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Series: Travel briefings

Sub-Fonds: Records of President Robert S. McNamara

Fonds: Records of the Office of the President

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McNamara Papers

Travel
March

Travel Briefs, multi countries

Folder 1 of 5

Record Removal Notice

The World Bank Group Archives & Records Management

File Title Travel Briefs, multi countries	**Barcode No.** 1772723
Document Date Feb 28, 1975	**Document Type** Letter

Correspondents / Participants

To: H.E. Abdul Rahman Salim Al-Ateeqy, Minister of Finance and Oil

From: Muhammad Al-Atrash, Executive Director

Subject / Title

Issues in connection to the upcoming visit of Mr. Mcnamara, President of the World Bank Group.

Exception No(s).

☐ 1 ☑ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10 A-C ☐ 10 D ☐ Prerogative to Restrict

Reason for Removal

Attorney-Client Privilege

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.

Withdrawn by	Date
Tonya Ceesay	Apr 15, 2013

Archives 1 (May 2012)

RESTRICTION NOTICE

Single Item

In the review of this file the item identified below has been withdrawn according to the World Bank Policy on Disclosure of Information. This policy can be found on the public website of the World Bank.

Fonds, subfonds: WB IBRD/IDA 03-04 Office of the President, Records of President Robert S. McNamara

Series: 14 Travel briefings

File title: Travel briefs - Middle East, March 5-16, 1975

Form: Communication from ED (letter)

Date: 1975-02-28

To: Ministers

From: Muhammad Al-Atrash

Subject: Some issues to be raised by the WB President

Authority for the restriction in the World Bank Policy on Disclosure of Information (circle):

81
82
[✓ 83]
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Withdrawn by: Shakuntala Gunaratne / lcm

Date: October 2, 2007

Annex V. Restriction Notice, Single Item

exception 2

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION
WASHINGTON, D.C. 20433, U.S.A.

EXECUTIVE DIRECTOR

No. 14/75

February 28, 1975

Dear Minister Al ateeqy

In view of the forthcoming visit of Mr. McNamara, President of the World Bank Group to your country, I am writing in connection with some of the issues that he may raise with you.

The first relates to the question of additional borrowing by the Bank Group from your country. As you are aware, this Group's main objective is to help promote economic development in the developing countries mainly through the financing of development projects and the provision of technical assistance. In the past, this Group made considerable contribution to the objective of development. This contribution, however, has significantly increased since Mr. McNamara became President of the World Bank. There has been not only considerable expansion in the Group lending to developing countries, but also a better distribution of such lending geographically, and within each country, with a view to helping the maximum number of people in the Third World, particularly the poorest among them.

As you are aware, owing to a number of factors, mainly the deterioration in their terms of trade and the contractionary income effect of the present recession in the industrial countries, the non-oil developing countries are expected to incur a current deficit in their balance of payments in 1975, in the region of U.S.$30 billion. Such deficit is considerably bigger than any that they have experienced in the past. There is no doubt that the bilateral and multilateral efforts of your country and other OPEC countries in the field of providing financial resources to the developing countries would be very helpful in reducing this gap. Indeed, Mr. McNamara has pointed out on various occasions the impressive commitments bilateral and multilateral OPEC countries have made in order to alleviate the balance of payments problem, and to meet part of the capital requirements of the Third World. In fact, the constructive and objective role he played in shedding light on the recent endeavors of these countries in the field of financing the Third World has not endeared him and the World Bank to those in Washington who have maintained and still maintain that the present international price of oil is not manageable and draw, therefore, certain political implications.

As you are aware, part of the OPEC commitment to development was channeled last year through the World Bank Group. But I feel that an increasing role should be played by this group in view of the passionate commitment of the Bank under the leadership of Mr. McNamara to development and its unrivalled practical experience in this field.

The second point that may be raised -- and which I feel should be connected with the first -- relates to an increase in OPEC capital subscription in the Bank from 4.4% as is the case at present to around 15%. The IMF Interim Committee agreed in its January meeting to recommend to the Board of Governors an increase of 32.5 percent in the quotas in the Fund and that the share of OPEC countries be doubled, that is to say, raised to around 10% in total Fund quotas. It has been the practice in the past that on the occasion of quota increases in the Fund, there would be an increase in the subscribed capital in the Bank, though not necessarily by the same proportion since there is no legal requirement to do so. There is strong support on the part of Mr. McNamara and the majority of Executive Directors that the share of OPEC countries in the subscribed capital be increased to around 15 percent. If this were to be accepted by OPEC countries and approved by the Board of Governors of the Bank, it would entail as an illustration an increase in terms of 1944 U.S. dollars of the capital subscription of Kuwait from 69.4 million to 511 million. I should mention here that if the increase is accepted by you and approved by the Board, it is expected that ten percent of it would be paid in and made available to the operations of the Bank.

I feel that this increase deserves your support. Since it is expected, and is desirable, that the World Bank will be playing a bigger role in recycling part of the current surpluses of Arab major oil producers, the aforementioned increase in their capital will enable them to play a bigger role in the decision making process in the World Bank Group; a role which should be commensurate with their financial strength and contribution to development via this Group. Thus, if the 15% target is accepted by you and the Board of Governors, the share of Arab OPEC countries in the total votes of the Bank could, as an illustration, increase from slightly over 2% as is at present, to 8.5%.

The third question that may be discussed relates to the so-called "third window". This refers to a possible new facility to be established within the Bank Group which would provide long-term development finance at 4-1/2 percent to developing countries that are relatively poorer, have been very adversely affected by the present international economic forces and for which IDA resources are not sufficient while normal Bank lending rate will be burdensome. It is envisaged that this new capital lending facility will be established for a period of five years providing development financing of U.S.$ one billion a year. Since the World Bank will borrow its resources at current capital market rates lending at 4-1/2 percent would require the establishment of an interest subsidy account expected to be financed by both the industrial countries and major oil producers. Initial calculations indicate, however, that the account requires around $225 million annual subsidy in order to sustain one billion dollars lending at 4-1/2 percent for a period around twenty-five years with seven years of grace.

The "third window" proposal did receive majority support in the Development Committee when it met in January this year. Moreover, Mr. Abdlatif Al-Hamad, the Member of the Committee for our constituency, supported it, indeed has taken the initiative in proposing it in the Committee, and stated on behalf of some of our countries that they were prepared to make meaningful contribution to the subsidy account. At the invitation of the Committee the World Bank is currently preparing a study of this proposal of which you will be apprised in due course.

With best wishes and kindest regards,

Yours sincerely,

M. Al-Atrash

Muhammad Al-Atrash
Executive Director

H.E. Abdul Rahman Salim Al-Ateeqy
Minister of Finance and Oil
P.O. Box 9
Kuwait

3/5

VISIT TO MIDDLE EAST, March 5-16, 1975

File with Trip agendas

DATE	TIME	GMT		REMARKS
Mar. 5 Wed.			Depart Washington (National) Arrive New York (LaGuardia)	Shuttle
Mar. 6. Thurs.	0900 1950	1300 ~~1400~~ 1950	Depart New York (JFK) Arrive London (Heathrow) Meet with Shoaib	TW702 (BF3) Connaught Hotel
Mar. 7 Fri.	1020 1935	1020 1635	Depart London (Heathrow) Arrive Kuwait	KU102 (707) Hotel Sheraton
Mar. 8 Sat.	0915		Visit to Kuwait Fund for Arab Economic Development - Al Hamad	
	1030		Audience with H.H. Sheikh Jaber Al-Ahmad Al-Sabah, Crown Prince and Prime Minister Meeting with H.E. Abdul Rahman Salim Al-Ateeqi, Minister of Finance	Obtain briefing on [illegible] + their interest in investing + [illegible] projects at [illegible]
	1330		Lunch hosted by H.E. Abdul Rahman Salim Al-Ateeqi	
	1700		Visit to Industrial Bank of Kuwait	
	2000		Dinner hosted by Mr. Abdlatif Al-Hamad, Director General of Kuwait Fund for Arab Economic Development	
3/5 Mar. 9 Sun.	0930		Audience with H.H. Sheikh Saba Al-Salim Al-Sabah, Amir of Kuwait	
	1030		Visit to Arab Fund for Economic and Social Development - Jaroudi	
	1130		Visit to Kuwait Investment Company - Al Daoud	For Min Min of Oil Sec Gen of OAPEC.
	1300		Lunch hosted by Mr. Mohammed Al-Sharekh, Chairman/ Managing Director, Industrial Bank of Kuwait	
	2000		Dinner by Kuwait Investment Company	
Mar. 10 Mon.	0700 0855 1100 1220	0400 0555 0800 0920	Depart Kuwait Arrive Jeddah Depart Jeddah Arrive Riyadh	KU781 (707) SV978 (737) Benjenk will join me Hotel

Tues Meet with:

0900 1. Prince Mussad, Minister of Finance + Gov Quraishi
2. Minister Mohammad Abal Khail, Minister of State for Financial Affairs and National Economics
3. Prince Fahad, Minister of Interior
4. Sheikh Jamani, Minister of Petroleum
5. Prince Saud, Deputy Minister of Petroleum
1700 6. Minister of Planning - Hasham Nazer
7. Abdel Aziz Al-Quraishi, Governor of Saudi Arabian Monetary Agency (SAMA)
8. U.S. Ambassador
9. UNDP ResRep

4 pm Camel + Horse Race.
Desert dinner party

1330 Lunch with Mussad -
1630-1930 mtg with Prince, Mussad & Quraishi
Wed

~~Mar. 11~~
~~Tues.~~

~~Riyadh~~ 0900 - Mtg with Fin Min, Gov, Min of Plng [illegible]
1030 - His Majesty
Prince Sultan (3rd Dep PM)
Min of Oil - Yamani (at lunch)

~~Mar. 12~~
~~Wed.~~

~~Meet with The King in the morning~~

1330 Lunch - Quraishi
1230 [illegible]
1730 Din of Saudi Dev Fund

Mar. 13 Thurs. — Depart Riyadh — Government plane
Arrive Doha — Gulf Hotel
Meet with:
1. ~~The Ruler~~
2. Sheikh Abdel Aziz Al-Thani, Minister of Finance and Petroleum

Gadi

Mar. 14 Fri. 0810 0510 Depart Doha — GF331 (B11)
0950 0550 Arrive Abu Dhabi — Abu Dhabi Hilton
Meet with:
1. The Ruler — 3/15 1130
2. H.E. Prince Khalifa, Prime Minister and Minister of Finance — 3/15 1000
3. ~~Minister Mohammad Habroush, Minister of State for Financial Affairs~~
4. Minister Ahmad Khalifa Al-Seweidi, Minister of Foreign Affairs + Sunoon - Ch of Elec Bd — 3/15 1100
5. ~~Dr. Hassan Abbas Zaki, Vice Chairman, Abu Dhabi Fund~~
6. John Butler ~~(to be arranged where and when)~~ — Lunch 3/14
7. Scott - Agr of Monetary Fund

3/15 0930 Min of State for Foreign Affairs

Mar. 15 Sat. 1535 1135 Depart Abu Dhabi — mil A/C ~~GF482~~ (F27)
1635 1335 Arrive Bahrain — Moon Plaza Hotel

Mar. 16 Sun. 0230 2330 Depart Bahrain — BA931 (747)
0915 0815 Arrive London
1130 1030 Depart London — BA521 (747)
1455 1855 Arrive Washington (Dulles)

Phoned to Assistant Secretary Atherton's office March 5, 1975

Robert McNamara has asked that we forward the following message to you: "I will be in Saudi Arabia from Monday, March 10 to Thursday, March 13, and would appreciate an opportunity to meet with you while there. Apart from a brief interval between planes in Jeddah Monday morning (arriving KU781 at 0855 and leaving SV978 at 1100) my entire time will be spent in Riyadh. I will call you from the Jeddah Airport to try to find a convenient time for a meeting. Best wishes. Bob McNamara"

KOCHMAN
SHOAIB
NOTES

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

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
Cable Address - INTBAFRAD LONDON

LONDON OFFICE:
NEW ZEALAND HOUSE, HAYMARKET, LONDON SW1Y-4TE, ENGLAND
Telephone - (01) 930-3886/3887

File

March 6, 1975

Mr. Robert S. McNamara
Connaught Hotel
London, W.1.

Dear Bob,

I am dictating this short letter to brief you in regard to my visits to Qatar and Abu Dhabi. The visit to Abu Dhabi was at a somewhat unfortunate time due to the OPEC summit date having been fixed for the 4th and 5th of the month. Everyone who had not already left was on the point of leaving Abu Dhabi.

The major impressions I got in these two states are:-

A. Both will do basically what Saudi Arabia and Kuwait do and if the latter two wish to increase the OPEC subscription up to 15%, Qatar and Abu Dhabi will follow suit.

B. Abu Dhabi has had an unfortunate experience in regard to the level of oil production. The build-up took place in 1974 up to 1.3 million barrels a day (the figures are rough). At one point in the fall of 1974, the production came down to 750 thousand barrels a day. It was being built up again somewhat and is up to about one million barrels a day now. Meanwhile, the government had lavishly made commitments on the basis of the incomes accruing at the higher rate of production and were therefore now in a cash flow bind and perhaps trying to arrange short term credits to tide over the tight cash situation. Qatar has not had this problem (but Oman had it) but Qatar is also frightened since all of them in the smaller gulf states fear that the big giants in the OECD will pick on them as the "weak sisters" to try and break the united OPEC front. Anyhow, as you know, the Abu Dhabians have obtained permission from OPEC to discount certain grades of their oil.

Coming down to specifics, I had a strange experience in Qatar of the Ruler, who is a very intelligent man, delivering a homily on the subject of the industrialized world dumping food into the sea and wanting the oil producers alone to help the poor countries which are hungry. I suspect he will say some of this to you also but maybe in a more indirect way. I had to explain to him the difference between the International Monetary Fund and the International Bank for Reconstruction and Development and to point out to him that while the International Monetary Fund may lend financial support to the industrialized world when needed for balance of payment reasons, the World Bank lends only to the poor countries and is deeply involved in developing the underdeveloped world. When he finally grasped the difference, the Ruler was all out to assure me that he is in full support of the World Bank. The most important person in financial matters in Qatar is not the Minister of Finance but the official head of the Ministry, namely Abdul Kadir Qadi, who unfortunately was in Beirut when I was there but with whom I had two long telephone conversations, one before I arrived and one from Abu Dhabi after I left. Abdul Kadir was at pains to stress that Qatar does not want to get into the same kind of cash problems as Abu Dhabi but that of course the World Bank would get all possible assistance.

In Abu Dhabi the stress was on the tight cash position which, inspite of the great sympathy that the Abu Dhabians have for the World Bank, necessarily involves their being cautious in making any commitments which would require cash payments during 1975. They asked me time and again whether, if the OPEC shares in the World Bank's subscription are raised to 15%, the payments due from Abu Dhabi could be made in 1976 and I went out of my way to reassure them on this.

The approach in both countries seems to me to be that they would be in support of an increase to 15% of the subscriptions for OPEC countries and would contribute to a Third Window, depending on the attitude of the governments of Saudi Arabia and Kuwait. They wished to find out how the shares of each of the countries had been determined and I told them that the figures for this year that we were using were ad hoc, and took into consideration the fact that decision-making is quicker in OPEC countries than it is in the OECD countries. I get the general impression that they are more in favor of a rise up to 15% or none at all, rather than the cautious Saudi Arabian approach of agreeing to 10% and wishing to think about going up to 15%. In other words, I sensed more of the hard line Kuwait approach in this matter.

We shall need to see the communique issued by the Summit to find out whether Kuwait has succeeded in incorporating any reference to "meaningful" participation by OPEC countries in the decision-making in the IMF and IBRD, but I have a feeling that they might well succeed.

In regard to the borrowing program, I do not think we will have any problems in 1976 but we will have to keep continuous contacts with all these countries before they commit all their resources.

One interesting person whom I saw in Abu Dhabi is Sheikh Soroor who belongs to the ruling family, the other branch, and who is the Minister for Power -- and probably planning, etc.-- and who is also the Chairman of the Abu Dhabi Fund. He is most anxious to get technical assistance from the Bank in organizing his electricity department. He is also dissatisfied with the organization of the Abu Dhabi Fund and may well raise the question of World Bank assistance in reorganizing that Fund. But this is a somewhat delicate matter since our friend, Hassan Abbas Zaki, is running the Fund, -- he was not in town so I could not have a meeting with him.

On the whole you will probably find your reception in Qatar and Abu Dhabi quite favorable in general, but vague in particulars.

Kind regards,

Sincerely yours,

Shoaib

M. Shoaib

cc: Mr. J. Burke Knapp
Mr. I.P.M. Cargill
Mr. M. Benjenk

III. QATAR

I did not meet the Minister of Finance and Petroleum because he had left for Vienna the day before to attend the OPEC Conference. However, it is only after his departure that the Ministry was notified that the Conference was postponed.

In Doha, I met with Mr. AbdelKadir Al-Qadi, Director General for financial affairs of the Ministry of Finance and Petroleum, and later, several times with Mr. Madhat Abdul Latif Masood, Director of the Minister's Office and Alternate Governor of the IMF and the Bank for Qatar.

1. Meeting with Mr. Al-Qadi

I met with Mr. Abdel Kadir Al-Qadi on Saturday, February 15th at 9:30 a.m. He said that the Minister regretted very much to have to travel because he was looking forward to this meeting and actually had cabled to me in Washington. I indicated to Mr. Al-Qadi the object of my mission and made a presentation on the three topics. I handed him the notes and told him that they were cleared by you and I would be very grateful to him to give them to the Minister.

- Increase in Subscribed Capital

Mr. Al-Qadi said that in the absence of the Minister it is difficult to offer any official opinion. However, he would like to speak on a purely personal basis. He feels that no matter how we look at this question it has political implications and it is not just an increase of subscribed capital to strengthen the position of the OPEC members. He does not doubt that the management of the Bank is exploring all possibilities to promote cooperation. However, this scheme will result in payment of money to the Bank, thus it is another way of indirect fund raising for the Bank. The resources of Qatar are limited and its income low compared to other countries like Saudi Arabia, Kuwait or Iran. In spite of that, added Mr. Al Qadi, we are helping very much the developing countries by way of loans on soft term and grants. "We consider that this increase in the subscribed capital should be a part of the overall participation in the life of the Bank and not an indirect way of getting only more money". I then clarified many points and told him that we had indication from Mr. Al-Atrash, Executive Director for his country that the Government of Qatar would support an increase in the share capital of OPEC countries to 15% and accepts also the order of magnitude of the individual share of each country. My purpose is to obtain confirmation of the stated intention of the Government. He replied that he did not remember any correspondence to that effect and it is difficult for him to confirm anything in the absence of the Minister.

- Third Window

Mr. Al-Qadi stated that they are always ready to consider proposals oriented towards assistance to other countries. However they have now some serious constraints. He again indicated that he is speaking on his own behalf and cannot commit the Minister who is absent. In the context of their policy of assistance they certainly agree on the principle of setting up a new lending facility such as the Third Window. He concluded that he would have to consult with the Minister on all these issues (increase in subscribed capital and third window). He will try to brief him by phone and particularly about the figures advanced in both cases.

2. Meeting with Mr. Masood

I met with Mr. Madhat Abdul Latif Masood, Director of the Minister's office on Sunday, February 16th at 10:30 a.m.

I essentially treated the same subjects with him.

- increase in subscribed capital

Mr. Masood confirmed to me what was indicated to you by Mr. Al-Atrash. He wanted, however, to know more about the criteria adopted to arrive at the figure retained for Qatar and the impact of the increase for the OPEC members on the rest of the LDCs. I explained to him how we have proceeded at this stage of the exercise and made it clear that the increase in the voting power of OPEC members will be made in such a way as it would have minimum effect on the voting power and representation of the other developing countries. This is our objective and it is of course conditional to the outcome of further discussions and negotiations to be undertaken in due course.

- Third Window

It was stated by Mr. Masood that in principle they agree on the third window lending facility. However, even if we are talking of an interim scheme with voluntary contribution it would be desirable to know the basis for fixing the amount of the individual contributions. It is very important to clarify this question because the yardstick of financial strength is not that clear to him. The OPEC members have different level of oil production different reserves and specific commitments within their respective aid programs. Moreover, he was eager to learn about the position of Saudi Arabia and Iran and their respective contributions. He said that he did not anticipate that 15 million dollars would be expected from Qatar since there are 13 OPEC members and a quick look at the figures has prompted him to anticipate a lower figure. He does not have anything against the whole scheme and he hopes that the Minister will be in a position before your arrival to Doha to form a final opinion.

He then said that he does not want to miss this occasion to confess that, although they have always been very cooperative with the Bank, they have not yet received any tangible assistance from the Bank. He attended the annual meeting in Washington and his delegation had discussions with the officials of the Bank. They expect the Bank to help them in providing technical assistance but so far nothing has happened. I replied that to my knowledge the Bank has always been prepared to assist them and mainly in the field of development policy where Qatar might benefit substantially from our technical and advisory services. I made reference to some letters that were sent to the Minister of Finance and Petroleum and particularly to a letter from Mr. Wapenhans dated September 5th 1974. I assured him that the Management of the Bank and the EMENA Region were very anxious to bring their contribution to the difficult task facing the country. The Bank will certainly provide technical assistance in those fields in which we believe we have the expertise required and where the recipient country can make proper and good use of the help provided. Actually, the responsible authorities in the Bank are working hard on a program of technical assistance for the area that will take into consideration our own possibilities and I am sure that Qatar is not forgotten at all.

have they asked for anything

- Borrowing program

I indicated to Mr. Masood what were our immediate preoccupations and left with him copies of the notes including the one concerning our borrowings. He affirmed that Qatar has cooperated with us in the past and will continue. The Minister will have to decide on the figure mentioned in the note. However, he is almost sure that it will be difficult for the Bank to borrow in dollars and their preference would be for a package of currencies equivalent to SDRs.

IV. UNITED ARAB EMIRATES

In Abu Dhabi I met several times with H.E. Mohammed Habroush, Minister of State for financial and industrial affairs and Dr. Hassan Abbas Zaki, Deputy Chairman of the Abu Dhabi Fund for Arab Economic Development.

1. Meeting with the Minister

I met with Minister Habroush on Tuesday, February 18th at 11:00 a.m. After my presentation of the increase in subscribed capital, the Third Window and the borrowing program I handed the notes to him.

- increase of subscribed capital

The Minister stated that he agrees on the principle of such an increase. As a matter of fact he had, in the past, the occasion to indicate to Mr. Cargill that the future cooperation between the Bank and Abu Dhabi will depend on their say in the Bank which should reflect their present position. So, he welcomes this initiative on the part of the Bank which he regards as in the right direction. Agreeing on the principle implies, of course, consultation and further discussion of the figures proposed for the U.A.E. which he is not in a position to do in the absence of the Ruler who has to decide.

- Third Window

The Minister wanted to know the reactions of the countries I have visited so far. He expressed his genuine interest in the Third Window lending facility and added that he will indicate a figure once he consults with other officials and after the matter is brought to the attention of the Ruler. He added that I should bear in mind that they were put in a critical situation by all the Oil Companies who cut down the level of oil output to some 500.000 barrels per day thus contributing to create a dangerous financial situation here. Nobody remembers that only two years ago their reserves were not over 100 million dollars and they have many commitments on two fronts: internally, to develop their industrial basis and to promote social and economic development and, externally, to face the demands of their huge aid program. He stressed the fact that they are certainly the country who gives the largest percentage of their revenues in direct aid for development outside the U.A.E. He mentioned that my visit has taken place at the right time because their demands as far as the Oil Companies are concerned were met - i.e. to bring back the level of oil production to 1,3 million barrels a day - and this clarifies the atmosphere. The Minister added that Mr. Witteven was in Abu Dhabi a few days earlier and no commitments were made mainly because of the "crisis" created by the oil companies and its financial implications. He concluded saying that he does not want to ask any specific questions about the Third Window lending facility, he will analyze the scheme with Dr. Zaki but he wanted me to know they agree on the general idea and by the time you are there they will examine both the increase in subscribed capital and the Third Window with you because they would have already terminated the required consultations.

- Borrowing program

The Minister stated that they have always been predisposed to cooperate with the Bank and the past experience proves it. He will approach this matter of future borrowings with a very open mind. I asked him how should I interpret his earlier reference to Mr. Witteven. Should I relate it to our own preoccupations in the Bank ? He said: "not at all" and indicated that Mr. Witteven arrived to Abu Dhabi at the wrong time because the Ruler was absent and is still in Pakistan since the end of the year, he himself was in London and most of all they were seriously concerned by the attitude of the Oil Companies to the extent that they had already prepared an emergency plan of action in case of no change in the attitude of the oil companies. I learnt from reliable sources that in case of failure of the negotiations with the oil companies the Government was prepared to cut down investments drastically, reduce substantially the aid program and reconsider all the participations and contributions to international organizations.

2. Meeting with Dr. Zaki

On Monday February 17th at 11:15 I had a meeting with Dr. Hassan Abbas Zaki, Vice Chairman of the Abu Dhabi Fund for Arab Economic Development. I discussed in general terms the increase in subscribed capital, the Third Window and the borrowing program because the Minister told me that he has already been in touch with him.

Has he asked us training + what kind - what steps to do so

Dr. Zaki was very anxious to establish close working relationship with the Bank. To that effect he feels that the Bank should help him in organizing and restructuring the Fund. He said that they are in an urgent need of training staff and recruiting competent people. He made reference to that effect to a discussion he had with Mr. ~~Upper~~ from the Bank to whom he indicated this need for recruiting competent staff, possibly on secondment from the Bank.

He went on explaining to me the policy of the Fund and elaborating on their operations in other countries. Obviously he wants to develop with the Bank group a program of joint financing of projects. He mentioned that he had an interesting meeting with Mr. Cherif Hassan to explore the best ways of collaboration with IFC.

I exposed to him our approach concerning joint or parallel financing and your own frequent statements on this question and what we have done so far. He asked me to send him feasibility studies or appraisal reports on projects in Malaysia, Pakistan, Sri Lanka, India and Bangladesh. He added that the Fund is also prepared to join in projects in Africa where they have sent a mission to explore all possibilities. I left with him a list of projects in Asia and Africa which are in the pipeline and promised him that I would convey to the management all the views he has expressed. He asked me also to convey to you the desire of the Government to create a money market in Abu Dhabi and whether the Bank could give help in this particular field.

. . . .

CONCLUSION

In the context of my discussions in the four countries visited I can state that the officials I met with have reacted on both topics - increase in capital subscription and Third Window - in a very encouraging way. However, their final positions depend upon the consultations they have initiated on the basis of the notes I left with them reflecting the present thinking of the management and the discussions they wish to have with you during your forthcoming visit.

With hindsight, I feel that all the officials visited had, deep in their mind, the unity and the solidarity that should prevail among OPEC members. From their questions and reactions one could sense easily that they expected all the other OPEC members to be approached in order to avoid any misinterpretation of their determination to keep their Organization as strong and united as possible.

On the increase in subscribed capital they wanted more specific information on the criteria adopted to determine the voting power of the OPEC members and assurances that such an increase will not take place at the expense of the other developing countries.

On the third window there was sympathetic response and support in general. However, the officials visited wished to have more details on the scheme and particularly on how it will be operated and the countries which will benefit from it. As stated before, there was expression of opinion that the voluntary contributions (Kuwait: 25 million, Saudi Arabia: 35 million, Qatar: 15 million and UAE: 20 million dollars) seem to be on the high side and they wish to know more about the guiding principles for determining the amount of individual contributions. Moreover, they hope that the OECD members will participate and contribute to the subsidy fund and that we should not expect OPEC members to bear an excessive burden.

At this point, in order to avoid any possible ill-feeling or misinterpretation of our initiatives, we should contact as soon as possible those OPEC members which are not yet aware of the discussions initiated with the four countries I visited. For the success of the scheme they should be convinced to endorse the interim phase and contribute to the subsidy fund even token amounts for some of them. At the same time, we need to be in a position to give some kind of indication on the present thinking of several OECD members to those OPEC members already approached and the others as well.

MNKochman:gwh

cc: Messrs. Knapp
Benjenk
Shoaib
Stern
Wappenhans
Paijmans
El Darwish
El Fishawy

MULTI-COUNTRY

MULTI-COUNTRY BRIEFING

Table of Contents

ASSOCIATION | RECONSTRUCTION AND DEVELOPMENT | CORPORATION

OUTGOING WIRE

TO: MOHAMMAD ABAL KHAIL
MINISTER OF STATE FOR FINANCIAL AFFAIRS
AND NATIONAL ECONOMICS
RIYADH

DATE: FEBRUARY 1, 1975

CLASS OF SERVICE: LT (Ext. 2001)

COUNTRY: SAUDI ARABIA

TEXT:
Cable No.:

FOR YOUR INFORMATION COMMA EYE HAVE SENT THE FOLLOWING MESSAGE TO HIS EXCELLENCY SHAIKH ABDUL WAHAB COMMA CHIEF OF ROYAL PROTOCOL COMMA RIYADH STOP QUOTE REQUEST PLEASE CONVEY FOLLOWING MESSAGE TO HIS MAJESTY THE KING STOP INNER QUOTE STOP IN RESPONSE TO REQUESTS FROM SEVERAL ARAB COUNTRIES COMMA EYE AM PLANNING A VISIT TO THE MIDDLE EAST DURING THE FIRST PART OF MARCH STOP NOTHING WOULD GIVE ME GREATER PLEASURE THAN TO UTILIZE THIS OPPORTUNITY TO VISIT THE KINGDOM AND PAY MY RESPECTS TO YOUR MAJESTY AND RENEW OUR OLD FRIENDSHIP STOP WOULD GREATLY APPRECIATE LEARNING IF IT WOULD SUIT YOUR MAJESTY'S CONVENIENCE FOR ME TO REACH RIYADH TENTH MARCH EVENING AND STAY TILL THIRTEENTH MARCH MORNING STOP WITH ASSURANCES OF MY HIGHEST REGARDS AND RESPECT STOP END INNER QUOTE END QUOTE STOP IF HIS MAJESTY FINDS IT CONVENIENT TO SEE ME IN RIYADH BETWEEN TENTH MARCH AND THIRTEENTH MARCH COMMA EYE WOULD PLAN TO STOP ON TENTH MARCH IN JEDDAH FOR A BRIEF VISIT WITH ABDEL AZIZ AL-QURAISHI AND WOULD THEN PROCEED TO RIYADH STOP DURING MY VISIT IN RIYADH COMMA IF IT WERE CONVENIENT FOR YOU COMMA EYE WOULD HOPE WE MIGHT MEET TO DISCUSS ANY MATTERS YOU MIGHT WISH TO RAISE WITH RESPECT TO THE WORLD BANK COMMA INCLUDING THE DESIRE OF THE OPEC COUNTRIES FOR AN

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Robert S. McNamara

DEPT. President

SIGNATURE ______
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: RSMcN:bmm

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cc: Mr. Shoaib-Vice President
Mr. Cargill-Vice Pres (Finance)

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ARNOLD GRAPHIC INDUSTRIES, INC.
WASHINGTON, D. C. 20005

(10860)

ASSOCIATION | RECONSTRUCTION AND DEVELOPMENT | CORPORATION

OUTGOING WIRE

TO: MOHAMMAD ABAL KHAIL
MINISTER OF STATE FOR FINANCIAL AFFAIRS
AND NATIONAL ECONOMICS
RIYADH

DATE: FEBRUARY 1, 1975

CLASS OF SERVICE: LT (Ext. 2001) Pg. 2

COUNTRY: SAUDI ARABIA

TEXT:
Cable No.:

INCREASE IN THEIR SUBSCRIBED CAPITAL AND VOTING POWER IN THE BANK AND THE SUGGESTION MADE BY THE OPEC REPRESENTATIVE ~~COMMA MR AL HAMAD COMMA~~ AT THE RECENT MEETING OF THE DEVELOPMENT COMMITTEE FOR CONTRIBUTIONS TO A SUBSIDY FUND TO SUPPORT THE ESTABLISHMENT OF A QUOTE THIRD WINDOW UNQUOTE IN THE BANK STOP WOULD YOU FIND IT CONVENIENT TO SEE ME AT SOME TIME BETWEEN MY ARRIVAL IN RIYADH ON THE EVENING OF TENTH MARCH AND MY DEPARTURE THIRTEENTH MARCH MORNING STOP EYE WOULD COMMA OF COURSE COMMA BE HAPPY ALSO TO MEET WITH SUCH OTHER MEMBERS OF YOUR GOVERNMENT AS WOULD WISH TO SEE ME STOP KINDEST REGARDS

ROBERT S. McNAMARA
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Robert S. McNamara

DEPT. President

SIGNATURE ______
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: RSMcN:bmm

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WASHINGTON, D. C. 20005

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A

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION
WASHINGTON, D.C. 20433, U.S.A.

