egypt and Israel)	861	820	826	845	826	870
Totals	7,428	5,069	8,506	4,850	9,014	4,972
Outlays						
1. International Development Association	798	663	884	652	925	586
2. Multilateral Development Banks	576	440	602	428	606	349
3. International Organizations (assessed and voluntary)	870	679	936	704	1,005	703
4. AID	2,021	1,734	2,370	1,832	2,703	1,869
5. P.L. 480 - Title I & III	448	-113	563	-535	612	-555
6. P.L. 480 - Title II	825	825	866	866	909	909
7. Peace Corps	128	95	139	95	152	95
8. Economic Support Fund (except Egypt and Israel)	785	706	840	820	850	877
Totals	6,451	5,029	7,200	4,862	7,762	4,833

January 27, 1981

International Development Association

POTENTIAL REDUCTIONS FROM:

	1981	1982	1983	1984	1985
	($ in millions)				
Current Services					
Budget Authority	-540	-540	N/A	N/A	N/A
Outlays	-9	-62	N/A	N/A	N/A
Carter Budget					
Budget Authority	-540	-540	-540	-1,060	-1,060
Outlays	-9	-62	-135	-232	-339

PROGRAM DESCRIPTION:

The International Development Association (IDA) is a fund managed by the World Bank which makes concessional (very low interest) loans to the world's poorest countries. By the end of February, 1981, IDA will have committed all funds available to it for loans. The Carter Administration has negotiated a three-year "sixth replenishment" of IDA starting in 1981, with the United States share equal to $3.24 billion, or 27 percent of the total $12 billion in new IDA funds. The 1981 U.S. contribution has not been authorized or appropriated.

POTENTIAL CHANGE:

The savings above contemplate renegotiating the U.S. commitment to the sixth replenishment with the goal of achieving a halving of the U.S. contribution. Because the U.S. share of this replenishment is already below the last one, other donors would probably be more willing to reduce the replenishment than see the U.S. share cut further. This reduction implies a $6 billion replenishment, below the $7.6 billion of the fifth replenishment. Outlay savings are small initially because of the slow spendout of IDA projects, but they become significant in the medium term.

PROBABLE IMPACT:

Because of the large number of subscribers and the need to achieve many objectives, aid provided through IDA is less easily targeted to achieve maximum political and security benefits for the United States. Reducing IDA's share of total U.S. assistance would enable the United States to focus assistance to encourage selected countries to develop economic and political systems compatible with U.S. interests.

It is widely accepted that economic policies of the developing countries themselves rather than development assistance influence country economic growth rates. IDA has supported state planning efforts in some countries and in recent years has placed a major emphasis on programs fostering income redistribution. IDA has not been vigorous in using the leverage inherent in its large lending program to press recipients to redirect their economies toward a market-orientation.

January 27, 1981

Multilateral Development Banks (Except IDA)

POTENTIAL REDUCTIONS FROM:

	1981	1982	1983	1984	1985
	($ in millions)				
Current Services					
Budget Authority	-18	-730	N/A	N/A	N/A
Outlays	-18	-90	N/A	N/A	N/A
Carter Budget					
Budget Authority	-18	-815	-182	-542	-542
Outlays	-18	-90	-136	-174	-257

PROGRAM DESCRIPTION:

The multilateral development banks (MDBs) provide investment capital and technical assistance to developing nations. The banks' loans are of two types: concessional loans to the poorest nations and non-concessional loans to middle income countries. The U.S. provides funds to the banks through the mechanism of multi-year replenishments. Direct contributions from the United States and other donors finance all concessional lending. Nonconcessional loans are financed with small amounts of paid-in capital contributions plus callable capital guarantees which back the banks' commercial borrowings. Paid-in capital leads to outlays as the banks' loans are disbursed. Callable capital has never led to outlays and does not now require budget authority.

POTENTIAL CHANGE:

Effective during 1981, the U.S. would revoke its three year pledge of funds to the African Development Bank replenishment. For 1982, the U.S. would withdraw from negotiations for a replenishment of the International Fund for Agricultural Development, stop all voluntary payments to the World Bank selective capital increase, and reopen negotiations for the World Bank general capital increase (effective October 1, 1981) to eliminate all contributions of paid-in capital. In all future replenishments, the U.S. would decline to contribute to the concessional facilities of the banks and provide only callable capital backing for non-concessional lending. With the exception of IDA, there would be no new budget authority for the banks after 1983.

