Folder Title:	Clausen Papers - United States Congress Correspondence - Correspondence 04
Folder ID:	1774085
Series:	Alphabetical [subject] files
Dates:	04/01/1982 - 12/31/1982
Subfonds:	Records of President A. W. Clausen
Fonds:	Records of the Office of the President
ISAD Reference Code:	WB IBRD/IDA EXC-09-3957S
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Clausen's: U.S. Congress Correspondence 4/82 - 12/82

4

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The World Bank Group
Archives
1774085
A1995-265 Other #: 6 Box # 209464B
Clausen Papers - United States Congress Correspondence - Correspondence 04

November 4, 1982

Dear Senator East:

Thank you for your October 22 letter inquiring about our lending program for the People's Republic of China. It was awaiting my return from a brief trip abroad earlier this week.

Our policy is to provide financial and technical assistance to member governments for projects and programs which meet our criteria for development support. The World Bank has extended four loans to the People's Republic of China since it became a member of the Bank in May 1980, all of which have been supported by the United States.

I've passed your letter on to Mr. James Burnham, the Executive Director for the United States. I am sure he will be in touch with you shortly to respond more specifically to your request.

Sincerely,

A. W. Clausen

The Honorable
John P. East
United States Senate
Washington, D. C. 20510

cc: Mr. James Burnham

RSouthworth/AWC:MH

JOHN P. EAST
NORTH CAROLINA

COMMITTEES:
JUDICIARY
LABOR AND HUMAN RESOURCES
ENERGY AND NATURAL RESOURCES

United States Senate

WASHINGTON, D.C. 20510

October 22, 1982

Mr. A.W. Clausen, President
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Clausen:

I was greatly disturbed to read in the Washington Post this week that the World Bank is considering loans to finance twenty projects in Communist China.

I appreciate the circumstances surrounding these possible loans. The Post article made clear that Red China, as a new member of the World Bank, has lately been insisting on receiving a major increase in soft loans.

Nevertheless, in view of the fact that the United States is the largest contributor to the World Bank, I feel it is my duty to investigate this matter. I am deeply concerned about the ends to which indirect American economic assistance of this kind is being used. You may be aware that as Chairman of the Subcommittee on Separation of Powers I am already looking into the Polish debt question.

I should appreciate having a summary from you on the nature of these twenty projects at your earliest convenience. Thank you for your cooperation.

Sincerely yours,

John P. East

John P. East
United States Senator

JPE:hgv

FORM NO. 89
(7 81)

THE WORLD BANK

ROUTING SLIP	Date Oct. 13

OFFICE OF THE PRESIDENT

Name	Room No.
Mr. Vogl	E 826
cc: Mr. Qureshi	
Mr. Mistry	

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

Remarks

file

Roy Southworth

From

October 15, 1982

The Honorable
Jerry Lewis
327 Cannon House Office Building
U.S. House of Representatives
Washington, D.C. 20515

Dear Jerry:

Your thoughtful letter of October 7, 1982 raises a number of issues about IDA and the current international economic situation to which I would like to respond.

Regarding the matter of appropriate economic policies and their relationship to concessional loans in promoting development, the fact is that overall economic performance of eligible borrowers of IDA funding is, and has been, a fundamental criterion from the beginning of IDA. Such performance is monitored and influenced constantly through intensive macro and sectoral dialogue between Bank staff economists and officials of borrowing countries. As chapter four of the report explains, IDA's ultimate goal is not merely to ensure the success of its projects but to improve overall economic performance of its borrowers. In fact, concessional loans are essential catalysts, or levers if you will, in enabling us to foster adoption of proper policies.

The cost to donor countries of funding IDA should be viewed against the returns to those countries in terms of (a) procurement of goods and services, which translate into exports and jobs. In Fiscal Year 1981 donor countries to IDA received over $677 million in contracts, or over 85 percent of the total. I am convinced that American firms are fully competitive in bidding on these projects when informed of the opportunities in a timely manner. (b) expansion of the global trading systems with concomitant benefits for industrial nations, as well as developing; (c) increased prospects for stability and security.

.../

On the matter of public sector development, much of this is in sectors (roads, water supply) which are in the public domain in almost all countries, industrial and developing alike. Indeed, the Treasury's own conclusions are spelled out in the February 1982 report United States Participation in Multilateral Development Banks in the 1980's. This report states in reviewing projects financed in 1980: "The analysis indicates that 67 percent of IBRD/IDA lending in that year was either to support private sector activities or for activities which would be in the public sector in the United States. The remaining 33 percent of IBRD/IDA lending in that year went for activities which in the United States are provided by both the public and private sector or which are closely regulated by the public sector. However, in many developed countries, as well as virtually all developing countries, many of these activities are traditionally supplied by the public sector. Further analysis of individual MDB loans identified only 4 percent of IBRD/IDA lending which supported public sector activities which would, on the basis of U.S. criteria, have been clearly supplied by the private sector."

I share your deep concern about the health of the international financial system and feel that this is a time when a wide assortment of actions are needed, not only in terms of greater coordination between central banks, commercial banks, international institutions, but also in terms of strengthening reporting systems and securing better information on debt. Members of my staff directly involved in debt issues would welcome the opportunity to meet with you and your colleagues to discuss some of these matters and the work in this area being done by the Bank. I do not share your view that loose lending policies by the Bank might be a factor in this context. Certainly we are continuing to pay very close attention to the detailed nature of every aspect of our loans and to the debt servicing capacities that borrow from us and, in this regard, to stress clearly the vital need for borrowers to enforce discipline in managing external debt and balance of payments.

Once again I refer to the Treasury report which concludes that (1) our expansion has not resulted in a decline in quality of projects financed, (2) that our structural adjustment loans serve a useful purpose, and (3) lending is not in excess of absorptive capacity. I am convinced that a shortage of resources prevents us from doing as much as we should.

.../

You mention "new realities" facing the World Bank as we approach negotiations for IDA 7. While I am determined to see that the Bank and IDA adjust to changing international economic circumstances, I also hope that leaders in the United States consider the risks to the American economy if the global situation deteriorates further. I am pleased to see a serious assessment of priorities, and hope that the international dimension, especially as it relates to the developing world, is not overlooked.

I look forward to discussing these matters further with you in the near future.

Sincerely yours,

A. W. Clausen

PR:apz

JERRY LEWIS
37TH DISTRICT, CALIFORNIA

COMMITTEES:
APPROPRIATIONS
SUBCOMMITTEES:
AGRICULTURE AND RURAL DEVELOPMENT
FOREIGN OPERATIONS
LEGISLATIVE BRANCH

WASHINGTON OFFICE:
ROOM 327
CANNON HOUSE OFFICE BUILDING
202-225-5861

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

DISTRICT OFFICES:
101 SOUTH SIXTH STREET
REDLANDS, CALIFORNIA 92373
714-862-6030
714-792-5901

1750 EAST ARENAS ROAD
SUITE 5
PALM SPRINGS, CALIFORNIA 92262
714-346-0633
714-323-1837

BARSTOW, CALIFORNIA 92311
714-256-1523

R-1

October 7, 1982

Mr. Tom Clausen
President
World Bank
1818 "H" Street
Washington, D.C. 20433

Dear Tom:

Thank you for the report on IDA In Retrospect, I found it most informative. However, I was somewhat disappointed that the report did not respond to some of the broader criticisms of IDA such as the superiority of proper economic policies vis-a-vis concessional loans in promoting development, the cost to donor countries of funding IDA, and the tendency of IDA to foster growth of the public sector. Regarding the latter point, the report provided some revealing data showing that in pure IDA countries over the last 20 years, public consumption has been increasing relative to private consumption and savings.

On a related note, I have become increasingly concerned regarding the deteriorating international financial situation. I understand that between 20 and 30 countries will not be able to service their debts this year. This, in part, may be due to loose lending policies by the Bank, the IMF and by commercial banks who were encouraged to lend by the former two. I would be interested in any candid evaluations you may have undertaken of the Bank's role in this situation.

Finally, during the Toronto meetings, a number of statements were reportedly made regarding IDA 7 and on an energy affiliate which did not seem consonant with the new realities facing the World Bank. I hope that you and U.S. administration officials would meet with Congress before unrealistic expectations are generated regarding these programs.

Sincerely,

Jerry

Jerry Lewis
Member of Congress

JL:mgn

September 1, 1982

Dear Jerry:

I am pleased to enclose a copy of IDA in Retrospect, a recent assessment of the International Development Association. Since you are directly responsible for legislation dealing with this multilateral assistance program, I would welcome your comments.

Sincerely,

T

The Honorable Jerry Lewis
House of Representatives
Washington, D.C. 20515

cc: Mr. Vogl, Mr. Blinkhorn

PR:sm

R1
cc to Mr. Benjenk
sent 10/8

United States Senate

COMMITTEE ON APPROPRIATIONS
WASHINGTON, D.C. 20510

October 5, 1982

4028

Mr. A. W. Clausen
President
The World Bank
Washington, D.C. 20433

Dear Tom:

Thank you for your recent letter and enclosed copy of IDA in Retrospect. I appreciate your remembering my request for this document which I have found to be most informative. Highest marks should go to both you and the World Bank.

Thank you again for your attention to my request.

Warmest personal regards.

Sincerely,

Mark O. Hatfield
Chairman

MOH/jbm

United States Senate

COMMITTEE ON APPROPRIATIONS
WASHINGTON, D.C. 20510

OFFICIAL BUSINESS

U.S.S.

Mr. A. W. Clausen
President
The World Bank
Washington, D.C. 20433

KC

August 31, 1982

Dear Mark:

I recall with pleasure our luncheon on July 15. At that time I promised I would send you a copy of IDA in Retrospect, an evaluation of the International Development Association. This study has now been completed, and I take pleasure in enclosing a copy, along with the text of my speech at the World Bank-IMF Annual Meetings in Toronto on September 6.

I would welcome your comments.

Sincerely,

T

The Honorable Mark O. Hatfield
Chairman, Committee on Appropriations
United States Senate
Washington, D.C. 20510

cc: Mr. Vogl, Mr. Blinkhorn

PR:sm

Record Removal Notice

The World Bank Group Archives & Records Management

File Title	Barcode No.
Clausen Papers - United States Congress Correspondence - Correspondence 04	1774085

Document Date	Document Type
01 October, 1982	Letter

Correspondents / Participants
To: Marc Lincoln Marks
From: A.W. Clausen

Subject / Title
Recommendation of Protus Gwanmesia

Exception(s)
Personal Information

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.

Withdrawn by	Date
Bertha F. Wilson	November 20, 2010

WARREN B. RUDMAN
NEW HAMPSHIRE

UNITED STATES SENATE
WASHINGTON, D. C. 20510

438

sent original 9/30

September 14, 1982

TO ML BINSWIK

Mr. A. W. Clausen
President
The World Bank
Washington, D.C. 20433

Dear Tom:

I read with interest the report you sent me on the International Development Association. I expect I will be referring to it frequently when the next inevitably controversial replenishment request for IDA is considered in the Senate Appropriations Committee.

I also enjoyed reading your excellent speech of September 6. In a town of two to six year horizons and four year memories, it is always refreshing to encounter someone who maintains a sense of historical perspective.

Sincerely,

Warren

CHALMERS P. WYLIE
15TH DISTRICT, OHIO

2335 RAYBURN HOUSE
OFFICE BUILDING
TELEPHONE: (202) 225-2015

DISTRICT OFFICE:
FEDERAL BUILDING
200 NORTH HIGH STREET
COLUMBUS, OHIO 43215
TELEPHONE: (614) 469-5614

WALLER C. BLOOM
DISTRICT REPRESENTATIVE

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

COMMITTEES:
BANKING, FINANCE AND URBAN AFFAIRS

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CONSUMER AFFAIRS
HOUSING AND COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTIONS SUPERVISION, REGULATION AND INSURANCE

VETERANS' AFFAIRS

SUBCOMMITTEES:
COMPENSATION, PENSION, AND INSURANCE
EDUCATION AND TRAINING

JOINT ECONOMIC

September 16, 1982

3791

9-22-82
TO MR BANSKE
D
Sent orig
hi
9/23

Mr. A. W. Clausen
President
The World Bank
Washington, D.C. 20433

Dear Mr. Clausen:

This is to acknowledge receipt of your letter dated August 31, 1982 and the enclosed copy of your World Bank-IMF annual meetings speech and IDA in Retrospect.

Unfortunately, a matter came up in my district which caused me to change my plans to attend the World Bank-IMF annual meetings in Toronto.

I appreciate having your thought-provoking remarks on the current world economic situation and the World Bank's role in promoting economic stability.

Thank you for sharing your views with me.

Very truly yours,

CHALMERS P. WYLIE
Representative to Congress

CPW/D

Record Removal Notice

The World Bank Group Archives & Records Management

File Title	Barcode No.
Clausen Papers - United States Congress Correspondence - Correspondence 04	1774085

Document Date	Document Type
08 September, 1982	Letter

Correspondents / Participants
To: A.W. Clausen
From: Daniel K. Inouye

Subject / Title
Recommendation of Frank Butrico

Exception(s)
Personal Information

Additional Comments

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File Title	Barcode No.
Clausen Papers - United States Congress Correspondence - Correspondence 04	1774085

Document Date	Document Type
21 September, 1982	Letter with CV attachment

Correspondents / Participants
To: A.W. Clausen
From: Marc Lincoln Marks, Member of Congress; 24th District, Pennsylvania

Subject / Title
Recommendation of Protus N. Gwanmessia

Exception(s)
Personal Information

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.

Withdrawn by	Date
Bertha F. Wilson	November 20, 2010

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File Title		Barcode No.
Clausen Papers - United States Congress Correspondence - Correspondence 04		1774085
Document Date	**Document Type**	
22 September, 1982	Letter	

Correspondents / Participants
To: Daniel K. Inouye
From: A.W. Clausen

Subject / Title
Recommendation of Frank Butrico

Exception(s)
Personal Information

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.

Withdrawn by	Date
Bertha F. Wilson	November 20, 2010

Sent copy P. Riddell 9/10

R1

3881

United States Senate

COMMITTEE ON APPROPRIATIONS
WASHINGTON, D.C. 20510

9-12-82

September 7, 1982

The Honorable A. W. Clausen
President
The World Bank
Washington, D. C. 20433

Dear Tom:

I want to congratulate you on the excellent speech you delivered yesterday at the World Bank Annual Meetings in Toronto. I also want to thank you for providing me a copy of IDA in Retrospect. This study appears at first glance to be worthy of extended study, which, I assure you, I will give to it in the next several months.