EXECUTIVE DIRECTOR

March 4, 1975

Mr. Robert S. McNamara
President
World Bank, IDA & IFC
1818 H Street, N.W.
Washington, D.C.

Dear Mr. President:

I am sending for your personal information a copy of a letter that was addressed to the following:

1. H.E. Sheikh Mohammad Abal-Khail
   Minister of State for Finance and
   National Economy
   Jeddah, Saudi Arabia

2. The Hon. Abdulaziz Al-Quraishi
   Governor
   Saudi Arabian Monetary Agency
   Jeddah, Saudi Arabia

3. H.E. Abdul Rahman Salim Al-Ateeqy
   Minister of Finance and Oil
   P.O. Box 9
   Kuwait

4. His Highness Sheikh Abdul Aziz Bin
   Khalifa Al-Thani
   Minister of Finance and Petroleum Affairs
   P.O. Box 83
   Doha, Qatar

5. His Highness Sheikh Hamdan Bin Rashid
   Al Maktoom
   Deputy Prime Minister and Minister of
   Finance, Economy and Industry
   Abu Dhabi, United Arab Emirates

Mr. Abdlatif Al-Hamad was sent a copy.

With best wishes,

Yours sincerely,

M. Al-Atrash

Muhammad Al-Atrash
Executive Director

Enclosure

Record Removal Notice

The World Bank Group
Archives
& Records Management

File Title Travel Briefs, multi countries	**Barcode No.** 1772723

Document Date Feb 28, 1975	**Document Type** Letter

Correspondents / Participants
To: H.E. Abdul Rahman Salim Al-Ateeqy, Minister of Finance and Oil
From: Muhammad Al-Atrash, Executive Director

Subject / Title
Issues in connection to the upcoming visit of Mr. Mcnamara, President of the World Bank Group.

Exception No(s).

☐ 1 ☑ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10 A-C ☐ 10 D ☐ Prerogative to Restrict

Reason for Removal
Attorney-Client Privilege

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.

Withdrawn by Tonya Ceesay	Date Apr 15, 2013

Archives 1 (May 2012)

RESTRICTION NOTICE

Single Item

In the review of this file the item identified below has been withdrawn according to the World Bank Policy on Disclosure of Information. This policy can be found on the public website of the World Bank.

Fonds, subfonds: WB IBRD/IDA 03-04 Office of the President, Records of President Robert S. McNamara

Series: 14 Travel briefings

File title: Travel briefs - Middle East, March 5-16, 1975

Form: Communication from ED (letter)

Date: 1975-02-28

To: Ministers

From: ED Muhammad Al-Atrash

Subject: Some issues to be raised by the WB President

Authority for the restriction in the World Bank Policy on Disclosure of Information (circle):

81
82
[✓ 83]
84
84
86
87
88
90

Withdrawn by: Shakuntala Gunaratne / lcm

Date: October 2, 2007

Annex V. Restriction Notice, Single Item

exception 2

B

THIRD WINDOW; QUESTIONS AND ANSWERS

Question 1 The figures cited for possible contributions to the interest subsidy fund show OPEC giving more than OECD countries. Is this the Bank's idea of a fair sharing of the burden of concessional assistance?

Answer: No. The contributions cited are illustrative estimates of what may be obtainable quickly and on a voluntary basis. In view of the urgency of the need, and the capacity of the OPEC countries to respond without the lengthy delay which legislative procedures may require in some of the OECD countries, it has been assumed that 50% (or perhaps even more) of the initial voluntary contributions will come from OPEC countries. This proportion bears no relation to the shares which may later emerge in a negotiated burden-sharing agreement.

Question 2 Will the Bank Group contribute to the interest subsidy fund? If not, why not?

Answer: At present, no Bank contribution to the interest subsidy fund is proposed. But the Bank will be supporting the Third Window in other important ways. First, it will borrow the additional sums needed to cover disbursements under Third Window loans. Second, it will be carrying the risk of Third Window loans, which like all other Bank loans would represent a potential claim on its capital and reserves.

Question 3 Can you tell us what other countries have pledged to the interest subsidy fund?

Answer: It is too early to answer this question. Mr. McNamara has only just initiated talks on the subject with OPEC and OECD countries. He may be in a better position to answer this question on his forthcoming visit.

February 1, 1975

FOR MR. KOCHMAN'S INFORMATION ONLY

ATTACHMENT 1

CONFIDENTIAL

IIIa. IBRD: YIELDS ON NEW SECURITY ISSUES BY FISCAL YEAR

Market	Currency	Average life (yrs)	Term (yrs)	Date of Issue	Amount (US$m)	Coupon (%)	Yield at Issue	
							Yield to Purchaser (%)	Cost to IBRD (%) a/
FY63								
Central Banks	US$	2.0	2.0	10/1/62	100.0	3.75	3.75	3.75
Austria Govt.	US$	5.0	5.0	11/15/62	5.0	4.00	4.00	4.00
Austria Mkt.	US$	13.0	15.0	11/15/62	5.0	4.50	4.32	4.32
Netherlands	f	15.5	20.0	7/15/62	11.0	4.50	4.54	4.65
		3.8			121.1			4.18
FY64								
Central Banks	US$	2.0	2.0	9/15/63	100.0	4.00	4.00	4.00
FY65								
Central Banks	US$	2.0	2.0	10/1/64	100.0	4.25	4.25	4.25
Bundesbank	DM	4.3	4.5	8/1/64	40.0	4.125	4.125	4.125
	US$	4.5	5.0	8/1/64	60.0	4.125	4.125	4.125
	DM	5.0	5.5	2/1/65	60.0	4.25	4.25	4.25
	US$	5.2	5.5	2/1/65	38.0	4.25	4.25	4.25
Canada	Can$	23.4	25.0	3/15/65	23.1	5.25	5.28	5.38
Germany	DM	12.9	20.0	4/1/65	62.5	5.50	5.50	5.63
Switzerland	SwF	16.0	18.0	5/15/65	13.9	4.75	4.75	4.88
US Market	US$	21.4	25.0	2/1/65	200.0	4.50	4.48	4.54
		11.7			597.5			4.69
FY66								
Central Banks	US$	2.0	2.0	9/15/65	100.0	4.375	4.375	4.375
	US$	2.0	2.0	3/15/66	100.0	5.25	5.25	5.25
Bundesbank	DM	4.0	5.5	8/1/65	18.7	4.25	4.25	4.25
	US$	4.0	5.5	8/1/65	18.8	4.25	4.25	4.25
	DM	3.5	5.0	2/1/66	16.0	4.875	4.875	4.875
	US$	3.5	5.0	2/1/66	16.0	4.875	4.875	4.875
Canada	Can$	25.0	25.0	3/15/66	18.5	5.75	5.98	6.06
		3.9			288.0			5.26
FY67								
Central Banks	US$	2.0	2.0	10/1/66	100.0	6.00	6.00	6.00
	US$	2.0	2.0	3/15/67	100.0	5.375	5.375	5.375
Bundesbank	DM	2.2	2.2	8/1/66	16.0	5.25	5.25	5.25
	US$	2.2	2.2	8/1/66	16.0	5.25	5.25	5.25
	DM	3.2	3.5	2/1/67	16.0	5.125	5.125	5.125
	US$	3.2	3.5	2/1/67	16.0	5.125	5.125	5.125
Canada	Can$	25.0	25.0	1/4/67	18.5	6.25	6.41	6.51
Switzerland	SwF	2.0	2.0	1/16/67	7.7	5.75	6.00	6.00
	SwF	15.5	18.0	6/30/67	14.0	5.00	5.04	5.26
US Market	US$	21.4	25.0	7/1/66	175.0	5.375	5.39	5.46
	US$	21.4	25.0	4/1/67	250.0	5.375	5.35	5.42
		14.2			729.2			5.49
FY68								
Central Banks	US$	2.0	2.0	9/15/67	100.0	5.75	5.75	5.75
	US$	2.0	2.0	3/15/68	125.0	6.125	6.125	6.125
Bundesbank	DM	4.0	4.0	8/1/67	16.0	5.50	5.50	5.50
	US$	4.0	4.0	8/1/67	16.0	5.50	5.50	5.50
	DM	4.0	4.0	2/1/68	17.4	6.125	6.125	6.125
	US$	4.0	4.0	2/1/68	17.4	6.125	6.125	6.125
	DM	5.0	5.0	2/1/68	12.5	6.125	6.125	6.125
	US$	5.0	5.0	2/1/68	12.0	6.125	6.125	6.125
Austria Govt.	US$	5.0	5.0	11/15/67	5.0	6.00	6.00	6.00
Canada	Can$	25.0	25.0	2/15/68	14.0	7.00	7.22	7.32
Germany	DM	10.0	10.0	3/1/68	30.0	6.75	6.96	7.21
Netherlands	f	15.5	20.0	6/15/68	11.0	6.75	6.80	6.94
Saudi Arabia	US$	22.9	26.0	5/1/68	15.0	6.50	6.54	6.54
Sweden	SKr	21.0	25.0	10/15/67	14.5	6.00	6.00	6.08
Switz. Govt.	SwF	1.5	2.5	1/1/68	11.6	5.00	5.00	5.00
Switz. Market	SwF	13.0	15.0	5/31/68	17.5	5.25	5.25	5.50
US Market	US$	22.0	26.0	9/1/67	150.0	5.875	5.95	6.02
	US$	22.9	26.0	3/15/68	150.0	6.50	6.54	6.62
		12.7			734.8			6.34
FY69								
Central Banks	US$	2.0	2.0	10/1/68	144.5	5.80	5.80	5.80
	US$	2.0	2.0	3/15/69	192.7	6.75	6.75	6.75
Bundesbank	DM	4.0	4.0	8/1/68	32.5	6.00	6.00	6.00
	DM	5.0	5.0	8/1/68	32.0	6.00	6.00	6.00
	DM	4.5	4.5	10/1/68	32.0	5.875	5.875	5.875
	DM	4.5	4.5	2/1/69	32.0	6.50	6.50	6.50
	DM	5.0	5.0	2/1/69	32.5	6.50	6.50	6.50
Germany	DM	11.5	14.0	7/1/68	100.0	6.50	6.72	6.72
	DM	12.0	12.0	8/1/68	100.0	6.50	6.50	6.61
	DM	11.5	15.0	12/16/68	37.5	6.50	6.54	6.54
	DM	11.5	15.0	1/24/69	31.3	6.50	6.54	6.54
	DM	11.5	15.0	4/1/69	31.3	6.00	6.52	6.52
	DM	10.5	15.0	6/1/69	62.5	6.50	6.70	6.94
	DM	3.2	4.0	6/23/69	37.5	6.625	6.625	6.625
Kuwait	KD	17.3	20.0	9/15/68	42.0	6.50	6.57	6.73
Saudi Arabia	US$	22.8	26.0	10/1/68	15.0	6.375	6.435	6.435
Switzerland	SwF	16.0	16.0	11/25/68	18.6	5.25	5.275	5.51
US Market	US$	22.8	26.0	10/1/68	250.0	6.375	6.435	6.[illegible]
		10.4			1223.8			5.52
FY70								
Central Banks	US$	2.0	2.0	9/15/69	175.0	8.00	8.00	8.00
	US$	2.0	2.0	3/15/70	174.5	8.125	8.125	8.125
Bundesbank	DM	4.5	4.5	8/1/69	32.0	7.125	7.125	7.125
	DM	5.0	5.0	8/1/69	32.5	7.125	7.125	7.125
	DM	4.5	4.5	10/1/69	16.0	7.875	7.875	7.875
	DM	4.5	4.5	2/1/70	67.5	8.375	8.375	8.375
Bank of Japan	¥	4.0	5.0	2/19/70	100.0	7.14	7.14	7.14
	¥	4.0	5.0	3/30/70	100.0	7.14	7.14	7.14
Germany	DM	7.5	12.0	7/1/69	37.5	6.00	6.88	6.88
		3.4			735.0			7.54
FY71								
Central Banks	US$	2.0	2.0	9/15/70	175.0	7.875	7.875	7.875
	US$	2.0	2.0	3/15/71	200.0	5.20	5.20	5.70
Bundesbank	DM	4.5	4.5	8/1/70	65.[illegible]	8.[illegible]	8.50	8.50
	DM	4.5	4.5	10/1/70	16.8	8.00	8.00	8.00
	DM	4.5	4.5	2/1/71	43.0	7.30	7.35	7.36
Bank of Japan	¥	4.5	5.0	1/14/71	100.0	7.43	7.43	7.43
	¥	4.5	5.0	3/22/71	100.0	7.43	7.43	7.43
	¥	4.5	5.0	6/11/71	19.4	7.43	7.43	7.43
FY71 (cont'd.)								
Germany	DM	10.0	10.0	8/1/70	54.6	8.50	8.62	8.88
	DM	10.5	15.0	12/29/70	41.0	8.00	8.01	8.26
	DM	5.0	5.0	2/1/71	19.0	7.50	7.36	7.35
	DM	10.5	15.0	6/1/71	54.6	7.50	7.42	7.71
Libya	LL	5.0	5.0	11/16/70	28.0	8.00	8.00	8.00
Netherlands	f	5.0	5.0	1/1/71	16.6	7.75	7.79	8.15
	f	13.0	15.0	1/2/71	16.6	8.25	8.22	8.46
Switzerland	SwF	15.0	15.0	11/20/70	17.5	6.75	6.70	7.15
US Market	US$	21.9	25.0	8/1/70	200.0	8.625	8.625	8.71
	US$	5.0	5.0	1/15/71	200.0	6.50	6.50	6.64
		7.3			1307.6			8.03
FY72								
Central Banks	US$	2.0	2.0	9/15/71	170.9	6.50	6.50	6.50
	US$	2.0	2.0	3/15/72	200.0	5.30	5.30	5.30
Bundesbank	DM	4.0	4.0	8/1/71	38.9	7.75	7.75	7.75
	DM	4.5	4.5	8/1/71	43.0	7.75	7.75	7.75
	DM	4.5	4.5	2/1/72	43.0	6.875	6.875	6.875
	DM	4.0	4.0	2/1/72	25.3	6.875	6.875	6.875
Bank of Japan	¥	4.5	5.0	9/29/71	16.7	7.24	7.24	7.24
	¥	6.5	7.0	4/6/72 b/	27.8	7.05	7.05	7.05
Belgium	BF	12.0	15.0	9/22/71	15.0	7.50	7.5[illegible]	7.[illegible]
	BF	10.6	12.0	3/1/72	20.0	7.25	7.25	7.12
Canada	Can$	8.0	8.0	11/1/71	23.1	7.[illegible]5	7.24	7.48
	Can$	6.6	8.0	12/17/71	46.2	7.25	7.11	7.11
France (Euromarket)	F	11.2	15.0	[illegible]/72	30.7	7.25	7.16	7.52
Germany	DM	1.0	1.0	10/15/71	6.8	8.00	7.85	7.85
	DM	10.5	15.0	12/10/71	68.2	7.50	7.36	7.65
	DM	2.0	2.0	12/15/71	6.8	7.875	7.73	7.72
	DM	10.5	15.0	3/1/72	68.3	6.75	6.75	6.92
	DM	5.0	5.0	3/1/72	41.0	6.25	6.25	6.50
Japan	¥	9.0	10.0	6/30/71	20.6	7.75	7.83	8.12
	¥	9.0	10.0	10/1/71	32.[illegible]	7.50	7.5[illegible]	7.5[illegible]
	¥	9.0	10.0	1/25/72	41.7	7.40	7.49	7.7[illegible]
Kuwait	KD	6.0	10.0	11/1/71	84.0	7.50	7.50	7.77
	KD	6.5	10.0	4/1/72	56.0	6.75	6.90	7.125
Netherlands	f	6.0	7.0	10/15/71	16.6	8.00	7.85	7.85
Switzerland	SwF	13.0	15.0	7/1/71	13.4	6.50	6.40	6.90
	SwF	5.0	5.0	1/25/72	73.5	6.375	6.25	6.60
	SwF	15.8	18.0	4/1/72	40.0	5.50	5.47	7.90
UK	£	5.0	5.0	8/11/71	24.0	8.00	8.00	8.40
US Market	US$	21.9	25.0	8/25/71	175.0	8.125	8.125	8.22
	US$	5.0	5.0	1/7/72	250.0	6.375	6.375	6.33
		7.5			1744.0			7.39
FY73								
Two Year Bonds	US$	2.0	2.0	9/15/72	200.0	5.875	5.875	5.875
	US$	2.0	2.0	3/15/73	240.0	6.75	6.75	6.75
Bundesbank	DM	4.3	4.5	8/1/72	68.3	7.125	7.1[illegible]	7.125
	DM	4.2	4.5	2/1/73	67.6	7.375	7.[illegible]	7.[illegible]
Bank of Japan	¥	6.5	7.0	c/	292.2	6.74	6.74	6.77
	¥	6.5	7.0	d/	37.6	6.74	6.74	6.75
Belgium	BF	9.8	12.0	1/15/73	24.[illegible]	7.00	6.85	6.85
Germany	DM	10.0	10.0	7/1/72	77.6	6.50	6.47	6.75
	DM	2.0	2.0	7/3/72	7.8	6.50	6.40	6.40
	DM	10.0	10.0	2/1/73	62.1	6.75	6.78	7.07
	DM	10.5	15.0	5/1/73	87.9	6.375	6.27	[illegible]
Italy	Lit	11.0	15.0	8/1/72	43.0	7.00	7.00	7.4[illegible]
Japan	¥	11.9	15.0	8/4/72	64.9	7.00	7.00	7.23
	¥	11.9	15.0	12/2/72	64.9	7.00	7.00	7.2[illegible]
	¥	9.0	10.0	2/3/73	32.5	6.90	7.0[illegible]	7.1[illegible]
Kuwait	KD	11.8	19.0	8/15/72	45.6	7.00	7.0[illegible]	7.[illegible]
	KD	11.8	19.0	3/1/73	76.0	7.00	7.1[illegible]	7.[illegible]
Lebanon	LL	5.0	5.0	1/22/73	24.9	6.875	6.70	6.62
Netherlands	f	9.5	12.0	1/15/73	61.6	6.875	6.75	6.7[illegible]
Switzerland	SwF	16.5	18.0	4/1/73	30.8	6.00	5.91	[illegible]
		6.9			1610.4			6.93
FY74								
Two Year Bonds	US$	2.0	2.0	9/15/73	170.0	8.625	8.625	8.625
	US$	2.0	2.0	3/15/74	257.7	[illegible]	[illegible]	[illegible]
Bundesbank	DM	4.2	4.5	8/1/73	107.0	[illegible]	[illegible]	8.7[illegible]
	DM	4.2	4.5	2/1/74	113.3	8.00	8.00	8.00
Bank of Japan	¥	6.5	7.0	e/	472.3	7.14	7.14	7.1[illegible]
	¥	6.5	7.0	f/	25.7	8.1[illegible]	8.19	8.19
Austria	US$	10.5	15.0	9/[illegible]/73	31.6	4.00	4.00	3.96
Iran	US$	12.0	12.0	4/15/74	200.0	8.00	8.00	8.00
Italy	Lit	11.1	15.0	8/1/73	32.5	7.25	7.25	7.25
Japan	¥	11.9	15.0	7/14/73	75.4	7.50	7.56	7.83
Kuwait	KD	9.0	15.0	10/15/73	84.4	7.25	7.25	7.5[illegible]
Libya	LD	9.8	10.0	8/15/73	101.3	7.625	7.625	7.65
Sweden	SKr	10.5	15.0	12/10/73	17.[illegible]	7.25	7.25	7.45
Switzerland	SwF	7.0	8.0	7/31/73	143.0	6.40	6.39	6.60
	SwF	13.0	18.0	2/1/74	29.6	7.00	7.00	7.41
United Arab Emirates	UAED	10.5	-5.0	5/15/74	76.0	8.00	8.00	8.01
Venezuela	Bs	8.3	-3.0	3/1/74	[illegible]	7.50	7.50	7.5[illegible]
		6.8			1965.9			7.49

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a/ The average "cost to IBRD" is weighted by amount and maturity.
b/ FY72 drawdown of ¥10 billion from ¥100 billion line of credit.
c/ FY73 drawdown of ¥90 billion from ¥100 billion line of credit.
d/ FY73 drawdown of ¥[illegible] billion from ¥135 billion line of credit.
e/ FY74 drawdown of ¥125 billion from ¥135 billion line of credit.
f/ FY74 drawdown of ¥7.2 billion from ¥40.8 billion loan.
g/ Offset arrangement.
h/ [illegible] million and Bs. 430 million.

P & B
1/2/75

FOR MR. KOCHMAN'S INFORMATION ONLY

ATTACHMENT 2

FY75 BORROWING PROGRAM

Market	Currency	Average life (yrs)	Term (yrs)	Date of issue	Amount (US$m)	Coupon (%)	Yield at issue	
							Yield to Purchaser (%)	Cost to IBRD (%)
Two-year bonds	US$	2.0	2.0	9/15/74	200.0	9.00	9.00	9.00
	US$	2.0	2.0	3/15/75	240.0	7.75	7.75	7.75
Bundesbank	DM	4.5	5.0	8/1/74	148.0	8.50	8.50	8.50
	DM	4.2	4.5	2/1/75	129.3	8.50	8.50	8.50
Bank of Japan	¥	6.5	7.0	3/26/74	49.4	8.19	8.19	8.19
	¥	6.5	7.0	3/26/74	63.8	8.64	8.64	8.64
	¥	6.5	7.0	various	71.4	8.65	8.65	8.65
Iran	US$	12.0	12.0	10/15/74	150.0	8.00	8.00	8.00
Nigeria	US$	10.5	15.0	12/19/74	240.0	8.00	8.00	8.00
Oman	US$	14.8	15.0	4/23/74	30.0	8.00	8.00	8.00
Saudi Arabia	SRLs	10.0	10.0	6/20/74	140.8	8.00	8.00	8.03
	US$	10.0	10.0	12/10/74	750.0	8.50	8.50	8.50
Trinidad & Tobago	US$	5.0	5.0	12/3/74	5.0	8.00	8.00	8.00
United States	US$	5.0	5.0	12/11/74	300.0	8.00	7.93	8.08
	US$	10.0	10.0	12/11/74	200.0	8.15	8.15	8.25
Venezuela	US$) Bs)	11.0	15.0	8/15/74	500.0	8.00	8.00	8.01
OPEC unspecified	US$	10.0	10.0	various	332.3	8.25	8.25	8.25
		8.25			3550.0			8.05

January 31, 1975

ATTACHMENT 3

POTENTIAL BORROWING PROGRAM FOR FY1976

			$ millions equivalent
Central Banks:			
Two-year Bonds			500
Bundesbank			243
Bank of Japan			199
		Sub-total	942
Oil-exporting countries:			
Iran			400
Iraq			200
Kuwait			300
Libya			334
Saudi Arabia			1,000
UAE			300
Venezuela			660
Other			-
		Sub-total	3,194
Other countries:			
Germany			150
Japan			150
Switzerland			50
U.S.	5-years	250	
	25-years	250	500
Other			50
		Sub-total	900
		Total: gross borrowings	5,036
		less debt retirement	1,281
		Total: net new borrowings	3,755

Source: P&B Table III (2 pages) dated 1/15/75

January 31, 1975

ATTACHMENT 4

The terms of borrowings from OPEC countries currently being negotiated are an average life of at least 10 years at a rate close to U.S. Government or U.S. agency securities of a similar maturity. The form of the transaction, i.e., a straight loan, or notes or bonds, is decided according to the wishes of the lender. In the past, we have had borrowings of this kind denominated in the currencies of the lending country but in order to minimize the foreign exchange risk for our borrowers such borrowings are now being done only in dollars. The actual rates of course depend on the yield levels in the different markets and are generally traded at rates comparable to highest quality securities such as Government and Government Agency issues of similar maturities.

C

Table 4.

International Finance Corporation
Statement of Loan and Equity Investments to Arab Countries
June 30, 1974 (From 1974 Annual Report)
Expressed in United States Dollars (in thousands)

COUNTRY and Obligor	Type of business	Fiscal years in which commitments were made	Investments held for the Corporation (including undisbursed balances		
			Loans	Equity	Total loans and equity (at cost)
JORDAN					
Jordan Ceramic Industries Co., Ltd.	Ceramics	1974	1,350	222	1,572
LEBANON					
Lebanese Ceramic Industries Co., S.A.L.	Ceramic tiles	1971	678	-	678
MAURITANIA					
Societe Miniere de Mauritanie	Copper mining	1968	8,217	724	8,941
MOROCCO					
Banque Nationale pour de Developpement Economique	Development financing	1963	-	985	985
Compania Industrial del Lukus, S.A.	Food processing	1966	290	398	688
		TOTAL	290	1,383	1,673
SUDAN					
Khartoum Spinning and Weaving Company, Ltd.	Textiles	1964, 1972	260	273	533
TUNISIA					
NPK - Engrais, S.A.T.	Fertilizers	1963	-	1,149	1,149
Banque de Developpement Economique de Tunisie	Development financing	1966, 1970	-	1,208	1,208
Compagnie Financiere et Touristique, S.A.	Tourism financing	1969	6,843	2,248	9,091
Societe Touristique et Hoteliere Rym, S.A.	Tourism	1973	1,632	297	1,929
Societe d'Etudes et de Developpement de Sousse-Nord	Tourism	1973	-	38	38
Industries Chimiques du Fluor, S.A.	Chemicals	1974	-	648	648
		TOTAL	8,475	5,588	14,063

February 14, 1975

IFC Loan and Equity Investments to Arab Countries
since June 30, 1974

A. Approved in FY 1975

			------(\$ thousands)------		
			Loan	Equity	Total
SUDAN					
Cotton Textile Mills (CTM) (\$16.0 million loan includes participations. Net IFC loan would be around \$7.0 million)	Textiles	1975	16,000	1,100	17,100

B. Pending in FY 1975

EGYPT	Ceramics
JORDAN	Fertilizer
TUNISIA	Tourism (Expansion of 1973 Sousse-Nord Project)

Please add these columns + return to me 3/7 To Mr. Burstein

Table 5.: ECONOMIC AND SECTOR MISSIONS TO ARAB COUNTRIES, FY69-73; FY74 & FY

1968	1969	1970	1971	1972	1973	Five Year Total 64-68 1969-1973	1974	1975 *
1. Algeria	-	-	EB	-	EU	2	SP	EU
2. Bahrein	-	EB	-	-	-	2	EB	-
3. Egypt	-	EB	EU EU	S	S,EU -	6	SP	S,EU S,SP
4. Iraq	-	-	EU	-	-	1	EU	-
5. Jordan	EB	-	EU	-	EU	3	-	EU
6. Kuwait	-	-	-	S	-	1	-	-
7. Lebanon	EU	EU	EU	-	EU	4	-	EU
8. Libya	-	-	-	-	-	-	-	-
9. Mauritaina	-	-	EB	-	-	1	EU	-
10. Morocco	EU	EB	EB	EB,S S,EU	EU	8	EU, S	-
11. Oman	-	-	-	-	EU S	2	EU	EU
12. Qatar	EB	-	-	-	-	1	-	I
13. Saudi Arabia	-	-	-	S	-	1		S
Somalia	-	-	EU	EU	-	2	-	EU
15. Sudan	-	EB	-	EB SP	-	3	S,S	S
16. Syria	-	-	-	EU S	EU S	4	-	EU
17. Tunisia	EB	EB SP	EB	EU	EU	6	EB S	EU S SP
18. United Arab Emirates	EB	-	-	-	-	1	-	I
19. Yemen Arab Republic	-	EB	EU	EU	EU, S S	6	-	EU
20. Yemen, PDR of	-	EB	EU	-	EU S S	5	-	EU
						59		

EB = Economic Mission - basic
EU = Economic Mission - Updating
S = Sector Mission -
SP = Economic Mission - Special
I = Introductory (First)
* ½ year actual; ½ year estimated

EMENA Region
February 18, 1975

D

CAPITAL REQUIREMENTS OF DEVELOPING COUNTRIES:

Highlights of the Forthcoming Analysis to be Presented to the Board in April 1975

As the work on this document has started only in the last week, no specific new projections are yet available . It is not possible at this stage, to do more than indicate comparisons with the presentation in R477.