PROBABLE IMPACT:

The potential change would represent a major shift away from multilateral aid toward bilateral aid, the reductions falling on that portion of the current program which is less responsive to U.S. political priorities. The soft lending programs have many of the policy drawbacks of IDA, and the overall quality of their lending is generally regarded as poorer than IDA's. The elimination of paid-in capital, while temporarily disrupting borrowing plans for non-concessional lending, may not materially affect the levels of such lending over time.

January 27, 1981

International Organizations (Assessed and Voluntary Contributions)

POTENTIAL REDUCTIONS FROM:

	($ in millions)				
	1981	1982	1983	1984	1985
Current Services					
Budget Authority	-22	-202	N/A	N/A	N/A
Outlays	-13	-134	N/A	N/A	N/A
Carter Budget					
Budget Authority	-22	-202	-186	-257	-327
Outlays	-13	-134	-191	-232	-302

PROGRAM DESCRIPTION: As a member of 47 international organizations, the United States is bound by treaties to pay annual assessments for their operating costs. The UN and its 11 specialized agencies account for 75% of the estimated $655 million of U.S. assessments in 1982. Regional organizations (NATO, Organization of American States (OAS), etc.) and many small organizations comprise the balance. Voluntary contributions of $248 million, largely for technical assistance activities, are proposed for the UN Development Program (UNDP), UNICEF, the OAS, the International Atomic Energy Agency (IAEA), and ten other smaller programs.

POTENTIAL CHANGE: (1) Rescind $22 million of 1981 appropriation of $262 million for voluntary contributions and reduce 1982 to $73 million or 70% below current services/Carter budget. Contributions would be limited to UNDP, UNICEF, OAS and IAEA; none would be made to the other ten voluntary programs. (2) Because assessed budgets have been generally increased contrary to U.S. advice, announce that the United States will contribute no more than amounts consistent with tight (no real growth over 1981) organization budgets.

Alternatively, the impact on voluntary contributions could be lessened by announcing withdrawal from UNESCO at once because of UNESCO's pro-PLO policies and its support for measures limiting the free flow of information. Withdrawal could reduce 1981 and 1982 by $25 and $62 million respectfully if the United States refused to pay its legally-binding assessments for those years. Savings would not occur until 1983 if legal withdrawal procedures were followed.

PROBABLE IMPACT: All voluntary programs would face financial crises and several, especially UNDP, could collapse if other donors also reduce their contributions. The amount of technical assistance available to developing countries would sharply contract and pressures would increase to provide such aid through assessed budgets. Nevertheless, the developmental effectiveness of many of these programs is open to question. Arrearages would result from unpaid assessments, but the United States would not lose its vote until arrearages totalled the equivalent of two years' assessments, several years in the future. If concerted with other major donors, this effort might reduce increases in organization budgets. Withdrawal from UNESCO and not paying 1981 and 1982 assessments might result in legal action in the World Court.

January 27, 1981

Agency for International Development

POTENTIAL REDUCTIONS FROM:

	1981	1982	1983	1984	1985
	($ in millions)				
Current Services					
Budget Authority	-197	-7	NA	NA	NA
Outlays	-3	-21	NA	NA	NA
Carter Budget					
Budget Authority	-211	-686	-927	-1,206	-1,485
Outlays	-16	-100	-287	-538	-834

PROGRAM DESCRIPTION:

AID provides grants and concessional loans primarily to the poorest developing countries in Africa, Asia, and Latin America, assists U.S. organizations that carry out development programs abroad, and finances development-related research activities of U.S. universities. Since 1973, bilateral activities have followed a strategy of meeting basic human needs by concentrating on food production, rural development, primary health care, family planning, and, more recently, energy. AID has been concentrating activities geographically by phasing out programs in some more economically advanced countries (Tunisia, Paraguay) and discontinuing several small country programs.

The program has been held near 1979 funding levels under continuing resolutions in 1980 and 1981. For 1982, the Carter Budget proposed a 40% nominal increase in bilateral aid over the current services level. This program growth was intended to be a "Leadership Package" that would elicit similar increases from other Western donors and therefore accelerate economic growth in the third world.

POTENTIAL CHANGE:

The reductions indicated above would provide a 1981 program 9% below the actual 1980 level. The 1982 program would be at the current services level, with a 3% growth rate in later years.