Let me tell you again how much I appreciated your willingness to enter the "lion's den" and have lunch with the Foreign Operations Subcommittee. Your candid appraisal of the World Bank and IDA, and their importance to the United States, is a message deserving of a broader audience. I am certain that, working together, we can make this message known.

Thank you again for your kind note. Please be assured that I shall endeavor to obtain full support in the Senate for IDA and the World Bank.

Sincerely,

DANIEL K. INOUYE
Ranking Minority Member
Subcommittee on Foreign
Operations

DKI:rcm

August 31, 1982

Dear Dan:

I recall with pleasure our luncheon on July 15. At that time I promised I would send you a copy of IDA in Retrospect, an evaluation of the International Development Association. This study has now been completed, and I take pleasure in enclosing a copy, along with the text of my speech at the World Bank-IMF Annual Meetings in Toronto on September 6.

I would welcome your comments.

Sincerely,

TC

The Honorable Daniel K. Inouye
United States Senate
Washington, D.C. 20510

cc: Mr. Vogl, Mr. Blinkhorn

PR:sm

August 31, 1982

John

Dear Mr. LaFalce:

I am delighted to know that you will be attending the World Bank-IMF Annual Meetings in Toronto next week.

As you are responsible for assessing the merits of multilateral development legislation, I enclose a copy of a recent evaluation of the International Development Association, IDA in Retrospect, along with the text of my annual meetings speech.

Please let me know if I can be of further assistance. I would welcome your comments.

Sincerely,

T

The Honorable John J. LaFalce
Committee on Banking, Finance and Urban Affairs
House of Representatives
Washington, D.C. 20515

cc: Mr. Vogl, Mr. Blinkhorn

PR:sm

August 31, 1982

Dear Nick:

I recall with pleasure our luncheon on July 15. At that time I promised I would send you a copy of IDA in Retrospect, an evaluation of the International Development Association. This study has now been completed, and I take pleasure in enclosing a copy, along with the text of my speech at the World Bank-IMF Annual Meetings in Toronto on September 6.

I would welcome your comments.

Sincerely,

T

The Honorable Nicholas F. Brady
United States Senate
Washington, D.C. 20510

cc: Mr. Vogl, Mr. Blinkhorn

PR:sm

August 31, 1982

Dear Bob:

I recall with pleasure our luncheon on July 15. At that time I promised I would send you a copy of IDA in Retrospect, an evaluation of the International Development Association. This study has now been completed, and I take pleasure in enclosing a copy, along with the text of my speech at The World Bank-IMF Annual Meetings in Toronto on September 6.

I would welcome your comments.

Sincerely,

TC

A. W. Clausen

The Honorable
Robert W. Kasten, Jr.
Chairman, Subcommittee on
Foreign Operations
Committee on Appropriations
United States Senate
Washington, D. C. 20510

cc: Mr. Vogl, Mr. Blinkhorn

PR:sm

August 31, 1982

Dear Mac:

I recall with pleasure our luncheon on July 15. At that time I promised I would send you a copy of IDA in Retrospect, an evaluation of the International Development Association. This study has now been completed, and I take pleasure in enclosing a copy, along with the text of my speech at the World Bank-IMF Annual Meetings in Toronto on September 6.

I would welcome your comments.

Sincerely,

T

The Honorable Charles McC. Mathias, Jr.
United States Senate
Washington, D.C. 20510

cc: Mr. Vogl, Mr. Blinkhorn

PR:sm

August 31, 1982

Dear Warren:

I recall with pleasure our luncheon on July 15. At that time I promised I would send you a copy of IDA in Retrospect, an evaluation of the International Development Association. This study has now been completed, and I take pleasure in enclosing a copy, along with the text of my speech at the World Bank-IMF Annual Meetings in Toronto on September 6.

I would welcome your comments.

Sincerely,

TC

The Honorable Warren B. Rudman
United States Senate
Washington, D.C. 20510

cc: Mr. Vogl, Mr. Blinkhorn

PR:sm

August 31, 1982

Dear Mr. Coyne:

I am delighted to know that you will be attending the World Bank-IMF Annual Meetings in Toronto next week.

As you are responsible for assessing the merits of multilateral development legislation, I enclose a copy of a recent evaluation of the International Development Association, IDA in Retrospect, along with the text of my annual meetings speech.

Please let me know if I can be of further assistance. I would welcome your comments.

Sincerely,

TC

The Honorable William J. Coyne
Committee on Banking, Finance and Urban Affairs
House of Representatives
Washington, D.C. 20515

cc: Mr. Vogl, Mr. Blinkhorn

PR:sm

August 31, 1982

Dear Mr. Carman:

I am delighted to know that you will be attending the World Bank-IMF Annual Meetings in Toronto next week.

As you are responsible for assessing the merits of multilateral development legislation, I enclose a copy of a recent evaluation of the International Development Association, IDA in Retrospect, along with the text of my annual meetings speech.

Please let me know if I can be of further assitance. I would welcome your comments.

Sincerely,

TC

The Honorable Gregory W. Carman
Committee on Banking, Finance and Urban Affairs
House of Representatives
Washington, D.C. 20515

cc: Mr. Vogl, Mr. Blinkhorn

PR:sm

August 31, 1982

Dear Mr. Wylie:

I am delighted to know that you will be attending the World Bank-IMF Annual Meetings in Toronto next week.

As you are responsible for assessing the merits of multilateral development legislation, I enclose a copy of a recent evaluation of the International Development Association, IDA in Retrospect, along with the text of my annual meetings speech.

Please let me know if I can be of further assistance. I would welcome your comments.

Sincerely,

TC

The Honorable Chalmers P. Wylie
Committee on Banking, Finance and Urban Affairs
House of Representatives
Washington, D.C. 20515

cc: Mr. Vogl, Mr. Blinkhorn

PR:sm

August 31, 1982

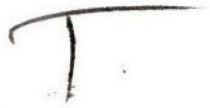
Dear Jerry:

I am delighted to know that you will be attending the World Bank-IMF Annual Meetings in Toronto next week.

As you are responsible for assessing the merits of multilateral development legislation, I enclose a copy of a recent evaluation of the International Development Association, IDA in Retrospect, along with the text of my annual meetings speech.

Please let me know if I can be of further assistance. I would welcome your comments.

Sincerely,



The Honorable Jerry M. Patterson
Chairman, Subcommittee on International
Development Institutions and Finance
Committee on Banking, Finance and Urban Affairs
House of Representatives
Washington, D.C. 20515

cc: Mr. Vogl, Mr. Blinkhorn

PR:sm

August 31, 1982

Dear Bill:

I am delighted to know that you will be attending the World Bank-IMF Annual Meetings in Toronto next week.

As you are responsible for assessing the merits of multilateral development legislation, I enclose a copy of a recent evaluation of the International Development Association, IDA in Retrospect, along with the text of my annual meetings speech.

Please let me know if I can be of further assistance. I would welcome your comments.

Sincerely,

The Honorable J. William Stanton
Committee on Banking, Finance and Urban Affairs
House of Representatives
Washington, D.C. 20515

cc: Mr. Vogl, Mr. Blinkhorn

PR:sm

August 31, 1982

Dear Bill:

I am delighted to know that you will be attending the World Bank-IMF Annual Meetings in Toronto next week.

As you are responsible for assessing the merits of multilateral development legislation, I enclose a copy of a recent evaluation of the International Development Association, IDA in Retrospect, along with the text of my annual meetings speech.

Please let me know if I can be of further assistance. I would welcome your comments.

Sincerely,

The Honorable J. William Stanton
Committee on Banking, Finance and Urban Affairs
House of Representatives
Washington, D.C. 20515

cc: Mr. Vogl, Mr. Blinkhorn

PR:sm

September 1, 1982

Dear Jack:

I am pleased to enclose a copy of IDA in Retrospect, a recent assessment of the International Development Association. Since you are directly responsible for legislation dealing with this multilateral assistance program, I would welcome your comments.

Sincerely,

The Honorable Jack F. Kemp
House of Representatives
Washington, D.C. 20515

cc: Mr. Frank Vogl, Mr. Blinkhorn

PR:sm

September 1, 1982

Dear Bill:

I am pleased to enclose a copy of IDA in Retrospect, a recent assessment of the International Development Association. Since you are directly responsible for legislation dealing with this multilateral assistance program, I would welcome your comments.

Sincerely,

The Honorable C. W. Bill Young
House of Representatives
Washington, D.C. 20515

cc: Mr. Vogl, Mr. Blinkhorn'

PR:sm

September 1, 1982

Dear Tom:

I am pleased to enclose a copy of IDA in Retrospect, a recent assessment of the International Development Association. Since you are directly responsible for legislation dealing with this multilateral assistance program, I would welcome your comments.

Sincerely,

TC

The Honorable Thomas B. Evans, Jr.
House of Representatives
Washington, D.C. 20515

cc: Mr. Vogl, Mr. Blinkhorn

PR:sm

September 1, 1982

Dear George:

I am pleased to enclose a copy of IDA in Retrospect, a recent assessment of the International Development Association. Since you are directly responsible for legislation dealing with this multilateral assistance program, I would welcome your comments.

Sincerely,

TC

The Honorable George M. O'Brien
House of Representatives
Washington, D.C. 20515

cc: Mr. Vogl, Mr. Blinkhorn

PR:sm

September 1, 1982

Dear David?

I am pleased to enclose a copy of IDA in Retrospect, a recent assessment of the International Development Association. Since you are directly responsible for legislation dealing with this multilateral assistance program, I would welcome your comments.

Sincerely,

TC

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

cc: Mr. Vogl, Mr. Blinkhorn

PR:sm

September 1, 1982

Dear Matt:

I am pleased to enclose a copy of IDA in Retrospect, a recent assessment of the International Development Association. Since you are directly responsible for legislation dealing with this multilateral assistance program, I would welcome your comments.

Sincerely,

TC

The Honorable Matthew F. McHugh
House of Representatives
Washington, D.C. 20515

cc: Mr. Vogl, Mr. Blinkhorn

PR:sm

September 1, 1982

Dear Senator Dodd:

I am pleased to enclose a copy of IDA in Retrospect, a recent assessment of the International Development Association. Since you are directly responsible for legislation dealing with this multilateral assistance program, I would welcome your comments.

Sincerely,

TC

The Honorable Christopher J. Dodd
United States Senate
Washington, D.C. 20510

cc: Mr. Vogl, Mr. Blinkhorn

PR:sm

September 1, 1982

Dear Senator Pell:

I am pleased to enclose a copy of IDA in Retrospect, a recent assessment of the International Development Association. Since you are directly responsible for legislation dealing with this multilateral assistance program, I would welcome your comments.

Sincerely,

TC

The Honorable Claiborne Pell
United States Senate
Washington, D.C. 20510

cc: Mr. Vogl, Mr. Blinkhorn

PR:sm

September 1, 1982

Dear Sil:

I am pleased to enclose a clpy of IDA in Retrospect, a recent assessment of the International Development Association. Since you are directly responsible for legislation dealing with this multilateral assistance program, I would welcome your comments.

Sincerely,

T

The Honorable Silvio O. Conte
Committee on Appropriations
House of Representatives
Washington, D.C. 20515

cc: Mr. Vogl, Mr. Blinkhorn

PR:sm

September 1, 1982

Dear Chuck:

I am pleased to enclose a copy of IDA in Retrospect, a recent assessment of the International Development Association. Since you are directly responsible for legislation dealing with this multilateral assistance program, I would welcome your comments.

Sincerely,

T

The Honorable Charles H. Percy
Chairman, Committee on Foreign Relations
United States Senate
Washington, D.C. 20510

cc: Mr. Vogl, Mr. Blinkhorn

PR:sm

September 1, 1982

Dear Clarence:

I am pleased to enclose a copy of IDA in Retrospect, a recent assessment of the International Development Association. Since you are directly responsible for legislation dealing with this multilateral assistance program, I would welcome your comments.

Sincerely,

TC

The Honorable Clarence D. Long
Chairman, Subcommittee on Foreign Operations
Committee on Appropriations
House of Representatives
Washington, D.C. 20515

cc: Mr. Vogl, Mr. Blinkhorn

PR:sm

file w
incoming

August 23, 1982

Dear Mr. Gambaro:

As a follow-up to Senator Mathias letter to Mr. Clausen, President of the World Bank, may I suggest that you contact Mr. Bernard Snoy, Financial Counsellor in the World Bank's office in Paris, 66 Avenue, d'Iena, 75116 Paris, France, Tel: 723-54-21. I believe Mr. Snoy has all the necessary information and expertise to respond to possible questions that you may have on financing techniques for industrial projects in Third World countries as well as on co-financing arrangements.

In the absence of Mr. Snoy, please contact Mr. Yves Franchet, Deputy Director (same telephone number). I hope you will find your visit to the World Bank's European Office useful. If I can be of any further assistance please do not hesitate to get in touch.

Yours sincerely,

Spiros T. Voyadzis
Program Coordinator
Office of the Vice President
External Relations

Mr. Giampiero Gambaro
Viale Gambaro 8A
16146 Genoa
Italy

cc: Mr. Southworth w/inc.
Mr. Steckhan "
Mr. Franchet "
Mr. Snoy "

STVoyadzis:mmh

logged

THE WORLD BANK
Washington, D. C. 20433
U. S. A.

A. W. CLAUSEN
President

August 19, 1982

Dear Mac:

Just a note to let you know that I've asked my staff to get in touch with Giampiero Gambaro. They will contact him shortly with the names of people he should see in our Paris Office.

Warm regards.

Sincerely,

A. W. Clausen

The Honorable
Charles McC. Mathias, Jr.
United States Senate
Washington, D.C. 20510

bcc: Mr. Benjenk w/incoming to handle

RSouthworth:ml

371

CHARLES McC. MATHIAS, JR.
UNITED STATES SENATE

August 10, 1982

Dear Tom:

Giampiero Gambaro, who lives in Genoa, Italy, is a long-time friend of my sister, and he is now in the process of finishing his work at Bocconi University, the most well-known school of economics and management in Italy. He is preparing a thesis on financing techniques for industrial projects in Third World countries, with particular interest in "co-financing."

As part of his research, Mr. Gambaro plans to visit the World Bank offices in Paris, and he has written to ask if we might be able to refer him to someone there whom he might contact should he need assistance in obtaining information. If this is possible, it would be very much appreciated if an appropriate person could contact Mr. Gambaro directly at Viale Gambaro 8A, 16146 Genoa, Italy.

