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THE WORLD BANK
Washington, D.C.

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The World Bank
1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

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Contacts with member countries: Arab Monetary Fund - Correspondence 01

Folder 1

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ARAB MONETARY FUND

ARAB MONETARY FUND

1. 6/21/78 Dr. Jawad Hashim, President 5



OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: June 22, 1978

FROM: Adil Kanaan, Economist, Division 1A,
Country Programs Department 1, EMENA RegionSUBJECT: Meeting Between Mr. McNamara and Dr. Jawad Hashim,
President of the Arab Monetary Fund

1. Mr. McNamara met with Dr. Jawad Hashim, President of the Arab Monetary Fund (AMF) on Wednesday, June 21, 1978 at 6:30 p.m.^{1/}
2. Items raised in the meeting which are of direct relevance to the relationship between the Bank and the AMF are:
 - a) The AMF would like to receive on a regular basis Bank reports that would be of interest to the AMF's operations.^{2/}
 - b) The AMF has been experiencing difficulties recruiting competent staff. Therefore, it is likely that it would approach both the IMF and the World Bank for staff secondment for short durations.
 - c) Dr. Hashim asked about the status of the Bank relations with Iraq.

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Mr. McNamara saw no reason why the AMF would not receive relevant Bank reports on a regular basis and asked Mr. Bart to pursue the matter. As for the relations with Iraq, Mr. McNamara said that they were just fair: "We are talking but there are no operations." He indicated that the Bank stands ready to help if it is requested to do so.

3. In response to questions raised by Mr. McNamara about the AMF, the main points discussed by Dr. Hashim are the following:
 - a) One of the primary aims of the AMF is to foster Arab economic integration. Its staff is currently working on an econometric model that would attempt to link the growth patterns, with emphasis on the balance-of payments positions, of the Arab countries together. The AMF will also endeavor to push development projects that are jointly sponsored by a number of Arab countries.

^{1/} In attendance were Messrs. Bart, Koch-Weser, Aburdene (Special Assistant to the President of the AMF), and Kanaan.

^{2/} These would include reports of universal interest such as the World Development Report and the reports on World Social Indicators, and reports of particular interest to the Arab countries (country economic reports on these countries).

June 21, 1978

- b) According to Dr. Hashim, the AMF is envisioned as a hybrid of the IMF and the World Bank. It will give balance-of-payments assistance that is deemed necessary to support development projects. The loans would be straight-forward cash loans at 4.25 percent interest.
- c) It is also envisioned that the AMF would act as a clearing house for the central banks of its member countries.
- d) The AMF will also attempt to recycle some of the surpluses of the major oil-producing countries in the region by selling them bonds and using the money to finance its operations.
- e) Two major schemes that are being considered to put such policies into effect are an Export-Import Bank and an Arab Payments Union.
- f) In order to insure coordination with the IMF, borrowing countries are expected to approach the IMF first for assistance and come to the AMF afterwards.
- g) The AMF and the Arab Fund for Economic and Social Development (AFESD), as sister institutions, are expected to hold their annual meetings jointly as of next year.

4. Very early in the meeting, Dr. Hashim mentioned that when he had met with Secretary Blumenthal earlier that afternoon, he was very pleasantly surprised by Mr. Blumenthal's favorable position on the question of tax withholding by the US Government on US Treasury Bills held by the AMF. The AMF had decreased its holdings of such bills from 100 to 40 percent of its portfolio when it realized that they were subject to US taxes.

5. Dr. Hashim said that as a new institution the AMF would like to be able to turn to the IMF and the World Bank for cooperation and assistance. Mr. McNamara assured him of the Bank's readiness to cooperate and said that it is anxious to help should it be requested to do so.