PROBABLE IMPACT:

The proposed change could be accomplished by rapid phase-out of programs in oil-exporting countries, substantial sectoral and geographic concentration of remaining country programs and curtailment of some central research activities. The reductions would force choices of geographic emphasis between the Asian subcontinent, Central America and the Caribbean, and sub-Saharan Africa.

January 27, 1981

Food Aid: P.L. 480 Title I/III

POTENTIAL REDUCTIONS FROM:

	($ millions) 1981	1982	1983	1984	1985
Current Services					
Budget Authority	--	-227	NA	NA	NA
Outlays	--	-227	NA	NA	NA
Carter Budget					
Budget Authority	--	-227	-448	-563	-612
Outlays	--	-227	-561	-1,098	-1,167

PROGRAM DESCRIPTION:

Under Title I of P.L. 480, long-term loans are made to developing countries at concessional rates to finance commercial purchases of U.S. agricultural commodities. Recipient governments either sell the commodities immediately to generate revenue, or far less frequently, put them into buffer stocks. Title III is a modification of Title I allowing multi-year supply assurances and forgiveness of loan repayments in exchange for a recipient government commitment to spend the proceeds from commodity sales on approved self-help projects. Because much of Title I/III substitutes for commercial purchases, its principal economic impact is to provide balance-of-payments and budget support.

PROPOSED CHANGE:

New program activity would be phased out by 1984. In 1982 and beyond, excluded countries will need to find other sources of balance-of-payments support. Egypt, a major recipient, will need to institute rigorous policies on foreign exchange use and food subsidies if other forms of U.S. aid are not substituted for its current $313 million of Title I aid.

PROBABLE IMPACT:

This program has been regarded by many as a relatively ineffective form of foreign aid, which has been continued because of its popularity with domestic farm interests. With forecasts of lower U.S. stock levels and continued record increases in U.S. commercial grain exports, the need for Title I as a surplus disposal and market development device is marginal. Forecasts for 1981 net farm income are $5 billion above the 1980 level of $27 billion. To the extent that future U.S. interests require help to relieve balance-of-payments pressures in selected countries, this should be done explicitly through the Economic Support Fund or fast-disbursing development aid.

January 27, 1981

PL 480 Title II Food Aid

POTENTIAL REDUCTIONS FROM:

	1981	1982	1983	1984	1985
Current Services/Carter Budget					
Budget Authority	--	--	--	--	--
Outlays	--	--	--	--	--

PROGRAM DESCRIPTION:

The PL 480 Title II food aid program provides humanitarian and disaster relief assistance directly to recipients through a number of non-profit voluntary agencies (mainly CARE and Catholic Relief Services), the UN World Food Program, and government-to-government arrangements. The Title II authorizing legislation specifies a minimum quantity of agricultural commodities to be distributed annually (1.7 million tons in 1982 and beyond) and earmarks a portion of that total for voluntary agencies and the World Food Program. The current services level for 1982 provides for the distribution of 1.718 million tons of commodities at a cost of $786 million, including ocean transportation. Outyear estimates have been straightlined at the 1.7 million ton statutory minimum.

POTENTIAL CHANGE:

The program would be held at the current services level, which is above the statutory minimum. The Title II program, in addition to its popularity in the Agriculture Committees and the Congress in general, is a high-visibility foreign assistance program which has significant international and domestic constituencies due to its humanitarian objectives.

January 27, 1981

Peace Corps

POTENTIAL REDUCTIONS FROM:

	($ in millions)				
	1981	1982	1983	1984	1985
Current Services					
Budget Authority	--	-27	N/A	N/A	N/A
Outlays	--	-26	N/A	N/A	N/A
Carter Budget					
Budget Authority	--	-27	-35	-47	-60
Outlays	--	-26	-33	-44	-57

PROGRAM DESCRIPTION:

The Peace Corps recruits and sends U.S. volunteers overseas to fill the trained manpower needs of developing nations and promote mutual understanding. Volunteers are currently in 63 developing countries working in energy, health, education, agriculture and a range of other fields in personal contact with the people of the developing world. The volunteers are given language and skills training, are maintained at a subsistence level during their two-year tour, and are provided with readjustment allowances at the end of their tours. Under current plans, the agency would fund 5,000-5,200 "volunteer-years" of service overseas each year in 1981 and 1982. Over the years there has been substantial debate whether volunteers have a significant impact on development or whether the main result of the Peace Corps is improved mutual understanding.