Many thanks for your consideration.

Sincerely,

Mac

Charles McC. Mathias, Jr.

Mr. A. W. Clausen
President, International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D. C. 20433

THE WORLD BANK
Washington, D. C. 20433
U. S. A.

A. W. CLAUSEN
President

August 19, 1982

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Charles McC. Mathias, Jr.
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bcc: Mr. Benjenk w/incoming to handle

RSouthworth:ml

CHARLES McC. MATHIAS, JR.
UNITED STATES SENATE

August 10, 1982

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Many thanks for your consideration.

Sincerely,

Charles McC. Mathias, Jr.

Mr. A. W. Clausen
President, International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D. C. 20433

file

August 13, 1982

Dear Mr. Inglee:

As agreed during our telephone conversation today, I am setting out in this note the suggestions provided by The World Bank's European Office in Paris as possible contacts for your visit to Europe in November. I have confined the list (with one exception) to the countries (although perhaps not the cities) you told me you plan to visit, and I omit the EEC, since you will be traveling under EEC auspices.

1. In addition to Rutherford Poats at the OECD, you might wish to arrange to see members of OECD country delegations, in particular the delegations of the Nordic countries and the Netherlands since those countries are not on your itinerary.

2. Chairmen of development committees in national legislatures, such as Uwe Holtze in Germany, Bellon in France, Kevin McNamara in the U.K.

3. Members of the Development Committee of the European Parliament or the Council of Europe, if either or both are in session in November.

4. Edward Heath (U.K.), as a member of the Brandt Commission (as was Mr. Pisani).

5. Executives of national development banks, such as Broder of Kreditanstallt fur Wiederaufbau, or Roland Billecart of the Caisse Centrale.

6. Senior national aid administration officials, such as Horst Schulman and Dr. Moltrecht in Germany and Jean Audibert in France.

logged

7. Ideas are short on academia, since there is no true equivalent to Brookings in Europe. But Gutkowshi at HWWA in Hamburg, Tacke at DIE in Berlin and Patrick Guillamont at Clermont Ferand are suggested as worthwhile contacts.

I hope these ideas will prove useful.

Sincerely,

Shirley Boskey
Director
International Relations Department

Mr. William B. Inglee
Director
Task Force on Foreign Policy
House Republican Research Committee
U.S. House of Representatives
Washington, D.C. 20515

cc: Mr. Clausen's office

SEBoskey/eb

July 29, 1982

Dear Mr. Inglee:

Thank you for your letter. Your upcoming trip and the subject of your investigation are both timely and important. One of my colleagues will be in touch shortly with the names of potentially useful contacts. Good luck with your study.

Sincerely,

TC

Mr. William B. Inglee
Director
Task Force on Foreign Policy
House Republican Research Committee
U.S. House of Representatives
Washington, D.C. 20515

bcc: Mrs. Boskey

RSouthworth:tk

TASK FORCE ON FOREIGN POLICY

HOUSE REPUBLICAN RESEARCH COMMITTEE

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, D.C. 20515

1416 LONGWORTH BUILDING
202-225-5725
WILLIAM B. INGLEE, DIRECTOR
RICHARD DINE, ASSISTANT DIRECTOR

299

July 27, 1982

Mr. A.W. Clausen
President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Clausen:

I will be travelling to Europe in November of this year under a program sponsored by the European Economic Community. I will be in Europe for approximately five weeks and will be meeting with European officials on a variety of issues concerning U.S.-European relations. However, the main focus of my visit will be European economic assistance programs. Hopefully, upon my return, the task force will be able to publish a report on U.S. foreign assistance programs.

I plan to use my time in Europe studying European relations with developing countries, particularly in the area of economic assistance and trade. Many European countries have developed innovative ways of dealing with developing countries, approaches which are frequently different in basic philosophy and direction than those utilized by the United States. Because of this, I am very interested in meeting with Europeans, both in and out of government, who deal with relations with the "Third World."

I would appreciate it very much if you or your staff could suggest individuals in Europe, both in and out of government, with whom I might meet to discuss this subject. While I have already established a tight trip itinerary, I do have some flexibility, both in terms of travel and meetings. Any assistance you might give me would be greatly appreciated.

Again, thank you in advance for your assistance. If I can be of any assistance to you, please don't hesitate to let me know.

Sincerely,

Bill Inglee

William B. Inglee
Director
Task Force on Foreign Policy

WBI:rd

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

R1

OFFICE MEMORANDUM

1317

TO: Mr. Frank Vogl

July 12, 1982

FROM: Peter Riddleberger PR

SUBJECT: Foreign Aid Outlook

Mark-up of the Administration's FY83 foreign assistance request by the House and Senate Appropriations Committees will probably not occur until after the late August recess. Pending FY82 supplemental requests and other business will slow the process by which multilateral and bilateral assistance programs are actually funded. Mark-up by the Committees after the Labor Day recess is also problematic; there are very strong disagreements in the Committees between proponents of the President's military and security request and those who believe that international economic development programs are being weakened. With the substantial increases the Administration is seeking in the security/military area, controvery in Congress over the direction of U.S. foreign policy is expected to be intense. With a mid-October adjournment scheduled to permit campaigning for the November general elections, there is a strong likelihood that foreign assistance programs will be funded under continuing resolution at least for part of FY83.

The Administration is requesting about $9 billion for foreign assistance programs in FY83, up from the nearly $7.5 billion appropriated by Congress in FY82. The President's request includes $1.5 billion for U.S. participation in multilateral development banks, up from nearly $1.3 billion appropriated for FY82; $173.25 million for voluntary contributions to international organizations, down by $42 million from the FY82 appropriation; $1,298 billion for bilateral functional assistance programs in agriculture, population, health, education and technical assistance, similar to FY82 levels; $2.9 billion for security assistance, up from $2.6 billion appropriated in FY82. Finally, the President's request for military assistance programs totals $1.9 billion, an increase of nearly $1 billion from the FY82 appropriations for these programs.

The attached article explains some of the pushing and shoving now taking place.

Attachment

cc: Messrs. Clausen, Qureshi, Stern,
Benjenk, Chenery, Golsong,
Paijmans, Thahane

Mr. Blinkhorn
Ms. Maguire

PR:sb

CONGRESSIONAL QUARTERLY

Volume 40, No. 27 July 3, 1982 - Pages 1578-1579

Budget Resolution Forces Aid Choices . . .

The fiscal 1983 budget resolution mandates a pinch on foreign affairs spending that could torpedo the few such programs that enjoy broad support — such as aid to Israel and Egypt — and sink the already foundering foreign aid bills.

In the wake of final action on the resolution (S Con Res 92), congressional aides still were trying to sort out what effect the measure would have on pending aid authorization bills (HR 6370, S 2608) and on appropriations needed for a $939 million military aid increase President Reagan wants.

They also were pondering what cuts would have to be made in other programs if Congress decides it wants to boost funding for the popular Export-Import Bank above what Reagan has requested — a move that had been expected.

The administration's foreign aid priority has been to increase arms aid to key allies. Proposed increases in aid to Israel and Egypt and a boost in Ex-Im financing were expected to serve as political sweeteners that would help Congress get the bitter foreign aid pill down.

Reagan requested, and the House Foreign Affairs and Senate Foreign Relations committees have approved, a $300 million increase in military aid for Israel (to $1.7 billion) and a $200 million increase for Egypt (to $900 million). The Senate committee also voted a $125 million boost in grant economic aid to Israel (to $910 million). *(Weekly Report p. 1407)*

But S Con Res 92, adopted by the House June 22 and by the Senate June 23, essentially would freeze overall fiscal 1983 aid spending at fiscal 1982 levels or below. *(Budget resolution, p. 1507)*

An added difficulty is that the resolution's limit on fiscal 1983 international affairs outlays — funds that actually can be spent in that fiscal year — is far tighter than its limit on new budget authority, which authorizes overall spending that may take years to disburse.

This intensifies the pressure on Reagan's requests and on those who want to boost aid to Israel and Egypt because those items would consist entirely of immediate outlays.

At the same time, programs many members might be tempted to cut so they could accommodate the favored increases — contributions to international lending banks, for instance — would reduce outlays only modestly, since those programs can spend their funding only slowly.

So to increase funding for programs that require swift outlays, Congress would have to make drastic cuts in slower spending development aid programs, according to aides who specialize in the foreign aid budget. But liberal Democrats who back development aid — and whose votes are needed to pass aid bills — might buck such reductions.

On the other hand, congressional aides said that to cut rapid-outlay items such as aid to Israel and Egypt and Reagan's military aid budget could obviate the need for a new aid authorization bill, since fiscal 1983 authorizations are on the books under a bill Congress passed in 1981 (PL 97-113). Such cuts also might jeopardize backing for foreign aid appropriations.

"The . . . driving numbers are Ex-Im and Israel and Egypt," said a Senate Appropriations Committee aide. "Everybody wants more bucks for those. If we stick those things out on the floor, people will vote for them."

However, the aide said, if projected increases in those programs are preserved, "You would have to decimate some of the other programs."

Another congressional aide who specializes in this part of the budget said S Con Res 92 had left the Senate Foreign Relations and House Foreign Affairs committees in a quandary over what to do with S 2608 and HR 6370, the $6.7 billion fiscal 1983 aid authorization bills they have reported.

Senate Foreign Relations aides have estimated that their committee must cut $600 million in fiscal 1983 outlays from S 2608 to make it comply with S Con Res 92.

"The only way you can cut that amount of outlays is to cut fast-spending programs like Israel and Egypt," said this aide. "If you do that, there's not much point in passing the bill. They'd be coming out with a bill less than their current authorizations. Why bother?"

Thus, he said, "It's clear for the first time that Israel will be frozen at current levels. They're certainly not getting their full add-on, even their most vocal supporters admit that."

As for the Foreign Relations and Foreign Affairs panels, he said, "They're in a tight spot, but at the moment I don't think they're ready to take the heat from the friends of Israel."

"Something is going to have to give somewhere along the line," said a Senate Foreign Relations Committee aide. "We are still taking stock."

. . . With Supporters of Israel First in Line

Latest Setback

The adoption of the resolution was the latest in a series of setbacks for Reagan's foreign aid program, which stresses bolstering key allies with weapons and military supplies. *(Reagan request, Weekly Report pp. 253, 766)*

In May the Foreign Affairs and Foreign Relations panels scaled back a Reagan request to boost a concessional arms aid program to $1.739 billion from an existing $800 million authorization.

In writing the fiscal 1983 aid authorization bills, the House committee approved only $1.2 billion for a special program of grants and low-interest loans and the Senate committee approved only $1.3 billion. Both figures were in addition to about $4 billion in regular arms loans to be made at market interest rates.

Most members and aides involved in the foreign aid debate long have assumed that Congress will not pass a new aid appropriations bill for fiscal 1983 — and might not even pass the less controversial authorizations bill.

For Israel, the House committee approved $750 million of the $1.7 billion arms aid total as a loan that would not have to be repaid, and the Senate committee approved $850 million in arms aid as a grant. In fiscal 1982, $550 million of Israel's arms aid was a forgiven loan.

Both committees approved $400 million of Egypt's fiscal 1983 arms aid as a forgiven loan, as Reagan had requested, compared to $100 million in fiscal 1982.

Another $100 million in concessional military aid would be split among at least 16 other countries.

Fiscal 1983 Amounts

The budget resolution set fiscal 1983 limits of $15.9 billion in budget authority and $11.5 billion in outlays for "international affairs" programs. Foreign aid is the biggest item in that category, which also includes State Department operations and Export-Import Bank financing.

The limits for fiscal 1982 were $16.75 billion in budget authority and $11.4 billion in outlays.

Only forgiven loans and other concessional aid is counted as budget authority and outlays under S Con Res 92. Arms loan guarantees, for example, are considered "off-budget."

During final conference committee negotiations on the budget resolution June 18, Democrats and some Republicans tried to boost the foreign aid outlay figures by $600 million to protect aid for Israel and Egypt. The move was led by two of Israel's strongest supporters in Congress, Rep. Stephen J. Solarz, D-N.Y., and Sen. Rudy Boschwitz, R-Minn.

President Reagan first supported the effort to increase foreign aid funds. In a June 15 letter to Senate Budget Committee Chairman Pete V. Domenici, R-N.M., Reagan said sharp cutbacks in foreign aid "could have far ranging effects that could cripple" U.S. security interests in the Middle East and other regions.

But as negotiations on the budget resolution bogged down, Reagan told Domenici June 18 that he would back the lower aid amounts.

After a contentious debate, House conferees approved the boost in aid, but Senate conferees rejected it on a 5-5 vote, and it failed. *(Weekly Report p. 1452)*

Fiscal 1982 Aid

In good news for Reagan, S Con Res 92 did provide enough room for his proposed fiscal 1982 foreign aid supplementals, including $350 million in emergency economic aid for Caribbean and Central American nations under his Caribbean Basin Initiative (CBI).

Another fiscal 1982 supplemental request would give $301.5 million in additional military aid to at least 12 countries, with only $115.5 million of that amount counting as budget authority under S Con Res 92.

But both proposals have serious political problems on Capitol Hill.

The CBI has been stalled in committees in both chambers. Only the Foreign Relations Committee has approved a bill (S 2237) — and it voted over administration objections to make most of the $350 million a donation to the World Bank. *(Weekly Report p. 1186)*

The future of the committee's proposal is dim, however. The World Bank is said to be opposed to the idea, and a Foreign Relations Committee aide said it appeared there were "enough votes" to kill it on the Senate floor.

But S 2237 has yet to receive its first hearing before the Senate Finance Committee, and the House CBI bill (HR 5900) has been stalled in both the House Foreign Affairs, and Ways and Means committees. *(Weekly Report p. 681)*

The fiscal 1982 military aid supplemental was rejected by the House Appropriations Foreign Operations Subcommittee, the only panel to consider it so far. *(Weekly Report p. 1258)*

THE WORLD BANK
Washington, D. C. 20433
U. S. A.

A. W. CLAUSEN
President

July 20, 1982

7-25

Dear Jim:

I greatly appreciate your assistance in organizing the luncheon last week with members of the Appropriations Committee. It is this kind of informal meeting which permits me to understand Congressional views on multilateral aid and gives me the opportunity to discuss the scope of our programs.

Again--my thanks.

Sincerely,

Tom Clausen

Mr. James Bond
Subcommittee on Foreign Operations
Committee on Appropriations
S-128 Capitol Building
United States Senate
Washington, D. C. 20510

BC: P. Riddleberger

THE WORLD BANK
Washington, D. C. 20433
U. S. A.