Action Required

6. Arrange for relevant World Bank publications and reports to be sent to the AMF on a regular basis.

Cl. with and cc: Mr. Bart

cc: Messrs. McNamara (2), Cargill, Benjenk (o/r), Paijmans, Dubey,
El Fishawy, Köpp, Siebeck, Maiss, Koch-Weser, Fares

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OFFICE MEMORANDUM

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TO: Mr. Robert S. McNamara, President
(through Maurice P. Bart, Acting Vice President, EMENA Region)

DATE: June 21, 1978

FROM: Martijn J. W. M. Paijmans, Director, EMI

SUBJECT: Arab Monetary Fund: Briefing for your meeting with Dr. Jawad Hashim

1. You have agreed to meet with Dr. Jawad Hashim, Managing Director of the Arab Monetary Fund on Wednesday, June 21, 1978 at 6:30 p.m.
2. The Arab Monetary Fund (AMF) was established on April 19, 1977 with permanent headquarters in Abu Dhabi. Its first Managing Director was also appointed on that date. He is Dr. Jawad Hashim, ex-Minister of Planning (for two terms) of Iraq.
3. The total capital of the AMF is set at 250 million Arab Dinars (AD) (approximately \$875 million). The AD is equivalent to three SDR's and is functionally similar to the SDR.
4. The membership of the AMF is composed of 21 countries encompassing all the members of the Arab League including the Palestine Liberation Organization. The membership is likely to expand and include new members of the Arab League.
5. An eight-member Board of Executive Directors has also been appointed and is residing with the fund in Abu Dhabi. The members are from Saudi Arabia, Algeria, Jordan, the UAE, Egypt, Bahrain, Somalia, and Mauritania. Each represents several countries and has a vote weighted in proportion to those countries' contributions to the fund.
6. The Articles of Agreement and functioning rules of the fund are similar in nature to those of the IMF. Mr. Shakkour Sha'lan, Director of the IMF's Middle East Department, participated in their drafting. The AMF's role is expected to be complementary to that of the IMF.
7. The AMF charter sets out the following aims: (i) to provide balance-of-payments support to member countries; (ii) to promote Arab monetary cooperation and economic development; (iii) to advise member countries on their foreign investment policies; and (iv) to coordinate positions of Arab states on international economic and monetary problems. In support of these aims the fund endeavors to stabilize Arab currency exchange rates, insure the convertibility of Arab currencies, develop Arab money markets, and coordinate the monetary policies of Arab states with a long-term goal of creating a unified Arab currency. Credits will be extended for a maximum of seven years and members will be able to draw up to their capital contribution in any one year with a limit on total debt of three times that contribution.
8. The AMF is still in its formative stages and has not fully recruited its personnel. It has also not commenced its operations.

9. The AMF and the Arab Fund for Economic and Social Development (AFESD) are envisioned as the Arab "functional counterparts" of the IMF and IBRD, respectively. They are both regional institutions with regional management and responsibilities.

10. An interview with Dr. Hashim appeared in yesterday's New York Times^{1/}. The main items of interest in the interview are the following:

- The overriding principal aim of the AMF is to foster Arab economic integration.
- The AMF will guarantee loans to Arab countries to correct deficits that result from individual or pan-Arab development projects.
- The AMF expects to issue around \$2 billion worth of bonds, dominated in Arab Dinars, to be sold to Arab governments in the coming year.
- Initially, the paid-in capital was entirely invested in U.S. Treasury bills. When the AMF realized that this investment was subject to U.S. withholding tax, it was at least partially withdrawn. Dr. Hashim is expected to meet with Secretary Blumenthal today to discuss this matter. At present, this capital is distributed over a basket of currencies with 40% in US dollars.
- Egypt and Sudan are expected to be the first to approach the AMF for balance-of-payments loans this year.
- During his current visit to the U.S.A., Dr. Hashim was expected to meet yesterday with influential members of the New York financial community, and today with officials in Washington.

1/ Attached.

Cleared with and cc: Mr. Köpp (EMLA)

cc: Messrs. El-Fishawy (VPF)
Maiss (EML)
Fares (EMLA)

AKanaan:ap

Dr. Jawad Hashim

Dr. Hashim is about 40 years old and is a graduate of the London School of Economics. He was a Minister of Planning in Iraq for the years 1969-1974 and an advisor to the Iraqi Revolutionary Command Council until his appointment as a Managing Director of the AMF in April 1977.