POTENTIAL CHANGE:

This cutback would reduce trainee levels by more than 25% in 1982 and lead to an eventual reduction of the same magnitude in the overseas program. This would be the lowest level of volunteers since the early years of the agency. The Peace Corps would have to eliminate peripheral activities and program improvements of recent years, simplify programming, and consolidate its overseas program by eliminating some country programs and making others smaller through attrition as volunteers complete service.

PROBABLE IMPACT:

Friends of the Peace Corps on the Hill might accept this reduction as equal sharing of the pain of budget reductions, but there would be pressure, reinforced by complaints from returned-volunteer organizations, to restore the cuts and prevent a steady erosion of the overseas program.

Countries losing programs or high levels of volunteers will be upset but probably will not register major objections. The State Department and other U.S. overseas agencies would object to the loss of this positive overseas U.S. presence, especially in small countries where it may be an important element of U.S. relations with the country.

January 27, 1981

Economic Support Fund (except Egypt and Israel)

POTENTIAL REDUCTIONS FROM:	1981	1982	1983	1984	1985
	($ in millions)				
Current Services					
Budget Authority	--	+203	N/A	N/A	N/A
Outlays	--	+173	N/A	N/A	N/A
Carter Budget					
Budget Authority	--	-100	-41	+19	+44
Outlays	--	- 35	-79	-20	+27

PROGRAM DESCRIPTION:

ESF was established to promote economic and political stability in areas where the U.S. has special security interests. ESF is provided to governments and organizations in the form of grants and loans for balance-of-payments (BOP) support, capital project financing and technical assistance. In the Carter Budget, 63% of the 1982 ESF program goes to Israel and Egypt. Turkey, a NATO member with a strategic location in the Middle East and with serious economic problems, is the next largest recipient, scheduled for $300 million, or 33% of the remainder. Assistance connected with base rights arrangements comprises another 14% of the residual. The Carter Budget assigns $135 million to the Southern African Regional Program (four countries and several regional projects), $120 million to the Caribbean/Central American area, and $90 million to other countries in the Middle East/Indian Ocean region. In addition there is proposed a $100 million contingency fund and a few small country programs.

POTENTIAL CHANGE:

This reduction eliminates the $100 million Special Requirements Fund (for contingencies) proposed by Carter for 1982, which would probably face strong Congressional opposition in any case. Beginning in 1983, 3% has been added per year to meet expected growth of country programs.

PROBABLE REACTION:

There will be no serious opposition but the State Department may argue that the President's flexibility to respond to unforeseen situations would be seriously limited.

January 27, 1981

7-18/4/7

IDA-6 COUNTRY ALLOCATIONS
($ million)

	Negotiated "Replenishment" ($12 billion plus Income Transfers)	Committed by 3/31/81 a/	Planned Level 3/31/81 to 6/30/83	US "Proposal" for 3/31/81 to 6/30/83 (50% of Nego. "Replenishment")	Reduction on Planned Level
South Asia	7300	1162	6138	2568	3570
Bangladesh	950	260	690	240	450
Pakistan	600	105	495	195	300
India	4800	672	4128	1758	2370
Other	950	125	825	375	450
Sub-Sahara Africa	3570	525	3045	1680	1365
East Africa	2400	332	2068	1123	945
Burundi	120	-	120	80	40
Ethiopia	300	40	260	120	140
Kenya	300	-	300	125	175
Madagascar	170	14	156	86	70
Malawi	140	73	67	27	40
Somalia	100	10	90	65	25
Sudan	320	-	320	200	120
Tanzania	360	122	238	93	145
Uganda	240	17	223	133	90
Zaire	100	26	74	24	50
Other	250	30	220	170	50
Western Africa	1170	193	977	557	420
Ghana	200	-	200	90	110
Mali	120	13	107	57	50
Niger	110	-	110	70	40
Senegal	110	45	65	25	40
Upper Volta	150	16	134	84	50
Other	480	119	361	231	130
East Asia	200	15	185	55	130
China	400	-	400	-	400
Middle East	400	163	237	187	50
Egypt	200	134	66	66	-
Other	200	29	171	121	50
Latin America	175	26	149	44	105
Haiti	75	13	62	37	25
Other	100	13	87	7	80
Unallocated	355	-	355	-	355
TOTAL	12400	1891	10509	4534	5975

a/ Commitment authority under IDA-6 amounts to an estimated SDRs 1487 million ($1897 million) as of January 26, 1981. Will be fully committed by approximately 3/31/81.