A. W. CLAUSEN
President

July 19, 1982

Dear Dan:

It was good to be with you, Bob and your colleagues at luncheon last week.

I enjoyed our candid exchange on foreign aid and appreciate the pressures you face this year in deciding on the allocation of funds. However, I am convinced that multilateral assistance is a worthwhile investment for the United States. I am sure you agree.

Shortly before our Annual Meetings in September, I will be sending you a detailed study, IDA in Retrospect, which I hope will assist you in your Committee's deliberations.

Thank you again for your hospitality and please let me know if I can be of further assistance.

Sincerely,

Tom

Senator Daniel K. Inouye
Subcommittee on Foreign Operations
Committee on Appropriations
S-128 Capitol Building
United States Senate
Washington, D. C. 20510

BC: P. Riddleberger

THE WORLD BANK
Washington, D. C. 20433
U. S. A.

A. W. CLAUSEN
President

July 19, 1982

Dear Bob:

Thank you so much for the opportunity to meet with you and your colleagues over luncheon last week.

I understand the pressures you face this year in deciding how funds should be allocated for foreign aid. And, as we discussed, after completing my first year at The World Bank, I am more convinced than ever that multilateral assistance is a worthwhile investment for the United States. Hopefully, you agree.

Shortly before our Annual Meetings in September, I will be sending you a detailed study, IDA in Retrospect, which I hope will assist you in your Committee's deliberations.

7-25

Please let me know if I can be of further assistance.

Sincerely,

Tom

Senator Robert W. Kasten, Jr.
Chairman
Subcommittee on Foreign Operations
Committee on Appropriations
S-128 Capitol Building
United States Senate
Washington, D. C. 20510

BC: P. Riddleberger

7-15-82

REMINDER

YOU ARE DUE ON THE HILL AT NOON.

PETER RIDDLEBERGER WILL BE UP THERE AND

WILL MEET YOU AT THE CAR WHEN YOU ARRIVE.

HH

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. A.W. Clausen

DATE: July 14, 1982

FROM: M.P. Benjenk

SUBJECT: Your Meeting with Senator Kasten

Please find attached a memorandum from Mr. Riddleberger concerning your lunch tomorrow with Senator Kasten and some of his colleagues. While it is always difficult to present a general theme during a luncheon discussion, my advice would be to point out to the Senators that there is a paradox in the attitude of the United States towards the World Bank. The Bank is one of the world's most influential instruments in persuading developing countries to support free and market oriented economies with incentives to producers. Its advice is listened to because it has the funds to back up policy recommendations with finance. In this capacity the Bank is one of the leading advocates for "western" economic principles, and therefore for what the U.S. stands for. The paradox resides in the fact that the U.S. is reducing its support to the Bank just at the time that it is trying to follow a more assertive foreign policy all over the world, and championing western ideas versus closed political and economic systems. The pretense that the reasons are budgetary rather than ideological is not believed by most people all over the world. European countries and Japan have budgetary problems more serious than those of the U.S. and feel no pressures to reduce their aid appropriations, except when prompted, as in the case of IDA, by the American example.

You might also talk about the advantages of multilateral over bilateral aid. Bilateral aid is an essential tool of foreign policy and in that capacity it should not be under-rated. However, as a tool for economic development it is essentially second class, as demonstrated by the harmful effects of U.S. aid to Egypt, which permit the maintenance of unsound economic policies and undermine the kind of changes which the Bank would like to see in that economy.

MPBenjenk:sf

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. A. W. Clausen (thru Mr. M. P. Benjenk) July 13, 1982

FROM: Peter Riddleberger

SUBJECT: Senate Luncheon

Time and Place: Thursday, July 15 at 12:00 noon. Room S-224 of the Capitol (enter Senate side of East front of the Capitol. Take elevator to Second Floor).

Host: Senator Robert Kasten (R-WI) accompanied by members of the Appropriations Subcommittee on Foreign Operations and the Chairman and Ranking Democrat of the full Committee.

Sen. Kasten, along with all other Republican members of the Subcommittee except Sen. Mark Hatfield (R-OR) are Freshmen. (This assignment is not exactly coveted by more senior members.) Following the close advice of staff aide James Bond, he has taken the lead in stretching out IDA-6 payments. For details of foreign aid legislation, he has relied heavily on the advice of Sen. Daniel Inouye (D-Hawaii) who was Chairman of this panel for five years before the GOP captured the Senate in 1980. He has hinted that he will support the Administration's request for $945 million in FY83.

Sen. Kasten can be difficult. On a trip through the Middle East this past Spring, he caused problems for the State Department by his contradictory statements to leaders in Israel and Jordan, and for his demands to have "private" meetings with heads of governments.

He also has had troubles on the home front. Charges of misuse of funds by a company with which he is connected in Wisconsin have resulted in negative press and political speculation.

Others expected to attend include:

Sen. Alfonse (Gus) D'Amato (R-NY). Sen. D'Amato ousted long time MDB supporter Jacob Javits in 1980, whom he accused of being out of tune with the times. A conservative, he has not taken an active role in subcommittee matters. He has simply gone along with what Kasten recommends.

Sen. Warren Rudman (R-NH). Very much the same story as D'Amato. A freshman with no real voting record on development legislation, Rudman tends to go along with whatever the White House asks for.

Sen. Arlen Spector (R-PA). A moderate and internationalist, Spector has on occasion expressed support for U.S. leadership in multilateral programs. (He will stop by.)

Sen. Daniel Inouye (D-Hawaii). Chairman of this subcommittee for many years, Inouye knows more about foreign assistance than any other member of the Senate. He has been a difficult friend. Proud of his influence, he demands accountability of MDB's. He has picked on such issues as salaries, first class travel, etc. Inouye is a master at putting together compromises at the last second. He enjoys wheeling and dealing.

Sen. Patrick Leahy (D-VT). A strong and consistent supporter of multilateral aid, Leahy has always pushed for the highest possible funding level for IDA. He dismisses the critics of MDB lending as nitpickers. He is the only member of Congress to say that the World Bank President is underpaid.

Sen. Charles McC. Mathias (R-MD). Not a member of the Appropriations Committee, but Chairman of the Foreign Relations Subcommittee on International Economic Policy will also attend.

There may be several others at the luncheon which are not yet confirmed. Senator Kasten might invite some other Republican Freshmen at the last minute.

Comment:

Last year Sen. Kasten violated Congressional custom by "marking-up" the foreign aid bill before the House had acted. He does not intend to repeat this move. Accordingly, we cannot expect any Senate action on aid funding until after elections when a lame duck session is expected.

Therefore, a Continuing Resolution is likely to cover the time after ~~September~~ October 1. We could expect $700 million for IDA under this measure.

Senator Inouye's staff has raised the possibility of full IDA funding under the Continuing Resolution (which like any other bill can be amended). But Kasten, a member of the Budget Committee, is sensitive to the ceilings on foreign aid called for by the first budget resolution. Here, $1 billion must be cut from the President's request. (of $12.4 bn for all aid)

You will not be accompanied by anyone from the Bank on this occasion, as Mr. Bond has indicated the Senator's preference for seeing you alone.

cc: Mr. Vogl
Mr. Blinkhorn

PR:sb

Tom

The issue here is whether the cut from one $945 would be made pro-rata (about 8%) or be discriminated against in favor of more popular programs (Ex-Im Bank, PL 480)

Mike

JULY 15, 1982 LUNCHEON SPONSORED BY SENATORS KASTEN AND INOUYE IN HONOR OF MR. A. W. CLAUSEN, PRESIDENT OF THE WORLD BANK

Attending:

Senator Kasten
Senator Inouye
Senator Rudman
Senator Mathias ✓
Senator Andrews
Senator Johnston
Senator Brady ✓

Mr. A. W. Clausen
Mr. Jim Bond
Mr. Richard Collins

For coffee only: (or wine)

Senator Hatfield
Senator Specter
Senator Quayle ✓
Senator Dodd ✓

7-16-82

✓ Not on appropriations Committee

July 2, 1982

Dear Mr. Burton:

Thank you for your letter inquiring on behalf of one of your constituents about a fisheries development project in the Philippines. On May 25, 1982, the Bank approved a $22.4 million loan to the Government of the Philippines to assist small-scale fishermen. The loan would help finance the establishment of marketing facilities and the provision of input supplies.

I attach a copy of the technical data sheet related to this project, which you may wish to forward to your constituent for his information. If your constituent is interested in submitting bids to provide services or supplies required under this project, he should contact the General Manager, Philippine Fishery Development Authority, 7th Floor, PPSTA Building, Benaue Street, Quezon City, Philippines (Telex No. MINARES PM 42 030).

I hope you find this information useful. Should you need further information, please do not hesitate to write to Mr. Edward E. V. Jaycox, Department Director in the East Asia and Pacific Regional Office.

Sincerely,

A. W. Clausen

The Honorable
Phillip Burton
Member of Congress
House of Representatives
Washington, D. C. 20515

Attachment
bcc: Mr. Jaycox

NSidek/OLafourcade:MH

FORM NO. 89
(7-81)

THE WORLD BANK

ROUTING SLIP	Date June 25, 1982

OFFICE OF THE PRESIDENT

Name	Room No.
Mr. ~~Husain~~	
Mr. Jaycox	
SSK	
Mr. Herrwilleger	
pls. handle HSHP.	

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

Remarks

under behalf of Mr. Jaycox in draft in case they want to change

Olivier Lafourcade

From

PHILLIP BURTON
6TH DISTRICT, CALIFORNIA

2304 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
PHONE 202-225-4965

DISTRICT OFFICE:
450 GOLDEN GATE AVENUE
SAN FRANCISCO, CALIFORNIA 94102
PHONE: 415-556-4862

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

COMMITTEES:
EDUCATION AND LABOR
INTERIOR AND INSULAR AFFAIRS
DEMOCRATIC STEERING AND POLICY COMMITTEE
CHAIR, SUBCOMMITTEE ON LABOR-MANAGEMENT RELATIONS
CHAIR, HOUSE DELEGATION NORTH ATLANTIC ASSEMBLY

3182

June 21, 1982

Mr. A. W. Clausen
President, World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Clausen:

According to a recent Wall Street Journal article, the World Bank has approved a series of loans, including one for the Phillipine Islands.

A constituent of mine has written requesting further information on the $22.4 million loan for "commercial fishing and fishing market facilities" in the Phillipines.

Would you please forward more specific details, stipulating the framework for eligibility and implementation, to my office at the earliest possible date.

Thank you very much.

Sincerely,

Phil Burton

PHILLIP BURTON
Member of Congress

PB:jl

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

1260

TO: Mr. Frank Vogl

June 18, 1982

FROM: Peter Riddleberger PR

SUBJECT: MDB Hearings

The House Banking Subcommittee on MDB's held two days of hearings this week on the Treasury's assessment. The last hearing is set for next Tuesday. Nine witnesses (see attached) in addition to Beryl Sprinkel and Robert Hormats all came out strongly in favor of MDB (and IMF) activities. Without exception, they called on the United States to play a more prominent role in mobilizing both public and private funds. They also criticized the Administration for budget cutbacks, and dismissed the view that private investment would pick up the slack. Most felt that only with expanded MDB lending would the climate for the private sector in LDC's be enhanced.

Committee attendance was disappointing. Only two members, Chairman Jerry Patterson and Ranking Republican Tom Evans, were present for any length of time. They set the tone of the hearings in their opening remarks (see attached). Evans, who takes pride in his efforts to "educate" the Administration, said he felt the "cynicism" of one year ago had disappeared. "We've come a long way, but you have to help us persuade our colleagues", he told the witnesses.

Perhaps John Petty's remarks were the most lucid (see attached). When the panel asked for suggestions on how MDB lending could be expanded without adding to Congressional budget woes, Petty cautioned against changing the Bank's gearing ratio, or altering laws which limit the overseas lending of commercial banks, even to allow co-financing in conjunction with a World Bank loan.

With little or no controversy, the hearings are a way of building a record for support of future MDB legislation. The number of witnesses and the fact that they all read rather lengthy prepared statements precluded any extended discussion. A sharp critic or two might have livened up the hearings. Sessions like this tend to give the impression that there are no real differences of opinion. This is hardly the case.

Attachments

cc: Messrs. Clausen, Qureshi, Stern, Benjenk, Chenery, Golsong, Paijmans, Thahane

PR:sb

Contact: Richard E. Feinberg
(202) 225-2495

The MDBs and U.S. Foreign Policy
Tuesday, June 15 at 10:00 a.m. - 2128 Rayburn HOB

Honorable Beryl W. Sprinkel, Under Secretary for Monetary Affairs, Department of the Treasury
Honorable Robert D. Hormats, Assistant Secretary of State, Bureau of Economic and Business Affairs
Honorable Elliot L. Richardson, partner, Milbank, Tweed, Hadley and McCloy; chairman, United Nations Association of the U.S.A.; former U.S. Attorney General; former Secretary of H.E.W. and of the Commerce Department; former Ambassador-at-Large and Special Representative of the President to the Law of the Sea Conference
Douglas C. Bennet, Jr., president, Roosevelt Center for American Policy Studies; former Administrator, Agency for International Development
Edward R. Fried, senior fellow, The Brookings Institution; former U.S. Executive Director, World Bank

The MDBs and Other Financial Institutions
Thursday, June 17 at 10:00 a.m. - 2128 Rayburn HOB

Catherine Gwin, senior fellow, Carnegie Endowment for International Peace, co-author of Collective Management: Reform of the Global Economic Organizations
John Williamson, senior fellow, Institute for International Economics; former professor at Princeton, MIT and University of Warwick
Jeffrey Garten, vice president, Lehman Brothers, Kuhn, Loeb, Inc.; former Deputy Director, Policy Planning Staff, State Department

The MDBs and the U.S. Private Sector
Thursday, June 17 at 2:00 p.m. - 2128 Rayburn HOB

John R. Petty, president, Marine Midland Bank; co-director of the United Nations Association of the USA panel on international financial institutions; former Assistant Secretary for International Affairs, Treasury Department
Gary Hufbauer, senior fellow, Institute for International Economics; former Deputy Assistant Secretary, Treasury Department
Albert Fishlow, professor of economics, Yale University; former Deputy Assistant Secretary for Latin American Affairs, State Department

Funding the MDBs
Tuesday, June 22 at 10:00 a.m. - 2128 Rayburn HOB

Nicholas Rey, managing director, Merrill Lynch White Weld Capital Markets Group; accompanied by John M. Niehuss
Edward J. Waters, vice president, Kidder, Peabody
Thomas C. Dawson, Deputy Assistant Secretary for Developing Nations, Treasury Department

-* Copies of prepared statements are available on request

U.S. HOUSE OF REPRESENTATIVES

SUBCOMMITTEE ON
INTERNATIONAL DEVELOPMENT INSTITUTIONS AND FINANCE
OF THE
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
NINETY-SEVENTH CONGRESS
WASHINGTON, D.C. 20515

Chairman Patterson's Opening Statement

The MDBs and U.S. Foreign Policy

Session 1
Tuesday, June 15, 1982
10:00 a.m. - Room 2128 RHOB

This is the first of four hearings we will hold over the next two weeks. Our objective is to undertake, in some depth, an analysis of the future of the multilateral development banks. The international economy has been undergoing rapid changes in recent years. We want to see how these changes have affected the purposes and functions of the MDBs, to consider whether they have successfully adapted to the new international environment, and to learn whether new reforms are necessary.