1. Growth in the Industrial Countries: (Table I) The projection in R477 for real growth in the OECD countries distinguished two alternatives, but the higher one (1973-80 average annual rate of 4.7 percent) was given clear preference. Our own analyses suggest that "potential growth" could be quite strong; because the recession is likely to be deeper and longer than seen in R477, potential growth in 1973-80 would average about 4.1 percent, even with very rapid recovery in 1976 and sustained high growth thereafter. However, we agree with the OECD staff in the judgement that the policy choices in a situation of deep recession combined with high inflation rates, substantial balance of payments deficits and international borrowing needs are exceedingly difficult. The policy mix required to achieve the full growth potential seems therefore unlikely to be implemented. Slower recovery, leading to an assumed average growth of only 3.1 percent per annum in the 1973-80 period, thus appears equally probable.

2. Inflation in the Industrial Countries: (Table II) The projection in R477 is not substantially revised and current projections of the OECD staff tend to support our own earlier assertion that inflation would continue at its present rate through 1975, abating only gradually to about 7 percent per year around 1980. Slower real growth in OECD countries may not lead to lower rates of inflation; some factors could even lead to less abatement of inflation if the recovery is slow.

3. Supply and Demand of Energy and Oil: In R477 the average 1974 price of oil (Saudi Arabian Light) was assumed to be $8.65 per barrel; in fact, that 1974 price averaged $9.80 per barrel. Present estimates indicate a current price of about $10.50 per barrel, equivalent to $9.40 in 1974 dollars and thus involving a slight (4 percent) reduction of the "real" price of oil. This appears to result from slower growth of energy demand which itself reflects the recession and relatively mild weather in OECD countries. Stockpiling in 1974 added to OPEC exports of oil; the continued recession and full use of storage capacity could result in a decline of OPEC export volumes in 1975 as compared to 1974. Even so, supply adjustments by OPEC countries would remain within a feasible range and oil prices could therefore be maintained. Our demand estimates for oil from OPEC in 1980 do not, at this time, differ much from those in R477; the effect of lower real growth in OECD countries is partially offset by slower substitution for imported oil. (We tend to the view that the substitution possibilities seen in R477, which were taken from the OECD's analysis, may have been optimistic.)

The impact of these factors on OPEC exports and on its ability to maintain the present oil price may, on balance, suggest some weakening of OPEC's position. But the deviations from R477 appear rather small. Tables IIIa and IIIb show the preliminary estimates of oil and energy balances.

4. Oil Prices: (Table IV) The choice of a lower price alternative at $7.00 per barrel (in 1974 dollars), set at the marginal cost of producing alternatives to imported oil, still therefore appears to be realistic. The new projections will be based on a high oil price of $9.40 maintained in 1974 dollars through 1980 and a lower alternative which declines about 6.0 percent per year after 1975 reaching $7.00 (in 1974 dollars) in 1980. Given the present inflation assumptions, the lower alternative is roughly equivalent to a 2 percent annual increase in the normal price of oil through 1980.

5. Prices of Other Primary Commodities: (Table V) Preliminary indications are that mainly as a consequence of the deeper recession, prices of primary commodities exported by developing countries will decline more substantially in 1975 than was projected in R477. However, prices of primary commodities imported by developing countries (grains, sugar) may rise somewhat further; this applies also to imported intermediate goods (fertilizers, steel). Combined with the effect of inflation on prices of imported manufactures, this suggests a significant further deterioration of the terms of trade for developing countries in 1975 in addition to that already experienced in 1974. Slower growth in OECD countries through 1980 suggests that primary commodity prices may fall further, or at best stabilize at lower levels after 1975. This would imply that the purchasing power of primary goods exports would be reduced below their level of the 'sixties; R477 projected a return to about the level of the 'sixties after 1976.

6. The Volume of International Trade: Recession in the OECD countries and the uncertainties regarding their long term real growth prospects affect volumes of trade, reducing the volumes of their imports from developing countries. Positive action following from the multilateral trade negotiations under GATT, and from the new EEC association agreements, may ameliorate these reduced rates of export growth for developing countries, but the effects of these will not be very significant before 1980. Particularly vulnerable are developing countries' exports of manufactured goods, which consist largely of consumer goods; higher income developing countries may be hurt in this area, especially by protective measures taken in industrial countries experiencing relatively high levels of unemployment.

7. OPEC Balance of Payments Prospects: (Table VI) The major change from R477 is the higher projection for imports of OPEC countries, and the consequent reduction of surplus resources accumulating through their balances of payments. The cumulative current account surplus of all OPEC countries in 1980 was estimated at $653 billion ($411 billion in 1974 dollars) in R477; a preliminary revision reduces this to about $400 billion (close to $250 billion in 1974 dollars). More than 80 percent will be in the hands of the low absorbers (Saudi Arabia, Kuwait, Qatar, Libya and the United Arab Emirates (see Table VII); by 1980 the other members of OPEC will already be in deficit, thus reducing their reserves and investments abroad.

8. Supply of Capital from OPEC: The accumulated current account surpluses of countries other than the low absorbers (Groups II and III in R477) will amount in 1980 to some $75 billion, equivalent to about 6-7 months'

imports. It is reasonable to assume that these countries will hold at most half of this total in liquid form, as foreign-exchange reserves, and the other half in interest-bearing medium-term investments (maturities of up to 5 years). These countries' long-term investments in stocks, bonds, real estate and participations are therefore likely to be relatively small; in any case they will decline over time. Investments in U.S. Treasury bonds, the IMF oil facility and medium-term credits associated with oil exports to other developing countries are, one would expect, among the most attractive possibilities to these countries.

The low absorbers (Group I in R477) will accumulate surpluses which will continue to rise in current dollars through 1980, the average annual increment should be around $45 billion. These annual surpluses may begin to decline somewhat in the years after 1980 and may disappear around 1985, by that time, the accumulation may total some $500 billion in current dollars, out of which at most 10 percent needs to be held in liquid form. This suggests a concentration in long-term investment opportunities, including participations and other direct investments, with maturities of 10-20 years or longer. Data collected so far on flows of OPEC resources through 1974 are shown in Table VIII.

On the basis of commitments of funds to developing countries in 1974 a possible scenario of capital supplies from OPEC will be formulated; it will take into account the distribution of lending by terms and by destination (income groups of countries). Account must also be taken of the possibility that some countries will receive more than reasonably needed for attainable rates of growth, this would reduce availabilities of such capital for other countries.

9. Supply of Capital from OECD: Evidence available at present tends to confirm estimates of the supply of concessionary assistance from DAC members as presented in R477 (case B); price increases appear to result in faster disbursements in 1974 and 1975, but commitments do not seem to have changed appreciably from earlier estimates. The paper will address itself in more detail than presented in R477 to capital flows by types, particularly within the category of concessionary capital. Because the paper will focus on the need for resources to finance imports, flows which represent technical assistance will be excluded, and budget support will be separately identified. Possible shifts in the geographic distribution of concessionary capital and the scope for debt relief will be treated explicitly. Our present estimates of capital flows from DAC countries to the developing countries for 1973-1975 are shown in Table IX.

10. Private Capital from National and International Markets: (See also Table IX) The IMF study on access of developing countries to capital markets will provide some leads, together with assessments of the possible evolution of the markets and the capacity of borrowing countries to assume larger debt burdens. The most likely outcome of this exercise is some reduction of the amounts (in terms of net capital flows) which developing countries can obtain from these sources as compared to the estimates of R477.

3/7 To Mr. Stern
Ernie, in the 4/1 draft show data for 73-76 by year

split by yr

11. Growth Prospects of Developing Countries: (Table X) The length and depth of the recession suggest a presentation of growth projections for two successive periods, 1973-76 and 1976-80. The first period covers the full impact of the recession and the changes in international prices; the second presents alternative growth paths under conditions of either fast or slow recovery in the OECD countries.

(a) Higher/middle income countries: Per capita income growth in 1973-76 was projected in R477 at 3.1 percent per year, but would under present conditions be less than 1.0 percent per year. However, this is predicated on the assumption that these countries limit their international borrowing to levels projected in R477. The scattered information available at present indicates that at least in 1974 growth rates have been more or less maintained though heavy additional borrowing which cannot remain without consequences for their creditworthiness. A higher rate of 4.3 percent for 1976-80 projected in R477 can still be achieved, if creditworthiness of these countries can be maintained. pc?

(b) Lower income countries: Per capita income growth in 1973-76 was estimated in R477 at 0.2 percent per year, but will now show a decline of up to 2.0 percent per year. The projected rate of 1.5 percent per year for 1976-80 projected in R477 remains attainable. ?

12. Capital Requirements for Higher Growth: It should be emphasized that hardly any action to increase capital flows during 1975 will make a significant difference for the projected 1973-76 growth rates. The real losses of this period can, to some extent, be made up in subsequent years, but a strong recovery in OECD countries would be a means of achieving this which is preferable to augmenting capital flows. However, this compensation of earlier growth losses by later growth acceleration appears to be mainly available to the higher and middle income countries, not to the lower income countries. For the latter, additional concessionary flows would be required to make up for the decline of per capita incomes between 1973 and 1976. On the basis of crude elasticities implicit in the alternatives presented in R477, it seems that concessionary assistance (net) in 1980 would have to be about $14.5 billion (rising from $2.8 billion in 1973); this is about $2.5 billion more than is shown in R477. This does not take account of possible needs of other than the lower income countries; limits to those countries' borrowing capacity and the desirability of maintaining their growth rates may require even larger amounts of concessionary assistance.

13. Characteristics of Projected Capital Flows: Work on the purchasing power of capital flows, debt service and creditworthiness implications and the composition of these flows by terms categories and by origins has barely started. A necessary addition to the previous work for R477 will be an analysis of the implications of net capital flow requirements in the years through 1980 for the levels of nominal commitments of capital in the early years (1975 and 1976 particularly).

Attachments:

Table I: OECD Growth Rates
Table II: Projected Inflation Rates
Table IIIa: Energy Balance
Table IIIb: Oil Balance
Table IV: Oil Prices
Table V: Primary Commodity Prices
Table VI: OPEC Balance of Payments
Table VII: OPEC Surplus Accumulation
Table VIII: OPEC Capital Flows 1970-1974
Table IX: Capital Flows 1973-1975
Table X: LDC Growth Prospects

Table I: OECD Growth Rates
(percent per annum)

#477

	North America		Japan-Oceania		Western Europe		OECD Total		
	High	Low	High	Low	High	Low	High	Low	
1973	6.0	6.0	9.5	9.5	5.3	5.3	6.3	6.3	
1974	-1.4	-1.4	-2.1	-2.1	2.6	2.6	0.0	0.0	
1975	-1.2	-1.2	2.1	2.1	1.7	1.7	0.3	0.3	
1976	4.0	2.5	7.5	7.5	4.5	2.2	4.7	3.0	
1977	7.0	4.5	7.0	7.0	6.5	4.2	6.8	4.7	
1978	6.5	4.5	7.0	7.0	5.5	4.2	6.2	4.7	
1979	5.7	4.5	7.0	7.0	4.2	4.2	5.5	4.7	
1980	5.0	4.5	7.0	7.0	4.7	4.2	5.2	4.7	
1973-76	0.4	-0.1	2.4	2.4	2.9	2.2	1.7	1.1	
1976-80	6.0	4.5	7.0	7.0	5.4	4.2	5.9	4.7	
1973-80	3.6	2.5	5.0	5.0	4.2	3.3	4.1	3.1	4.7 "preference"

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February 18, 1975

Table II: PROJECTED INFLATION RATES[1]
(US dollars, 1967-69=100)

	GNP Deflators		Export Prices of Investment Goods	
Calendar Years	Index	Percentage Changes[2]	Index	Percentage Changes[2]
1973	148.2	12.7	144.4	13.4
I	143.5	13.6	139.2	10.2
II	152.8	13.4	149.5	15.3
1974	162.6	9.7	164.8	14.2
I	158.0	6.9	159.4	13.7
II[e]	167.3	12.1	170.2	14.0
1975	181.3	11.5	184.1	11.7
I	176.8	11.7	179.6	11.4
II	185.8	10.4	188.6	10.3
1976	199.1	9.8	202.1	9.8
1977	216.0	8.5	219.3	8.5
1978	233.3	8.0	236.8	8.0
979	250.8	7.5	254.6	7.5
980	268.4	7.0	272.4	7.0
1985	376.4	7.0	382.1	7.0

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[e] estimated.

[1] The national currency increases in GNP deflators of the six major OECD countries are first converted to changes expressed in US dollars using the average exchange rates over the period in question. The GNP weighted average is given in this table. The same procedure is applied in the construction of the index of those countries' export prices of investment goods, except that it is an export weighted average of the five countries from which up to date data is available.

[2] From previous period at annual rate.

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Table IIIA: CONSUMPTION AND IMPORTS OF PRIMARY ENERGY IN OECD COUNTRIES, 1973, 1980, & 1985

	1973	1980		1985	
		Case I	Case II	Case I	Case II
Persian Gulf Prices (in 1974-US dollars)	3.10	9.40	7.00	9.40	7.00
	---------(million tons of oil equivalent)------------				
Primary Energy Consumption					
Oil	1,945	2,320	2,480	2,350	2,530
Non-oil	1,510	1,800	1,770	2,605	2,580
Total	3,455	4,120	4,250	4,955	5,110
Primary Energy Net Imports					
Oil	1,225	1,280	1,440	1,055	1,350
Non-oil	40	110	140	180	200
Total	1,265	1,390	1,580	1,235	1,550

Source: Bank estimate based on SIMRICH preliminary results, including Australia and New Zealand.

Note: The two cases illustrate growth of oil and other primary energy forms at energy prices associated with different f.o.b. export prices (in 1974-US dollars) of crude oil: $9.40 per barrel in Case I and $7.00 in Case II (Arabian Light f.o.b. Ras Tanura).

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February 18, 1975

Table IIIB: OIL BALANCE
(in millions of metric tons)

			1980		1985	
	1973	1974	Case 1	Case II	Case 1	Case II
WORLD OIL CONSUMPTION			(9.40)	(7.00)	(9.40)	(7.00)
United States	815		930	1000		
Canada	84		105	110		
Western Europe	748		850	910		
Japan	267		400	420		
Australia/N.Z.	32		35	40		
Total OECD	1946		2320	2480	2350	2530
Other Developed Countries	32		65	70	90	100
Developing: Non-OPEC	306		435	440	570	610
OPEC	48		95	95	155	155
Increase in Stocks	71		30	40	20	25
Total	2403		2945	3145	3185	3420
WORLD OIL PRODUCTION						
United States	517		680	680	810	740
Canada	102		115	115	160	145
Western Europe	23		220	220	290	275
Japan	1		1	1	5	5
Australia/N.Z.	18		24	24	30	25
Total OECD	661		1040	1040	1295	1180
Centrally Planned E omics (Net Exports)	44		-	-		
Developing: Non-OPEC	188		300	300	525	455
OPEC	1510		1605	1805	1365	1785
Total	2403	2445	2945	3145	3185	3420

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Table IV: OIL PRICES
(US dollars per barrel)

	Current Prices	Constant 1974 prices
1973	$2.69	3.03
1974	9.78	9.78
1975	10.46	9.40
Case I (constant real price):		
1976	11.48	9.40
1977	12.46	9.40
1978	13.45	9.40
1979	14.46	9.40
1980	15.58	9.40
1985	21.71	9.40
Case II (decline in real price):		
1976	10.88	8.87
1977	11.14	8.37
1978	11.34	7.89
1979	11.50	7.44
1980	11.57	7.00
1985	16.25	7.00

Prices are for Saudi Arabian Light crude oil 34° f.o.b. Ras Tanura.

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February 18, 1975

Table V: PRIMARY COMMODITY PRICES , 1974, 1975 AND 1980 *

(1967-69 = 100)

	Current $			1974 Constant $		
	1974	1975	1980	1974	1975	1980
36 Commodities (including petroleum)	470.0	491.8	687.7 (H) 553.8 (L)	470.0	440.3	417.2 (H) 335.0 (L)
35 Commodities (excluding petroleum)	237.2	231.5	276.7	237.2	207.3	167.4
Agriculture	252.5	249.6	280.0	252.5	223.5	169.4
i) Agricultural Food	275.4	280.4	271.8	275.4	251.0	164.4
a) Basic Foods/1	386.6	402.7	314.5	386.6	360.5	190.3
b) Beverages /2	179.3	173.0	242.8	179.3	154.9	146.9
c) Fruits	126.7	126.1	175.8	126.7	112.9	106.4
ii) Agriculture Non-Food	198.8	179.0	272.3	198.8	160.3	164.7
Timber	228.5	209.7	422.0	228.5	187.7	255.3
Metals, Minerals and Oils	195.7	182.1	267.6	195.7	163.0	161.9

* Weighted by the value of exports of developing countries in 1967-69.

/1 Cereals, sugar, beef, fats and oils, fishmeal and soybean meal.

/2 Cocoa, coffee, tea.

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TABLE IX. CAPITAL FLOWS 1973-75

(US$ millions at current prices and exchanges rates)

	1973	1974	1975
1. DAC Members	22,670	25,810	29,090
ODA	9,410	10,630	11,920
bilateral	7,190	8,080	9,210
multilateral	2,220	2,550	2,710
OOF	2,100	1,800	1,990
bilateral	1,730	1,750	1,950
multilateral	370	50	40
Private	11,160	13,380	15,180
bilateral	10,840	12,440	14,720
multilateral	320	940	460
2. OPEC Members	1,120	4,750	9,200
ODA	810	1,890	2,980
bilateral	780	1,650	2,500
multilateral	30	240	480
OOF and Private	310	2,860	6,220
bilateral	10	250	1,000
multilateral	300	2,610	5,220
3. East Bloc	1,560	1,560	1,560
ODA	1,030	1,030	1,030
OOF	530	530	530
4. Capital Markets Net	9,000	9,000	9,000
5. Total by category	34,880	41,120	48,850
ODA	11,250	13,550	15,930
OOF and Other	14,630	18,570	23,920
Capital Markets	9,000	9,000	9,000
6. Total by origin	34,880	41,120	48,850
Bilateral	22,110	25,730	30,940
ODA	9,000	10,760	12,740
OOF	13,110	14,970	18,200
Multilateral	3,770	6,390	8,910
ODA	2,250	2,790	3,190
OOF	1,520	3,600	5,720
Capital Markets	9,000	9,000	9,000

Sources and Notes: DAC Secretariat estimates and projections, P & B Projections, OPEC; 1974, EDD estimates, 1975 IFD estimates, East Bloc, includes Peoples Republic of China and countries with centrally planned economies (CPE); 1974, DAC estimates. Amount assumed to remain unchanged in 1975. Capital Markets; IFD data adjusted by estimates of coverage, repayment and substitution of borrowing from capital markets for borrowing from other sources.

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Table X: LDC GROWTH PROSPECTS /1

Annual Average Percentage Changes	Higher/Middle Income Countries			Lower Income Countries			Total, Non-Oil Developing Countries		
	R477	Jan. '75 Revision		R477	Jan. '75 Revision		R477	Jan. '75 Revision	
		High	Low		High	Low		High	Low
GDP:									
1973-76	5.9	3.8	3.4	2.6	0.7	0.5	5.0	3.1	2.6
1976-80	7.1	8.6	7.1	3.9	4.5	3.4	6.4	7.7	6.2
GDP per capita:									
1973-76	3.1	1.0	0.6	0.2	-1.7	-2.0	2.5	0.6	0.1
1976-80	4.3	5.8	4.3	1.5	2.1	1.0	3.9	5.2	3.7

/1 The January 1975 revision of the R477 growth rate projections assumes no changes in the capital flows. Should these decline because of world capital market conditions, donor policies or the creditworthiness of potential borrowers, growth rates would be adversely affected.

Economic Analysis & Projections Dept.
February 18, 1975

ANNEX TO

CAPITAL REQUIREMENTS OF DEVELOPING COUNTRIES

Notes on Current Situation and
1975 Outlook for Selected MSAs Countries

Bangladesh

Sri Lanka

India

Tanzania

Sahel (Chad, Mali, Mauritania,
Niger, Upper Volta)

PRD
February 18, 1975

BANGLADESH

1. While still emerging from the disruption of war, drought, vast population movements and political and administrative disorganization, Bangladesh economy was faced with a rapid deterioration in the terms of trade. Terms of trade moved (from 100 in 1972) to 65 in 1973 and 50 in 1974, with the prospect that it will be 43 in 1975. Added to this, the devastation of the 1974 summer foodgrain crops by floods led to the import of massive quantities of foodgrains. This additional demand on scanty external resources has resulted in further lowering the availability of imported raw materials and spare parts and consequent lower utilization of industrial production capacity.

2. During 1974, the deficit on current account was nearly $500 million. Due to international efforts the net aid inflow increased considerably during 1974. Still there was an overall deficit of $134 million, of which $83 million was met through Fund drawings and the balance was a draft on reserves. The loss of reserves has been so rapid during 1973 and 1974, that Bangladesh has started 1975 with gross reserves amounting to just three weeks' financing of the expected 1975 import bill.

3. Even if weather conditions are normal, foodgrain imports in 1975 will probably amount to $398 million. The fertilizer requirement at current prices will cost about $90 million. With no change in petroleum prices, the petroleum import bill will be $170 million. In order to bring the production level to the 1969-70 level, imports of capital goods, raw materials and spare parts have to be stepped up. Altogether, the import bill is expected be 46% higher in 1975 over 1974 in current prices. On the export front, jute prices are substantially higher now than in 1973. They are expected to be marginally higher in 1975. However due to relative prices of jute and rice, it is expected that the production of jute will be showing little increase. The outlook for other exports (particularly leather, fish and fish products and tea) are not too bad, but they account for only 10 per cent of total export earnings. Overall, exports would earn in current prices about 8 per cent more in 1975 than in 1974. The current account deficit is expected to be about $860 million. If capital flows do not increase beyond the 1974 level, the overall deficit will be of the order of $500 million. However, in the light of the Aid Group meeting in October 1974, it is expected that the 1975 aid flow will be $275 million more than in 1974. Even then Bangladesh will face a deficit of $225 million in 1975.

4. Seeing the worsening of the economic malaise, the Government has declared a state of emergency. Several steps have been recently taken, such as reduction of subsidies on food and fertilizer, introduction of new taxes and strengthening of anti-smuggling measures. However, until such time as Bangladesh is able to increase its food production and reduce its dependence on food imports, strengthen its competitive production of jute, while also improving the efficiency of its public enterprises and the mobilization of domestic resources,it will be unable to manage without massive inflows of aid.

Bangladesh: Balance of Payments

(Millions of Dollars)

	1973 Actual	1974 Estimated	1975 Projected
Goods, Services, and Transfers (net)	-264	-497	-860
Exports, f.o.b.	360	422	456
Imports, c.i.f. [1]	-880	-1076	-1572
1. Petroleum	-48	-127	-170
2. Foodstuffs/fertilizer	-456	-446	-488
3. Others	-376	-503	-914
Services and Transfers (net)[2]	256	157	256
1. Transfers (net)	251	182	359
2. Interest on debt)	5	-25	-103
3. Others (net))			
Public Capital (net)[3]	140	444	645
Bilateral official loans)	146	454[a]	-
Multilateral loans)			
Other loans)			
Amortization payments	-6	-10	-
Other Capital (net)[4])	-19	-81	-10
Gross flows[5])			
Amortization payments)			
Surplus of deficit[6]	-143	-134	-225
Memorandum items:			
Use of Fund credit tranches during period	--	35	--
Use of Oil Facility during period		48	--
Changes in gross international reserves during period	143	51	--
Level of gross international reserves (estimated end-1974 and end-1975) 7/	...	92	92

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[1] Includes petroleum products.
[2] Includes current transfers and capital grants received by the public sector.
[3] Capital flows to/from the public sector of the country.
[4] Includes errors and omissions.
[5] Net of any private capital outflow but not of amortization payments.
[6] Equal to the change in the gross convertible foreign currency reserves of the Bangladesh Bank. Net drawings from the Fund whether in the credit tranches or under the Oil Facility are a means of financing the deficit.
[7] Equal to the gross convertible foreign currency reserves of the Bangladesh Bank.
[a] Includes grants.

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SRI LANKA

1. Sri Lanka has been pursuing some of the progressive policies that we have been urging developing countries to adopt: 85% of the adult population is literate; through food rations, subsidized health services, public transport, etc. successive governments have attempted to redistribute income as well as access to opportunities.

2. These direct attacks on poverty have led to a climate of uncertainty inhibiting private enterprise and the public enterprises that have been set up have been poorly managed. Burdened by subsidies, unable to extend its tax efforts; and unable to mobilize surpluses through public enterprises, the Government has not had the resources to implement its plans for capital expenditures and, given the uncertainties about its future role, the private sector has not been willing to even maintain its gross investments in crucial sectors like tea.

3. Massive deterioration in the terms of trade has made the task even more difficult. The terms of trade index, with 1967 as 100, had fallen to 60 by 1973. The 1975 prices forecast for Sri Lanka's principal exports (with 1973 as 100) are: tea, 133; rubber, 94; copra (as a proxy for coconut products), 178. Together these categories account for 3/4 of Sri Lanka's merchandise exports. On the other hand, the 1975 price indices of its principal imports (with 1973 = 100) are forecast to be as follows: rice, 150; wheat, 156; sugar, 350; petroleum, 408; fertilizer (urea), 212. Together these items account for about 2/3 of Sri Lanka's imports. Food, POL and fertilizers now take up about 5/6 of Sri Lanka's exports. As Sri Lanka's economic structure still depends heavily on imports (imports account for 20% of gross capital formation and 35% of the supply of intermediate goods) inadequate foreign exchange resources have prevents the economy from expanding capacity and using installed capacities fully.

4. With a less than adequate performance, Sri Lanka has had difficulties in borrowing abroad. The grant financed part of the current account deficit declined from one-third in each of the three years 1971-73 to 14% in 1974. Furthermore, the share of the current account deficit financed by long-term loans declined sharply from 126% in 1971 to 24% in 1974. Suppliers' credits and short-term loans, including IMF transactions, together were, on a net basis, negligible in 1971 and 1972, but rose to $83 million in 1974. Sri Lanka's net foreign exchange reserves had fallen to minus $31 million in October 1974. Moreover, a substantial part of the Central Bank's liquid balances abroad are pledged and other reserve assets of the banking system and the Government are not readily useable. Sri Lanka is relying on possible borrowings from the Middle East and the expanded oil facility to tide it over the next few months.

5. Thus far, Sri Lanka has been pledged two loans by Kuwait and one by Iran. The first loan from Kuwait, which was disbursed in 1974, was a cash loan of $21 million to the Central Bank of Ceylon with two years maturity and 8% rate of interest. The second loan from Kuwait has been pledged for a fertilizer

(urea) project and amounts to $25 million with 20 years maturity, 5 years grace period and 4% rate of interest. Iran has pledged $67 million, consisting of a $27 million loan for the urea project and two cash loans from the Bank Melli to the Central Bank of Ceylon. The terms of the loan for the urea project have not yet been decided, but they will be the same as agreed by other donors of the project. One of the two cash loans is for $8 million direct assistance to the Central Bank of Ceylon with a 6% interest rate, and the other is a $32 million loan to be paid in tea (at the price prevailing at the time of repayment) with an 8% interest rate; both loans have 5 years maturity with 3 years grace period.

7. The balance of payments projections for 1975 are indicated in Table 1. They show that if the anticipated disbursements of $22 million from IDA and $72 million from the IMF are realized, the remaining uncovered gap will amount to $117 million.

Table 1

SRI LANKA: BALANCE OF PAYMENTS
(in $million)

	1970	1971	1972	1973	1974[1/]	1975[2/]
Current Account						
Exports (fob)	339	324	308	364	527	531
Other	43	56	54	60	74	78
Total Receipts	382	380	362	424	601	609
Imports, goods (cif)	392	372	349	441	776	836
Other	61	62	61	52	63	71
Total Payments	453	434	410	463	839	907
Net Current Account	-71	54	-48	-39	-238	-298
Capital Account						
Total Net Private	-1	-4	-6	-2	-	-
Private direct investment	-	-	-	-	-	-
Other long-term	-	-	-	-	-	-
Other short-term	-1	-4	-6	-2	-	-
Total Net Official	56	85	65	80	203	181
Grants	13	18	16	13	34)	144
Loans	31	68	47	30	58)	
Short-term and suppliers' credits	26	6	-	40	51	-11
IMF transactions	-14	-7	2	-3	32	48
Net External Assets	21	-26	-14	-42	63	-
Net Capital Account	76	-55	45	36	238	181
Errors and Omission	-5	-1	3	3	-	-
Additional Financing Requirement					0	117[3/]

1/ Preliminary estimates
2/ Projections
3/ Including $22 m from IDA and $72 m from IMF assumed by the Government
Source World Bank Economic Mission (November/December 1974)

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INDIA

1. With 1972/73 as a base India's terms of trade index is around 65 now.

2. The attached table indicates that in 1975/76 India will require gross financing of $2,650 million; of this, $800 million is assumed to be covered by drawings from the IMF's oil facility. Consortium aid commitments up to March 31, 1975, and the projected non-Consortium aid disbursements will provide an additional $1,481 million. This leaves a 'gap' of approximately $370 million which will have to be provided from additional Consortium commitments or use of reserves if the projected level of imports is to be attained.

3. The projections assume that India will import the same quantity of foodgrains in 1975/76 as in 1974/75 but that, as prices are expected to be 7.5% higher, $1,370 million will be required to obtain the grains. POL imports have been projected at $1,400 million and those of fertilizer and fertilizer raw materials at $760 million.

4. An exceptionally good harvest can conceivably wipe out the need for food imports $1.4b. Such a reduction in import requirements cannot be taken to mean that the 'gap' in the sense of the difference between the true requirements and the availability of foreign exchange would be substantially reduced. The projection assumes that imports other than foodgrains, POL and fertilizers, will be held at their 1973/74 real levels. These are, of course, already extremely compressed, and bear little relationship to what India would require for full and efficient operation of her production capacity. Thus, reduced requirements for food could easily be made up by increased use of other essential materials, which will be denied to her if present projections turn out to be correct.

5. The projection is thus not a 'gap' exercise. India needs much more foreign exchange than she has any likelihood of getting. The projection merely shows the amounts required to maintain the present unsatisfactory state of affairs.