TABLE 3. U.S. MULTILATERAL AND BILATERAL ASSISTANCE, SELECTED FISCAL YEARS 1970-1979 (Millions of constant 1972 dollars)

	1970	1972	1974	1976	1978	1979
Bilateral Assistance (Budget Authority)						
Development assistance	1,026	1,036	752	765	858	947
Economic Support Fund a/	437	559	559	1,332	1,488	1,433
Other b/	165	107	190	131	142	231
Receipts						
Principal	-54	-45	-23	-153	-203	-194
Interest	-21	-16	-29	-116	-146	-167
Net Total	1,553	1,641	1,449	1,959	2,139	2,250
Multilateral Assistance (Budget Authority)						
Multilateral development banks	769	1,422 c/	2,028 c/	533	1,292	1,552
Callable capital	(231)	(954)	(1,072)	(74)	(551)	(545)
Paid-in capital	(538)	(468)	(956)	(459)	(740)	(1,007)
International organizations d/	147	152	132	155	161	160
Total Multilateral Aid	916	1,574	2,160	688	1,453	1,712
P.L. 480 Food Aid (Outlays)						
Program costs	1,397	1,320	873	744	799	848
Receipts	-437	-307	-294	-215	-258	-246
Total P.L. 480 Outlays	960	1,013	579	529	541	602

NOTE: A U.S. GNP deflator was used throughout this paper to convert current dollars to constant dollars, where 1972 = 1.

a/ Includes Mideast Special Requirements Fund, Indochina Postwar Reconstruction Fund, and peacekeeping operations.

b/ Includes International Narcotics Control, Inter-American Foundation, refugee assistance, and the Peace Corps.

c/ In 1972, includes $1.08 billion to maintain gold value of U.S. dollar contributions; in 1974, includes $1.31 billion to maintain U.S. dollar value of contributions.

d/ Voluntary contributions to the international organizations. Assessed contributions are part of budget subfunction 153.

7-8/4/4

OFFICE MEMORANDUM

TO: Mr. Moeen A. Qureshi, Senior Vice President, Finance DATE: January 27, 1981

FROM: Hugh N. Scott, Associate General Counsel

SUBJECT: IDA - Sixth Replenishment

The Sixth Replenishment Resolution provides that the replenishment will become effective when members, including at least 12 Part I members, whose subscriptions total not less than $9.6 billion shall have given IDA formal notification that they will make the total subscription authorized for each such member in accordance with the terms of the Resolution. The United States would have to give such a notification to make the Replenishment effective. The Resolution provides that the formal notifications may be given by a Qualified Instrument of Commitment. This is defined as "a formal notification to IDA that the donor country will pay a part of its contribution in accordance with the terms of the Sixth Replenishment Resolution and without qualification but the payment of the remainder of the contribution is subject to obtaining the necessary appropriations." This definition has been interpreted by the United States as requiring an authorization for the full United States share of the replenishment (U.S. $3.24 billion) and Congress has been so informed in testimony by Secretary Miller and Mr. Bergston (see also attached excerpt from National Advisory Council Report). The definition also requires that the country agree to pay part of the contribution without qualification. This would mean that some U.S. appropriation would be necessary, but not necessarily the full amount of the first tranche of 29%.

Both Hans Rothenbuhler and I have discussed with Eva Meigher, the Treasury lawyer working on IDA matters, the possibility that the definition of Qualified Instrument of Commitment is broad enough to permit a qualification in terms not only of appropriation but also of authorization. This would mean that the United States could give formal notification before obtaining a full authorization. Mrs. Meigher points to the drafting history of this provision at Dubrovnik. Under the Fifth Replenishment the qualification was phrased in terms of "subject to appropriate legislative action" rather than "subject to obtaining the necessary appropriations." The change in language was made in the Sixth Replenishment so that the United States would be required to get a full authorization of the contribution before it could deposit a formal notification. As a political matter, she thinks that such a requirement is very important to put pressure on the Congress to authorize the full amount of the Replenishment in a timely fashion. She also points out that depositing a formal notification to make the Replenishment effective would constitute an undertaking by the United States Administration that they would want to go ahead with the Sixth Replenishment as negotiated. Her view is that a renegotiation of the effectiveness requirements for the Replenishment would be a relatively minor one.