These hearings come at a difficult time for the international economy. The U.S. is not alone in suffering from chronic inflation, slow growth rates and historically high real rates of interest. The industrial country economies have been stagnant for the last two years and are expected to show no per capita growth this year.

The growth rates of the developing countries have also declined. Although the oil-importing LDCs grew at a rate of 5.7% per year in the 1960s and 5.1% in the 1970s, their growth rate fell to 2.5% last year. This is insufficient to maintain per capita income levels in many countries.

Fortune has not been kind to the Third World. The just-released annual survey of the International Monetary Fund, World Economic Outlook 1982, notes:

> "For nearly ten years now, non-oil developing countries have faced an unfavorable external environment. This environment was particularly unfavorable in 1980 and 1981 as a result of the 1979-80 increase in oil prices, the recession in the industrial world, and the sharp increase in nominal and real interest rates. In recent months, the decrease in the real price of oil has eased this situation, but only to a minor extent."

Against this unsettling background, the private financial markets are becoming increasingly concerned about the creditworthiness of their LDC clients. Decisions by the commercial banks to suddenly and sharply cut lending to the Third World could have a severely destabilizing effect on the entire international economic system. Developing countries would be faced with the dilemma of either drastically reducing their standards of living or defaulting on their debts.

We all want to avoid this dire scenario. In these hearings, we will examine what role the MDBs can play in making certain that the worst does not occur. I strongly believe that it is in our best interests for the international financial institutions to contribute to an environment which permits the developing countries to sustain economic growth while remaining responsible participants in an open and expanding global economy.

These hearings will stress the role that the MDBs play in sustaining a stable, healthy international economy. In the past, this subcommittee has correctly, I believe, placed great emphasis on the effectiveness of the MDBs in fostering economic development and in targeting assistance to the poor majority. The deteriorating international economy, however, demands that we now focus our attention on the wider picture. A healthy world economy is a prerequisite for successful development. No matter how efficient individual projects may be, living standards in the Third World cannot advance if the global economy continues to slide.

The Treasury Department's assessment of the MDBs, U.S. Participation in the Multilateral Development Banks in the 1980s, comes at an opportune time. I would like to personally congratulate the Treasury Department for producing a serious and throrough study.

The report firmly refutes some of the less informed criticisms that have been leveled at the MDBs. For example, it categorically refutes the contention that the MDBs have fostered socialism in the Third World.

The Treasury report is also resounding in its affirmation that the MDBs have well served several important U.S. interests. It finds that the MDBs have fostered U.S. global economic and financial objectives by encouraging developing countries to participate more fully in an international system based on liberalized trade and capital flows.

The relatively non-political character of the MDBs often make them more effective than bilatertal programs in encouraging governments to use market mechanisms and to rely more on international trade. U.S. commercial objectives have been served by the expanding opportunities for U.S. exports, investment and finance.

The assessment also concludes that U.S. political and strategic objectives have been advanced by the MDBs' contribution to steady economic growth, which reduces the likelihood of political instability. And, finally, the country allocation of MDB loans has generally been compatible with U.S. foreign policy preferences.

The Treasury assessment also contains a number of recommendations for reform of the MDBs that we will want to scrutinize carefully.

Each of our hearings will focus on a set of closely related issues. Today's hearing will address the role of the MDBs in U.S. foreign policy. We will consider the importance of the MDBs to U.S. interests overseas, and what levels of U.S. participation are consistent with our national interests and budgetary constraints and with the global economic growth we all desire.

This Thursday, June 17, we will hold two more hearings. The morning session will be held jointly with the International Trade, Investment, and Monetary Policy Subcommittee, and will concentrate on the interactions of the World Bank, the regional development banks, and the International Monetary Fund. Witnesses will look at the evolving role of conditionality and examine the proper role for the World Bank and the IMF with regard to Third World debt and debt rescheduling.

The afternoon session will look at the relationships between the MDBs and the U.S. private sector. We will examine mechanisms through which the MDBs could stimulate more investment and lending. We need a realistic appraisal of what U.S. banks and firms are willing to do. We do not want to underestimate the share of financing that the official institutions will have to contribute if the global economy is to prosper.

The final hearing will be held a week from today and will examine the funding of the MDBs. We need to be certain that the MDBs are taking the appropriate measures to maintain their sound balance sheets in today's turbulent financial world.

We are honored today to have a very distinguished group of witnesses. The Treasury Department is represented by the Honorable Beryl Sprinkel, Under Secretary for Monetary Affairs. I understand that Mr. Sprinkel took great personal interest in the MDB assessment. The State Department is represented by Robert Hormats, Assistant Secretary for Economic Affairs. With the Under Secretary for Economic Affairs position vacant, Mr. Hormats is the highest ranking State Department official specializing in economic affairs. I believe the presence of these witnesses indicates the importance the Administration attaches to the MDBs.

OPENING STATEMENT OF HONORABLE THOMAS B. EVANS, JR.

HEARING ON MULTILATERAL DEVELOPMENT BANKS

June 15, 1982

Thank you, Mr. Chairman. I would like to join you in welcoming this distinguished group of witnesses this morning.

Today's topic is multilateral development banks and U.S. foreign policy. I admit to some preconceived notions on this subject. I have long argued to members of this Administration and to others that the multilateral development banks must be viewed as a vital component of both our foreign and national security policies. Too often, I fear, we are forced to reduce our justification for participation in the multilateral development banks to a dollar and cents issue in order to sell these programs to our skeptical colleagues. While it is true that the economic returns far outweigh the costs, the real importance of multilateral assistance lies in the area of foreign policy.

In my view, these banks are as important to our foreign policy and national security as many expenditures we make for the Department of Defense. History has shown that countries which do not make strides toward economic development are likely targets for insurgency and political instability. My predecessor as Ranking Republican on this Subcommittee used to say that we have two choices: We can fight their development problems now with programs like the multilateral development bank, or we can fight them later (once they become our problems), but we will need more expensive and more potent weapons. Not a pleasant thought, but I think an accurate one.

Also this morning, we will hear reactions to the Administration's assessment of the multilateral development banks. A critical aspect of this that we will want to explore with the witnesses is whether it is possible to simultaneously cut back our commitments and increase our influence in the banks as proposed by the assessment. Another concern is

whether it is worth the political backlash to push friendly countries to mature or graduate from multilateral development bank lending.

Finally, I am concerned with the viability of our negotiating position within the Global Negotiations with respect to the international financial institutions -- particularly if we continue to fight for smaller replenishments than the developing countries and other donor countries feel are reasonable.

I welcome the opportunity to hear from these distinguished witnesses on these subjects, and look forward to a very educational session.

Thank you, Mr. Chairman.

Testimony
of

JOHN R. PETTY
President, Marine Midland Bank, N.A.
before the

Subcommittee on
International Development Institutions and Finance
Committee on Banking, Finance and Urban Affairs
U.S. House of Representatives
June 17, 1982

Subject:

MULTILATERAL DEVELOPMENT BANKS
AND U.S. POLICY

Mr. Chairman and Members of the Subcommittee:

I am John R. Petty, president and chief executive officer of Marine Midland Bank, N.A., an international financial institution based in New York with offices in 24 countries overseas.

The multilateral development banks, especially the World Bank, the Inter-American Development Bank and the Asian Development Bank, are first-rate vehicles for economic development. In addition, they serve as highly useful institutions to facilitate the participation of the private sector in the international development process.

These are the firm conclusions I have reached over the many years in which I have addressed the question of development banks and viewed them from several different perspectives:

--That of the U.S. Treasury official responsible for overseeing U.S. relationships with these banks for almost six years;

--That of an investment banker concerned with funding these institutions as well as attracting private investors to operate in this area of activity; and finally,

--That of a commercial banker with similar if not identical interests in financing and fostering trade and investment activities in the developing countries.

One way to look upon the multilateral development banks (MDBs) is to view them as a mid-station for economic development. They stand between official development assistance and private sector involvement. By requiring sound projects and exacting technical requirements, they encourage high standards and economic discipline. These are the characteristics that encourage development and growth, which, in turn, spawn investment and financing.

Growth and investment eventually lead to the ultimate goal of economic development--higher personal income--and the MDBs are an indispensable tool in the process. I believe that if they didn't already exist they would have to be invented.

Official vs. Private Financing

Let me now turn to the first of the four specific questions you have asked witnesses to address: What is the proper mix between official and private finance?

From the point of view of the over-all development process, the need for capital in general, and concessional assistance in particular, is so great that additional sources of help can only be welcomed.

In particular countries--those proceeding rapidly toward a newly industrialized status--the foreign currency capital mix has shifted away from concessional aid toward lending on private terms. The exact mix of official and private financing tends to reflect the economic circumstances of the country involved and its stage of development.

Official aid is a scarce resource sought by most LDCs. Phasing recipient nations out of concessional lending has long been a practice of MDBs. A cutback in the level of MDB financing activity, however, would not bring forth compensating private sector flows for several reasons:

--A) Many of the countries borrowing from the World Bank, and particularly from the International Development Association (IDA), are not actively supported at present

by private lenders. They are too poor to attract such support! Take away IDA and that leaves a void which will not be filled by private investors or lenders.

--B) World Bank infrastructure lending attracts private capital directly through co-financing and export credits, with commercial banks taking the earlier maturities of the financing. A reduction in that MDB lending would not, for the most part, be replaced by additional lending from private sources. Infrastructure lending by MDBs is similar to the type of financing undertaken for projects in this country by the U.S. Army Corps of Engineers--and that is not the stuff of private financing. The result of reduced MDB lending would most probably be a net loss of capital for the LDCs.

--C) MDBs lend on long terms because the nature of the projects they support, such as civil engineering tasks, entail long construction and an even longer payback. Commercial bank lenders are neither eager nor often in a position to undertake such very long term loans.

--D) The MDBs help guide and shape the general development strategy of many less developed countries. Private lenders could provide no substitute counsel.

One of the reasons that trade, investment and commercial bank lending has expanded in LDCs is that the multilateral institutions, including the IMF, have helped foster an improved economic climate. Their contribution to a stable environment for growth has been critical to the substantial development progress made these past decades. Lowered resources for the MDBs will inevitably reduce their leverage and lower their capacity to influence economic development decisions in their client countries. Such an eventuality would not be encouraging to commmercial bank lenders.

The development experience has been that helping to build infrastructure in developing countries has fostered investment in related large- and small-scale industry, especially private industry. In other words, official finance is complementary to private finance, and from these major capital investments substantial private sector initiatives are spawned. As private sector lending and development grow, they feed subsequent economic activity--multiplying the benefit from the initial capital provided by the development bank. We have only to reflect upon the TVA experience in the United States to grasp the growth potential which judicious official aid provides the private sector.

Official Capital Flows and LDC Financial Stability

The second question we are asked to address today involves official capital flows and their effect on the financial stability of less developed countries.

Financial stability in LDCs depends, among other things, on sound management of the relationship between the costs of the development program and available finance. Local currency costs of projects usually exceed foreign currency costs, and the country's domestic fiscal policy figures prominently in the equation. An overly ambitious development program, which cannot be adequately funded, could cause a developing nation to become financially over-extended. It is necessary for developing countries, though sometimes difficult in the face of rising expectations, to be realistic about what rate of growth can be sustained over a long period of time.

While this begs the question about what growth rate may be appropriate, in terms of need and in view of the limited concessional aid available, developing countries can generally use as much development bank financing on concessional terms as is available. The "harder" borrowing conditions become, the greater the burden is for the borrowing country to service the debt on its water irrigation system, all-weather road or port breakwater project.

In the U.S. Treasury Department's recent study of multilateral development banks, the financial flow charts on page 150 project real financing from multilateral sources increasing 47 percent from 1980 to 1985. This projection rests largely on today's disbursements of prior year's commitments rather than on possible lending decisions made during the period. Banking sector flows are more difficult to forecast that far ahead because disbursements usually follow relatively quickly after commitments to lend. However, it would be prudent to expect that we may see more cautious growth in international banking sector flows than we have seen in the past as a result of:

--A) Slower growth in world trade;

--B) Rising caution based on international lending experience;

--C) Disappointing earnings and slower capital growth among the leading international banks in the world; and

--D) Because of the worldwide recession, a general concern about loan portfolios.

In other words, the Treasury's Case II forecast may prove optimistic. Total capital flows to the LDCs may be more limited than the Treasury study anticipates. Bear in mind, these are aggregate statistics; the flows may be

substantially different in a country-by-country analysis. Even in normal circumstances, however, most IDA Part II countries would benefit little from commercial bank lending.

Incentives for Private Financing

Fearing a drop in the financing available from multilateral development banks, many analysts are looking for ways to stimulate the flow of private financing. In fact, just what methods might be available is the third question the subcommitee has raised. The routes most frequently suggested are:

--Co-financing;

--Investment guarantees; and

--A larger role for the International Finance Corporation, which is the direct investment arm of the World Bank.

Initiatives to stimulate private investment should provide net additional funds to LDCs. But that does not mean they can be a substitute for official assistance. At best, they would stimulate a helpful additional flow of funds.

Several points support this conclusion:

--A) Private investment into the poorest countries is unlikely to be great (except perhaps for occasional mineral prospects).

--B) Private investment is not universally welcomed.

--C) Experience with international investment schemes in the past indicates that, while not unsuccessful, they are slow and cumbersome to implement.

--D) Although guarantees may provide the critical variable for an investment, its feasibility only comes into play if the basic business rationale is present. This is the horse that pulls the wagon.