6. Even so the table shows that India is accumulating debt very rapidly. The consequential debt burden will be bearable only if the prices for India's exports continue to rise as a result of world inflation. The table also indicates that the IMF is becoming a crucial element in India's debt and aid picture, providing up to one-third of her total gross foreign capital inflow. These funds have fairly short maturities and high interest rates and will only be tolerable in the long run if they are rolled over or if world inflation continues at a high rate.

7. India has received deferred credits of $230 million from OPEC sources for oil payments; of this amount Iran has contributed $133 million, a part of it last year and a part this year. India and Iran have commenced negotiations for an iron-ore project.

INDIA: Balance of Payments Projections
(US $ million)

	1974/75[1]	1975/76
Merchandise exports	4,000	4,750
Merchandise imports	5,800	6,750
Non-factor services (net) +	100	100
Transfer payments (net) +		
Miscellaneous capital (net) +		
Errors and omissions		
Debt Service	730	750
to Consortium	(635)	(650)
Others	(95)	(100)
Gross financing required	2,430	2,650
of which:		
Consortium gross aid	1,750	902[2]
Non-Consortium gross aid		579
IMF transactions	615	800[3]
Use of Reserves	65	-

1/ All figures for 1974/75, apart from the $100 m. miscellaneous capital and invisibles receipts, are taken from the President's Report for the Tenth Industrial Imports Program, Annex IV.

2/ From DRS - for estimated debt as of March 31, 1975, using exchange rates as at the end of October 1974. An additional $7.1 million has been included as an estimate of disbursements from grants committed during 1974/75.

3/ Assumed use of oil facility.

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TANZANIA

1. The overall balance of payments was in surplus in 1972 and 1973, but the events of 1973-74 resulted in a decline of reserves by $95 million even after allowing for drawings on the IMF of $34 million and $11 million of bilateral balance of payments financing to meet the emergency. External reserves stood at $49 million at the end of 1974, equivalent to less than one month's imports.

2. Three events occurred since late 1973 which resulted in a drastic change in the overall balance of payments position. First, import prices rose by an estimated 15 to 20 percent. The increased cost of petroleum imports above is estimated at $67 million in 1974 or 14 percent of total 1973 imports. Second, the 1973 rains failed in many parts of the country resulting in a substantial reduction in food production, and necessitating substantial increases in imports of basic food items in 1974. High levels of food imports are likely to be needed at least until August 1975 when the new crop harvest begins. It is estimated that food imports in 1974 will cost $147 million compared to an annual average in 1970-72 of $40 million. Finally, agricultural export volumes declined or stagnated so that Tanzania could not fully benefit from higher export prices. The decline or stagnation in food and agricultural export production also reflected basic weaknesses in agricultural development policy.

3. Since the upward trend of import prices, high food imports and stagnant agricultural export volumes are expected to continue into 1975, the outlook for the overall balance of payments is bleak. We estimate an unfinanced gap of $142 million (See Table 1) for 1975. This is based on the assumptions that:

(a) normal weather will return in 1974-75, thereby permitting substantially reduced food imports and some recovery in agricultural exports volumes after September 1975;

(b) petroleum imports will increase 4 percent in volume compared to the 9 percent historical trend, a decline made possible by conservation measures (price increases and a ban on weekend gasoline sales) and the substitution of new hydroelectric power for diesel;

(c) non-food consumer imports will be held constant in nominal terms involving an estimated decline in real terms of 7 percent, capital goods imports will increase 4 percent in real terms and 11 percent in nominal terms, a rate below recent trends;

(d) regular external capital disbursements under project agreements will increase 10 percent in current terms after 1975; and

(e) external reserves will not be built up, even though they are less than would be desirable.

4. Thus, the immediate problem is how to manage the estimated balance of payments deficit of $142 million in 1975. External reserves are so low that they cannot be prudently used to finance the deficit. We expect that consumer imports other than food will be at austerity levels in 1975 with an estimated decline of 7 percent in real terms. For example, the Government has banned all liquor, tobacco and sugar imports and has reduced automobile imports to a maximum of 300, or far less than the normal replacement level. Reducing raw materials and spare parts for industry would only reduce growth and savings and exacerbate the domestic inflationary trends which emerged in 1974. If capital goods and construction materials imports were reduced by the extent of the deficit, public sector investment would have to be reduced by 50 percent which, in turn, would seriously undermine the development program built up with great effort over recent years.

Table 1

TANZANIA
BALANCE OF PAYMENTS
(Current US$ Millions)

	ACTUAL		PROJECTED	
	1972	1973	1974	1975
CURRENT ACCOUNT				
Exports (f.o.b.)	288.4	332.7	425.5	435.8
Imports (c.i.f.)	403.8	477.1	712.5	683.1
Trade Balance	-115.4	-144.3	-287.0	-247.3
Net Services	35.8	25.6	18.2	18.2
Net Transfers	- 4.2	0.7	14.0	7.0
Current Account Balance	- 83.7	-118.0	-254.8	-222.1
CAPITAL ACCOUNT				
Govt. M&LT Loans				
Tazara	94.6	108.5	70.0	7.0
Other	32.0	45.7	63.0	75.6
Less Repayments	- 15.4	- 13.2	- 14.0	- 14.0
Net Inflow	111.2	141.0	119.0	68.6
Parastatal M&LT (Net)	6.2	9.8	9.7	10.6
Private M&LT	- 1.7	1.6	1.5	1.5
Govt. Compensation Pmts.	- 5.7	- 5.1	- 5.0	- 5.0
Other Capital Movements	7.2	- 17.8	- 12.6	- 14.0
Errors and Omissions	31.2	18.8	11.7	18.8
Capital Acct. Balance	139.0	148.5	131.4	80.5
cial Transactions	5.0	- 2.8	34.4*	-
Net Change in Reserves	+ 60.2	+ 25.0	- 95.2	-141.6
Net Reserves (IFS)	119.6	144.6	49.4	-

* IMF 1st Credit Tranche & Special Oil Facility

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NOTES ON
BALANCE OF PAYMENTS PROJECTIONS

1. Exports (f.o.b.) - staff estimates.
2. Imports (c.i.f.) - staff estimates.
3. Net Services - 1972 and 1973 actuals. 1974 and 1975 from IMF/Bank of Tanzania. For 1976 assume 10% growth + addition of US$10 m of earnings from Tazara. Thereafter 10% p.a. growth for total.
4. Net Transfers - 1972 and 1973 actuals. 1974 and 1975 from IMF/Bank of Tanzania. For 1976 and beyond, 10% p.a. growth assumed.
5. Govt. M&LT Loans -

   Tazara - 1972 and 1973 actuals. 1974 from IMF/Bank of Tanzania. For 1975, estimate of $7.0 m is based on twice cost of imported inputs estimated for 1975, on assumption that local costs are equal to import costs. (In 1974, the estimate of capital goods Tazara imports = approx. 1/2 of the $70 m capital inflow in 1974.)

   Other - 1972 and 1973 actuals. 1974 and 1975 from IMF/Bank of Tanzania. For 1976 and beyond, 10% p.a. growth assumed.

   Repayments - 1972 and 1973 actuals. 1974 and 1975 from IMF/Bank of Tanzania. For 1976 and 1977 no increase assumed lag - then slight increase.
6. Parastatal M&LT - 1972 and 1973 actuals. 1974 and 1975 from IMF/Bank of Tanzania. Thereafter, 10% p.a. growth assumed.
7. Private M&LT - actuals 1972 and 1973. IMF/Bank of Tanzania for 1974 and 1975. Thereafter assumed level.
8. Govt. Compensation Pmts. - 1972 and 1973 actuals. 1974 and 1975 IMF/Bank of Tanzania. Thereafter assumed level.
9. Other Capital Movements, Errors & Omissions - 1972 and 1973 actuals. 1974 and 1975 IMF/Bank of Tanzania. Thereafter omitted since largely offsetting items in recent years.
10. Special Transactions - 1974 is IMF first credit tranche & special oil facility.

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THE SAHEL

(Chad, Mali, Mauritania, Niger and Upper Volta)

1. These five Sahelian countries (the sixth, Senegal, is excluded from this note) are among the most backward and slow-growing countries in the world. During the period 1969-73, they have had to contend with a very severe drought.

2. An immediate rapid improvement in conditions in the Sahel is not possible because of a dearth of natural resources, the pressure of population and an indifferent performance in economic management, even when the fiscal position has been favorable. These difficulties are compounded by the essential need to maintain a balance between the human and livestock population of the area and the annual regeneration of vegetation, as well as a complicated pattern of trade, travel and communications between the Sahelian countries and contiguous states. In addition, the investment programs of the five countries rely almost exclusively on capital assistance from a variety of bilateral and multilateral sources, assistance which tends to fluctuate in response to short-term factors, rather than longer-term development needs.

3. Because of these reasons and the facts that the countries have separate uncoordinated administrations and possess poor basic statistical information, a special effort is needed to help the long-term development of the Sahel. In particular, a coordinated aid program is required. Absorptive capacity in the region needs to be improved; the ecological impact of productive projects needs to be taken into account; and inter-regional studies need to be undertaken. We believe that there is potential for economic and social development in the Sahel and that the foreign aid can, and should, play a large role in releasing this potential.

4. During the past two years, real economic growth in the region has been negligible, and per capita annual income has stagnated at about $70. With the exception of Mauritania (which shows a balance or small surplus) the countries have large resource gaps. In 1973 and 1974 rapidly increasing amounts of foreign aid - mainly in grant form - were used in an attempt to prevent very low standards of living from falling. Some recovery occurred in late 1974 as a result of better harvests and exports are expected to increase in 1975. However, even if imports are held to their 1974 level, Table 1 shows that a combined current account deficit of $218 million is likely to occur - a deficit which can only be covered if public capital grants amounting to $122 million are obtained. As of now, the sources of this aid have not been identified. It is estimated, furthermore, that aid requirements will total $1.7 billion over the period 1975-80 to maintain existing living standards. The sources from which this aid will come are also still uncertain. If living standards in the Sahel are to rise, the volume of aid required will be proportionately higher.

Table 1

AGGREGATE BALANCE OF PAYMENTS

(for Chad, Mali, Mauritania, Niger and Upper Volta)

(in $ million)

	Estimated Actual 1973	Estimated Actual 1974	Projected 1975
Exports (incl. NFS)	437	496	607
Imports (incl. NFS)	-652	-844	-851
Resource Balance (deficit = -)	-215	-348	-244
(factor payments and transfers)	22	24	26
Balance on Current Account	-193	-324	-218
financed by			
Direct Foreign Investment (net)	23	12	6
Public Capital Grants	128	223	122 [1/]
Public MLT Disbursements (net)	36	87	88
Other	6	2	2

1/ Represents financing gap.

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IBRD AND IDA LENDING TO LEAST DEVELOPED, POOREST AND MOST SERIOUSLY AFFECTED COUNTRIES

Least Developed Countries[1]		FY69-74	FY73	FY74	FY74-79
Afghanistan (80)[2]	IDA	50.0	13.5	11.5	131.5
Botswana (240)	IBRD	41.5	-	9.5	36.5
	IDA	12.2	-	3.0	3.0
Burundi (70)	IDA	7.2	-	5.0	51.0
*Chad (80)	IDA	24.2	-	13.9	79.9
*Dahomey (110)	IDA	26.6	11.8	0.6	48.6
*Ethiopia (80)	IBRD	38.4	-	-	113.0
	IDA	151.2	53.0	43.4	463.4
*Guinea (90)	IBRD	73.5	-	-	50.0
	IDA	-	-	-	44.0
*Haiti (130)	IDA	10.0	-	10.0	75.0
*Laos (130)	IDA	-	-	-	60.0
*Lesotho (90)	IBRD	-	-	-	-
	IDA	5.6	5.6	-	18.0
Malawi (100)	IBRD	-	-	-	70.0
	IDA	39.2	10.5	9.5	90.5
*Mali (70)	IDA	49.9	21.2	10.5	104.5
Nepal (80)	IDA	33.7	11.5	13.8	117.8
*Niger (90)	IDA	20.7	-	8.3	91.3
*Rwanda (60)	IDA	22.4	-	10.1	74.1
*Somalia (80)	IDA	36.5	13.0	10.0	56.0
*Sudan (120)	IBRD	5.0	-	-	-
	IDA	99.0	49.0	38.7	235.7
*Tanzania (120)	IBRD	114.7	19.7	26.0	269.0
	IDA	103.7	28.8	23.5	210.5
Uganda (150)	IBRD	51.7	19.7	-	52.0
	IDA	25.9	-	-	-
*Upper Volta (70)	IDA	30.8	7.4	11.4	110.4
Western Samoa (220)	IDA	-	-	-	4.0
*Yemen, A.R. (90)	IDA	38.2	10.9	19.6	111.6
Total IBRD		324.8	39.4	35.5	590.5
Total IDA		787.0	236.2	242.8	2,180.8
Current $ Total		1,111.8	275.6	278.3	2,770.3
Other Poorest Countries[3]					
*Bangladesh (70)	IBRD	18.4	-	-	-
	IDA	211.1	68.1	74.1	949.1
Burma (90)	IDA	50.0	33.0	17.0	259.0
*India (110)	IBRD	262.5	70.0	52.0	1362.0
	IDA	1919.6	494.0	390.0	3790.0
Indonesia (80)	IBRD	48.0	-	48.0	2398.0
	IDA	561.8	144.9	84.0	84.0
*Khmer Republic (120)	IDA	-	-	-	55.0
*Pakistan (130)	IBRD	215.3	-	60.0	330.0
	IDA	268.3	63.0	51.0	492.0
*Sri Lanka (110)	IBRD	48.4	-	-	-
	IDA	27.9	6.0	-	205.0
*Yemen, PDR (100)	IDA	5.7	4.1	-	34.0
Zaire (100)	IBRD	-	-	-	279.0
	IDA	72.0	8.5	10.0	242.0
Total IBRD		592.6	70.0	160.0	4,369.0
Total IDA		3,116.4	821.6	626.1	6,110.0
Current $ Total		3,709.0	891.6	786.1	10,479.0
Most Seriously Affected Countries (not included above)					
Cameroon (200)	IBRD	83.4	1.7	51.6	265.1
	IDA	55.7	-	24.0	106.0
CAR (160)	IDA	12.4	-	-	27.0
El Salvador (340)	IBRD	58.7	27.3	17.0	77.0
	IDA	5.6	-	-	12.0
Ghana (300)	IBRD	6.0	-	-	176.0
	IDA	62.9	15.6	25.4	93.4
Guyana (390)	IBRD	32.2	6.0	12.9	60.9
	IDA	9.5	-	-	4.0
Honduras (320)	IBRD	45.6	18.8	3.0	180.0
	IDA	17.7	-	9.6	24.6
Ivory Coast (340)	IBRD	116.6	8.4	27.6	356.6
	IDA	7.5	7.5	-	-
Kenya (170)	IBRD	182.4	19.7	44.4	518.4
	IDA	84.0	6.0	33.5	120.5
Madagascar (140)	IBRD	21.3	15.0	-	116.0
	IDA	57.2	15.0	7.8	100.2
Mauritania (180)	IBRD	-	-	-	50.0
	IDA	14.6	-	7.4	34.1
Senegal (260)	IBRD	22.8	9.2	3.6	135.6
	IDA	50.1	20.7	3.0	73.5
Sierra Leone (190)	IBRD	7.6	-	-	52.0
	IDA	10.8	-	-	34.0
Total IBRD		576.6	106.1	160.1	1,987.6
Total IDA		388.0	64.8	110.7	629.3
Current $ Total		964.6	170.9	270.8	2,616.9

MSA's included in Least Developed		FY69-74	FY73	FY74	FY74-79
	IBRD	231.6	19.7	26.0	432.0
	IDA	618.8	200.0	200.0	1,783.0
	Current $ Total	850.4	219.7	226.0	2,215.0
MSA's included in other poorest					
	IBRD	544.6	70	112	1,692.0
	IDA	2,432.6	635.2	515.1	5,525.1
	Current $ Total	2,977.2	705.2	627.1	7,217.1
Other MSA's					
	IBRD	576.6	106.1	160.1	1,987.6
	IDA	388.0	64.8	110.7	629.3
	Current $ Total	964.6	170.9	270.8	2,616.9
TOTAL FOR ALL 33 MSA's					
	IBRD	1,352.8	195.8	298.1	4,111.6
	IDA	3,439.4	900.7	825.8	7,937.4
	Current $ Total	4,792.2	1,096.5	1,123.9	12,049.0

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[1] Listed under this heading are the 22 IBRD/IDA member countries included in the group of 25 countries designated as "Least Developed Countries" by the UN General Assembly.

[2] The figures in parenthesis are GNP per capita from the 1974 World Bank Atlas.

[3] The poorest countries are nine member countries with per capita GNP up to $130 per year not included in the "Least Developed Countries" group above.

[4] The countries in this group are the 33 IBRD/IDA member countries designated as the "Most Seriously Affected" by the United Nations. The MSAs include these 12 plus those above with an asterisk.

Source: P & B Table IVp of January 22, 1975

Policy Planning and Program Review Dept.
Policy Planning Division
February 13, 1975

$\frac{13.1}{5}$ = 2.62 for poorest & MSA's

ES

2.

Mr. Robert S. McNamara, President February 20, 1975

W. Tims, Director, EPD (through Mr. E. Stern)

OPEC Reserve Estimates

1. Attached are the projected reserve accumulations for OPEC members through 1980. The table shows, in order of relative accuracy, a total for OPEC in both constant (1974) and current dollars, estimates for the four countries on your itinerary with a subtotal, and a subtotal for the remaining countries, distributed by country. The aggregate figure is, as we reported earlier, based on revisions of the major parameters used in R-477. We have made some further minor adjustments since the memo of January 31, to take account of anamolies which developed in disaggregating this figure.

2. The data for the four countries on your itinerary are based on rough revisions of the principal balance of payments elements by country. They are likely to be revised as we develop better estimates of 1974 import performance and, more importantly, the likely trend of future imports and oil production.

3. The estimates for the other OPEC countries are not based on any new country analysis. They represent a "reasonable" distribution of the aggregate based on crude estimates of major trends in these countries.

4. As you know, we are preparing, in cooperation with the Program Departments concerned, detailed balance of payments projections. These will incorporate the major changes in our assumptions about the world economy, oil consumption and domestic evolution of these countries and thus provide an input to our analysis of long-term capital requirements and a more adequate basis for regular revisions of reserve data. Until we have these analyses, the current reserve estimates are the best available guide to expected trends, though the country figures for any particular year are of uncertain accuracy at this time.

Attachments
EStern/ls

OPEC SURPLUS ACCUMULATION

(In billions of current US dollars)

	1974	1975	1976	1977	1978	1979	1980
Saudi Arabia							
Accumulative Surplus	30.5	58.3	89.1	122.8	159.9	200.7	245.4
Increase During Year	22.6	27.8	30.8	33.7	37.1	40.8	44.7
Kuwait							
Accumulative Surplus	10.6	16.3	22.0	27.9	33.6	38.7	42.6
Increase During Year	6.1	5.7	5.7	5.9	5.7	5.1	3.9
U.A.E.							
Accumulative Surplus	6.0	9.4	13.5	18.3	24.2	31.4	40.4
Increase During Year	4.5	3.4	4.1	4.8	5.9	7.2	9.0
Qatar							
Accumulative Surplus	1.4	2.8	4.5	6.5	8.9	11.9	15.6
Increase During Year	1.2	1.4	1.7	2.0	2.4	3.0	3.7
Sub-Total Group I							
Accumulative Surplus	48.5	86.8	129.1	175.5	226.6	282.7	344.0
Increase During Year	34.4	38.3	42.3	46.4	51.1	56.1	61.3
Algeria							
Accumulative Surplus	1.7	2.2	2.2	1.2	0.2	-0.8	-1.8
Increase During Year	1.0	.5	0.0	-1.0	-1.0	-1.0	-1.0
Indonesia							
Accumulative Surplus	1.2	2.2	2.5	2.6	2.4	2.0	1.5
Increase During Year	.5	1.0	.3	.1	-0.2	-0.4	-0.5
Iran							
Accumulative Surplus	14.3	26.5	37.4	46.4	54.0	59.3	62.4
Increase During Year	12.2	12.2	10.9	9.0	7.6	5.3	3.1
Iraq							
Accumulative Surplus	3.7	6.3	9.6	13.9	19.2	25.7	33.8
Increase During Year	1.7	2.6	3.3	4.3	5.3	6.5	8.1
Libya							
Accumulative Surplus	5.0	6.0	6.5	6.5	6.5	6.5	6.5
Increase During Year	2.1	1.0	0.5	0.0	0.0	0.0	0.0
Nigeria							
Accumulative Surplus	7.8	10.2	12.3	13.4	13.9	13.9	13.5
Increase During Year	5.4	2.4	2.1	1.1	0.5	0.0	-0.4

(continued)

Venezuela							
Accumulative Surplus	6.8	12.0	13.8	15.1	16.1	16.8	17.3
Increase During Year	4.8	5.2	1.8	1.3	1.0	0.7	0.5
Sub-Total Other							
Accumulative Surplus	40.5	65.4	84.3	99.1	112.3	123.4	133.2
Increase During Year	27.7	24.9	18.9	14.8	13.2	11.1	9.8
Total OPEC 1/							
Accumulative Surplus	89.0	152.2	213.4	274.6	338.9	406.1	477.2
Increase During Year	62.1	63.2	61.2	61.2	64.3	67.2	71.1
Total OPEC 1/ in 1974 prices							
Accumulative Surplus	89.0	136.5	174.3	206.8	236.1	263.4	289.0
Increase During Year	62.1	56.7	50.0	46.1	44.8	43.6	43.1

1/ Excludes Gabon and Ecuador.

Notes: Projections are based on no significant changes in the real price of petroleum after 1974. These projections, although they revise the January 31, 1975, preliminary revisions, are themselves still preliminary; they may be substantially further revised on the basis of country studies now underway.

EPD
21 February, 1975

International Finance Division

February 18, 1975

Briefing Papers for Mr. McNamara's Trip to Middle East

3. Capital Flow Data Requirements

Information on aid flows from OPEC member countries to the developing countries is now being prepared by both the OECD and the IBRD. Although these two agencies are now coordinating their efforts, both are heavily dependent upon informal information sources such as newspapers. The results are obviously of limited reliability and might prove to be seriously misleading. More accurate and timely information should be helpful to the donor countries and would also benefit the developing countries since it would permit improved studies of assistance requirements and more rational planning of aid flows by national, regional and international financial institutions. It would establish the importance and usefulness of these (OPEC) donors in meeting the needs of developing countries. It would also enable them to put their lending in context and enable them to make better judgements about the creditworthiness of borrowers.

The UNEO's Secretariat has access to somewhat more reliable aggregate statistics which are received directly from donor nations under the Operation. However, only a few OPEC members have complied with the reporting requirement to the UN. A representative from the UNEO's Secretariat visited four OPEC countries last December (Kuwait, Saudi Arabia, Abu Dhabi and Qatar). With the exception of Kuwait, the countries visited provided the UN representative with detailed information on their aid flows to all LDC's but on a strictly confidential basis for the UNEO's Secretariat use only.

Mr. Ahmad of the Development Centre of the OECD visited several of the OPEC member countries in December (among them were Iran, the United Arab Emirates and Algeria) and found an eagerness to correct the often distorted picture now available of their foreign assistance activities.

In response to an invitation from Central Bank Governor Yeganeh and Minister of Interior Amouzegar, the DAC Chairman visited Tehran during the first week in January, 1975 to exchange views on Iran's programs and plans for assisting developing countries.

Mr. Williams reported that Iran has encountered the problems and difficulties common to major assistance efforts, including critics at home who seek the rationale. Iran's program on the present major scale is designed to meet policy objectives related to the circumstances of Iran's position as recipient of major oil revenues and as a country with a rapidly emerging economy and broadening international economic interests. Given this perspective, the Iranian authorities are naturally interested in international cooperation, and they attach great importance to the role of international institutions.

Information on foreign aid programs is likely to be politically sensitive. However, if in principle OPEC countries are found receptive to the idea of cooperating with the Bank on this matter, technical discussions could be arranged along the following lines:

To establish and maintain an information system about aid flows from OPEC member countries to the developing countries would probably require (a) a brief report on each individual loan or grantat the time the commitment was made and (b) a semi-annual or annual report by each donor country (or institution) listing the transactions during the period. The system would normally cover all loans and grants from official sources (including all banks), but would not include direct investments.

Some assistance transactions will no doubt have special characteristics that would call for additional information (e.g., agreements to furnish petroleum at special prices); in most cases the initial report on individual loans could be met by the following data:

1) donor country and institution

2) recipient country and institution

3) identification number

4) date of commitment

5) amount committed (including currency)

6) expected period of disbursement

7) purpose of assistance

and, if not a grant,

8) interest rate

9) grace period (or first repayment date)

10) maturity (or final repayment date)

11) currency of repayment, (if different from that of disbursement)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

4.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: February 27, 1975

FROM: Horst Schulmann, Dep. Dir., P & B HS.

SUBJECT: Financial Assistance from Oil-exporting Countries

1. Please find attached the latest report on financial assistance from oil-exporting countries. For this report we have updated the 1972 GNP figures to reflect the actuals reported in the new atlas. The 1973-74 GNP figures used are estimates derived from the R-477 report. When the new projected GNP figures are available they will be incorporated in the future reports.

Bilateral Commitments

For 1974, we are showing total bilateral ODA and other aid commitments of $9.7 billion, an increase of $.7 billion from that listed in our previous report. For 1975, we have information on bilateral commitments totalling $1.1 billion.

Substantial increases in bilateral commitments in 1974 and 1975 to date include the following:

a) Iran - An increase of $329.8 million, including $25 million to Bulgaria for a food processing plant, $200 million to Indonesia for a fertilizer plant and various petrochemical industries, and $100 million to Peru for an oil pipeline.

b) Iraq - An increase of $120 million. The amount includes $100 million to Argentina for housing and hospital construction.

c) Kuwait - An increase of $508.4 million of which $350 million was committed to Egypt for housing, $75 million to Brazil, $15.5 million to Costa Rica for the sugar industry, and $48 million to Malaysia for development projects.

d) Libya - An increase of $91.3 million including $70 million for a Yugoslavian oil pipeline project (in conjunction with IBRD and Kuwait) and $16.8 million for earthquake relief to Pakistan.

e) Saudi Arabia - An increase of $625 million including $100 million for Egypt to alleviate commodity and supply problems, $95 million to Malaysia for development projects, $200 million to Syria for economic development, $200 million to Sudan for a development bank and $30 million to Spain for highway development.

EMENA I
MP AD
OM/VP GdL
BS NH
MR EK

f) U.A.E. - An increase of $109.2 million including $48 million to Malaysia for development projects, and $35 million to Morocco for ports and airports.

Bilateral Disbursements

Bilateral disbursements in 1970-75 are $4.5 billion reflecting no net change from our previous report.

Multilateral Aid

Total multilateral aid commitments to date for 1970-75 are $10.2 billion (of which $4.4 billion is reported disbursed). This includes $8.5 billion committed in 1974 and $.7 billion in the first six weeks of 1975. This brings total multilateral and bilateral aid in 1970-75 to $24.5 billion.

Attachments

TRusso:DTaylor:sjl

cc: Messrs. Knapp
Cargill
Shoaib
Chenery
Stern
Kochman
Saxe

The semi-annual or annual report of each donor country or institution would simply be a list showing the total disbursements and repayments (principal and interest separately) which took place during the year for the outstanding loans and grants.

These data would provide the basis for a number of valuable summary reports. Agreement would, of course, have to be reached on the form of the reports so they would fulfill important needs while still maintaining any necessary confidential status of the details.

The World Bank (which now maintains an extensive "Debtor Reporting System" based upon information received by developing countries plus reports from other multilateral and some bilateral official credit agencies) would, if requested, be prepared to provide advice to the OPEC countries on establishing a centralized reporting system; it might also assist in processing the information in a manner which would protect the confidential nature of data on individual loans while still making available summary tabulations of interest to the OPEC member countries, the developing nations receiving their assistance and the development assistance agencies concerned.