/2

The Sixth Replenishment Resolution also provides separately for limitations on the ability of IDA to enter into credit commitments until the full amount of each of the three tranches is covered by unqualified commitments of "any member whose subscription to the replenishment represents more than 20% of the total amount thereof." The United States is the only such member. To the extent that the United States does not provide the full amount of each tranche IDA would be unable to use other members' contributions to make credit commitments. For example, if the United States only puts up 20% of its contribution as the first tranche, IDA could only make credit commitments for 20% of other members' contributions even though these members may have paid in 29%. As you remember, this raised some problems with the advance contributions and the resolution for the advance contributions specifically excepted them from such limitations.

HNScott:dg

cc: Mr. H. Golsong, VPG
Mrs. J. De Santis, PAB

INTERNATIONAL DEVELOPMENT ASSOCIATION SIXTH REPLENISHMENT AND AFRICAN DEVELOPMENT BANK MEMBERSHIP

HEARINGS

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL DEVELOPMENT INSTITUTIONS AND FINANCE

OF THE

COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS HOUSE OF REPRESENTATIVES

NINETY-SIXTH CONGRESS

SECOND SESSION

ON

H.R. 6811

A BILL TO PROVIDE FOR INCREASED UNITED STATES PARTICIPATION IN THE INTERNATIONAL DEVELOPMENT ASSOCIATION, TO PROVIDE FOR UNITED STATES PARTICIPATION IN THE AFRICAN DEVELOPMENT BANK, AND FOR OTHER PURPOSES

MARCH 26, 27; AND APRIL 16, 1980

Serial No. 96–54

Printed for the use of the Committee on Banking, Finance and Urban Affairs

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U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1980

APPENDIX A

NATIONAL ADVISORY COUNCIL

on

INTERNATIONAL MONETARY

and

FINANCIAL POLICIES

SPECIAL REPORT

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to the President

and to the Congress

ON THE PROPOSED REPLENISHMENT

OF THE RESOURCES OF THE

INTERNATIONAL DEVELOPMENT ASSOCIATION

1980

E. Effectiveness of the Replenishment

The first four replenishments of IDA became effective when donor countries whose contributions aggregated about 80 percent of the total Replenishment deposited formal notifications that they would make the contributions authorized for them in the respective replenishment Resolutions. These notifications constituted unqualified undertakings to make payment for the full contributions in accordance with the relevant Resolution. Under the first four replenishments, the United States deposited its notification after it had obtained authorizing legislation for the full amount of its contribution and in some cases after it had, in addition, obtained an appropriation for the first installment.

With respect to the Fifth Replenishment, the United States took the position that because of its internal legislative procedures it found it inappropriate to make an unqualified commitment to contribute funds before such funds had been appropriated. Because of the United States position, changes were made in the procedures relating to effectiveness of the Fifth Replenishment.

The Fifth Replenishment arrangements provided that the Replenishment would become effective when qualified and unqualified commitments have been made by twelve Part I countries whose contributions aggregated no less than $6 billion. A qualified commitment was defined as including an unqualified commitment to contribute the first installment. It allowed, however, for a commitment to contribute the second and third installments, contingent on obtaining the necessary appropriations for such installments.

In order to assure other donors, that equitable burden sharing would be observed, the Resolution also provided that unless unqualified commitments covering in the aggergate at least 80 percent of the second installment were made, IDA would not enter into new credits, disbursements for which would be drawn from the second installment of donors' contributions. The same triggering formula for commitments against IDA funds applied to the third installment.

During the Sixth Replenishment negotiations, the Administration, in response to Congressional concerns, proposed that changes be made in the effectiveness arrangements as compared with the Fifth Replenishment.

The Sixth Replenishment arrangements provide that the Replenishment will become effective when qualified and unqualified commitments have been made by at least 12 Part I members whose contributions aggregate not less than $9.6 billion that they will make the total contribution allocated to them. A

Qualified Commitment with respect to IDA VI includes an unqualified commitment that the donor country will pay a part of its contribution to the Sixth Replenishment and a qualified commitment, subject to obtaining the necessary appropriations, that the donor country will pay the remainder of its contribution. Thus, the United States will be able to agree to participate in the Replenishment after obtaining authorizing legislation for its $3.24 billion contribution and an appropriation for its first payment. Because of the United States' share in the Replenishment, the Replenishment cannot become effective until the United States agrees to make the above commitments.