However, what the world lacks today is not production capacity. Manufacturers and producers are not worrying about where to build their next plant. What they worry about is demand, which is lacking worldwide. And the long-term prospects for economic growth are not buoyant. This basic ingredient for investment decisions is currently--and prospectively--lacking.

Nevertheless, expansion of the IFC and the development of a multilateral investment guarantee should be actively pursued because these changes take considerable time. The international investment proposals of about 15 years ago prompted only modest support. New schemes would require time to negotiate an agreement and obtain ratification. Then they would have to be communicated to the private sector in a convincing manner. Finally, the proposed projects would need to be

studied. This process, essentially, would occupy the entire 1980-1985 period mentioned in the Treasury Department statistics. All the more reason, I would suggest, to commence the effort now.

Long term, of course, such a dual program could be quite helpful. Co-financing, too, would help, as it has in the past, and more flexible rules might expand the opportunities in this area. But co-financing by itself should not be regarded as a major new source of funds.

Capital formation in the developing countries and encouragement of private investment--foreign and domestic--is a critical element of a sustained development program. The MDBs should continue to support such investment through a broad range of techniques.

Do Development Bank Goals Conflict With Encouragement to the Private Sector?

As I mentioned earlier, MDBs are of considerable assistance to the private sector. Yet the methods used to pursue or enlarge this desirable objective need to be carefully considered.

The World Bank, for example, lends only with the guarantee of the host country. If it were to lend to a private borrower, the host country would have to become involved in the private borrower's business in order to

justify its own guarantee. This obviously runs counter to the expressed objective of emphasizing the private sector. Lending through the IFC, or through a development relending bank in the host country, would alleviate this situation to some extent.

There is, moreover, no substitute for an encouraging and supportive attitude toward the private sector by the host country. When combined with the prospect of an efficient production facility and suitable markets, such an attitude is the primary ingredient for successful foreign investment in an LDC. Once those conditions are met, investment guarantees or other forms of assistance would provide an additional safety net to draw private investment, and they should be pursued. When all of these elements come together, their cumulative effect is to encourage trade expansion, and rapidly expanding world trade may offer the single best way to foster increased investment.

At the same time, perhaps the most important role the World Bank can play in encouraging the private sector is to help developing countries maintain realistic expectations about the benefits of the private sector and their responsibilities to it. No matter what else happens, the rules of the game cannot be changed.

Economic policies must be sound and reasonable price stability maintained. Interest and dividend payments must be remitted. Private foreign investors should take to heart the code of conduct developed through the International Chamber of Commerce.

Industrialized countries, too, must foster the development process by providing access to their markets for LDC exports. The IMF surveillance system should audit this necessity. Products from investments in developing countries, for example, must have access to markets in the capital-rich nations. The private sector, which seeks open, competitive markets in developing countries, must work to offer equally open and competitive markets in its own countries.

In this interrelated world, where economic growth at home feeds development abroad, where U.S. national interests are well served by rising living standards overseas, the U.S. taxpayer gets a bargain for each dollar contributed to MDBs. We should step up our support for these institutions.

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1238

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. A. W. Clausen (thru Mr. M. P. Benjenk) June 14, 1982

FROM: Frank Vogl

SUBJECT: Senator Nicholas Brady (R-N.J.)

Senator Brady, 52, an investment banker, was named by New Jersey Governor Thomas Kean in April to fill the seat of Senator Harrison Williams who resigned. This is an interim appointment. Brady did not run for election in the primary last week. The new GOP candidate is Rep. Millicent Fenwick.

Brady serves on the Banking Committee, which has jurisdiction in a general way on international monetary matters. Brady has no voting record on international economic issues, and has made no public references since coming to the Senate.

PR:sb

NEW JERSEY

Population (1980) 7,364,158

[Dem. – 1; Rep. – 1]

SENATE

SEN. BILL BRADLEY (D NJ) of Denville. Washington office, 2107 DSOB, dial 224-3224. Senate service, January 3, 1979 to January 3, 1985. Born July 28, 1943 in Crystal City, Missouri. Princeton Univ., B.A., 1965. Oxford Univ., England, M.A. (Rhodes Scholar), 1965-67. All-America basketball player. Olympic Gold Medalist, 1964. U.S. Air Force Reserve service, 1967-78. Writer. Former professional basketball player, N.Y. Knicks, 1967-77. Named Outstanding Young Man of America (one of ten) by U.S. Jaycees., 1977. Married. **STATE OFFICES**— Turnersville 08012: Box 1031, Blackhorse Pike and Whitman Dr., dial 609-228-2815. **Union 07083**: 1605 Vauxhall Road, dial 201-688-0960.

SEN. NICHOLAS F. BRADY (R NJ) of Bedminster. Washington office, 352 RSOB, dial 224-4744. Senate Service, April 12, 1982 until next general election. Born April 11, 1930. Yale Univ., B.A., 1952; Harvard Business School, M.B.A., 1954. Investment banker; various positions including managing director, Dillon, Read & Co., 1954-82; Chmn. of bd., Purolator, Inc.; Director, Bessemer Securities & NCR Corp. Delegate to Rep. Natl. Convention, 1980; Co-director of Gov. Kean's transition team, 1981. Trustee, Rockefeller Univ. Married. **STATE OFFICES**— Newark **07102**: Room 939A, Rodino Federal Bldg., 970 Broad St., dial 201-645-3030.

[Dem. – 8; Rep. – 7]

HOUSE OF REPRESENTATIVES

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REP. JAMES J. FLORIO (D NJ—1) of Camden. Washington office, 1740 LHOB, dial 225-6501. House service, January 3, 1975 to present. Born Aug. 29, 1937 in Brooklyn, N.Y. Trenton State College, B.A. (magna cum laude), 1962. Student, Columbia Univ., 1962-63. Rutgers Univ. Law School, J.D., 1967. U.S. Navy service, 1956-58. Lt. Cdr., USNR (Ret.). Admitted to N.J. Bar, 1968. Practicing attorney, 1968-74. Member, Camden County Council on Econ. Opportunity, 1966-67. Member, Camden Civil Rights Commission, 1966-67. Asst. City Attorney for Camden, 1967-71. New Jersey Assemblyman, 1970-74. Named Outstanding Young Man by Camden County Jaycees, 1973. Married. Roman Catholic. **DISTRICT OFFICES**— Camden 08102: 529 Market St., dial 609-757-5385. **Glassboro 08028**: 114 E. High St., dial 609-881-7050. **Stratford 08084**: 1 Colby Ave., dial 609-627-8222.

SECOND DISTRICT NEW JERSEY — CITIES: Absecon, Atlantic City, Avalon, Barnegat, Beach Haven, Beachwood, Bridgeton, Brigatine, Buena, Cape May, Cape May Court House, Egg Harbor, Elmer, Folsom, Hammonton, Lakehurst, Linwood, Margate, Millville, North Cape May, Northfield, North Wildwood, Ocean City, Penns Grove, Pennsville, Pleasantville, Port Norris, Salem, Seabrook, Sea Isle City, Somers Point, S. Toms River, Tuckerton, Ventnor City, Villas, Vineland, Wildwood, Wildwood Crest, Woodbine and Woods-town. **COUNTIES (6):** Atlantic, Burlington (part), Cape May, Cumberland, Ocean (part) and Salem. Dist. pop. ('80) 610,529.

REP. WILLIAM J. HUGHES (D NJ—2) of Ocean City. Washington office, 436 CHOB, dial 225-6572. House service, January 3, 1975 to present. Born October 17, 1932 in Salem. Rutgers Univ., A.B., 1955. Rutgers Law School, J.D., 1958. Admitted to practice before New Jersey Supreme Court, 1959; Federal District Courts, 1959; U.S. Supreme Court, 1963. Practicing attorney, 1959-74. First Asst. Prosecutor, Cape May County, 1960-70. Solicitor, Ocean City, 1970-74. Married. Episcopalian. **DISTRICT OFFICES**— Northfield 08225: 2307 New Road, dial 609-645-7957. Pennsville 08070: 151 N. Broadway, (Box 248), dial 609-678-3333.

THE WORLD BANK
Washington, D. C. 20433
U.S.A.

A. W. CLAUSEN
President

June 3, 1982

The Honorable
Orrin G. Hatch
United States Senate
Washington, D.C. 20510

Dear Senator Hatch:

Your letter (File No. H-001jn.20) of May 12, 1982, to me raised the question of The World Bank's policy regarding "open bid" procurement and contractor selection procedures.

The World Bank has a loan for a "Second Population Project" to Jamaica which provides for the financing of equipment for health centers. I presume the equipment referred to by your constituent would be financed under the loan.

The Bank policy is normally to require that equipment financed with loan funds be procured through international competitive bidding open to suppliers and contractors in its member countries, Switzerland and Taiwan. When there are circumstances where international competitive bidding is not the most economic and efficient method of procurement, the Bank and the Borrower may agree upon other appropriate arrangements. The Bank's policies on procurement are explained in the enclosed booklet, "Guidelines for Procurement under World Bank Loans and IDA Credits." Part B of the booklet sets forth additional situations where procurement other than international competitive bidding would be appropriate with the Bank's prior approval, including cases where equipment standardization is a consideration.

The Bank's loan to Jamaica provides that equipment costing over $50,000 be procured under international competitive bidding procedures. Equipment costing less than that amount is to be procured after competitive bidding based on local advertising. Our files show that the Jamaican authorities were advised that the procurement procedures outlined above would have to be followed for dental equipment procured under this loan. There does not appear to have been any deviation from the normal procurement practices followed by borrowers in using the proceeds of World Bank loans.

I hope that the foregoing satisfactorily explains World Bank procurement procedures. Please do not hesitate communicating with us if you have further questions.

Warm regards.

Sincerely,

TC

A.W. Clausen
President

Enclosure

c/w and cc: Messrs. Pearce, PHN
Gonzalez-Cofino, LC2DC
Strombom, PAS

cc: Messrs. Stern
Baum
Benjenk
Riddleberger
Glaessner, LCPDR
Evans, PHN

RKanchuger:ib

FORM NO. 89
(7-81)

THE WORLD BANK

ROUTING SLIP	Date May 18, 1982

OFFICE OF THE PRESIDENT

Name	Room No.
Mr. Barletta	
Mr. Lovdan	
cc: Messrs. Baum, Benjenk, Stern for information	
Mr. Gonz Cof / Kanchugev	
→ R = We should send this if possible	

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

Remarks

Could you please prepare a reply promptly for Mr. Clausen's signature?

(with copy to Mr. Stern of reply).

Olivier Lafourcade

From

ORRIN G. HATCH
UTAH

125 RUSSELL SENATE OFFICE BUILDING
TELEPHONE: (202) 224-5251

HATCH HOT LINE 1-800-662-4300
(UTAH TOLL FREE)

United States Senate
WASHINGTON, D.C. 20510

COMMITTEES:
JUDICIARY
LABOR AND HUMAN RESOURCES
SMALL BUSINESS
BUDGET
OFFICE OF TECHNOLOGY ASSESSMENT

2993

May 12, 1982

Mr. A. W. Clausen
President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Clausen:

A constituent of mine, Mr. Reinhard O. Schuster, Vice President of The HealthChair Group International in Salt Lake City, has contacted me concerning their efforts involving a nationwide oral health care program in Jamaica.

As I understand, the firm had been contracted by the Jamaican government to upgrade the dental and medical clinics in that country. Their equipment was apparently selected by the Minister of Health to match all previous equipment the firm had supplied under a different financing package. According to my constituents, there is an effort underway in Jamaica to unify that country's entire equipment park in order to reduce expense, service, parts supply, management, etc.

Although a request to finance this equipment was submitted by the Minister of Health, The World Bank has apparently decided that the country should proceed with an open bid. My constituents feel, however, that it is incongruous with the governing regulations of The World Bank to reject a country's request for financing once a supplier has been selected. They believe the loan officer's actions in this instance have been inconsistent with common practice. They maintain they are in agreement with the position taken by the Minister of Health to ensure that a continuity of services and equipment be provided at this important time in Jamaica's health care history.

I would very much appreciate hearing from you as to The World Bank's position in this matter and whether there has, in fact, been a deviation from normal practice and policy. I look forward to hearing from you.

Sincerely,

Orrin Hatch

Orrin G. Hatch
United States Senator

OGH:nn

In reply, please cite File No. H-001jn.20.

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UNITED STATES SENATE
WASHINGTON, D.C. 20510

PUBLIC DOCUMENT

OFFICIAL BUSINESS

Orrin G. Hatch
U.S.S.

Mr. A. W. Clausen
President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

1234

R1

OFFICE MEMORANDUM

TO: Mr. Frank Vogl

June 10, 1982

FROM: Peter Riddleberger PR

SUBJECT: Congressional Budget

1. Development Assistance suffered a potential setback in the House yesterday as members approved a budget resolution which reduces the funds sought for the FY83 "International Affairs" function. The following tells the story:

(Amounts in US$ billions)

	Administration	MDB's	Senate	House
Budget Authority	17.5	(1.5)	16.2	15.00
Outlays	12.5	(1.3)	12.1	11.25

Since Budget Authority determines the ceiling for appropriations, the House passed levels would put a severe squeeze on foreign assistance. Budget staffers tell me that if these figures hold, the budget act would have to be waived to pass even a continuing resolution.

While the final figures for the first budget resolution are not binding (that comes with the second resolution which will probably be considered in a lame duck session after the elections), it does put pressure on members to decide between "guns or butter" when addressing foreign aid.

"We were blind-sided" said one sympathetic CBO aide. These figures were not widely discussed either on the Hill or within the Administration.

House-Senate conference is set for next week. Whether the House recedes to the more tolerable Senate levels is highly uncertain. Those in Congress with whom I spoke today feel the House will have the upper hand.

2. The primary results of Tuesday's vote in 9 states was encouraging. While development assistance was not a campaign factor, many of those nominated in both parties can be considered "internationalist". At the same time, five House members who consistantly vote against foreign aid were defeated. Millicent Fenwick, the GOP Senate winner in New Jersey, has been an outspoken supporter of The World Bank.

cc: Messrs. Clausen, Qureshi, Stern,
Benjenk, Chenery, Golsong,
Paijmans, Thahane

PR:sb

Cross-ref.
Invit.

February 26, 1982

Dear Dave:

Thank you so much for the luncheon earlier this week. I welcome having the benefit of your views on multilateral aid and the prospects for Congressional action later this year. Your interest and support for our efforts are greatly appreciated.

For my part, I intend to insure that our funds are invested in a prudent and effective manner.