* * *

TABLE 6

FINANCIAL ASSISTANCE FROM OIL-EXPORTING COUNTRIES

AID FROM: KUWAIT (1)

DRS No.	To Countries	Initial Date	Commitments (US $m.)	Interest Rate (%)	Grace Period (Yrs)	Maturity (Yrs)	Grant Element (%)	Disbursements (US $m.)	Repayments (US $m.)
	AFGHANISTAN								
0086000	Fertilizer	1971	1.0*	0	4.2	4.2	32.0	1.0	
0093000	Fertilizer	1972	0.9*	2.0	1.0	5.0	19.0	0.9	
0094000	Fertilizer	1972	1.6*	3.0	1.8	4.1	17.0	1.6	
	Development of Sugar Industry # a/	1975	d/						
	ALGERIA								
0034000	Oil Pipeline, Phase I a/	1964	21.0	4.0	2.4	10.1	26.0	21.0	4.4
0035000	Oil Pipeline, Phase II and III a/	1967	7.0	4.0	0	11.9	26.0	7.0	2.8
0704000	Mfg. - Oil Related Products	1972	0.4	7.5	1.0	5.0	6.0	0.4	
0713010	Elec., Gas, Water	1973	24.0	6.0	0.6	4.5	8.0		10.1
	Unknown		7.1					7.1	0.5
	Liquified Gas Loading Port b/	1973	59.7	7.0		16.0	15.0 c/	59.7	
	BAHRAIN								
001000	Aluminum Smelter a/	1970	3.4	4.0	1.9	11.9	28.0	3.4	2.0
002000	Flour Mill & Grain Silo a/	1971	1.7	4.0	2.3	10.8	25.0	1.6	
003000	Causeway & Bridge a/	1971	1.7	3.0	1.8	14.3	35.0	1.6	
	Sitra Power and Water Plant a/	1972	22.3	4.0	4.0	18.5	37.0		
	Schools, Clinics, Hospital	1974	6.1						
	New Construction	1974	5.1						
	BANGLADESH								
	Bank of Bangladesh	1974	20.0	2.0					
	BRAZIL								
	Treasury Bonds	1974	25.0*	10.75*	3.0	10.0*	0	25.0*	
	Unknown	1974	75.0						
	CHAD								
	Unknown d/	1974							
	COSTA RICA								
	Sugar Industry y/	1975	15.5						
	DAHOMEY								
	Unknown d/	1974							

TABLE 6

FINANCIAL ASSISTANCE FROM OIL-EXPORTING COUNTRIES

AID FROM: KUWAIT (2)

DRS No.	To Countries	Initial Date	Commitments (US $m.)	Interest Rate (%)	Grace Period (Yrs)	Maturity (Yrs)	Grant Element (%)	Disbursements (US $m.)	Repayments (US $m.)
	EGYPT								
0052000	Unknown	1963	8.4	0	3.0	17.0	58.0	8.4	0.75
0053000	Suez Canal Expansion a/	1964	27.1	3.5	3.0	16.0	37.0	33.1	9.4
0050000	Community, Social, Personal Services	1964	70.0	8.0	4.0	17.4	12.0	70.0	0
0051000	Unknown	1965	14.0	4.0	9.6	22.5	45.0	14.0	
0055000	Unknown	1966	42.0	6.0	2.0	13.3	19.0	42.0	4.5
	Financial, Insur., Bus. Svcs.	1966	46.0	6.0	2.0	13.0	19.0	46.0	16.0
	Khartoum Agreements	1967	e/					320.0	
	Cargo Ships Construction a/	1968	9.8	4.0	2.9	15.0	33.0	9.8	0.35
	Budgetary Support	1971	117.0					117.0	
	10/73 War Relief Grant	1973	250.0	0			100.0	250.0	
	Suez-Mediterranean Pipeline f/	1973	60.0						
0962000	Suez Canal Rehab. a/	1974	40.0	3.5	3.5	18.0	39.0		
	Talkha Fertilizer Plant a/g/	1974	23.7	4.0		20.0	40.0		
	Purpose Unknown	1974	d/h/						
	Housing#, Industrial, Other Projects	1974	350.0 v/						
	Abu Qir Gas Field	1974	14.5						
	Science Laboratories	1974	2.0	0			100.0		
	EQUATORIAL GUINEA								
	Unknown	1974	15.0						
	GUINEA-BISSAU								
	Credit	1975	0.5						
	HUNGARY								
	Export Projects u/	1974	40.0	10.5	3.0	8.0	0		
	INDONESIA								
	Unknown t/	1974							

TABLE 6

FINANCIAL ASSISTANCE FROM OIL-EXPORTING COUNTRIES

AID FROM: KUWAIT (3)

DRS No.	To Countries	Initial Date	Commitments (US $m.)	Interest Rate (%)	Grace Period (Yrs)	Maturity (Yrs)	Grant Element (%)	Disbursements (US $m.)	Repayments (US $m.)
	IRAQ								
0004000	Unknown	1963	69.0	0	7.2	25.0	76.0	11.6	
0020000	Samarra Hydro-Electric a/	1970	10.1	4.0	3.0	14.6	33.0	8.7	
0030000	Samaweh/Um Qasr Cement a/	1971	12.9	4.0	2.5	13.0	30.0	11.8	
0034000	Crude Petroleum, Natural Gas	1972	39.0	0	2.1	2.1	18.0	39.0	
	Basra Port	1974	d/						
	JORDAN								
1001000	Zarqa River Project a/	1960	23.1	4.0	3.0	13.1	31.0	23.1	1.4
1003000	Pipeline	1962	10.1	4.0	3.9	10.9	30.0	10.1	9.3
1006000	Jerusalem Elect a/i/	1962	0.8	3.0	3.8	19.2	44.0	0.8	0.3
1005000	Jerusalem Hotel a/i/	1962	0.6	4.0	4.3	13.8	33.0	0.6	0.4
1008000	Jordan Hotel a/i/	1962	0.3	3.5	4.2	17.0	39.0	0.3	0.1
1004000	Yarmouk Valley Project a/i/	1962	6.4	3.0	16.0	34.0	63.0	5.7	0.7
1007000	Metal Ore Mining	1964	16.9	4.0	7.0	15.0	38.0	16.8	
	Budget Support j/	1970	32.5					32.5	
	Budget Support j/	1973	26.4						
1045000	Production of Thermal Electr. at Zarga k/	1973	10.2	4.0	4.4	24.1	42.0		
	Budget Support j/	1974	38.9						
	Purpose Unknown	1974	d/h/						
	Industrial Development Bank a/	1974	3.4	3.5	6.0	18.0	43.0		
	Fertilizer at Cost (12,000 t)	1974	d/						
	LEBANON								
0003000	Unspecified	1966	16.9	4.0	5.3	16.3	37.0	16.9	1.0
0006000	Joun Electricity	1966	6.2	3.5	3.5	13.0	34.0	6.2	2.0
0020000	Grain Silos	1968	2.7	3.5	2.4	11.9	31.0	2.7	0.5
	Beirut Municipality		3.4						
	Reconstruction of Villages	1974	3.0				100.0	3.0	
	MALAYSIA								
	Development Projects	1975	48.0						
	Deep Sea Fishing a/	1975							
	MALTA								
	Kalafrana Drydock	1975							

TABLE 6

FINANCIAL ASSISTANCE FROM OIL-EXPORTING COUNTRIES

AID FROM: KUWAIT (4)

DRS No.	To Countries	Initial Date	Commitments (US $m.)	Interest Rate (%)	Grace Period (Yrs)	Maturity (Yrs)	Grant Element (%)	Disbursements (US $m.)	Repayments (US $m.)
	MAURITANIA								
	Unknown	1974	100.0						
	Kaedi Cattle Ranch	1974	3.3						
	National Road Maintenance	1974	5.4						
	Nouadhibou Port	1974	2.7						
	Drought Relief	1974	0.2				100.0	0.2	
	Unknown z/	1974	14.3						
	MOROCCO a/								
	Sucrafor a/		2.9	4.0	1.7	9.7	25.0		
0190010	Unknown	1965	16.8	4.0	6.4	15.5	38.0	16.8	3.3
0190020	Unknown	1965	5.6	4.0	6.0	16.0	38.0	5.6	0.6
0190030	Unknown	1965	5.6	4.0	6.6	16.5	38.0	5.6	0.6
0302000	Tessaout Agric. Project a/	1966	20.4	3.0	4.0	24.0	48.0	14.0	1.7
0303000	Tadla Agric. Project a/	1966	7.6	3.0	4.0	17.2	42.0	5.6	1.1
	Development of Statistical Services	1974	1.0	0			100.0	1.0	
	Elementary Education Projects	1974	1.0						
	Redevelopment Projects a/#	1974#	8.3	3.5 x/	4.0	18.0	40.0		
	Establishment of Development Banks a/	1975	8.4						
	Expansion of Phosphate Industry a/	1975	d/						
	NIGER								
	Relief Assistance	1974	0.4				100.0		
	OMAN								
	New Projects	1974	3.4				100.0	r/	
	PAKISTAN w/								
9061000	Contribution to Finance Imports	1970	5.0	0	0	6.5	27.0	5.0	1.9
	Earthquake Relief	1975	5.0	0			100.0		
	PHILIPPINES								
	Unknown g/	1974	17.0*	8.0	3.0				
	SENEGAL								
0161000	Community, Social, Personal Services	1971	10.9	8.0	2.0	7.1	7.0	10.9	
	Joint Bank (Initial Capital)	1974	4.8						
	Dry Dock and Tourist Projects a/	1974	d/						

TABLE 6

FINANCIAL ASSISTANCE FROM OIL-EXPORTING COUNTRIES

AID FROM: KUWAIT (5)

DRS No.	To Countries	Initial Date	Commitments (US $m.)	Interest Rate (%)	Grace Period (Yrs)	Maturity (Yrs)	Grant Element (%)	Disbursements (US $m.)	Repayments (US $m.)
	SINGAPORE								
	Unknown t/	1974							
	SOMALIA								
	Unknown	1973	2.0	0	100.0				
	Sanitary Projects	1974	0.2						
	Financing Petroleum Deficit	1974	7.0	0					
	SRI LANKA								
0356000	Mfg. - Fertilizers	1971	0.8	5.0	1.3	6.3	14.0	0.8	0.3
	Mfg. - Fertilizers	1971	0.6	5.0	1.6	6.2	15.0	0.6	0.2
	Import Financing	1974	21.0	8.0				21.0	
	UREA Project a/	1974	25.0	4.0	5.0	20.0	40.0		
	SUDAN								
0020000	Sudan Railways a/	1962	19.6	4.0	3.7	15.5	34.0	19.6	8.4
0032000	Sugar Plant a/	1965	4.8	4.0	2.4	14.4	33.0	4.8	
0029000	Multisector	1965	14.0	4.0	6.0	15.0	46.0	14.0	
0043000	Irrigation a/	1967	14.2	2.5	2.4	21.3	50.0	11.2	1.4
0067000	Mechanized Dry Farming a/	1972	4.8	2.5	5.0	24.3	63.0	0.6	
0086000	Petroleum, Natural Gas	1973	10.1	8.0	2.0	7.0	9.0		
0008000	Rahad Irrig. a/k/	1973	10.1	2.5	5.0	30.0	65.0		
	Unknown	1974	15.0						
	Economic and Industrial Development	1975							
	SYRIA								
	Khartoum Agreements	1967	e/					240.0	
0296000	Grain Silos a/i/	1971	23.6	3.5	4.0	16.0	38.0	23.6	
0375008	Unknown	1972	5.0	5.0	2.3	4.3	12.0	5.0	
	Homs Refinery	1974	7.0	0.5	5.0	25.0	68.0	6.8	
	Orontes River Power Generator m/	1974	18.0	4.0		20.0	34.0 c/		
	Purpose Unknown h/	1974	100.0				100.0	75.0	
	Unknown p/h/	1974	25.0					25.0	
	Palestine Revolutionary City	1974	0.5	0			100.0	0.5	
	Thermal Power Station at Meherda a/m/	1974	33.6						

TABLE 6

FINANCIAL ASSISTANCE FROM OIL-EXPORTING COUNTRIES

AID FROM: KUWAIT (6)

DRS No.	To Countries	Initial Date	Commitments (US $m.)	Interest Rate (%)	Grace Period (Yrs)	Maturity (Yrs)	Grant Element (%)	Disbursements (US $m.)	Repayments (US $m.)
	TUNISIA								
0083000	Le Goulette - Electricity I a/i/	1963	11.2	4.0	3.5	15.5	35.0	12.9	4.5
0084000	Medjarda Valley - Agric. I a/i/	1963	5.6	3.0	4.9	24.4	49.0	6.8	0.8
0121000	Unidentified	1964	11.2	4.0	6.5	15.4	37.0	11.2	
0439000	Le Goulette - Electricity II a/i/	1967	12.9	4.0	2.6	14.6	37.0	12.6	3.4
2083000	MedjardaValley - Agric. II a/i/	1970	8.9	3.0	6.4	26.4	52.0	2.5	
2252000	Gas Pipeline a/m/	1971	2.5	3.5	2.3	16.0	35.0	0.9	
	Ports of Zarzis, Chebba, Sfax a/	1973	6.9	3.5	4.0	15.0	37.0		
	GAFSA Phosphate - Modernization a/l/	1974	6.9	4.0	3.0	15.0	33.0		
	Foreign Exchange Support a/	1974	6.8	3.5					
	Establishment of Development Bank a/	1975	d/						
	YEMEN ARAB REPUBLIC								
0016000	Salif Salt Mine I a/	1970	2.4	2.0	3.0	19.4	49.0	0.2	
	Technical Assistance	1971	0.2	0			100.0		
	Geological Survey - Salt	1971	0.3	0			100.0		
0150000	Whadi Zabid Agric. a/	1972	1.1	0.5	10.0	47.0	85.0	0.5	
0016010	Salif Salt Mine II a/	1972	4.1	2.0	0.9	17.4	42.0		
0170000	Highway Project - Taiz a/	1972	1.0	0.5	10.0	49.0	85.0		
0015010	Tihama Agric. a/	1972	0.2	0.5	6.3	43.3	80.0		
	Appraisal of Textile Ind.	1972	0.1	0			100.0		
1029000	Tihama Agric. a/k/	1973	6.6	0		50.0	81.0 c/		
	Schools & Clinics	1974	2.9				100.0	r/	
	Completion of Ongoing Projects	1974	1.2				100.0	r/	
	New Projects	1974	5.6				100.0	s/	
	P.D.R. OF YEMEN								
	Unknown		15.5	0.5				1.1	
0003000	Agric. Survey a/	1971	1.1	0.5	10.0	30.0	78.0	1.0	
	Fish Meal & Oil Pilot Plant a/	1972	0.2				100.0		
	Abyan Delta Project a/	1974	12.6	0.5	10.0	50.0	85.0		
	School and Clinics	1974	1.9					r/	
	New Projects	1974	3.4					r/	
	YUGOSLAVIA								
	Pipeline n/	1975	125.0	8.0		10.0			

TABLE 6

FINANCIAL ASSISTANCE FROM OIL-EXPORTING COUNTRIES

AID FROM: KUWAIT (7)

DRS No.	To Countries	Initial Date	Commitments (US $m.)	Interest Rate (%)	Grace Period (Yrs)	Maturity (Yrs)	Grant Element (%)	Disbursements (US $m.)	Repayments (US $m.)
	ZAIRE								
	Unknown d/	1974							

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a/ Loans through the Kuwait Fund for Arab Economic Development.
b/ Kuwait Investment Co. in conjunction with IBRD and Germany.
c/ Assuming zero grace period.
d/ Amounts and terms unknown.
e/ Annual payments to Egypt & Syria, approx. $130 million. Assistance to continue until Suez Canal reopened and Israel withdraws from occupied territory.
f/ Joint financing with Saudi Arabia, Libya and Qatar.
g/ Joint financing with IDA ($21m), Arab Fund ($21m), Abu Dhabi Fund ($5m), Libya and Qatar ($10m).
h/ Possibly this is KD150 million approved by the national assembly in April as aid to Egypt Jordan, Syria and the PLO.
i/ Status as of 3/31/72.
j/ Khartoum Agreements.
k/ In conjunction with IDA.
l/ Expected disbursement in 1975.
m/ In conjunction with IBRD.
n/ Commitment is part pipeline, part cash. In conjunction with IBRD and Libya.
o/ Variable. 0.75% above London Interbank rate.
p/ Part of $125m. in aid for war effort.
q/ Believed to be a private placement.
r/ Disbursement begins in FY75.
s/ $1.7 to be disbursed in FY75.
t/ Aid Consortium among Bahrain, Kuwait, Saudi Arabia, UAE, and Qatar. Amounts and terms unknown.
u/ Bond issue negotiated by Kuwait's International Investment Company.
v/ Kuwait government has announced it will finance projects totalling $1 billion. Individual commitments are not known: however Kuwait has committed $350 million for housing.
w/ OECD estimates Kuwait's aid to Pakistan is $50m. $25m. to be disbursed in each of 1974 and 1975.
x/ Excluding service charges.
y/ In return, Costa Rica will supply Kuwait with sugar for five years.
z/ With CIDA and UNDP.

TABLE 6

FINANCIAL ASSISTANCE FROM OIL-EXPORTING COUNTRIES

AID FROM: QATAR (1)

DRS No.	To Countries	Initial Date	Commitments (US $m.)	Interest Rate (%)	Grace Period (Yrs)	Maturity (Yrs)	Grant Element (%)	Disbursements (US $m.)	Repayments (US $m.)
	BANGLADESH								
	Flood Relief	1974	1.5				100.0		
	EGYPT								
	10/73 War Relief Grant	1973	100.0					100.0	
	Suez-Mediterranean Oil Pipeline	1973	20.0						
	Talkha Fertilizer a/	1974	3.4	6.5		16.0	17.0 b/		
	Suez Reconstruction	1974	10.0	d/			100.0		
	Investments & Gift	1974	17.5						
	INDIA								
0391000	Community, Social, Personal Services	1968	16.6	5.5	1.0	11.0	18.0	16.2	9.4
	INDONESIA								
	Unknown c/	1974							
	JORDAN								
	Budgetary Support	1972	1.3				100.0	1.3	
	Various Development Projects	1974	16.8						
	Treasury Bonds	1974	1.5					1.5	
	MAURITANIA								
	Unknown	1974	6.1				100.0		
	Unknown	1974	2.9						
	MALAYSIA								
	Unknown c/	1974							
	PAKISTAN								
	1973 Flood Relief	1973	0.5				100.0	0.5	
	Economic Dev. Proj.	1974	30.0	3.0	2.5	9.5	29.0		
	Earthquake Relief	1975	1.0	0			100.0		

TABLE 6

FINANCIAL ASSISTANCE FROM OIL-EXPORTING COUNTRIES

AID FROM: QATAR (2)

DRS No.	To Countries	Initial Date	Commitments (US $m.)	Interest Rate (%)	Grace Period (Yrs)	Maturity (Yrs)	Grant Element (%)	Disbursements (US $m.)	Repayments (US $m.)
	SOMALIA								
	Various Projects	1974	10.0					10.0	
	SINGAPORE								
	Unknown c/	1974							
	SUDAN								
	Cash Loan	1974	14.0	3.0	10.0				
	Forest Development	1975	2.25	0		10.0	39.0		
	SYRIA								
	War Relief Grant	1973	70.0					70.0	
	TUNISIA								
	Tunisian Development Bank	1974	10.0	3.0	15.0	36.0	63.0		
	YEMEN ARAB REPUBLIC								
	Education, Health and Road Projects	1974	2.1						

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a/ In conjunction with IDA, Kuwait Fund, Arab Fund, Abu Dhabi Fund and Libya.
b/ Assuming no grace period.
c/ Aid consortium among Bahrain, Kuwait, and Qatar. Amounts and terms unknown.
d/ Provisional loan.

TABLE 6

FINANCIAL ASSISTANCE FROM OIL-EXPORTING COUNTRIES

AID FROM: SAUDI ARABIA (1)

DRS No.	To Countries	Initial Date	Commitments (US $m.)	Interest Rate (%)	Grace Period (Yrs)	Maturity (Yrs)	Grant Element (%)	Disbursements (US $m.)	Repayments (US $m.)
	AFGHANISTAN								
	Project Studies	1974	10.0*	0*			100.0		
	Project Completion	1974	55.0*	0*			100.0	0.25	
	Education	1974	0.25	0			100.0	0.25	
	BAHRAIN								
	Sulminiya Medical Centre	1974	7.9	0			100.0	7.9	
	Education and Religion	1974							
	EGYPT								
	Cumulative Annual Grant, 1967-74 a/	1967	653.0					653.0	
	10/73 War Relief Grant	1973	300.0					100.0	
	Suez-Mediterranean Oil Pipeline b/	1973	60.0						
	Reconstruction Aid	1974	500.0#	0				300.0#	
	April Grant	1974	100.0				100.0		
	Suez Canal Area Development n/	1974	161.0#						
	Banking Credit	1974	1200.0 g/						
	Joint Reconstruction Company	1974	25.0 o/						
	Joint Industrial Investment Co.	1974	50.0 p/						
	Commodity and Supply Problems	1975	100.0						
	EQUATORIAL GUINEA								
	Oil Refinery	1974					100.0		
	JORDAN								
1013000	Transport, Communication	1966	14.0	0	4.3	14.0	56.0	14.0	
	Budget Support	1970	41.5					41.5	
		1971	42.0					42.0	
		1972	63.6					63.6	
		1973	44.7					44.7	
		1974	43.5						
	Construction of Engineering School	1974	4.2				100.0		
	LEBANON								
	Village Reconstruction	1974	6.0					6.0	

TABLE 6

FINANCIAL ASSISTANCE FROM OIL-EXPORTING COUNTRIES

AID FROM: SAUDI ARABIA (2)

DRS No.	To Countries	Initial Date	Commitments (US $m.)	Interest Rate (%)	Grace Period (Yrs)	Maturity (Yrs)	Grant Element (%)	Disbursements (US $m.)	Repayments (US $m.)
	LIBERIA								
	Joint Development Bank	1974							
	MALAYSIA								
	Development Projects q/	1975	95.0	r/					
	MALI								
	Bamako Mosque	1974	5.0	0					
	MALTA								
	Unknown	1974	5.0	0		20.0	57.0		
	Kalafrana Drydock	1975							
	MAURITANIA								
	Unknown	1973	2.0						
	Roads	1974	10.5						
	Development on Lake Kiz	1974	6.5						
	Unknown	1974	15.0				100.0		
	Mosque Reconstruction	1974	1.5						
	MOROCCO								
	Industrial Development Projects	1974	50.0*	0*	0	15.0 i/	49.0		
	NIGER								
	Unknown c/	1973	2.0				100.0		
	Kadamzi High Dam d/	1974							
	OMAN								
	Unknown	1974	80.0	0					k/
	PAKISTAN								
	Project Assistance	1974	50.0#	0		15.0			
	Fertilizer Factory and other Factories m/	1974	100.0*	0		15.0			
	Relief for Earthquake Victims	1975	10.0#	0#			100.0#		

TABLE 6

FINANCIAL ASSISTANCE FROM OIL-EXPORTING COUNTRIES

AID FROM: SAUDI ARABIA (3)

DRS No.	To Countries	Initial Date	Commitments (US $m.)	Interest Rate (%)	Grace Period (Yrs)	Maturity (Yrs)	Grant Element (%)	Disbursements (US $m.)	Repayments (US $m.)
	SOMALIA								
	Unknown	1966	5.0	0		19.5	55.0 e/	5.0	
	Community, Social, Personal Services	1972	29.3*	0		19.5	55.0 e/	26.4	
	SOUTH KOREA								
	Barter: Deferred Payment on Oil and 25% Interest in Refinery in Exchange for Cement Plant f/	1974	i/						
	SPAIN								
	Highway Development	1974	30.0						
	SUDAN								
0049000	Petroleum, Natural Gas	1967	10.0	5.0	3.0	6.0	17.0	10.0	6.8
0050000	Petroleum, Natural Gas	1967	10.0	5.0	3.0	7.0	19.0	10.0	4.3
0085000	Metal Ore Mining	1972	15.0	5.0	3.0	7.5	20.0	15.0	
0087000	Metal Ore Mining	1973	15.0	5.0	3.0	7.3	20.0		
	Backing $200 Million Raised in Euromarket	1973							
9020000	Unknown	1973	11.2	7.5	1.0	5.0	6.0		
	Budget Support	1974	14.0						
	Development Bank - Loan	1974	200.0						
	SYRIA								
	Khartoum Agreements, Cumul. Since 1967	1967	653.0					653.0	
	Reconstruction Aid	1974	500.0					50.0	
	Economic Development Loan	1975	200.0						
	THAILAND								
	Barter: 200m. bbl. of Oil for 100 K Tons of Rice and 200 K Tons of Cement	1974							

TABLE 6

FINANCIAL ASSISTANCE FROM OIL-EXPORTING COUNTRIES

AID FROM: SAUDI ARABIA (4)

DRS No.	To Countries	Initial Date	Commitments (US $m.)	Interest Rate (%)	Grace Period (Yrs)	Maturity (Yrs)	Grant Element (%)	Disbursements (US $m.)	Repayments (US $m.)
	TUNISIA								
	Education, Sanitation h/	1974	1.6				100.0	l/	
	Expansion of Hospital in Tunis and Sousse h/	1974	10.2				100.0	k/	
	Secondary Schools and Vocational Training Centers h/	1974	6.8				100.0		
	UGANDA								
0081000	Financial Institutions	1972	15.0	0	3.5	10.0	50.0	15.0	
	YEMEN ARAB REPUBLIC								
	Budgetary Assistance	1970	7.2	0				7.2	
		1971	13.4	0				13.4	
		1972	13.4	0				13.4	
		1973	5.7	0				5.7	
	One Million Textbooks	1974	3.0	0			100.0	3.0	
	Oil Refinery	1974							

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a/ Khartoum Agreements.
b/ Joint financing with Kuwait, Libya, Qatar.
c/ Possibly a study of the Kadamzi Dam on the Niger River which may have been financed by a private French - U.S. group.
d/ Financed jointly with UAE. Total cost approximately $125m.
e/ Assuming no grace period.
f/ May be for a crude oil storage facility only. Japan will control 25% and South Korea 50% of the venture. Oil depot costs $350m. and would hold 10m. cubic meters.
g/ To be provided over a 3-year period.
h/ Grants in appreciation of support for Arab cause during October War.
i/ Published sources indicated a commitment of $87.5m. as the net value to South Korea. Internal Bank sources believe, however, that although conversation have been held, there have been no commitments made of this magnitude.
j/ From date of effectiveness.
k/ Repayment likely to be waived.
l/ Drawdown during 1974-76.
m/ IBRD sources reported on November 27th that a commitment for this loan was about to be signed.
n/ Through Saudi Development Fund, of $161m. commitment, an unknown amount is allocated for other projects.
o/ Total capital of $50m. to be shared equally. Capital expected to be raised to $100m.
p/ Total expected of $100m. to be shared equally.
q/ Consortium with Kuwait, Qatar, Bahrain, and UAE.
r/ Easy terms.

TABLE 6

FINANCIAL ASSISTANCE FROM OIL-EXPORTING COUNTRIES

AID FROM: UNITED ARAB EMIRATES (1)

DRS No.	To Countries	Initial Date	Commitments (US $m.)	Interest Rate (%)	Grace Period (Yrs)	Maturity (Yrs)	Grant Element (%)	Disbursements (US $m.)	Repayments (US $m.)
	ALGERIA								
0716000	Community, Social, Personal Services	1972	15.0	5.0	5.4	20.3	33.0	15.0	
	BAHRAIN								
	Development	1974	10.0 g/	3.0-4.5		10.0-18.0	22.0-40.0		
	Sitra Power and Water a/b/	1974	25.0 g/						
	Housing Projects	1974	25.0 g/						
	Hospital Development	1974	15.0 g/						
	BANGLADESH								
	Flood Relief	1974	5.0				100.0		
	Short and Long-term Assistance	1974							
	Fertilizer and Cement Plant	1974	c/						
	Deferred Oil Payment p/	1974	75.0	0					n/
	Import Credit for Purchase of Raw Materials	1974	20.0#						
	Economic Support	1974	50.0#						
	CHAD								
	Drought Relief	1973	0.1					0.1	
	EGYPT								
	10/73 War Relief Grant	1973	750.0					250.0	
	Omar El-Kayyam Hotel a/	1973	6.0	4.0		15.0	30.0 d/		
	Suez-Mediterranean Oil Pipeline e/	1973	60.0						
	Talkha Fertilizer a/f/	1974	10.1	6.5		19.0	20.0 d/		
	Suez Canal Reconstruction	1974	100.0#						
	Housing Development	1974	c/						
	Joint Investment Co. r/	1974	25.0#						
	Suez Canal Authority	1974	23.0						
	IRAQ								
0037000	Crude Petroleum, Natural Gas	1972	15.0	0	1.0	2.0	13.0	15.0	0

TABLE 6

FINANCIAL ASSISTANCE FROM OIL-EXPORTING COUNTRIES

AID FROM: UNITED ARAB EMIRATES (2)

DRS No.	To Countries	Initial Date	Commitments (US $m.)	Interest Rate (%)	Grace Period (Yrs)	Maturity (Yrs)	Grant Element (%)	Disbursements (US $m.)	Repayments (US $m.)
	INDIA								
	Oil on Reduced Terms (5 years)	1975							
	JORDAN								
	Budget Support g/	1971	6.3					6.3	
		1973	0.5					0.5	
	Road Linking with Saudi Arabia a/	1974	1.3						
	King Talal Dam a/	1974	5.4						
	Unknown	1974	7.5				100.0	7.5	
	LEBANON								
	Village Reconstruction	1974	2.0					2.0	
	Litani Project o/	1974	63.8						
	MALAYSIA								
	Development Projects u/	1975	48.0						
	MALTA								
	Kalafrana Drydock	1975							
	MAURITANIA								
	Unknown	1974	4.1	4.0	15.0	32.0	73.0		
	Nouadhibou Metal Works	1974	3.5	3.5					
	Nauakchott-Nema Highway	1974	3.5			15.0			
	Drought Relief	1974	3.9	0					
	MOROCCO								
	Casablanca Port and Airport	1974	35.0						
	NIGER								
	Kadamzi High Dam h/	1974							

TABLE 6

FINANCIAL ASSISTANCE FROM OIL-EXPORTING COUNTRIES

AID FROM: UNITED ARAB EMIRATES (3)

DRS No.	To Countries	Initial Date	Commitments (US $m.)	Interest Rate (%)	Grace Period (Yrs)	Maturity (Yrs)	Grant Element (%)	Disbursements (US $m.)	Repayments (US $m.)
	PAKISTAN								
	Bilateral Aid b/	1974							
	Oil Refinery (Multan City) & Pipeline (to Karachi)	1974	46.0 i/						
	Fertilizer Plant at Multan t/	1974	11.0						
	Schools, Hospitals and Mosques	1974	c/						
	Project Assistance	1974	50.0	0		15.0	49.0		
	Relief for Earthquake Victims	1975	8.0				100.0	8.0	
	Reduced Price on Oil	1975	0.9						
	SOMALIA								
	Unknown	1974	80.0				100.0		
	Hospital	1974	3.0	0			100.0		
	Dam Project a/	1974	7.2	4.0		15.0	30.0 d/		
	Bridge	1974	7.0	0			100.0		
	Mogadiscio Abbatoir a/	1974	2.3*	4.0		15.0	30.0 d/		
	SOUTH KOREA								
	Chemical & Heavy Industries s/	1974	20.0*	8.5	6.0	15.0	9.3		
	SPAIN								
	Unknown	1974	25.4	8.25		15.0	9.0 d/		
	SUDAN								
0064000	Kinaf Factory	1971	10.0	2.5	7.0	11.0	41.0	10.0	
	Roads	1974	19.2						
	Services	1975	2.0						
	Flood Relief	1975	0.25						
	SYRIA								
	Oct. 73 War Relief Grant a/k/	1974	750.0 i/					250.0	
	Banyas Electricity Project	1974	26.4						
	Cattle Breeding a/l/	1974	20.0						
	Satellite Communication Center	1974	1.1						
	Dairy Farms	1974	1.2		2.0	13.0			
	Homs Oil Refinery	1974	50.0	0					
	University	1974	5.0				100.0		
	Three 727s and two 747s	1974							

TABLE 6

FINANCIAL ASSISTANCE FROM OIL-EXPORTING COUNTRIES

AID FROM: UNITED ARAB EMIRATES (4)

DRS No.	To Countries	Initial Date	Commitments (US $m.)	Interest Rate (%)	Grace Period (Yrs)	Maturity (Yrs)	Grant Element (%)	Disbursements (US $m.)	Repayments (US $m.)
	TUNISIA								
	Djerba Village a/	1974	2.2	4.0		15.0	32.0		
	Unknown	1974	15.0						
	Railway Cars	1974	c/						
	Tourist Hotel in Monastir a/	1974	1.0						
	Industrial and Other Projects a/	1974	8.7						
	Development Bank a/	1975	0.4						
	YEMEN ARAB REPUBLIC								
	Sanaa's Water Supply Roads, & Education a/m/	1972	26.0						
	Education	1973	8.0	0			100.0		
	Water Survey	1974	3.0	0			100.0		
	TV System	1974	3.0	0			100.0		
	MULTINATIONAL								
	Sahelian Nations - Relief Grant	1974	6.0						

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a/ Loans through the Abu Dhabi Fund.
b/ In association with the Kuwait Fund.
c/ Amounts and terms unknown.
d/ Assuming zero grace period.
e/ In conjunction with Kuwait, Saudi Arabia, Libya, and Qatar.
f/ In conjunction with IDA, Kuwait Fund, Arab Fund, Libya and Qatar.
g/ Probably Khartoum Agreements.
h/ Financed jointly with Saudi Arabia. Total cost approximately $125m.
i/ Represents 33% equity participation.
j/ Probably $250 million per year in 1974-76.
k/ In association with IBRD.
l/ In association with the Arab Fund.
m/ Cumulative amount for eight years. In conjunction with UNESCO.
n/ Repayment indefinite, likely to be waived.
o/ The UAE stipulated that it must supervise the work under specified timetable. Disbursement is pending as of November 1, 1974.
p/ Purchase of 200,000 tons of oil on 180 day deferred terms. Additional 200,000 tons to be negotiated.
q/ Not a firm commitment. Part of a total aid package pledged to Bahrain of $82m.
r/ Equally shared. Egypt making up total capital of $50m. in Egyptian pounds, UAE in dollars.
s/ Lending by Banque Arabe et Internationale d'Investissements and National Bank of Abu Dhabi, to be managed by Korean Development Bank.
t/ $100m. total cost, owned jointly by the Abu Dhabi national oil company and the West Pakistan Industrial Corp. World Bank has provided financing.
u/ Consortium among Saudi Arabia, Qatar, Bahrain, Kuwait, and UAE.