For purposes of credit commitments by IDA, contributions are divided into three successive tranches of at least 29 percent, at least 33 percent and 38 percent (or the remaining balance) of the total contribution. Members depositing qualified instruments of commitment are expected to make unqualified commitments for at least such amounts at the appropriate time.

With regard to each installment, if a member whose total contribution amounts to more than 20 percent does not make an unqualified commitment for the minimum amounts specified above (at least 29 percent, 33 percent, and 38 percent respectively), the Resolution provides that IDA can make commitments up to the aggregate of "(i) the amount of unqualified commitments in respect of the member responsible for such shortfall, and (ii) a proportion of the unqualified commitments in respect of such tranche by all other members which is equal to the ratio of the unqualified commitments in respect of that tranche of the member responsible for the shortfall to the total minimum amount of such tranche of the subscription and contribution of that member." Thus, if the United States, which will deposit a Qualified Instrument of Commitment is unable to obtain appropriations for at least 29 percent and at least 33 percent respectively for the first two installments and the remaining amount of its contribution for the third installment, proportionate reductions will automatically result in the amounts available for commitment from the contributions of other members.

The Resolution also provides that should the shortfall of the member triggering the proportionate reduction not be made up by December 31, of the particular year IDA would request the IDA Deputies to meet as soon as practicable thereafter to review the situation and, in particular consider what steps might be taken to obtain the necessary unqualified commitments.

F. Voting Rights

When the Articles of Agreement of IDA were drafted, it was decided to follow the Bank's voting system according to which voting rights are related to subscriptions, except that all countries are given a minimum number of votes regardless of

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7 18/4/3

January 27, 1981

TO: Mr. Robert S. McNamara

FROM: Joe Wood

Status of IDB and ADB Programs

The attached note responds to your request for a status report on the replenishments of the IDB and ADB. The basic position is that the ordinary capital operations of these two banks could proceed more or less as planned during calendar 1981 even if the United States made no further appropriations. There would, however, be serious cutbacks in 1982, the last year of the current replenishments. The soft loan operations would encounter difficulties sooner; that is, before the end of calendar 1981. The FSO would have to cut its program this year from $513 million to about $475 million, while the Asian Development Fund would have to cut its program from $575 million to something under $500 million. The cutbacks next year (1982) would be much more severe and, depending on the reactions of other donors, could result in the Asian Development Fund running out of commitment authority altogether.

1/27

cc: Mr. Qureshi

OFFICE MEMORANDUM

TO: Mr. Wood, Director, FPA PVA
Through Mr. Applegarth, Chief, FAD/FPA

DATE: January 27, 1981

FROM: I. G. Thoumi, FAD/FPA

SUBJECT: Effect Of Delayed U.S. Subscriptions

1. In response to your request, this note addresses the issue of the effect of delayed U.S. subscriptions on the lending operations of the Asian Development Bank (AsDB) and the Inter-American Development Bank (IDB).

2. The AsDB's authorized capital stock as of December 31, 1979 amounted to $9512 million. Of this amount $8861 million (93 percent of total) has been subscribed, while $619 million represents the share entitlement under the second general capital increase (1978-1981) of four member countries which have not yet subscribed. Out of a total capital increase of approximately $5 billion ($3 billion representing convertible currency subscriptions of which the U.S. share was 16.3% - $814 million), the United States is about $50 million short of full subscription. On the current capital base, AsDB would be able to continue its presently planned operations through 1983.