I look forward to cooperating with you on matters raised during our meeting.

Sincerely,

A. W. Clausen

The Honorable
David R. Obey
2230 Rayburn House Office Bldg.
U.S. House of Representatives
Washington, D.C. 20515

PR:csw

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

Congr. R 1

1207

OFFICE MEMORANDUM

TO: Mr. Frank Vogl

June 4, 1982

FROM: Peter Riddleberger PR

SUBJECT: House MDB Hearings Set

The House Banking Subcommittee has lined up the following witnesses for hearings later this month on the Treasury MDB Report:

June 15

Mr. Beryl Sprinkel, Treasury Department

Mr. Elliot Richardson, President, United Nations Association

Mr. Douglas Bennett, Roosevelt Center for American Policy Studies, (former Director, AID)

June 17

Ms. Catherine Gwin, Carnegie Endowment

Mr. John Williamson, Institute for International Economics

Mr. Gary Hufbower, Institute for International Economics

Mr. Jeff Garten, Lehmann Brothers

Mr. John Petty, Marine Midland Bank

June 22

Mr. Nick Rey, Merrill Lynch

Mr. Ed Waters, Kidder Peabody

Richard Fineberg, recently of ODC, has been hired by Chairman Jerry Patterson (D-CA) to orchestrate these hearings.

These hearings should serve the Bank well. Most witnesses are known to us. Accordingly, we will be providing them with pertinent information. Bennett has already asked for assistance in preparing his testimony. I'll be meeting with him next week.

cc: Messrs. Clausen, Qureshi, Stern,
Benjenk, Chenery, Golsong,
Paijmans, Thahane
Blinkhorn

PR:sb

1178

R1

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Frank Vogl

DATE: May 28, 1982

FROM: Peter Riddleberger PR

SUBJECT: Hearing on Versailles

The Joint Economic Committee held three days of hearings this week to explore issues that will (or should) be on the agenda at the Versailles Summit next week. Witnesses were: Messrs. Myer Rashish; Richard Cooper, Harvard University; John Norris, Vice President, Chase Econometrics; C. Fred Bergsten; William H. Branson, Princeton University; Hal Malmgren; Larry Fox, Vice President, National Association of Manufacturers; Robert Hormats; Larry Klein, University of Pennsylvania; John Sewell, Overseas Development Council; and Edward Fried, Brookings Institute.

Most of the time was spent on Unites States-Japan economic relations, East-West trade issues (the Soviet gas pipeline), and the "over-valued" dollar. The last day was devoted to U.S.-LDCs relations.

All lamented the fact that multilateral aid would not figure prominently at the Summit. Ed Fried made the case for expanded MDB lending (see attached). Hormats didn't even mention MDB's in his prepared statement.

Comment:

1. Our hope was that these hearings would prod the Administration into taking a more enlightened position on MDB issues. But the panel chose an unfortunate week. Virtually nobody showed up (the House has been in late night sessions on the Budget). Only Chairman Reuss was present for all sessions. One other Democrat, Fred Richmond (NY) appeared from time to time. Press coverage was minimal.

2. African Development Fund. On May 24, the Senate approved by voice vote with no debate a $150 million contribution to the AfDF.

Attachment

cc: Messrs. Clausen, Qureshi, Stern, Benjenk, Chenery, Golsong, Paijmans, Thahane

PR:sb

Statement of Edward R. Fried
The Brookings Institution

before the Joint Economic Committee
of Congress

May 27, 1982

The Multilateral Development Banks and the World Economy

It now looks as though North-South issues will receive little attention at the Versailles economic summit. If so, this is a mistake. The heads of government of the seven most important industrial democracies cannot claim to be addressing the problems confronting the world economy without considering action in this field.

I propose to discuss one possible action of this kind--action to enable the World Bank and the Regional Banks to expand their lending to developing countries. This would be a feasible, cost-effective step to take at the present time. It would bring significant economic benefits to the oil-importing developing countries and in a modest way facilitate world economic recovery and contribute to an improvement in the world energy outlook--all at very small budgetary cost to the industrial countries.

To understand the need for such action it is useful to summarize the current world payments outlook in the wake of the oil price shock of 1979-80. The OPEC current surplus, after reaching a high of $115 billion in 1980, is rapidly disappearing because of weak oil demand and prices; it is likely to decline to $25 billion or even less in 1982.

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* The views expressed in this statement are the sole responsibility of the author and do not purport to represent those of the Brookings Institution, its Officers, Trustees, or other staff members.

The current account of the industrial countries as a group will probably move into substantial surplus. On the other hand, the current deficit of the oil-importing developing countries will remain high--probably $85 billion this year, or in real terms about the same level it reached in 1980. The process of recycling OPEC money is now coming to an end; it is being replaced by the more usual surplus in the industrial countries and a counterpart deficit in the developing countries. In either case, the external debt of the oil-importing countries continues to mount; by the end of 1982 it will probably exceed $400 billion.

The reasons for the persistence of high current deficits for the oil importing countries are fairly straightforward. The jump in oil prices in 1979-80 initially added some $35 billion to their import bill, a burden that is only very slowly being worked down through increased exports of goods and services to the OPEC countries. In addition, the soggy OECD economies have taken their toll in the form of weak demand and prices for primary commodities and weak markets for manufactured exports. Finally, record high real interest rates have added to the foreign exchange burden of financing the external debt.

What is not generally appreciated, however, is the progress these countries have made in adjusting to the second oil shock. Economic growth, while one-third below trend levels, is still a respectable 4 percent or so. This has been accomplished by maintaining, if not slightly increasing, the share of investment in GNP, while reducing

the share of consumption. The comparative share of the net foreign resource inflow has declined because a considerable amount of belt-tightening has already taken place.

Performance has differed substantially among countries. For example, Brazil, Thailand and the Ivory Coast have done exceptionally well in their adjustment policies; Argentina, Zaire, and Sudan rather poorly. For the group as a whole, the pace of adjustment to the second oil price shock has been faster than it was after 1973.

One of the evident risks in this situation is that the foreign commercial banks, fearful about the persistence of large deficits and the mounting external debt, will sharply reduce their net lending. At present, net inflow of private commercial loans amounts to about $40 billion, or roughly 2 percent of GNP and 10 percent of net investment in the oil-importing countries. Should net commercial bank financing begin to dry up, at least some of these countries would suffer substantial economic setbacks, which could take a long time to reverse and which could have adverse consequences for world trade and the international financial system.

This is where the lending of the multilateral development banks plays an important role. Total loan commitments of the World Bank and the regional banks are now running at about $17 billion a year, and total disbursements at about $9 billion. By expanding lending now, these institutions would provide additional confidence to the commercial banks to continue their lending, either generally or through cofinancing Bank projects. The multilateral development banks,

contrary to some views, have had an excellent record in selecting projects with high rates of return. An increased volume of lending, therefore, would contribute to effective adjustment, looking toward a sustainable balance of payments and external debt equilibrium in the future.

Expanded lending for energy is a key element in such an approach. Increasing use of energy is an essential part of the development process. Twenty years ago the developing countries used about 10 percent of the free world's commercial energy; today, that proportion is 15 percent; by the end of this century, it is likely to be 25 percent. With high oil prices and, therefore, a high foreign exchange burden for oil imports, the energy constraint on the economic growth of the oil-importing developing countries will become worse unless remedial action is begun now. Such action consists of investments to expand domestic production of primary energy fuels and to improve the efficiency with which energy is used.

A successful energy program in the oil importing developing countries would also improve the economic outlook of the industrial countries. This clearly applies to the world oil market. The oil importing developing countries are likely to be the principal sources of increased demand on the world oil market for the indefinite future; by as early as 1990, their import requirements could amount to about one-fourth of net world oil exports. To the degree that their oil import requirements are contained, oil will be in more ample and more secure supply for all countries. The international trade and payments

system would also benefit. A stronger adjustment effort in energy would ease balance of payments difficulties, improve debt-servicing capacity, and lessen strains on international capital markets.

Such an approach would require a massive increase in energy investments in these countries. World Bank studies suggest that energy investments need to more than double over the course of the decade to a level of $40 billion to $50 billion a year (in 1980 dollars).

All available sources of capital would need to be tapped, private and public, domestic and foreign. However, there are serious political, technical, and financial obstacles to the mobilization and efficient use of capital in these countries. This is where the World Bank and the regional development banks should come in, helping to formulate least cost approaches, participating in financing, and through all this encouraging the inflow of foreign debt and equity capital.

The World Bank, which is the main source of quasi-public capital for these energy investments, now plans to devote about one-fourth of its lending to energy projects, including over $3 billion this year. This is the maximum it can lend now for energy without seriously compromising other high-priority programs, notably agriculture. If it had additional lending authority, the Bank believes it could easily double its energy program, all for projects with economic rates of return that are higher than the opportunity cost of capital in the countries concerned or in the free world as a whole.

Even if its program were doubled--and this deserves emphasis--Bank lending would represent less than 10 percent of estimated investment

requirements for energy. The measure of the program's success is the extent to which, through its projects, advice, and technical assistance, it can attract additional domestic capital for energy and additional foreign capital and know-how to supplement domestic resources. In general, capital from other sources associated with Bank projects is about two to three times the amount of Bank financing, and a strong effort is currently being made to increase this multiple.

To finance an expanding lending program, consideration was given to the establishment of a World Bank Energy Affiliate. Whatever its advantages, this proposal has had to be deferred because it does not have U.S. support.

Alternatively, the member governments could each year authorize an increase in the Bank's lending ceiling by an amount necessary to finance the additional identifiable energy projects that meet the Bank's lending standards but would otherwise be rejected for lack of financing. President Clausen has estimated that under present lending limits, such a shortfall could amount to $1 billion in 1982, $2 billion in 1983, and almost $4 billion in 1984. At the same time, the capital-surplus OPEC countries could be urged to cofinance additional Bank and energy projects through their existing assistance agencies or in other ways, in cooperation with an expanded Bank program. This would be particularly helpful in the poorest countries, where OPEC concessional financing would blend effectively with the Bank's financing on market terms.

Lifting the lending ceiling to finance these additional energy projects would require that the question of the next capital increase for the Bank would have to be acted upon one year earlier, that is, in 1984 rather than 1985. Meanwhile, no additional budgetary appropriations would be needed, and if it were agreed to increase capital subscriptions to the Bank in 1984, this probably could be done without a paid-in component, that is, without a further budgetary appropriation. Hence, budgetary considerations should not be a factor in deciding on an expansion of the energy program. Nor is there any evident danger of a misallocation of capital. To the contrary, since the additional projects are likely to generate above-average economic rates of return, expanding the Bank's energy program would, if anything, contribute to a more effective use of capital worldwide.

A recommendation at the Versailles economic summit urging the multilateral banks to move in this direction would for all practical purposes put the program into effect. It could not come at a more opportune time.

That leaves open the question of what can, or should, be done for the poorest countries. These countries are not sufficiently creditworthy to borrow from capital markets on a significant scale or to qualify for a large amount of hard loans from the multilateral development banks. They must rely heavily on bilateral aid or on the soft loan windows of the multilateral institutions for external capital.

The World Bank's soft loan affiliate, IDA (the International Development Association) is now the largest single source of such

assistance. Credits are extended on highly concessional terms but the projects must meet strict economic criteria. The program as a whole is designed to build infrastructure, that is, the foundations for economic growth and for subsequently mobilizing domestic and foreign private capital.

IDA's lending program, which was to be $4 billion a year for the period 1981-83, is now reduced by one-third because of the shortfall in the U.S. contribution, which in turn has triggered cuts from other countries. Furthermore, discussion of the next replenishment, which must begin soon if the program is not to be interrupted, is being delayed because of U.S. unwillingness or inability to proceed.

In principle this discouraging outlook might be changed in either of two ways. The United States might reverse itself and meet its share of the IDA obligations. This seems unlikely in the present budgetary atmosphere, even though the amounts involved are comparatively modest.

Alternatively, the other industrial countries, notably the six represented at Versailles, could announce their willingness to meet their commitments in full and possibly make up for some or all of the U.S. delinquency. While there has been some movement in this direction, the prospects for making up the U.S. shortfall look dim.

The likelihood therefore is that the Versailles meeting will pass over this subject lightly. If so, it is fair to say that the Summit

leaders will be building up trouble for the future. We cannot indefinitely slight the problems of this large portion of humanity. Whatever happens at Versailles, in the end,this is an issue the United States will have to re-examine in the course of addressing its own priorities.

RECEIVED
1982 MAY 28 PM 1:06
OFFICE OF THE PRESIDENT

1169

R-1

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Frank Vogl

DATE: May 24, 1982

FROM: Peter Riddleberger PR

SUBJECT: Congress and Foreign Aid

1. The Senate had its first vote on foreign assistance last week. Sponsors of an amendment to cut $500 million from the budget resolution were easily defeated on a 73-27 vote. Had the rider been approved, it would have put a squeeze on the multilateral banks. But even the proponents (Senators Melcher (D-Mont.) and DeConcini (D-Ariz.) told their colleagues that their cut would not mean a reduction "for The World Bank and the International Development Association". The fact that they made this point suggests that there is little controversy in the Senate on IFI's.

2. Versailles will be the subject of two hearings this week. Today the Foreign Relations Committee, in a closed session, will hear from Bob Hormats. Later this week, the Joint Economic Committee will have three days on the economic summitt, the last focusing on issues with developing nations. John Sewell and Fred Bergsten are among those testifying.

3. The language approved by the Senate Foreign Relations Committee last week calling for the $350 million aid portion of the Caribbean Basin Initiative to be placed under a World Bank trust fund caught Chairman Percy off guard. He promises to amend the language on the floor in a manner to leave the whole matter to the President's discretion. Nobody expects this rider, as it now stands, to become law. But it does send a signal to the Administration that its bilateral aid program is not being received with bipartisan acclaim.

4. Late next month, the House Banking Subcommittee on Development Banks plans to hold three days of hearings on the Treasury's MDB Report.

cc: Messrs. Clausen, Qureshi, Stern,
Benjenk, Chenery, Golsong,
Paijmans, Thahane

PR:sb

Mr. Clausen

R-1

May 21, 1982

The Honorable
Donald T. Regan
Secretary of the Treasury
Department of the Treasury
Washington, D.C. 20220

Dear Mr. Regan:

In response to your inquiry we have carefully considered the question of the Bank's administration of a trust fund for the Caribbean Basin Initiative. While we are not fully familiar with all the details, we believe that the proposed trust fund would not be suitable for administration by the World Bank.