TABLE 7

FINANCIAL ASSISTANCE FROM OIL-EXPORTING COUNTRIES

AID FROM: KUWAIT (1)

To Institutions	Date	Contributions				Loans and Grants				
		Subscribed		Paid-in		Commitment (US$ m.)	Interest (%)	Grace Period (yrs.)	Maturity (yrs.)	Disbursement (US$ m.)
		US$ m.	% of Total	US$ m.	% of Total					
Arab Bank for Economic Development in Africa										
Initial Subscription	1973	20.00	9.70							
Loan Commitment	1974					200.00				
Arab Fund for Economic and Social Development										
Initial Subscription	1971	101.00	30.00	20.20						
Subscription Payment	1973			8.10						
Asian Development Bank										
Bond Issues	1974					17.20	7.50		15	
Fund for Arab Scientific Research	1974									
IMF Special Oil Facility	1974					483.00	7.00	3	7	210.00
Islamic Bank	1974	120.00#								
Kuwait Fund for Arab Economic Development										
Initial Subscription	1961	140.00	100.00							
Subscription Increase	1963	140.00	100.00							
Subscription Increase	1966	280.00	100.00							
Subscription Increase [a]	1974	2820.00	100.00	110.80 [b]						
Organization for Agriculture Development of Senegal River Basin	1975	34.00								
Special Fund for Arab Non-oil Producers	1974	16.90								
Special Arab Fund for Africa	1974	30.00#	15.00	30.00						

TABLE 7

FINANCIAL ASSISTANCE FROM OIL-EXPORTING COUNTRIES

AID FROM: KUWAIT (2)

To Institutions	Date	Contributions				Loans and Grants				
		Subscribed		Paid-in						
		US$ m.	% of Total	US$ m.	% of Total	Commitment (US$ m.)	Interest (%)	Grace Period (yrs.)	Maturity (yrs.)	Disbursement (US$ m.)
UN Emergency Special Account	1974					10.00[#] [k]				
UN and Regional Agencies	1974	35.00								
UNDP [c]	1972	0.35								
	1973	0.35								
	1974	0.40								
UNFPA [d]	1973	0.02								
UNHCR	1972	0.05								
	1973	0.05								
UNICEF	1972	0.03								
	1973	0.01								
UNIDO	1973	0.03								
	1974	0.04								
UNWRA [e]	1972	0.40								
	1973	0.40								
	1974	0.40		0.40						
World Food Program	1973/74	0.05								
IBRD [f] Initial Subscription	1962	66.70		0.67						
Subscription Increase	1972	2.93		0.02						
Total Capital Subscription [g] (Current $)		83.72		8.37						
Total Capital Subscription [g] (1944 $)		69.40	0.27	6.94						

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TABLE 7

FINANCIAL ASSISTANCE FROM OIL-EXPORTING COUNTRIES

AID FROM: KUWAIT (3)

To Institutions	Date	Contributions				Loans and Grants				
		Subscribed		Paid-in						
		US$ m.	% of Total	US$ m.	% of Total	Commitment (US$ m.)	Interest (%)	Grace Period (yrs.)	Maturity (yrs.)	Disbursement (US$ m.)
IBRD f/ (cont'd.)										
Bond Issues (2 year)	1963					1.00	4.00	2	2	1.00
	1967					2.00	5.38	2	2	2.00
	1967					0.50	5.75	2	2	0.50
	1968					1.50	6.13	2	2	1.50
	1968					1.00	6.80	2	2	1.00
	1969					4.00	8.00	2	2	4.00
	1970					0.50	8.13	2	2	0.50
	1970					0.25	7.78	2	2	0.25
	1971					1.00	5.20	2	2	1.00
	1971					4.00	6.50	2	2	4.00
	1972					1.50	5.30	2	2	1.50
	1972					3.50	5.78	2	2	3.50
	1973					1.00	6.75	2	2	1.00
	1973					2.00	8.78	2	2	2.00
	1974					1.50	6.90	2	2	1.50
	1974					3.00	9.00	2	2	3.00
Bond Issues (long term)	1968					50.70	6.50		20	50.70
	1971					90.10	7.50		3-10	90.10
	1972					67.60	6.75		3-10	67.60
	1972					50.70	7.00		5-20	50.70
	1973					84.40	7.00		5-20	84.40
	1973					84.40	7.25		3-15	84.40
IDA f/h/ Initial Subscription	1962	3.36		3.36						
Subscription Increase	1972	0.16		0.16						
Total Capital Subscription g/ (Current $)		4.21		4.21						
Total Capital Subscription g/ (1960 $)		3.49	0.33	3.49						

TABLE 7

FINANCIAL ASSISTANCE FROM OIL-EXPORTING COUNTRIES

AID FROM: KUWAIT (4)

To Institutions	Date	Contributions				Loans and Grants				
		Subscribed		Paid-in		Commitment (US$ m.)	Interest (%)	Grace Period (yrs.)	Maturity (yrs.)	Disbursement (US$ m.)
		US$ m.	% of Total	US$ m.	% of Total					
IDA Supplementary Resources										
First Replenishment	1965	3.36		3.36						
Second Replenishment	1969	5.40		5.40						
Third Replenishment	1972	12.87		10.67						
Advance to Fourth Replenishment	1974	32.04 i/		10.68						
Total Supplementary Resources g/										
(Current $)		55.48								
(1960 $)		45.99	0.44 j/							

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a/ Not a firm commitment.
b/ Cumulative paid-in capital as of December 31, 1973.
c/ United Nations Development Program.
d/ United Nations Fund for Population Activities.
e/ United Nations Relief and Works Agency for Palestine Refugees.
f/ Funds indicated as paid-in have been released and are usable.
g/ As of December 31, 1974.
h/ Some contribution to the Replenishments from Kuwait, a Part I member, were considered as "supplementary resources" instead of subscriptions for not decreasing Part II members' voting rights.
i/ To be fully released in three equal instalments in November 1974, November 1975 and November 1976.
j/ Percent of total supplementary resources under the first three replenishments.
k/ As of 11/74, this required Parliamentary approval.

TABLE 7

FINANCIAL ASSISTANCE FROM OIL-EXPORTING COUNTRIES

AID FROM: QATAR (1)

To Institutions	Date	Contributions				Loans and Grants				
		Subscribed		Paid-in		Commitment (US$ m.)	Interest (%)	Grace Period (yrs.)	Maturity (yrs.)	Disbursement (US$ m.)
		US$ m.	% of Total	US$ m.	% of Total					
Arab Bank for Economic Development in Africa	1973	20.00	9.70							
Arab Fund for Social and Economic Dev.	1971	5.00	1.00							
Islamic Development Bank	1974 19	20.00	2.00							
Islamic Solidarity Fund	1974	10.00	50.00							
Special Arab Fund for Africa	1974	10.00#	5.00	10.00	5.40					
Special Fund for Arab Non-oil Producers	1974	5.00								
UNDP a/	1972	0.20								
	1973	0.20								
	1974	0.20								
UNFPA	1973	0.01								
UNHCR	1972	0.01								
	1973	0.01								
UN Emergency Operation	1974					14.00 e/				
UNWRA b/	1972	0.03								
	1973	0.03								
IBRD c/ Initial Subscription	1972	18.60		0.19						
Total Capital Subscription d/ (Current $)		20.63		0.20						
Total Capital Subscription d/ (1944 $)		17.10	0.07	0.17						

TABLE 7

FINANCIAL ASSISTANCE FROM OIL-EXPORTING COUNTRIES

AID FROM: QATAR (2)

To Institutions	Date	Contributions				Loans and Grants				
		Subscribed		Paid-in		Commitment (US$ m.)	Interest (%)	Grace Period (yrs.)	Maturity (yrs.)	Disbursement (US$ m.)
		US$ m.	% of Total	US$ m.	% of Total					
IBRD[c] Bond Issues (2 year)	1970					0.10	7.88	2	2	0.10
	1971					0.10	5.20	2	2	0.10
	1971					0.20	6.50	2	2	0.20
	1972					0.20	5.30	2	2	0.20
	1973					0.10	6.75	2	2	0.10
	1973					0.20	8.63	2	2	0.20
	1974					0.20	6.90	2	2	0.20
	1974					0.10	9.00	2	2	0.10

---

a/ United Nations Development Program.
b/ United Nations Relief and Works Agency for Palestine Refugees.
c/ Funds indicated as paid-in have been released and are usable.
d/ As of December 31, 1974.
e/ Direct Assistance.

TABLE 7

FINANCIAL ASSISTANCE FROM OIL-EXPORTING COUNTRIES

AID FROM: SAUDI ARABIA (1)

To Institutions	Date	Contributions				Loans and Grants				
		Subscribed		Paid-in						
		US$ m.	% of Total	US$ m.	% of Total	Commitment (US$ m.)	Interest (%)	Grace Period (yrs.)	Maturity (yrs.)	Disbursement (US$ m.)
Arab Bank for Industrial & Agricultural Development in Africa	1974	40.00		40.00						
Arab Bank for Economic Development in Africa	1973	25.00	12.00							
Arab Fund for Economic & Social Devlop.	1974	60.00	17.60							
IMF Oil Relief Fund	1974					1206.00	7.00	3	7	460.00
Islamic Development Bank	1974	480.00	40.00							
Islamic Solidarity Fund[f/]	1974	4.50	22.50							
Organization for Senegal River Dev.	1975	10.00		10.00						
Saudi Arabian Development Fund	1974	84.50	100.00							
Special Arab Fund for Africa	1974	40.00	20.00	40.00						
Special Fund for Arab Non-oil Producers	1974	15.00								
Technical Assistance Fund for Africa	1974	3.00	12.00							
UN Emergency Special Account	1974					30.00				30.00
UNFAO	1975	10.00								
UN - Food for Flood Victims[h/]	1974					10.00				10.00

TABLE 7

FINANCIAL ASSISTANCE FROM OIL-EXPORTING COUNTRIES

AID FROM: SAUDI ARABIA (2)

To Institutions		Date	Contributions				Loans and Grants				
			Subscribed		Paid-in		Commitment (US$ m.)	Interest (%)	Grace Period (yrs.)	Maturity (yrs.)	Disbursement (US$ m.)
			US$ m.	% of Total	US$ m.	% of Total					
UNDP[a]		1972	0.35								
		1972	0.35								
		1974	1.50								
UNFPA		1972	0.02								
UNHCR		1972	0.01								
		1973	0.01								
UNICEF[b]		1972	0.03								
		1973	0.02								
		1974	1.00								
UNWRA[c]		1972	0.35								
		1973	0.30								
World Food Program		1971/72	0.04								
		1973/74	50.00[g]								
IBRD[d]	Initial Subscription	1957	10.00		0.10						
	Subscription Increase	1960	10.00		0.10						
		1960	53.30		0.53						
		1965	22.70		0.22						
		1971	19.90		0.20						
	Total Capital Subscription[e] (Current $)		137.80		1.37						
	Total Capital Subscription[e] (1944 $)		114.30	0.45	1.14						
	Bond Issues (2 year)	1963					8.00	4.00	2	2	8.00
		1965					8.00	4.38	2	2	8.00
		1966					12.00	5.25	2	2	12.00
		1966					10.00	6.00	2	2	10.00
		1967					10.00	5.38	2	2	10.00
		1967					10.00	5.75	2	2	10.00
		1968					12.50	6.13	2	2	12.50
		1968					10.00	5.80	2	2	10.00
		1969					5.00	6.75	2	2	5.00

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TABLE 7

FINANCIAL ASSISTANCE FROM OIL-EXPORTING COUNTRIES

AID FROM: SAUDI ARABIA (3)

		Contributions				Loans and Grants				
		Subscribed		Paid-in						
To Institutions	Date	US$ m.	% of Total	US$ m.	% of Total	Commitment (US$ m.)	Interest (%)	Grace Period (yrs.)	Maturity (yrs.)	Disbursement (US$ m.)
IBRD[d] (cont'd.) Bond Issues (2 year)	1969					10.00	8.00	2	2	10.00
	1970					10.00	8.13	2	2	10.00
	1970					10.00	7.78	2	2	10.00
	1971					5.00	5.20	2	2	5.00
	1971					10.00	6.50	2	2	10.00
	1972					10.00	5.30	2	2	10.00
	1972					8.00	5.78	2	2	8.00
	1973					20.00	6.75	2	2	20.00
	1973					10.00	8.63	2	2	10.00
	1974					10.00	6.90	2	2	10.00
	1974					30.50	9.00	2	2	30.50
Bond Issues (long term)	1968					15.00	6.50		26	15.00
	1968					15.00	6.38		26	15.00
	1974					140.80	8.00		10	140.80
	1974					750.00	8.50		10	750.00
IDA[d] Initial Subscription	1960	3.70		0.37						
Total Capital Subscription[e] (Current $)		4.50								
Total Capital Subscription[e] (1960 $)		3.70	0.35	0.37						

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a/ United Nations Development Program.
b/ United Nations Children's Fund.
c/ United Nations Relief and Works Agency for Palestine Refugees.
d/ Amounts indicated as paid-in have been released and are usable.
e/ As of December 31, 1974.
f/ In conjunction with other oil-producing states for purpose of strengthening economic cooperation among Islamic nations.
g/ Pledge for Expenditure 1975-76.
h/ To Bangladesh, channeled through U.N.

TABLE 7

FINANCIAL ASSISTANCE FROM OIL-EXPORTING COUNTRIES

AID FROM: UNITED ARAB EMIRATES (1)

To Institutions	Date	Contributions				Loans and Grants				
		Subscribed		Paid-in		Commitment (US$ m.)	Interest (%)	Grace Period (yrs.)	Maturity (yrs.)	Disbursement (US$ m.)
		US$ m.	% of Total	US$ m.	% of Total					
Abu Dhabi Fund for Arab Economic Develop.										
Initial Subscription	1971	67.70	100.00	20.80	100.00					
Subscription Increase	1972	57.30	100.00							
	1974	375.00[a]	100.00	10.00	100.00					
Arab Bank for Economic Dev. in Africa	1973	20.00	9.70							
Arab Cities Organization	1974	3.53	20.00							
Arab Fund for Social and Economic Devel.	1971	16.90	5.00							
Arab Investment Bank[h]	1974	5.00	33.30							
Arab Technical Assistance Fund for Africa	1974	2.00	13.30							
IMF Oil Relief Fund	1974					120.60	7.00	3	7	47.00[b]
Islamic Development Bank	1974	132.00[i]								
Islamic Solidarity Fund	1974	2.00	10.00							
Libya/United Arab Emirates Fund[c]	1973	125.00	50.00	25.00	50.00					
Special Arab Fund for Africa	1974	20.00	10.00	20.00	10.80					
Special Fund for Arab Non-oil Producers	1974	10.00								
UN Emergency Special Account	1974					10.00				10.00[k]
UNDP[d]	1973	0.15								
	1974	0.24								

TABLE 7

FINANCIAL ASSISTANCE FROM OIL-EXPORTING COUNTRIES

AID FROM: UNITED ARAB EMIRATES (2)

To Institutions	Date	Contributions				Loans and Grants				
		Subscribed		Paid-in		Commitment (US$ m.)	Interest (%)	Grace Period (yrs.)	Maturity (yrs.)	Disbursement (US$ m.)
		US$ m.	% of Total	US$ m.	% of Total					
UNICEF	1973	0.07								
UNHCR	1973	0.01								
UNWRA e/	1973	0.20								
	1974	0.22								
World Food Program j/	1974	5.00								
IBRD f/ Initial Subscription	1972	13.90		0.14						
Total Capital Subscription g/ (Current $)		15.44		0.15						
Total Capital Subscription g/ (1944 $)		12.80	0.05	0.12						
Bond Issues (2 year)	1973					0.50	6.75	2	2	0.50
	1973					2.00	8.63	2	2	2.00
	1974					2.00	6.90	2	2	2.00
	1974					1.00	9.00	2	2	1.00
Bond Issues (long term)	1974					76.00	8.00		15	76.00

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a/ Not a firm commitment.
b/ As of February 14, 1975.
c/ Assumed equal contribution by each of the two countries.
d/ United Nations Development Program.
e/ United Nations Relief Works Agency for Palestine Refugees.
f/ Funds indicated as paid-in have been released and are usable.
g/ As of December 31, 1975.
h/ Will invest in development projects and finance foreign trade and other Arab economic ventures. Other subscribers are Algeria, Libya.
i/ Original subscription of $120m., increased subscription by $12m. in November 1974.
j/ To aid Bangladesh in purchase of 70,000 tons of wheat. In conjunction with Saudi Arabia.
k/ $.5m "earmarked" for Honduras.

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6. Briefing Note on Borrowing Program

Attached is a table which outlines the effect on the FY75-79 borrowing program from an additional $1 billion in lending in FY75 and from the $1 billion Third Window proposal.[1/] The additional lending over the period would total $1050 million, $250 million in FY77 and $400 million in both FY78 and FY79.

Also attached is a mark-up of Standard Table III (on borrowing and potential borrowing through FY79) which has been changed to show the FY76 figures recently discussed with the oil-exporting countries (see page 2 of the table). The last line on this table shows that the total potential gross borrowings for each year in the FY75-79 period comfortably exceed the gross borrowings required by the $2 billion in increased lending.

[1/] Assumes disbursements in average IBRD projects for 90% of Third Window commitments and quick-disbursing program loans for the remaining 10% in commitments.

Borrowing Requirements for Revised FY75 Program and Third Window Proposal a/

	FY75	FY76	FY77	FY78	FY79
Gross Borrowings					
Present Program	3550	3200	3550	3900	4800
Additional Requirement	-	-	250	400	400
Total	3550	3200	3800	4300	5200
Liquid Holdings (End Year)					
Present Program	5314	5698	5900	6320	6878
- as % of next 3 years' borrowing requirements	55%	51%	45%	41%	40%
With Additional Lending	5293	5537	5824	6385	7037
- as % of next 3 years' borrowing requirements	51%	46%	42%	40%	40%

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a/ Assumes a revised lending program of an additional $1b in commitments in FY75 and a $1b Third Window in FY76.

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F

Co-financing with Arab Countries

16 projects: $516m

CO-FINANCING WITH ARAB COUNTRIES - MUTUAL BENEFITS

The Record

1. Most of the Bank's co-financing experience with Arab countries has been with Kuwait, but recently other Arab countries have shown increased interest in this technique of development financing (the attached tables indicate the scope of recent co-financing). To date, sixteen projects have been co-financed with Arab countries. Kuwait has participated in twelve of them, Abu Dhabi has participated in five projects, and Libya, Saudi Arabia, Qatar and the Arab Fund in two. Together they have provided $516 million in co-financing. Of this amount, $212 million was in the transportation sector and $211 in industry.

The Attractions of Co-financing

2. Co-financing has two main advantages:

- it makes possible additional flows of assistance for countries new to aid programming;
- it helps to make assistance more effective.

Additional flows are facilitated because the availability of the Bank's lending program allows a co-financier to disburse funds speedily for projects ready to be financed. Some donors also welcome the Bank's 'umbrella' in lending to particular countries. Assistance is made more effective because co-financing reduces the administrative burdens of a co-financier's aid program and utilizes the experience of existing institutions.

Services Provided by the Bank

3. A co-financier may choose to draw upon the Bank's work in project management in several ways:

- The Bank identifies projects, negotiates and appraises them;
- Bank project reports and economic reports on the borrowing country are provided to the co-lender;
- The Bank supervises the project and can disburse for itself and the co-financier.

4. These services are provided by the Bank only to the extent the co-financing partner wishes and requests. The co-financier has its own direct contact with the recipient and is free to participate in project administration with the Bank to the extent desired but need not divert scarce technical and economist manpower.

Costs

5. At this point the Bank bears the costs of managing co-financed projects. Although the cost of co-financing with Arab countries and the total of about 30 co-financed projects each year are not a serious budget expense, co-financing does have an impact on the time of key personnel. If the volume of co-financing and number of projects administered by the Bank were to increase, the Bank would be ready to accept contributions to offset costs.

AHouse/FVibert/BSnoy:sap

Table 1. SUMMARY OF CO-FINANCING BETWEEN BANK GROUP AND ARAB COUNTRIES TO PRESENT

(in US $ million equivalent)

Co-Lender	Amount	Country
I. Bilateral		
Kuwait	60.0	Algeria
	56.8	Egypt
	10.2	Jordan
	3.8	Mauritania
	11.0	Sudan
	33.0	Syria
	9.4	Tunisia
	6.4	Yemen AR
	6.0	W. Africa River Blindness
Sub-total	196.6	
Lybia	10.1	Egypt
	100.7	Zaire
Sub-total	110.8	
Abu Dhabi	43.2	Egypt
	15.0 [1]	Syria
	1.0	Yemen AR
	11.0	Pakistan
Sub-total	70.2	
Saudi Arabia	83.0	Egypt
Qatar	13.4	Egypt
Total bilateral co-financing	474.0	
II. Multilateral		
Arab Fund for Economic and Social Development	20.0	Algeria
	22.1	Egypt
Sub-total	42.1	
Total multilateral co-financing	42.1	
TOTAL CO-FINANCING WITH ARAB COUNTRIES	516.1	

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[1] Not yet confirmed.

Note on World Bank Co-financing

1. The term "co-financing" is used within the World Bank to refer to any arrangement associating Bank Group funds with other sources of finance for development projects. Co-financing may cover both local and foreign expenditures but does not apply to funds provided by the beneficiary government or by other local sources. A co-financing partner with the Bank Group could be a bilateral official aid agency, a multilateral organization, or an export credit agency. The three basic forms of co-financing are these:

a) Joint financing
b) Parallel financing
c) Sales of participation in World Bank loans and portfolio sales.

I. Joint Financing

2. "Joint financing" refers to a co-financing operation in which the Bank and one or more co-financiers each finance an agreed portion of a project's procurement costs. An important distinction in joint financing is whether the co-lender's funds are tied or untied. When funds are untied, the Bank and the co-financier each finance a given percentage of every item purchased. When funds are tied, purchases using the co-financier's share of financing will be concentrated in the co-financier's country. A prerequisite to joint financing is that the arrangements for all procurement conform to the Bank practice of international competitive bidding open to all members of the Bank and Switzerland. Agreement between the Bank and the co-lender(s) is reached in advance on the terms (or at least minimum terms) to be extended by the co-lender to the borrower. In comparing bids for financing project costs, the terms of financing are excluded from consideration.

3. In joint financing operations, the Bank or IDA usually assumes full responsibility for supervising procurement and project execution. When an aid agency's funds are untied, relations between the Bank and such an agency can be governed by a general loan administration agreement. Each co-financier has its own relationship with the borrower, but in some cases a tripartite agreement is instituted which includes such provisions as:

(a) The allocation and withdrawal of the proceeds of both the bilateral and the Bank Group loans or credits;

(b) The use of proceeds of the bilateral and Bank Group financing including how the project will be executed, and procurement;

(c) Particular covenants pertaining to the project entity, including matters related to the management of the project unit and the project's operation;

(d) Particular covenants with the borrowing country, including agreement to exchange views and information concerning the project and to consult each other about the project's progress.

II. Parallel Financing

4. Parallel financing refers to a co-financing operation in which the Bank finances the procurement of goods and services on a distinct list of goods, and the co-lender finances the procurement of another list. In such operations, the Bank's loan agreement may or may not have cross default provisions in respect of the co-financing partner. The separation of project financing into distinct "packages" lends itself typically to cases wherein the funds of the co-lender are tied to procurement in one specific country or in a small group of countries, including on occasion countries which are not members of the Bank (other than Switzerland).

5. The terms "organized" and "unorganized" are used in reference to parallel financing to describe the role played by the Bank in establishing the framework by which the entire project is financed. The terms are more applicable to the participation of an export credit agency than a bilateral financing agency in a parallel operation. In an organized parallel financing operation the Bank seeks to arrange the participation of co-financing partners and tries to set agreement on minimum credit terms; financing terms are not taken into account in awarding contracts. In unorganized parallel financing the borrower manages the financial arrangements for the part of the project not covered by Bank lending; frequently financing terms are taken into account in selecting suppliers.

6. All parallel operations have the following features:

(a) The Bank and the co-lenders finance different lists of goods (which often reflect different parts of a project);

(b) Procurement of the goods financed by the Bank is on the basis of international competitive bidding;

(c) Procurement of the portion financed by the co-lenders may be on the basis of restricted bidding or bilateral negotiations;

(d) The Bank appraises the entire project and the project management entity but does not supervise bidding and award of contracts financed by co-lenders.

III. Administration

7. The Bank has a standard procedure of project administration from identification and appraisal through supervision. When a co-financier expresses interest in a project, the Bank keeps the co-financier informed of the status of the project. The co-financier may participate in the project administration procedure. The Bank's project appraisal report is given to the co-financier as soon as it is available. If there are to be two or more co-financing partners, the Bank normally seeks to reach an agreement on the extent of each member's participation. The Bank normally incorporates in its loan agreement a cross default provision giving it the right to declare a default on or premature the Bank loan if a default occurs on a co-lender's loan, and it is prematured. The co-lender's contract frequently has similar provisions.

8. Disbursement by the Bank is made against specified, itemized withdrawal applications received over time as a project progresses. Disbursement for jointly financed operations involves blending percentages of contribution (except in the case of tied funds reverting to the co-financier's country). In practice, the joint lender from time to time receives suggested disbursement advice from the Bank and pays its share directly to the borrower (or to the supplier or contractor, as the case may be).

IV. Participation in World Bank Loans and IDA Credits

9. The World Bank sells portions of its loans to co-financiers (mostly financial institutions) who then receive from the Bank payment of interest and principal.[1] Such sales are normally commercial investments but sales of portions of the loans at a lower interest rate, as of IDA credits could also be used to provide development assistance. Such sales can serve one or more of several purposes:

(a) To help a co-financing partner to commit funds for quick disbursement;

(b) To provide a channel for development funds with minimal administrative burden for the co-financier;

(c) To establish the credit of Bank member countries in financial markets;

(d) To reduce loan costs for borrowers by selling part of a loan at rates less than the original lending rate;

(e) To promote private foreign investments;

(f) To increase the amount of funds available to the World Bank for lending to developing countries.

10. Normally, when negotiations for a loan or credit have been substantially completed, the Bank invites financial institutions to participate in the loan by sending them a memorandum covering the loan's main features. However, the co-financier could also be associated with a project at any point prior to negotiation. A "Participation Agreement" is usually signed by the Bank and the co-financing participant when the Loan Agreement is executed. This Agreement demonstrates the allotment of a portion of the loan and the participant's agreement to remit funds at some later date at the Bank's request as required for disbursement. The Bank does not sell a loan in its entirety but keeps part of each maturity. The agreement also provides for a commitment fee at the same rate paid by the borrower (presently 3/4 of 1 percent) and accrued from the date on which the commitment charge begins to accrue under the loan (generally 60 days after the date of the Loan Agreement) to

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[1] When portions of Bank loans are sold when the loan is made, such sales are called "participations"; subsequent sales of loan maturities are referred to as "portfolio sales."

the date on which the participant remits funds to the Bank. This commitment fee is always paid in U.S. dollars.

11. The Bank sells maturities on its loans at or below the interest rate charged to the borrower, which remains fixed for the lifetime of the loan and the difference is usually passed along to the borrower. A co-financier may determine the extent to which he wishes to subsidize or make concessional the terms paid by the borrowing country by purchasing a loan below the Bank's lending rate. For example, a co-financier could purchase an 8 percent Bank loan at 3 percent interest. The borrower would then pay the Bank 3 percent per annum interest on the amount of the participation (which the Bank would pass on to the participant), and 8 percent interest on the balance.

12. Co-financing through participation has been used also for channeling aid on grant basis. Under a Norwegian Aid Participation Agreement, Norway purchased in December 1973, an $11 million participation in a loan for an education project in Zambia under a Loan Agreement of June 1973 (Loan No. 900 ZA). Since the Bank continued normal project implementation, this arrangement simplified project administration for both Zambia and Norway. It allowed Norway to contribute to an on-going project with commitment and disbursement of funds in accordance with Norway's annual aid budgets. Moreover, since the original project financing had been a Bank loan of $33 million, Norway's purchase of one-third of the portfolio in grant form considerably softened the financing blend for Zambia. A similar arrangement for a grant participation by Norway in a Pakistan project has also been arranged.

13. The Loan Agreement between the Bank and the borrower, the Guarantee Agreement between the government (if the borrower is an entity other than the government) and the Bank, the project appraisal report, economic reports and information on the country concerned, and other relevant papers are supplied to the participant when the Participation Agreement is executed. Against payment as requested under the Participation Agreement, the Bank issues to the participant its own Participation Certificate covering the particular maturity for which payment has been made.