3. On the other hand, the course of the second replenishment of the Asian Development Fund (AsDF) in the amount of $2150 million, covering the Bank's concessional lending requirements over the four-year period from 1979 to 1982, would be affected by U.S. Congressional legislative action. The replenishment came into effect on March 29, 1979. The "trigger" condition was fulfilled after unqualified contributions from 11 countries surpassed the target figure of $1000 million. Since then the first three tranches of these contributions and, by previous arrangement, two tranches from the U.S., have become available to the Bank for commitment under its concessional lending program. These amounts will suffice to carry the AsDF through 1981. The U.S. had agreed to contribute $445 million in the period 1979-82. However, last year, Congressional authorization reduced the U.S. contribution by 15%, (from $445 million to $378 million). A donors' meeting was called to discuss the shortfall. The previous administration expressed its intention to seek authorization legislation for the shortfall. However, the present Administration has not voiced its intentions regarding upcoming authorization requests (Spring 1981). If the U.S. does not make further contributions, it is unclear at the moment how the shortfall will affect the willingness of the other donors to provide their last tranche. If it is assumed that other donors would not come forward, as a result of the shortfall, the AsDF would have to cease operations at the end of 1981.

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TABLE 3. A US MULTILATERAL AND BILATERAL ASSISTANCE, SELECTED FISCAL YEARS 1970-1982
(Millions of constant 1972 dollars)

	1970	1972	1974	1976	1978	1979	1980	1981 e/	1982 f/
Bilateral Assistance (Budget Authority)									
Development assistance	1,026	1,036	752	765	858	947	896	873	1,121
Economic Support Fund a/	437	559	559	1,332	1,488	1,433	1,110	1,098	1,148
Other b/	165	107	190	131	142	231	357	339	371
Receipts									
Principal	-54	-45	-23	-153	-203	-194	--	--	--
Interest	-21	-16	-29	-116	-146	-167	--	--	--
Net Total	1,553	1,641	1,449	1,959	2,139	2,250			
Multilateral Assistance (Budget Authority)									
Multilateral development banks	769	1,422c/	2,028c/	533	1,292	1,552	1,299	808	1,131
Callable capital	(231)	(954)	(1,072)	(74)	(551)	(545)	--	--	--
Paid-in capital	(538)	(468)	(956)	(459)	(740)	(1,007)	--	--	--
International organizations d/	147	152	132	155	161	160	146	134	116
Total Multilateral Aid	916	1,574	2,160	688	1,453	1,712	1,445	942	1,247
P.L. 480 Food Aid (Outlays)									
Program costs	1,397	1,320	873	744	799	848	--	--	--
Receipts	-437	-307	-294	-215	-258	-246	--	--	--
Total P.L. 480 Outlays	960	1,013	579	529	541	602	604	750	592

NOTE: A U.S. GNP deflator was used throughout this paper to convert current dollars to constant dollars, where 1972 = 1.

a/ Includes Mideast Special Requirements Fund, Indochina Postwar Reconstruction Fund, and peacekeeping operations.
b/ Includes International Narcotics Control, Inter-American Foundation, refugee assistance, and the Peace Corps.
c/ In 1972, includes $1.08 billion to maintain gold value of U.S. dollar contributions; in 1974, includes $1.31 billion to maintain U.S. dollar value of contributions.
d/ Voluntary contributions to the international organizations. Assessed contributions are part of budget sub-function 153.
e/ Estimate.
f/ Budget request.

2/4/81

4. Last year, Congressional action also reduced the amount authorized for payment by the U.S. to the combined IDB ordinary and inter-regional capital by 10%. The IDB Charter provides for maintaining U.S. voting power at 34.5 percent. To the extent the U.S. does not make full payment, other countries subscriptions are prevented from becoming effective in any amount which would decrease U.S. voting power below 34.5 percent. The possible reduction of the IDB´s capital base, by $ 522 million, i.e. the total amount of contributions from other donors which could not be accepted, would prevent the Bank from achieving more than 85% of the program planned for the OC/IC in 1982.

	Commitments Currently Planned	Possible Reduction in Currently Planned Commitments
82	$ 1973 m.	$ 1698 m.

5. In the case of the soft loan window of the IDB -- the Fund for Special Operations -- Congressional action last year reduced the amount authorized for payment by the U.S. ($700 million) to the Fifth Replenishment (covering the period 1979-82) by 10%. In addition, the U.S. has outstanding arrears in payment of the final installment to the Fourth Replenishment (in the amount of $125 million), this final installment is assumed to be paid in 1981. If this is not the case, the currently planned level of commitments will be affected as follows:

	Commitments Currently Planned	Possible Reduction in Currently Planned Commitments
81	$ 513 m.	$ 473 m.
82	$ 521 m.	$ 366 m.

The reduction in the lending program would be compounded in 1982 due to the 10% shortfall. The $521 million would then be reduced further to $366 million.