We recognize that the objective of the Caribbean Basin Initiative is to strengthen the economies of the region and this is an objective we share. However, the World Bank does not normally accept administration of trust funds the resources of which are not generally available to its membership and which involve procurement procedures and guidelines substantially different from the International Competitive Bidding Procedures utilized by this organization. Moreover, the Caribbean Basin Initiative would seem to involve some activities, including short-term balance of payments financing, in which the World Bank has no direct expertise and which are not normally part of our operations.

As you know, we are already actively engaged in the Caribbean in supporting the efforts of our member countries to accelerate their economic development. Our own programs have increased and through our chairmanship of the Consultative Group on the Caribbean we also play a key role in attracting financing from other official donors and commercial banks to the region. The Consultative Group provides the framework within which all bilateral and multilateral donors can channel their resources to agreed priority development investments in the Caribbean countries in a mutually complementary way. We believe our best contribution will be the technical analysis and policy advice which is the common basis for the work of the Consultative Group.

I have also had an opportunity to discuss this with Mr. Clausen, who is out of the city. He has also asked me to assure you that we expect to continue to work closely with the United States and other bilateral and multilateral donors to improve the development prospects and accelerate growth in the Caribbean Basin.

Sincerely,

Ernest Stern
Senior Vice President
Operations

cc: Mr. Hennesey

EStern:dpw

1165

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

R-1

OFFICE MEMORANDUM

TO: Mr. Frank Vogl

DATE: May 20, 1982

FROM: Peter Riddleberger PR

SUBJECT: Caribbean Basin Trust Fund

I attach the text of an amendment to the Caribbean Basin Initiative that was approved yesterday by the Senate Foreign Relations Committee. It calls for the $350 million in aid to be earmarked as a World Bank trust fund.

Nobody expects this language to survive. It is strongly opposed by Chairman Charles Percy and the Administration and would most likely face defeat on the Senate floor. But it adds to the woes of those U.S. officials who earlier saw CBI as landmark legislation, but now are being attacked from all sides. Their strategy for guiding this bill through Congress has been found wanting, and Democrats (and in this case one Republican, Sen. Charles Mathias) opposed to the White House posture on Central America are using this as a vehicle for testing their strength.

Attachment

cc: Messrs. Clausen, Qureshi, Stern,
Benjenk, Chenery, Golsong,
Paijmans, Thahane

PR:sb

Dodd Amendment S. 2237

Caribbean Basin Trust Fund

On page 16, line 12, insert "(A)" immediately after "Sec. 201"."

On page 16, between lines 17 and 18, insert the following:

(B) Chapter 4 of part II of the Foreign Assistance Act of 1961, as amended, is further amended by adding the following new section:

"Sec. 541 The Caribbean Basin Trust Fund.

(a) Findings. The Congress finds that:

(1) the historic, economic, political, and geographic relationships between the United States and the countries of the Caribbean Basin, are unique and of special significance, and therefore, deserve special consideration;

(2) For the peoples of the Caribbean Basin to make progress within a framework of democratic ideals, adequate social and economic progress must be achieved by all the peoples of the region;

(3) There is a need for the adoption of a planned cooperative effort by all countries of the region in order to meet its special needs;

(4) Multilateral development banks have been found to be effective in contributing to the economic development of less developed countries in the region.

(b) Authority. Therefore, the President shall instruct the Secretary of the Treasury, on behalf of the United States, to negotiate with the appropriate officials of the International Bank for Reconstruction and Development (the Bank) for

the purpose of establishing a trust fund with the Bank, which shall be known as the Caribbean Basin Trust Fund (the Fund.)

(c) Purpose. In negotiating the Fund, the Secretary of the Treasury shall make clear that the purpose of the Fund is to provide additional resources to the countries of the Caribbean, and among other things, the monies of the Fund shall be utilized in conjunction with the Bank's membership in the Caribbean Group for Cooperation in Economic Development.

(d) Funds.

(1) Not withstanding any other provision of law, of the funds authorized to be appropriated in Sec. 201 (A) of the bill for Fiscal Year 1982, in order to carry out the purposes of this chapter with respect to the Caribbean Basin, all such funds appropriated pursuant to Sec. 201 (A) of the bill shall be made available to the Secretary of the Treasury to be transferred by him to the Fund established with the Bank, on such terms and conditions as are mutually acceptable to the United States and the Bank.

(2) Funds not obligated in Fiscal Year 1982 or Fiscal Year 1983, for the purposes specified in this section, shall revert to the General Fund of the U.S. Treasury.

(e) Limitations. In order to encourage other donors to provide additional resources to the countries of the Caribbean Basin through the multilateral development banks, which provide funds to the region, and to ensure that the principle of equitable burden-sharing is preserved; the average annual share of aggregate contributions by the United States to the countries of the Caribbean Basin through the multilateral development banks (including the Caribbean Basin Trust Fund created by this section) shall not exceed ___ percent of the total lending by these multilateral development banks to such countries, through 1986."

This news item appeared on page A-2 of the May 20, 1982 issue of:

The Washington Post

Reagan Dealt Setback on Caribbean Basin Initiative

By William Chapman
Washington Post Staff Writer

The Reagan administration suffered a major foreign aid setback last night when the Senate Foreign Relations Committee, voting 9 to 8, transformed the president's Caribbean Basin Initiative into a multilateral program to be run by the World Bank.

The turnabout shocked administration officials and committee Chairman Charles H. Percy (R-Ill.), who late in the evening was attempting to arrange a reconsideration of the amendment, which radically redrafted President Reagan's plan to aid Central American countries.

The Reagan plan had been presented as a bilateral aid program in which the United States would send $350 million this year to several Central American countries, including $128 million to El Salvador.

It was a pet project for the White House. Percy told the committee that Reagan called him yesterday morning insisting that the measure was "urgent."

Sen. Christopher J. Dodd (D-Conn.) introduced the critical amendment, changing it from a bilateral program to a "trust fund" operated by the World Bank. Dodd argued that this would make other countries more interested in participating as donors.

At first Dodd was beaten on a tentative vote of 8 to 6, but when the committee regrouped his amendment carried by one vote. Sen. Charles McC. Mathias Jr. (R-Md.), who had reached agreement on an amendment he favored, provided the key switch vote.

The bill went through final passage before Percy made an attempt to reconsider the entire package in an apparent attempt to restore the bill to its original form. He contended that Mathias had misunderstood the impact of Dodd's amendment.

In a testy exchange with Percy, Dodd said reconsidering the measure would amount to "aborting the system" by which the committee votes. "I know what's happened and I don't like it," Dodd told the chairman. "We debated this for a long time."

Percy claimed there had been an "honest misunderstanding," and insisted that the committee should reopen the entire bill, which was passed 16 to 1. Administration officials said they would attempt to restore the original on the Senate floor if the reconsideration move failed.

The administration had promoted the Caribbean Basin measure vigorously on Capitol Hill for months, arguing that it was necessary to give immediate aid to hard-pressed Central American countries.

With more than one-third of the money destined for El Salvador, critics contended that the measure was a cover for pumping more money into a country the administration considers a key to stopping communism in Latin America.

Last night's turnabout was especially dramatic because the administration consistently has sought to reduce the amount of foreign aid funds passing through such multilateral organizations as the World Bank. It favors direct bilateral aid controlled from Washington.

Percy, strenuously opposing Dodd's amendment, contended that the $350 million is urgently needed because some Central American governments "are in danger of falling overnight." Creating a new international bureaucracy to manage the fund would delay its start until at least 1984, he said.

Dodd had won Mathias over by agreeing to support his amendment, which provides that some of the local currency generated would be used exclusively by non-governmental organizations.

However, under the final version, with all monies to be administered by a multilateral organization, there was no assurance that any local currency would be generated. Mathias had been under a "misunderstanding" on that point when he voted for Dodd's amendment, Percy contended.

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

1152

OFFICE MEMORANDUM

TO: Mr. H. Martin Koelle, Acting Director, IPA

DATE: May 13, 1982

FROM: Peter Riddleberger PR

SUBJECT: The Budget and Economic Assistance

Despite the continued impasse between the White House and Congress over the FY83 budget, all the various proposals allow funding for multilateral aid at levels requested by the Administration. This does not mean that Congress will automatically recommend full funding for IDA. But supporters of development assistance (especially the Democrats on the House Subcommittees) have made it clear that if the Administration wants the military aid it seeks, it will have to be balanced by adequate economic aid (the real battle now is between security assistance and funding for the Export-Import Bank).

Jim Bond, staff aide to Sen. Robet Kasten (R-WI), Chairman of the Appropriations Subcommittee, tells me his boss is prepared to support $945 million for IDA. House aides suggest that reductions in IDA aid to India could very well lead the Appropriations Committee to recommend a level higher than the $700 million funded last year.

All this depends on an aid bill actually being passed. Currently the chances are only fifty percent. Whatever happens, the prospects of IDA-6 being funded in four years instead of five have improved.

This could be seen as a two edged sword, however. Some of our sharpest critics (e.g. Jerry Lewis (R-CA) may be willing to go along with current funding requests in return for a sharp reduction in U.S. contributions to IDA-7.

cc: Messrs. Clausen, Qureshi, Stern,
Benjenk, Chenery, Golsong,
Paijmans, Thahane

PR:sb

1130

R-1

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. H. Martin Koelle, Acting Director, IPA

DATE: May 6, 1982

FROM: Peter Riddleberger PR

SUBJECT: House Banking Committee Approves African Development Fund

The House Banking Committee today reported by a 30-6 vote H.R. 6149 authorizing a $150 million U.S. contribution to the third replenishment of the African Development Fund.

The whole exercise took 10 minutes. There was little debate or controversy.

Strong support was voiced by Rep. Rose Mary Oakar (D-OH). She was once a skeptic of multilateral aid, but since IPA helped her organize a trade conference in her hometown of Cleveland, she has taken active role in supporting MDBs.

A dissenting view was given by Rep. Ron Paul (R-TX), an arch-conservative and an advocate of the gold standard. Rep. Paul declared that these "give away" programs are in fact a means of propping up multinational corporations and large commercial banks, both of which he detests. (When Mr. Clausen came to the World Bank, Paul issued a press release saying that "this is a move to bail out the Bank of America".) We can expect him to make a similar statement on the House floor.

Comment:

Supporters feel confident the bill will pass the House with little trouble. I concur, unless the impasse over the budget as a whole sparks an emotional outburst of rancor against the first convenient bill. In this context, any "foreign aid" bill is an easy target.

cc: Messrs. Clausen, Qureshi, Stern,
Benjenk, Chenery, Golsong,
Paijmans, Thahane
Mr. Knox
Mr. Wapenhans
Mrs. Stitt

PR:sb

THE WORLD BANK
Washington, D. C. 20433
U. S. A.

A. W. CLAUSEN
President

May 6, 1982

Dear Frank:

I certainly appreciate your nice note and your offer of help on the Hill. If and when, be sure I will be in touch. Many thanks.

Peggy and I were delighted to have the chance to get to know Nancy and you and look forward to another opportunity of getting together.

Warm regards.

Sincerely,

The Honorable Frank Horton
House of Representatives
Washington, D. C.

FRANK HORTON
U.S. REPRESENTATIVE
34TH DISTRICT OF NEW YORK

COMMITTEE:
GOVERNMENT OPERATIONS
RANKING MINORITY MEMBER
DEAN, NEW YORK
REPUBLICAN DELEGATION

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

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April 28, 1982

A. W. Clausen, President
International Bank for Reconstruction
and Development
1818 H Street, N. W.
Washington, D. C. 20433

Dear Tom:

Nancy and I thoroughly enjoyed the opportunity of meeting you and Peggy last night at the Chamber of Commerce dinner. It was an excellent dinner, good conversation, good food, and top entertainment.

I especially was glad to have the opportunity to chat with you about the role of the World Bank and your responsibilities.

If I can be of assistance to you in any way, please let me know. Also, if you ever have any problems on the Hill, drop me a note with information that would be helpful to me in the consideration of legislation affecting the Bank.

Again, Tom, it was nice meeting you and I hope to see you again soon. In the meantime, Nancy joins me in sending our best wishes to you and Peggy.

With kindest personal regards,

Sincerely,

Frank

Frank Horton

FH:y

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1982 APR 30 PM 6:24

OFFICE OF THE PRESIDENT

FH:Y

A. W. Clausen, President
International Bank for Reconstruction
and Development
1818 H Street, N. W.
Washington, D. C. 20433

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Maybe, Tom, if we use once meeting you and I hope to see you again soon. In the meantime, Nancy joins me in sending our best wishes to you and Peggy.

With kindest personal regards,

Sincerely,

Frank Horton

FH:Y

April 28, 1982

Honorable Frank Horton
House of Representatives
Washington, D.C. 20515

Dear Frank:

Thank you for your letter of April 23 with your comments on the Bank's proposed Third Window facility. We are very pleased that you have found the proposal to be a sound one and we appreciate your support.

Sincerely,

A. W. Clausen

Honorable Frank Horton
House of Representatives
Washington, D.C. 20515

2883

R-1

HOUSE OF REPRESENTATIVES
WASHINGTON, D. C. 20515

JULIAN C. DIXON
28TH DISTRICT, CALIFORNIA

5-4-82
no response necessary
nice we had anticipated
this letter!
A

April 28, 1982

Mr. A. W. Clausen
President, The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Clausen:

I recently read with great interest your remarks before the Nigerian Institute for International Affairs.

Your speech made an excellent case for a needed increase in development and economic assistance for Sub-Saharan Africa, which I wholeheartedly endorse.

I have taken the liberty of sharing your remarks with my colleagues in Congress, and offer you my support in your efforts to increase the programs of the Bank, and the United States in particular, promoting development in Africa.

With best regards,

JULIAN C. DIXON
Member of Congress

JCD:bmd
Enclosure

RECEIVED

1982 MAY -3 AM 11: 12

OFFICE OF THE PRESIDENT

April 27, 1982

Dear Mr. Dixon:

I read with interest your remarks in the Congressional Record accompanying the text of a speech I recently gave in Lagos, Nigeria. I am most grateful to you for bringing my views on economic development in Africa to the attention of your colleagues in Congress.

I consider investment in Africa, both public and private, to be of the utmost importance during the next decade, and we are now strengthening our own capabilities in this region. Accordingly, your support for our efforts is especially welcome.

Sincerely,

A. W. Clausen

The Honorable Julian Dixon
423 Cannon House Office Bldg.
U.S. House of Representatives
Washington, D.C. 20515

PR:sb