14. Settlement in U.S. dollars is effected at the Federal Reserve Bank of New York. Payments in other currencies are made in the country of the currency according to instructions given prior to the settlement. Interest payments are made semi-annually in the currency of participation. A Participation Agreement, except if the participation is on a grant basis, specifies that the Bank will promptly pay to the participant all sums received by it on account of the principal of, and interest on, the part of the loan represented by the participation.

Policy Planning Division
AHouse:fvf
June 19, 1974

G

H

BOARD PAPER ON TECHNICAL ASSISTANCE

To be provided by Mr. Schulmann by Monday, March 3, 1975.

1

PRESENT STATUS OF SUBSIDIES FOR "THIRD WINDOW"

Mr. Gaud will provide.

J

FORM NO. 155.01 (3-70)

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE CORPORATION

NEWS SERVICE

INFORMATION AND PUBLIC AFFAIRS DEPARTMENT

This news story appeared on page 72 of the 15 Feb 1975 issue of:

☐ THE NEW YORK TIMES
☐ THE WALL STREET JOURNAL
☐ THE JOURNAL OF COMMERCE
☐ THE WASHINGTON POST
☐ THE CHRISTIAN SCIENCE MONITOR
☐ THE TIMES
☐ THE FINANCIAL TIMES
☒ The Economist

Business Brief

Petro-aid takes off

When the European car firms push up their prices at home no one would suggest that they should subsidise the extra cost of the cars to customers in less-developed countries. When the world's oil exporters raise their prices, quite different principles seem to apply.

The rise in oil prices cost the less-developed countries (the ldcs) an extra $10 billion last year. The industrialised nations, whose oil bill went up by $55 billion, say that the oil producers ought to see the ldcs right.

The parallel with the car firms is far from straightforward: they do not form a cartel, and have never quadrupled prices by a stroke of the pen.

Some can afford it

About 25% of Opec revenues goes to the United Arab Emirates, Qatar, Kuwait and Libya, where income per head exceeds the OECD average; in the UAE and Qatar it is twice as high. All these four super-rich countries have minute populations (only 3.5m between them) and can well afford to give money to the world's poorer brethren. Their combined oil revenue is $20 billion, or $5,700 per head, roughly the American or West German gnp per head. But the rest of Opec is much less able to afford such largesse.

Some can't

About 76% of Opec oil revenues goes to nine countries that have a gnp per head of only $450 a year, less than one-tenth the $4,600 averaged by members of the Organisation for Economic Co-operation and Development. And 43% of Opec revenues goes to six countries that, even after the new boost to their incomes, are clearly still in the developing country category: Iran, Iraq, Algeria, Nigeria, Indonesia and Ecuador have an average gnp per head of only $300.

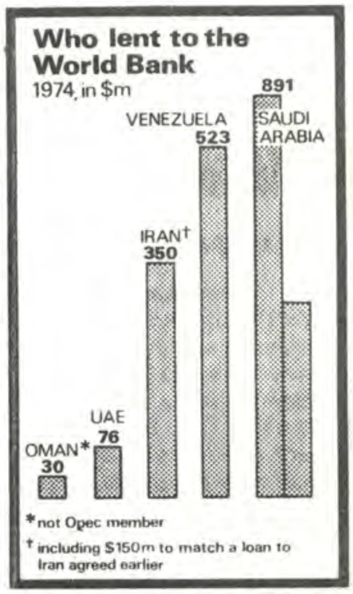
OECD countries last year gave $11–12 billion of official development assistance, in grants and soft loans, directly or through multilateral agencies. That was $13 out of the average income of $4,600. If Opec were to hand over $10 billion to the ldcs, that would mean they were giving $37 in aid out of their income of $525 per head. Some people—American senators, for instance—might argue that the $10 billion should come from the richest Opec countries, out of the five which share $27 billion of oil revenues. The five would reply that their oil will run out after 25 years, after which their only source of income will be the investments and industrial development bought with today's and tomorrow's petrodollars. Why, therefore, they say, should over a third of these petrodollars, which will determine their future living standards, be given to others?

Such arguments have not prevented the American Senate from trying to punish Opec members by blocking tariff concessions to them in the recent Trade Act. Nor from trying to block concessionary aid by the World Bank and other agencies to countries like Nigeria (gnp per head $230)—and succeeding in the cases of Indonesia ($100) and Ecuador ($420)—while approving official development aid to Israel ($2,900).

How much aid?

Yet neither have these facts of life prevented Opec countries from launching into new aid programmes, and topping up existing ones. As much as $2.6 billion was actually transferred in 1974, out of $9.6 billion committed. A further $1.8 billion was provided to the World Bank and $3.4 billion to the International Monetary Fund, both on cheap terms. These figures do not include the $1 billion military aid to Egypt and other front-line states given by Arab Opec members in 1973 and 1974, nor the $2.35 billion a year that was pledged to these states at the Rabat Arab summit conference in October.

The Arabs claim rather higher figures. Mr Abdel-Latif al-Hamad, director-general of the Kuwait Fund, reckons $14 billion of Arab aid alone was given in 1974. There is little dispute over his claim that Kuwait is now the world's top donor, ie, gives away the highest proportion of its gnp. He says that proportion is 7–8%, while an unpublished OECD paper, on which most of our figures are based, gives 6.2%, with 1974 commitments equivalent to 15.8%.

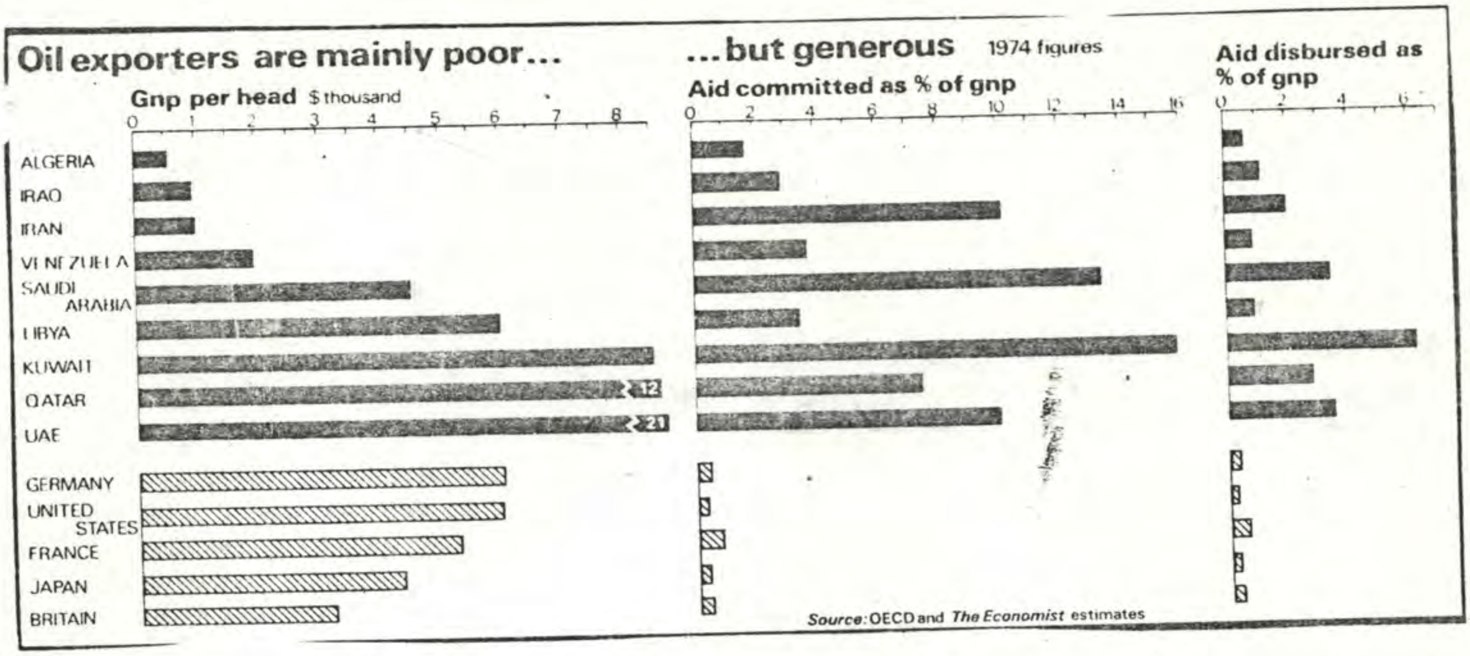

Who lent to the World Bank
1974, in $m

*not Opec member
† including $150m to match a loan to Iran agreed earlier

Saudi Arabia, Kuwait and Iran each provided a quarter, or nearly so, of Opec aid in 1974. Egypt predictably got the lion's share: other recipients are shown in the bottom chart opposite.

How it is given

In its 12 years, the **Kuwait Fund for Arab Economic Development** has lent $456m; Egypt got 21%, Sudan 17% and Tunisia 13%. Since other Opec countries are new to aid-giving, Mr al-Hamad's



Source: OECD and *The Economist* estimates

xperienced voice is heeded. And not only in the Arab world, where other states, led by Abu Dhabi, have been copying the KFAED, but also at the World Bank. Mr al Hamad wants the bank to lend on softer terms (at 4% over 25-40 years like the KFAED does, instead of 8% over 5 years), and to press the rich countries to cough up funds on these terms. Kuwait, meanwhile, is the only Opec contributor to the World Bank's soft loan agency, the International Development Association. And the KFAED was broadened last year to channel money to all ldcs instead of just Arab ones.

The **Arab Fund for Economic and Social Development** (capital $340m) was set up in 1972, thanks to Kuwaiti persuasion. This is a multilateral version of the original KFAED and is headed by Mr Saeb Jaroudi, the Lebanese former chief economist of the KFAED. Although it is based in Kuwait, all Arab states are supposed to contribute, and only Arab states will benefit. As an emergency measure, the Arab oil producers have set up a fund to help non oil Arab states hit by higher oil prices; it has already made loans to Somalia and Mauretania.

The large $900m **Islamic Development Bank** that King Faisal has inspired will concentrate on non Arab Moslem countries. Pakistan will probably do best out of this. Partly because of his pro Pakistan sympathies, King Faisal has frowned on Bangladesh from the start, the more so as it proclaims itself a secular state. But he chipped in a modest $10m for Bangladesh flood relief. India, as a largely Hindu country, may have difficulty in tapping the fund, despite its 60m minority of Moslems. Top contributors to the fund are Saudi Arabia ($240m), Libya ($150m) and the UAE ($120m).

The African countries are supposed to be taken care of by the $200m **Special Arab Fund for Africa** ($100m provided by Saudi Arabia, Kuwait and Libya). About half of each country's allocation (worked out on a rigid formula) has been shelled out so far. Presumably the rest will be handed over in 1975. So what happens in 1976?

African countries have other sources to turn to beyond that modest $200m, including, now, the KFAED. And, notably, the long-standing **African Development Bank**, to which Nigeria and Libya have made sharply boosted contributions of $30m apiece, with Algeria also a big donor.

Venezuela concentrates on its immediate region, providing funds notably through the **Inter-American Development Bank**, the **Caribbean Development Bank**, the **Central American Bank for Economic Integration** and the **Andean Development Corporation**.

Iran's idea of an Opec aid fund came to nothing. Iran is something of a lone wolf: Moslem but non-Arab and outside any obvious regional grouping. It sees itself as a rich country—although it is not one yet—because it has enough people to make an industrial base. And the Shah wants it to be a world power. It is constantly calling for joint aid efforts by the oil states and the rich industrial countries—against all the inclinations of Algeria, for one, which feels itself one of the world's downtrodden poor.

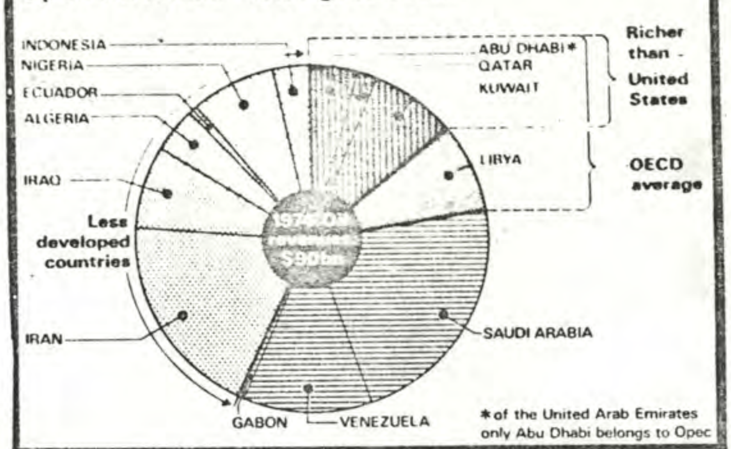
Nevertheless, Iran has secured some backing for joint action to help agriculture in poor countries. In the meantime it feels relatively free to help with the severe problems of India, Pakistan, Bangladesh and Sri Lanka.

Where it goes

The proliferation of funds and banks in Opec countries reflects their shortage of financial skills. Only Venezuela and Kuwait are equipped to assess projects. Abu Dhabi did not set up its fund until 1971. Saudi Arabia and Iran started only this year. So while Kuwait disbursed 40% of the aid it pledged last year, Saudi Arabia and Iran managed to get rid of only a quarter. The lack of expertise explains why much Opec aid-giving seems haphazard. How far did Qatar, for instance, investigate the economic needs of Chad before it handed over $1m in November?

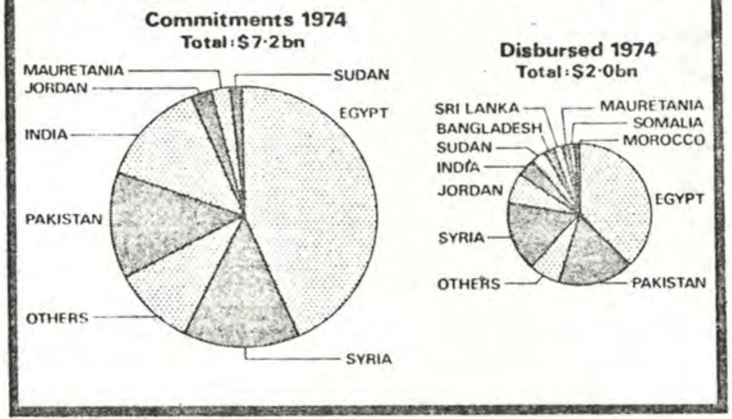
But Arab aid is often tied, if only loosely, to a project, like some of the loans to Egypt. Also, more Opec money is being invested in the ldcs on a commercial basis; notably the $200m put up by Saudi Arabia, Kuwait, UAE and Qatar for the Suez-Mediterranean pipeline as a straight business deal. Now Libya says it is about to invest $100m in copper development in Zaire, presumably in conjunction with western interests.

There is boundless scope for such three way joint ventures. Iran has set up and financed joint shipping companies with India and Pakistan. And Abu Dhabi and Pakistan have their jointly owned fertiliser plant under construction in Pakistan, with the money for Pakistan's share, just to confuse things, coming from



Opec revenues – who gets them

*of the United Arab Emirates only Abu Dhabi belongs to Opec



Opec aid – who got it

(excluding multilateral aid of $2401m commited, $572m disbursed in 1974)

Commitments 1974
Total: $7·2bn

Disbursed 1974
Total: $2·0bn

Source OECD

Saudi Arabia.

As straight aid, the Arab countries have given generously (and perhaps competitively) for Pakistan earthquake relief ($36m in all), as well as the Bangladesh floods. Kuwait, as well as Iran, has joined the Aid-Bangladesh consortium. And Iran and Iraq have pioneered the selling of oil on credit (but on favourable terms) to India and (in Iran's case) to Bangladesh.

As the first issue of the Standard and Chartered Bank Review points out, oil price problems for the less-developed countries boil down largely to those of the Indian sub-continent. Though the ldcs as a group paid $15 billion for their oil in 1974, they started the year with reserves of $29 billion. The resilient economies of the Far East with developed export industries—Singapore, Hongkong, the Philippines, Thailand and South Korea—have suffered merely a slowing of their economic growth.

The same is true of Turkey. In Africa, Kenya also has had its growth slowed, but partly as a result of drought and static tourist earnings. Ghana too has been badly hit. But Zaïre and Zambia and many other primary producers have been cushioned by the tail of the commodity price boom. Next year will be harder. The problems for the Indian sub-continent (apart from Pakistan, thanks to cotton and other strong export earners) are on a vastly different scale.

What next?

Naturally Arab oil producers help their brother Arabs first, especially as pooling their oil revenues among all Arab states would leave all of them very poor by European standards. But the test of a genuine aid policy is that a large element of it should be concentrated where the need is greatest.

In their first real year of giving, the oil producers have struck a fair balance between helping, on the one hand, brother Arabs, Islamic co-religionists and (in Venezuela's case) neighbours and, on the other, the really needy (India, Bangladesh and some African countries). What is now needed, besides more giving, is more co-operation with other aid-giving bodies.

GREATER COOPERATION BETWEEN WORLD BANK & ARAB COUNTRIES AND INSTITUTIONS

Major Developments in 1974

According to the World Bank annual report for the fiscal year 1974, the main feature of the year's stastiscal record is that "there has been another substantial expansion in financial and technical assistance". Approfed lending and investment commitments by the World Bank Group reached $4.517 million, an increase of 27 percent over fiscal 1973. Of the total the Bank accounted for $3.218.4 million, IDA for $1.095.2 million and the IFC for $203.4 million.

The Bank's borrowing scored a record of $1,853 million against $1.723 million in fiscal 1973. Of this al the share of petroleum exporting ntries was $565 million as compared with $216 million in the preceding year. The Bank's disbursements went up by 30 percent to reach $1.533 million, and IDA's by 44 percent to reach $711 million. As to the number of projects approved by both the Bank and IDA, they were 174 against 148 in 1973.

Growing Cooperation With M.E. Institutions

An interesting development that took place in the course of 1974 is the growing cooperation between the Bank Group and the new institutions based in the Middle East and which are playing a more important role in the field of financing development efforts. For example, the Bank is collaborating with the Kuwait Fund for Arab Economic Development (KFAED) on the Mehardeh power project in Syria. The Bank Group and the Arab Fund for Economic and Social Development (AFESD) are helping to finance the construction of the port of Bethioua in Algeria. Furthermore, IDA on the one hand and AFESD, KFAED, Abu Dhabi Fund, the Libyan Arab Foreign Bank and the State of Qatar on the other are co-financing the Talkha fertilizer project in Egypt.

The Bank and the Arab World

As shown in table No.1, the percentage of the Bank and IDA lending to North Africa and the Middle East rose from an annual average of 7 percent of the total between 1965-68 to 19 percent of the total in 1974. Percentage-wise, lending to Eastern and Western Africa and Southern Europe increased as well while lending to Asian, Latin American and the Caribean countries slightly declined.table No.2.

Cooperation between the Arab oil producing countries, on the one hand, and the Arab non-oil producing countries, on the other, differ. The Arab oil producing countries do not need financing but are in dire need of technical assistance of the sort that the Bank Group is in a position to offer. For instance, a technical assistance project of $2.75 million was made to Oman to help it in the problems of institution development, data collecting, planning, project preparation and on-the-job training. The Bank has also provided to Saudi Arabia technical assistance.

It is interesting to note that, the Bank was able to increase remarkably its borrowings from the Arab oil exporting countries. It has borrowed KD25 million ($84.4 million) from Kuwait, LD300 million ($101.3 million) from Libya and DH300 million ($76 million) from Abu Dhabi. In addition arrangements have been

TABLE –1–

BANK AND IDA TO CURRENT BORROWERS BY GEOGRAPHICAL AREAS

	Annual Average 1964-68		Annual Average 1969-73		1972		1973		1974	
Area	$m	%	$m	%	$m	%	$m	%	$m	%
Eastern Africa	70.3	7.1	214.0	8.3	214.0	7.2	341.9	10	408.4	9.5
Western Africa	59.6	6.1	177.5	6.9	223.3	7.6	176.6	5.1	281.7	6.5
North Africa & M E	70.0	7.1	299.9	11.7	365.8	12.4	523.2	15.4	821.5	19.0
Northern Europe	17.5	1.8	35.3	1.4	28.0	0.2	45.0	1.4	42.0	1.0
Southern Europe	90.1	9.2	270.8	10.6	335.3	11.4	344.3	10.1	475.0	11.0
Asia	366.9	37.2	861 1	33.6	834.7	28.3	1292.1	37.9	1,361.8	31.6
Latin America & the Caribbean	310.4	31.5	706.4	27.5	956.5	32.4	684.9	20.1	923.2	21.4
TOTAL	984.8	100	2565 0	100	2957.6	100	3,408.0	100	4,313.6	100

made to borrow a sum of SR500 million ($140.8 million) from the Saudi Arabian Monetary Agency and 30 million from Oman. It should be noted that the sums raised from Oman and Abu Dhabi are the Bank's first long-term borrowing from these countries.

Overview of Projects Undertaken

Approved Bank loans and IDA credit in fiscal 1974 were mainly to Arab non-oil producing countries. table No.2.

TABLE –2–

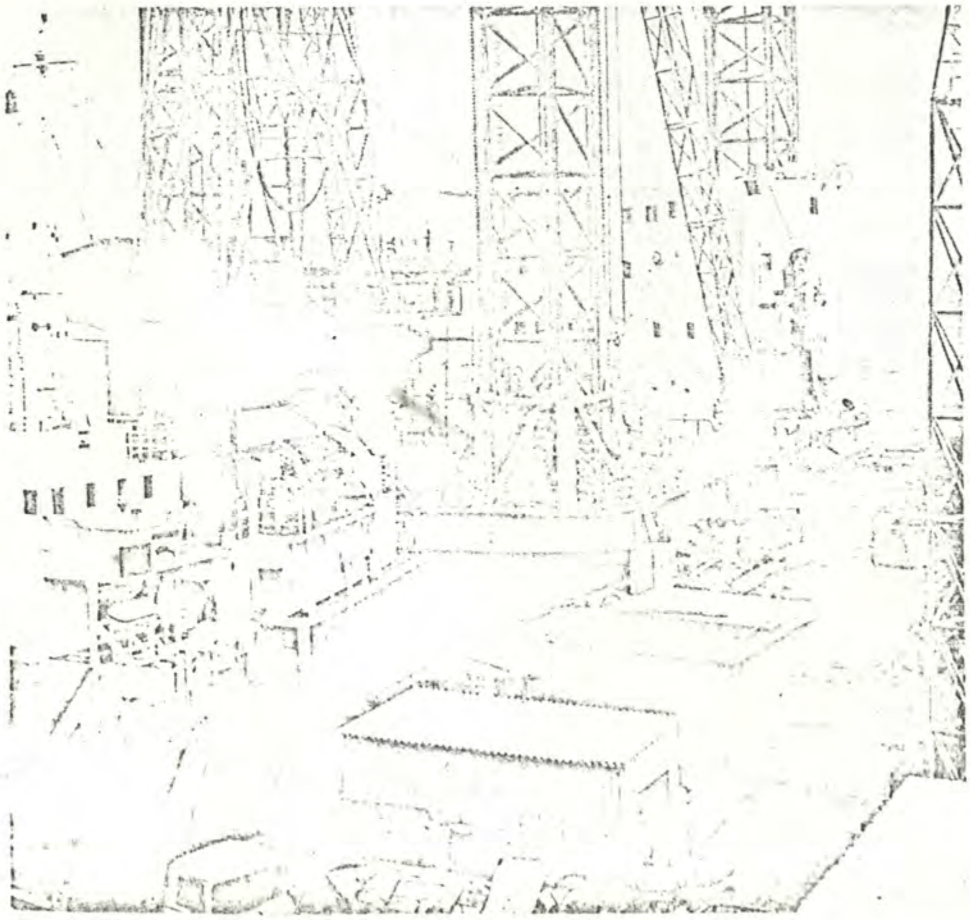
BANK LOANSAND IDA CREDIT TO
ARAB COUNTRIES APPROVED
In 1973/74[1]

	Bank Loans		IDA Credit		Total	
	No.	Amount ($)	No.	Amount ($)	No.	Amount ($)
Algeria	3	157.5	–	–	3	157.5
Egypt	—	–	4	43.9	4	43.9
Morocco	4	136.0	–	–	4	136.0
Oman	2	8.4	–	–	2	8.4
Syria	2	88.0	–	10.0	2	98.0
Tunisia	3	39.6	–	7.0	3	46.6
Yemen Arab Rep.	–	–	3	19.6	3	19.6
Sudan	–	–	3	38.7	3	38.7
Somalia	–	–	1	10.0	1	10.0

(1) All Supplements and amendments are included under "amounts", but only those qualifying as seperate under "number".

IDA approved credit to the value of $10.7 million to stabilize the agricultural sector in Southern Sudan, by rehabilitating peasants and herdsmen and laying foundation for longer term development through self-sufficiency in food.

In Somalia the Trans-Juba Livestock project to be supported with IDA credit of $10 million is to improve the standard of living of small scale herdsmen. The project includes the stablishment of five market centers, water supplies, five veterinary centers and veterinary dispensaries. The project aims to increase cash incomes of about 20.000 nomadic families by about a half and to increase exports of meat.



A state industrial project in the Yemen Arab Republic was supported with $2.3 million by IDA. This is a pilot project "designed to serve as a model of industrial development in a country where the industrialization process has just begun".

A Bank loan of $63 million and IDA credit of $10 million were extended to the Balikh irrigation project in Syria. The project is to help 43.000 people settle into sedentary agriculture and provides for such aspects of rural development as the extension of services, health clinics, schools and control of malaria and bilharzia.

The Tunisian urban development project is supported by a Bank loan of $11 million and an IDA credit of $7 million. The objective of the project is to help draw up a long term plan for the future development of Tunisia and to meet the need for public transport.

These, in addition to a population project in Egypt and an education project in Oman which will tackle the critical need for skilled manpower and for an education system, are the major projects in the Arab world supported by the World Bank and IDA in fiscal year 1974.

FORM No. 155
(1.64)

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE CORPORATION

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Gulf Arabs: More Fortunes Than Degrees

By Jim Hoagland

Washington Post Foreign Service

KUWAIT—"We are not rich," Kuwait's acerbic minister of finance and oil, Abdel Rahman al Atiqi, often tells diplomats who have the poor taste to ask him about the $7 billion this nation of a million people is earning from oil this year. "We just happen to have a lot of money."

For Atiqi, countries like Iraq, Egypt and Sudan are "rich." They can measure wealth in large populations that will give their countries an industrial base, and in large amounts of fertile, uncultivated land that can feed future generations.

The 10 small emirates dotted along the southern curve of the Persian Gulf lack both fertile land and people. They can appear to a visitor to this desolate landscape to be poor in every way except the hoard of money they get in return for draining the lakes of oil that lie beneath their burning sands and shallow coastal waters.

The torrent of money flooding over these mini-nations is producing social and economic mutations as the Gulf Arabs have become wealthy enough to buy any technology they want, and then have to struggle to fit it into their embryonic infrastructures.

Among them are lands with more millionaires than college graduates. They possess the most modern color television networks, which coexist with six-page newspapers that explain that a local personality "is going blind due to lack of sight." Futuristic airports are springing up in desert areas where paved roads are still a recent phenomenon.

This leapfrogging of institutional generations on the back of wealth is shaping a society that resembles one that might be described by H.G. Wells or the scholars of Jorge Luis Borges' imaginery world who "do not seek for the truth or even for verisimilitude, but rather for the astonishing."

To travel across these lands is to be astonished frequently. The modern jetliners that roar off the runway of Dubai's airport throughout the day arch above the wide, clear green waters of Dubai Creek, which twists past skyscrapes rising at a frenetic pace on the desert sand.

Dozens of ships anchored

See GULF, A7, Col. 1

The Washington Post Monday (11/4/74) - Page 2

Fortunes Multiply Along Persian Gulf

GULF, From A1

in the Pesian Gulf wait to unload cargoes of luxury goods at Dubai's clogged port. They appear as white lines on the receding horizon where the water breaks around them.

The plane streaks west, flying over a man-made island 60 miles from Abu Dhabi. An orange flame rises from the blue-green waters and gray smoke curls from the natural gas flare of the off-shore oil well.

Doha, the capital of Qatar and one of the new babylons that are being created around the Arab world by oil money, appears at the edge of arid, barren Thumb-Line Peninsula that two decades ago was inhabited only by thousands of isolated nomads.

A 17-year-old Qatari eager to practice English learned at a three-month course in England this summer points out from the plane the town's hotel. He wants to be a cartoonist, he says, because he has watched Walt Disney movies in one of Qatar's three movie houses.

Chemical engineering or accounting hold no attraction for him. "We can always hire foreigners to do those things," he confides.

The odds are that the aspiring cartoonist will make his way back to England when he is ready for university. There is no university in the nation of Qatar. Nor in Bahrain. Nor Dubai. Nor Abu Dhabi, whose 50,000 citizens are in per capita terms the richest people in the world, theoretically dividing up $5 billion this year.

Kuwait, light years ahead of the small emirates to the south in developing infrastructure, opened its university only in 1966. Educational experts who fear that the small emirates will want universities as prestige symbols ague that it is far more economical for them to send out their 2,000 university students now abroad than to set up fledgling colleges locally.

Qatar. Bahrain and the seven-nation United Arab Emirates, headquartered in Abu Dhabi, have thus far produced about 1,000 college graduates, almost all of them in the past five years. The nine states have a total indigenous population of about 700,000.

The economic booms they are enjoying have brought rising tide of foreign workers and professionals into these lands. Out of a work force of 50,000 in Qatar, 40,000 are Indians, Pakistanis, or foreign Arabs. In Bahrain, nearly 40 per cent of all jobs are held by foreigners. In Abu Dhabi, every second person is a foreigner.

They come from England or France as executives of oil companies or supply concerns, drawing salaries that enable them to rent a large house in Abu Dhabi at the current going rate—$25,000 a year. And they come as laborers, stored into dhows in Iran or Pakistan and making a swift night run to be sumuggled into the sheikhdoms.

Patrol boats from the Abu Dhabi defense force sweep through the Gulf at night, intercepting many of the dhows and taking off the hundreds of would-be illegal immigrants who have put down their life savings for the clandestine journey and a chance at work. Some find ways to remain, but most are tossed back to their countries of origin.

Still others try a more traditional method. A secretary at oneo f Abu Dhabi's 23 banks deals almost daily with letters from Indian clerks who have received "a degree in Higher Typewriting from the University of Kerala" or other exotic qualifications.

The Washington Post

These sheikdoms have come from deep poverty to blazing riches in a decade, and the elite here is often impatient with anything small scale. When Sheikh Zayed, the ruler of Abu Dhabi, mentioned to aides that he wanted a personal aircraft, they scurried around to find him brochures on Lear jets and other executive planes.

He stunned them by returning from a visit to London with two VC-10 commercial jetliners. He has since presented one of the planes to Somalia as a gift.

Zayed reputedly dispenses about $2.5 million each year as pocket money to each of 20 sheikhs in Abu Dhabi's inner circle. One of the younger sheikhs says he owned 35 cars at his last count.

Kismet has added a strong element of competition to the surrealistic scene in the lower Gulf. To Abu Dhabi's Zayed has been given the oil. 1.5 million barrels a day at current production. To Sheikh Rashid, the ruler of Dubai, fate has willed geographic position and acumen.

Dubai's natural port straddles the wide creek that flows into the Persian Gulf, and Rashid's hard-driving business tactics have turned it into the lower gulf's principal trading center. He reluctantly brought Dubai into the United Arab Emirates, certain to be dominated economically and militarily by Abu Dhabi, but has largely gone his own way on things that count to him.

Foreign residents watch the growing rivalry with a mixture of amusement and awe. The building of a modern airport in Dubai assured that Abu Dhabi would have a larger one. The opening of the new deep-water Port Rashid was followed by accelerated work on Port Zayed in Abu Dhabi. A local pastime is betting how much taller Abu Dhabi's clock tower will be than Dubai's most impressive local landmark, which is, of course, a clock tower.

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INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: March 5, 1975

FROM: L. Von Hoffmann

SUBJECT: Brief for your visit to Saudi Arabia and the Gulf Emirates

You are aware that a number of national and multi-national Arab development finance institutions have approached us directly or through their governments seeking assistance and cooperation in various forms, i.e.:

a) in laying down the institutions' policies and procedures;

b) in appraising and financing jointly with them industrial projects in other countries;

c) in making direct investments in projects in their own countries.

This was suggested by the Saudis with the understanding that a funding scheme could be arranged so that the Corporation could be compensated for using part of its limited resources in a capital surplus country.

We have advised those governments that we are presently short of staff to carry our own load and that in order to assign experienced staff to the job of assisting their financial institutions, we should recruit new staff and this could be done if they were ready to lend, in one way or another, long-term financial support to IFC.

It is absolutely necessary for IFC to constantly maintain close relations with these institutions, particularly the newly established ones, so that we can rely on their substantial resources to finance a good number of projects which we have in our pipeline. An immediate example of this is the Jordan Fertilizer Project which requires the mobilization of more than 100 million dollars.

To maintain such good relations IFC should be forthcoming when its advice and assistance are needed. They are fully aware of our limitations and of our unpreparedness to offer anything which we will not be able to deliver. However, IFC should not charge these institutions fees for its services. Instead, it can obtain capital funds, the income of which may cover the cost of our services. This is preferable to billing them for each service.

Saudi Arabia - See my note of February 20 and Mr. Hassan's memo of the same date (attached).

Mr. Abu El Kheil may ask you -

a) whether IFC can operate in Saudi Arabia?

b) whether IFC can provide technical assistance to i) The Arab Investment Company in Riyadh and ii) The Industrial Development Fund of Saudi Arabia?

(I am attaching a note describing briefly each of these two institutions).

I recommend that you express a favorable reaction provided that arrangements for such cooperation could be worked out later with us, on the basis of i) the Saudi's funding any resources we would invest and ii) Saudi Arabia's making a capital contribution to IFC (for example along the lines of the Dutch loan) to support IFC operations in general. Meanwhile an exploratory mission to Saudi Arabia will be sent before the end of this month to identify projects in which IFC might get involved.

Kuwait

a) You are aware that Kuwaiti Government is using its investment companies, mainly Kuwait Foreign Trading, Contracting and Investment Co. (KFTCIC) and Kuwait Investment Company (KIC) to channel loan and aid funds to certain projects in other countries.

We are cooperating with KFTCIC in doing important investments in Brazil (Aracruz, a major pulp and paper project) and Sudan (Sudanese Textile Mills).

Mr. Ateeqi might discuss IFC cooperation with KFTCIC. We have an agreement with KFTCIC to train three young Kuwaitis on financial and technical work. We have already hired one for a fixed term and we might hire the other two next spring.

Mr. Ateeqi may refer to my discussion with him last September. For this purpose I am attaching copies of my letter to him dated October 26, 1974 and his reply of November 21, 1974. We have not pursued discussions with Ateeqi in view of the recent changes in the Cabinet but we intend to do that whenever it is convenient to him.

b) Mr. AlSharekh will possibly mention IFC's technical assistance to Kuwait Industrial Bank (KIB). Mr. Mathew has spent a month in Kuwait advising Mr. AlSharekh and the members of his Board on major policy issues related to interest rates and the KIB statutes. KIB is now authorized to lend to industrial projects outside Kuwait provided a Kuwaiti interest is involved in the equity.

c) Kuwait Property Consortium: This group of real estate companies in Kuwait was formed by the Government to finance housing and construction development projects abroad. We expect to join this group in the development of tourism facilities in Yemen, Syria and Egypt.

Abu Dhabi

You will be asked by the Minister of Finance and Mr. Hassan Zaki whether IFC can collaborate with Abu Dhabi Development Fund in financing private ventures in Africa and Asia; also, whether we can give technical assistance to the United Arab Emirates Development Bank.

(Copy of the letter from that Government in this regard is attached.)

At this point, I recommend that you express your positive reaction to such requests and leave the discussions on the details to us.

Attachments
Cherif Hassan:ad

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: February 20, 1975

FROM: L. von Hoffmann

SUBJECT: Saudi Arabia

Attached is a copy of Mr. Hassan's memo on his recent conversations in Saudi Arabia and Abu Dhabi of which I spoke to you the other day. At this point the most important part is the discussions with Saudi Arabia's Finance Minister which you will find beginning on page two. The question is whether IFC should tell the Saudis that we are willing to make investments in projects in Saudi Arabia on the basis that a) they will fund any resources which we would invest and b) they will make a capital contribution to IFC (substantially following the model of the Dutch loan) to support IFC's operations in general. If you agree in principle I would prepare a detailed response to the Saudis by the time you return at the end of next week. The Saudis will be keen to have your reaction to these thoughts when you visit them.

2/21

Cherif has not discussed specific amounts for the capital contribution but it is our judgment that an amount between $15-25 million may well be feasible. We are also confident that Abu Dhabi would follow any example set by the Saudis.

LvH/mjl

Attachment

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. L. Von Hoffmann

DATE: February 20, 1975

FROM: Cherif Hassan

SUBJECT: IFC's technical assistance and cooperation with investment banks and development institutions in the United Arab Emirates (UAE) and the Kingdom of Saudi Arabia

1) Discussions in Abu Dhabi

The subject was brought up in a meeting I had on February 1 with Mr. Mohamed Habroush, the UAE Finance Minister, and Mr. Hassan Abbas Zaki, Managing Director of the Abu Dhabi Fund for Arab Economic Development.

The Minister enquired whether IFC was willing to assist the newly established UAE Development Bank in setting up its policies and procedures and in the technical appraisal of projects sponsored by private nationals. As for the Abu Dhabi Fund the Minister saw a broader scope for assistance and cooperation with IFC. He believed that a scheme could be worked out by which the Fund can make use of IFC's expertise in the identification and evaluation of profitable private ventures in those African and Asian countries eligible for the Fund's financial assistance.

I said that in anticipation of such an enquiry I had discussed the matter with you in Washington. IFC, as a member of the World Bank Group, should be happy to cooperate with UAE. On the other hand, IFC is a small institution with limited capital and human resources and should, logically, concentrate its efforts on a priority basis in assisting the poorer amongst its developing member countries. However, in view of similar requests from capital surplus countries in the Middle East, we have been giving some thought to how IFC can favorably respond. I then referred to your discussions with Ateeqy last September and to the idea of the multinational Investment Fund which emerged out of these discussions. The Minister seemed to be enthusiastic with the idea and at his request I gave a copy of the draft memorandum dated September 27 (copy attached), to Mr. Zaki. I made it clear that the memorandum was meant to maintain the dialogue with Ateeqy from whom you had recently received a vague reaction and also cautioned that Mr. McNamara might have seen it but had never discussed it.

Mr. Zaki, whom I saw the next day, was very much in favor of the Investment Fund idea. He obviously saw many advantages for his own institution in the proposed scheme which embodied solutions to some of his problems. For example, he was eager to increase the Abu Dhabi Fund's activity in financing private ventures in Africa and Asia. He had no experienced staff and would do better then to rely on IFC's experience. Moreover, he also is saddled with an irrevocable condition in his by-laws (Article 18), which requires that the Abu Dhabi Fund's assets, property and income should be exempt from all taxes and duties in the recipient country. A condition which normally requires time-consuming legislative procedures to be satisfied.

Mr. Zaki said that his Fund was ready to support the Investment Fund idea but with the following provisions :

A) that the Investment Fund should focus on Africa and Asia (Abu Dhabi Fund does not operate in Latin America);

B) that the Government of Saudi Arabia, as the largest capital surplus country and a pioneer in the encouragement of private capital investments, should lend its support.

I said that I was on my way to Saudi Arabia and would sound out the views of the Minister of Finance. In case he would not buy the idea, I wondered whether the door was open for an alternative scheme along the lines of the Netherlands loan to IFC. Mr. Zaki said that he would then be ready to discuss what IFC might suggest but he certainly urged us to continue our cooperation with the Fund until a satisfactory scheme is designed. I am enclosing a copy of H.E. the Minister of Economy and Commerce of Abu Dhabi's letter requesting an IFC mission to review the bank's work and suggest suitable and workable proposals for the bank to render a more useful and efficient service.

2) Discussions in Riyadh

I met twice with the Minister of Finance and Economy, Sheikh Mohamed Abu El Kheil and his assistant, Mr. Abdulaziz Al Rashed.

I explained that my visit was to explore what the Government of Saudi Arabia expected from IFC in the field of technical assistance and cooperation with the Saudi industrial development fund and the multinational Arab Investment Company stationed in Riyadh. Mr. Abdulaziz Al Rashed seemed to have well briefed the Minister on his discussions with you on January 16, 1975, in Washington.

Nevertheless, I was very impressed by the Minister's knowledge of IFC and its investment criteria. He wondered why IFC was not operative in Saudi Arabia which has been since 1966 a member of the Corporation. I said that there has never been a reason for IFC to refrain from investment in Saudi Arabia. In fact, IFC, before 1973 gave positive reaction to enquiries regarding its readiness to consider joining in the financing of projects in Saudi Arabia. I mentioned as examples, the expansion of Dahran Electric Power Company (privately owned), which was presented to us by the late Anwar Ali, the chain of flour mills by Pillsbury, the petrochemical and construction material projects sponsored by international corporations. I said that negotiations with the Saudi authorities on some of these projects were concluded but their sponsors managed to raise funds on more favorable terms from sources other than IFC. After 1973, IFC faced a completely new situation. Some Arab countries (Egypt, Syria, Sudan), in which IFC has not been active, adopted more liberal economic policies and expected IFC to play a catalyst role in the development of joint private ventures. Meanwhile, funds available to IFC for equity investment in the developing countries became very limited. Accordingly, IFC thought it should consult with some surplus capital countries such as Iran on a method which would enable IFC to continue its investment activities there. Moreover, IFC discussed with Kuwait and Abu Dhabi the ways and means of providing technical assistance to the investment institutions there, inspite of its limited human resources.

Our proposal to Iran consisted of an offsetting arrangement, together with some financial compensation to IFC for the efforts and the financial risks it undertakes in making new investments in Iran.

In reply to a question from the Minister, I said that IFC had not received a formal reply from Iran but indications are showing a lack of sufficient interest in the proposal. Instead, we received proposals from Iranian institutions urging IFC to provide its financial and technical views on certain projects on a consultative basis against a fee and this was totally declined by IFC. IFC believed that its judgment on a certain project should be supported by its readiness to risk its own money for it.

The Minister seemed to be very much interested and said that such an attitude should certainly give credibility to IFC's work. He has been contacted by different groups and investment banks which voluntarily offered their technical advice and experience. Saudi Arabia can also solicit the knowledge of international consulting firms. All of which would not be as useful and valuable as getting an impartial advice from IFC supported by its willingness to invest.

The Minister wanted to ascertain that IFC was well equipped to assist in the sound implementation of industrial and semi-industrial ventures included in the country's development plan which relied heavily on the initiative of the private sector. He felt that his Government's policy in this regard to be fully compatible with that of IFC. The Government interferes in the ownership of a project only to fill a gap in the financing but, like IFC, it holds the shares in trust for subsequent sale to private investors.

Meanwhile Saudi Arabia is not in need of our limited resources. The Minister said that should we choose to operate in Saudi Arabia, he would be ready to discuss a refunding scheme which we would present to him. He suggested that we meet the following day to learn more about IFC. He asked a number of questions and I responded positively to most of them. Examples of these questions are:

i) Whether IFC can identify and promote projects?

ii) Whether IFC's experience covers all fields of industries? I said we are knowledgeable of only a limited number of industries.

iii) Whether IFC normally plays a useful role in negotiations with a foreign technical partner?

iv) Whether we can invest and provide assistance to the management of a hotel financing company which the Government has recently established?
I said we are not sufficiently knowledgeable in hotel and tourism projects and that we have had some unhappy experiences in Colombia and Tunis in similar institutions.

The Minister suggested, and I concurred, that we should spend some time with the Government organizations and agencies to familiarize ourselves with the projects under consideration and identify those in which we can be of meaningful assistance.

For a number of considerations I felt that it would be inappropriate to involve the Minister in long discussions regarding the proposed Investment Fund. The most important consideration, in my view, was that the Minister had to give his reaction to a message from Mr. McNamara concerning more vital matters.

However, the Minister enquired what his Government could do to compensate IFC for its efforts and to enable it to play a more active and agressive role in the Arab and Islamic countries.

I said that I presonally expected the Government of Saudi Arabia to set up the example for other surplus capital countries by granting a significant sum to IFC which could help solve the shortage of its equity funds. The Minister said that he read the brief note on the Dutch loan and he would consider the matter. His main concern was whether IFC was willing to operate in his country under an offsetting and a compensatroy scheme.

I promised him that he would receive IFC's formal reply soon, which I personally believed would not be negative.

My suggestion to you is that we should respond to the Minister's request and I am drafting a letter for your signature, on the basis of which we notify the Minister of a project identification mission from IFC, to reach Riyadh no later than mid-March. Once this has been done, I suggest we write to Mr. Hassan Zaki advising him of the outcome of my discussion with Mohamed Abu El Kheil.

Annex

SAUDI INDUSTRIAL DEVELOPMENT FUND (SIDF)

Established in May 1974 with a capital of 500 million Saudi rials (US$150 million equivalent).

Objectives

To support the national industrial development programmes in the Kingdom by:

a) offering interest-free medium and long-term loans to new or existing industiral ventures;

b) offering economic, technical or administrative advice to the industrial ventures in the Kingdom.

Management

The Minister of Finance and National Economy is the Chairman of the Board which consists of five members appointed by the Council of Ministers.

At present, there is no Director General but Mr. Ahmed Saoud El Sayari, the General Manager of Saudi Arabia Public Investment Fund, is expected to assume the managerial responsibilities of SIDF activities.

We are not yet familiar with the activities and the projects which might have been financed by SIDF.

March 4, 1975

Annex

ARAB INVESTMENT COMPANY

Established June 16, 1974 in Riyadh, Saudi Arabia by the following founder governments: Saudi Arabia, Kuwait, Qatar, Sudan, Egypt, Abu Dhabi, Bahrain.

Authorized Share Capital

US$ 200 million, of which US$ 155 million is subscribed and 20% paid.

Objectives

Investment of Arab capital in the development of Arab resources through the implementation of industrial, agricultural, commercial transportation projects and the development of other services projects.

New Shareholders

Syria, Iraq and Jordan are taking the necessary steps to participate in the share capital of the Arab Investment Company.

Management

Chairman of the Board: Mr. Abdulaziz Al-Rashed (Deputy Minister of Finance of Saudi Arabia)

Vice Chairman and Managing Director: Mr. Ebrahim Al-Ebrahim (formerly Assistant Manager of Kuwait Foreign Trading and Contracting (KFTCIC)

Arab Investment Company can operate and invest in the territories of its member countries. It can, however, invest in other countries, subject to the unanimous consent of the Board.

March 4, 1975

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara, President
(through Mr. I. P. M. Cargill)

DATE: February 25, 1975

FROM: Mohamed Nassim Kochman

SUBJECT: Visits to Kuwait, Saudi Arabia,
Qatar and the United Arab Emirates

I visited from February 3rd to February 20th, 1975 Kuwait, Saudi Arabia, Qatar and the United Arab Emirates. As you indicated, during the discussion of my briefing, I restricted myself to the questions of immediate interest to you namely: a) the increase in voting power and subscribed capital for OPEC countries; b) the Third Window lending facility. You also indicated that I should give an "early warning" about our borrowing program for FY1976. One note was prepared on each subject cleared by you. During the last briefing, you made it clear that I should avoid discussing, as previously intended, IDA, co-financing, reporting on financial assistance from oil-exporting countries to developing countries and technical assistance. However, you added that unless I am questioned on those topics I must avoid discussing them. You made an exception for Saudi Arabia where I was supposed to ask, on your behalf, the Minister of State for Financial Affairs and National Economy his general impression on our technical assistance program.

I. KUWAIT

On Wednesday February 8th at 11:30 a.m. I had a very long meeting with H.E. Abdel Rahman Salem Al-Ateeqy, Minister of Finance and Oil. Mr. Abdlatif Al-Hamad, Director General of the Kuwait Fund for Arab Economic Development was present.

I indicated to Minister Al-Ateeqy that I am in Kuwait on my first visit to acquaint myself with local authorities and financial institutions and most of all, to convey to him your views on two very important matters of mutual concern: the increase in voting power and subscribed capital of OPEC members and the "Third Window" lending facility.

At the outset, the Minister said to me that he was very upset by the continuous reference, in all quarters and the international press, to the so-called "oil surplus countries" (terminology he dislikes profoundly) in order to explain all the difficulties of world economy. He was displeased by this kind of unfair treatment given to the oil producing countries. He stated that Kuwait has always cooperated sincerely with others including the World Bank. Kuwait is still prepared to intensify its collaboration with the international organizations and mainly the World Bank provided "the brain washing about the so-called oil surplus countries"is stopped. He made a reference to the first study made by the Bank on oil which he considered not to be "in the right direction" and he actually made the usual representation at that time through Mr. Al-Sharek who was member of the Bank's Board. He came back several times on the words "oil surplus countries" and emphasized that his country needs every cent it receives from oil sales for its long-term development and nobody should forget that their resources are of a non-renewable nature.

He then invited me to put his remarks in the right context and chiefly not to interpret them as a hostile attitude either to the Bank or its management. He wanted me just to know how he feels about the propaganda made about the oil producers. As a matter of fact, he added, I know very well Mr. McNamara and I admire the work he is doing. He reaffirmed his full support to you and the policies you are promoting as Head of the World Bank and he would have soon the opportunity to state it directly to you.

I intervened and said that all his comments are well taken but I would like, before making my presentation of the topics mentioned a while ago, to come back to the Bank study on oil he spoke of and bring, with his permission, a brief clarification. I reminded him that that particular first study was followed by others more documented and Mr. McNamara was very clear on this subject in his speech during the annual meeting in September and his report to the ECOSOC later. Mr. Al-Hamad supported my clarification and went further by mentioning the recent article of Mr. Chenery as illustration of the fair position of the Bank on the whole question of energy.

I then made my presentation of the increase in voting power and subscribed capital for OPEC members and the Third Window.

1. Increase in subscribed capital

At the beginning of the discussion the Minister was slightly tense and was not quite sure that such an exercise would place the OPEC members, in general, and Kuwait, in particular, in a stronger position or enhance their participation in the life of the Organization. I replied that when one goes through the figures which are in the note and others that I quoted the net result of such an increase is not only in the interest of the OPEC members but also the LDCs. I went on adding that this increase in voting power was not symbolic, it will strengthen the hands of the oil producing countries and by way of consequence all the developing countries who will have a better say and a strong status within the Bank and more specifically at the level of the Board. Moreover, I stressed the fact that for such an effective and meaningful role, in the final analysis the price is not that high to OPEC members. It will not cost much to Kuwait,for instance,in terms of paid-in capital,to increase its voting power from the present 0.33% to the proposed 1.66% and referred to the note you cleared. Mr. Al-Hamad intervened and added that this increase corresponded any way to the demands made many times by OPEC members. The Minister then said that he would like to study it further and assess all the implications and that I should know that he approach all this matter in a "constructive way" and will act in the best interest of the cooperation between Kuwait and the Bank. He then turned to Mr. Al-Hamad and asked him to see him later to study this question with the view of positive results.

2. Third Window

The Minister did not put the "Dutch proposal" in its proper context and thought it was quite a different proposal, in every aspect, from what the Kuwaitis had in mind. I indicated to him that he will realize after reading the note that as I stated during my presentation we should look at this new facility as an exercise consisting of two stages. The first stage is the interim scheme to be started on the basis of voluntary contributions to the subsidy and this was suggested by the Dutch delegate. I reminded the Minister that after Mr. Al-Hamad's statement in the Development Committee and the strong interest it produced, the Ministers referred it to the Bank for study and presentation of a proposal later to the Development Committee in June. However, multilateral negotiations of this kind are going to be very lengthy and complex and IDA replenishment successive negotiations, for instance, have demonstrated it. Precisely, the Dutch came in support of the Third Window and suggested that we proceed, as an interim measure, on the basis of voluntary contributions. The Bank management, taking into account the urgency of the catastrophic situation of the poor countries, wished to take advantage of this initiative without any delay and with the view of launching this operation as quickly as possible. Thus, the Dutch initiative is quite in the right direction and should not be construed as a move against "the Kuwaiti proposal". It paves the way rather to the second stage of the scheme when the permanent structures of the Third Window will emerge from negotiations which, I recognized, will be long and difficult. Mr. Al-Hamad intervened in the discussion and confirmed what I said and elaborated abundantly on the details.

After insisting on the interim and urgent character of the voluntary contributions to the Subsidy Fund, I clarified that for the first year the management of the Bank hoped for amounts between 100 and 150 million dollars from 4 or 5 OPEC members including 25 million dollars from Kuwait and 100 million dollars from 4 or 5 OECD members. The Minister immediately noted that much more is demanded from OPEC members. He felt that OECD members should contribute for a larger share. Moreover, he felt that the contribution expected from Kuwait was on the high side. I indicated to him that the contributions I quoted are, to a large extent, illustrative estimates of what we think could be mobilized quickly on a voluntary basis from the OPEC members because of their relative capacity to respond without the delays characterizing the legislative procedures required in some of the OECD countries. We frankly think, I added, that the assumption is that 50%, or maybe more, of the initial voluntary contributions might still come from the OPEC members precisely because many of them can act quickly. Now, when we look at the sharing of contributions between the groups of potential donors, a very important point must be kept in mind: this proportion between OPEC and OECD, at this particular juncture, bears no relation whatsoever to the shares which may later emerge in a negotiated burden-sharing agreement for a permanent third window lending facility. The figure of 25 million dollars expected from Kuwait is indicative. After a short pause, the Minister glanced once more through the note and asked me to clarify what we mean exactly in this note by "additional capital or reserves in amounts adequate to protect it (the Bank) against the risk of Third Window loans".

not re Kuwait's total aid

I would say that the atmosphere was tense at the beginning for reasons certainly unrelated to our meeting but became quickly very cordial and pleasant. In conclusion, Minister Al-Ateeqy said that he views the "Third Window" with sympathy and the more so that Mr. Al-Hamad put forward the proposal in Washington and he himself fully endorses it. He would certainly like this proposal to go through. Their willingness to cooperate fully with the industrialized countries, he added, is unquestionable. He asked Mr. Al-Hamad to initiate the work to be done in the light of the note that I gave him in order that action can be taken, after further elaboration of the proposal, by the new cabinet.

3. Borrowing program

I gave the Minister the short note that was prepared before my departure from Washington and cleared by you. I explained that I do not intend to discuss this matter at this point because Mr. Cargill will do it in the next 3 months. My purpose was mainly to give him an "early warning" about our borrowing program mainly in FY1976. I stated that as in the past, and particularly in FY1975, the Bank will be looking to OPEC members to support its borrowing program. In this program we hope to be able to raise about 300 million dollars in Kuwait. The Minister commented abundantly on past cooperation with the Bank in this field. He added that they are well disposed towards the Bank. However, they will have to study this matter with "precaution" and in the light of their own final figures concerning the level of oil production, revenues, commitments within their aid program and the requirements of their own financial market. He concluded saying that by the time he sees you during your forthcoming visit he will have a clearer idea on the future prospects.

II. SAUDI ARABIA

1. RIYADH

While in Riyadh I met twice with H.E. Mohammed Aba Al-Khail, Minister of State for Financial Affairs and National Economy.

a) First meeting

On Sunday, February 9 at 4:30 p.m. I met with H.E. Mohammed Aba Al-Khail, Minister of State for Financial Affairs and National Economy. H.E. Abdul-Aziz Al-Rashed, Deputy Minister for Financial Affairs and Mr. Ahmed Sani El-Darwish, Assistant Director - Projects Department EMENA, were also present.

I exposed to the Minister the object of my mission and gave him the notes on the increase of subscribed capital, the Third Window and the Borrowing Program.

After listening to my presentation of the proposed increase of subscribed capital he raised few minor points. He asked for clarification on the increase of the authorized capital and the concept of preemptive rights.

I passed to the Third Window. He wanted to know whether this new lending facility is different from IDA and why. He was not clear about the subsidy component of the new facility and noted that the level of voluntary contributions is higher for the OPEC members than the OECD members. Finally he was anxious to know who would manage the Third Window. I undertook to clarify these questions and made again the distinction between the interim scheme and the permanent one adding that the staff of the Bank is preparing a study in view of the meeting of the Development Committee in June.

with OECD giv. 1.5b pa to IDA [illegible]

He then said that he would like to have more time in order to read the notes I gave him and then convey to me his first impressions. He promised to meet with me the following day. I thanked him for receiving me few hours after a long meeting of the Council of Ministers and wished to avail myself of the opportunity of the presence of Mr. El-Darwish to talk about technical assistance. More precisely, I told him that you requested me to have his general impression on the technical assistance activities of the Bank in the Kingdom.

The Minister indicated to me that he has discussed with you a year ago the needs of Saudi Arabia for technical assistance and you both agreed to start a program. He feels that the response of the Bank was rapid and the opinions of the technicians have always been objective. He considers that the collaboration is very good but an expansion of the work of the Bank in the Kingdom is urgent and necessary. He mentioned that the week before he discussed with Deputy Minister Al-Soghair and Mr. El-Darwish the procedures that would then need to be adopted. He is of the opinion that a technical assistance coordination Representative in Riyadh is highly necessary to meet these new circumstances. According to the Minister his role would be to:

(i) help the different departments of government and agencies to specify their requirements;

(ii) transmit these requests to Washington and ask for assistance in the form that is appropriate and

(iii) should circumstances justify it, fly to Washington to discuss such requests alone or together with the key persons in the requesting Departments.

I promised the Minister that I shall relay his request as discussed with Mr. El-Darwish to the President of the Bank. In conclusion, the Minister seems to be very happy with the technical assistance program initiated by the Bank. He repeated several times that they trust the advice given by our staff and the neutrality and objectivity of the Institution. However, there is the feeling, at least the way I sense it, that they wish a substantial expansion of our advisory services without delay. They have a great confidence in the Bank's work and we should capitalize on the kind of enthusiasm they have towards the Bank and its staff.

b) Second meeting

I met with H.E. Minister of State Aba Al-Khail a second time on Monday February 10th at 5:30 p.m. H.E. Abdul Aziz Al-Rashed was present.

The Minister indicated to me that he read the notes and had few comments and clarifications to seek.

- increase of subscribed capital

At the outset, he regarded this increase of the subscribed capital as another form of financial assistance to the Bank through the paid-in capital it implies. He wanted to know which are the OPEC countries that asked for such an increase of the subscribed capital. With this in mind, he commented at length on the policy of the Saudi Government which consisted always in supporting the activities of all international agencies and specially the World Bank and the IMF. He stressed that his country is helping the poor countries in various ways: bilaterally, through international organizations and regional institutions and through the Saudi Development Fund. As a matter of fact their contributions to various Banks and Funds are usually the highest.

He thinks that cooperation between OPEC members - and Saudi Arabia in particular - will not be limited to subscribing in the increase of capital. Saudi Arabia is a shareholder and will cooperate with the Bank in many different ways whether or not it increases its subscribed capital. Having said this he came back to the specific case of Saudi Arabia and indicated that his government would be seriously thinking of increasing its subscribed capital. Now, as far as the whole OPEC group is concerned, a doubling of the voting rights is reasonable but tripling it merits further examination.

how much? can pay (or already [illegible]) over a period 3 or 4 years -

- Third Window

The Minister introduced the same ideas about the aid effort made by the Kingdom and its participation in all sorts of Banks and Funds. In this context, he felt the industrialized countries should contribute more to this new facility. He liked to know who would benefit from the Third Window. I replied that it will essentially be of benefit to the most seriously affected countries and the poor ones. He inquired about the list of countries and wanted to know whether we have the same classification as the IMF or the U.N. Then, he asked whether we have approached Iran or not and what was the reaction I got while in Kuwait.

note IDA IV

I provided him with all the explanations he expected and added that the beauty of this scheme is that with a small contribution to the subsidy Fund it will make it possible to make a large volume of lending. The fact that loans on intermediate terms can be made give a great multiplier to OPEC contributions. Moreover, this is a special occasion to OPEC members to demonstrate their willingness to effect a quick and meaningful transfer of resources to the developing countries through existing institutions. The resources would enable a significant contribution to be made towards meeting the financing needs of the most seriously affected countries and the poorer ones and at the same time this will make it possible to reallocate IDA and IBRD funds to the MSAs and poorest countries. I concurred with the Minister that there are many Banks and Funds that have been created by the OPEC members. Precisely, until such date as these institutions are operational, it seems to me useful to take advantage of the ready availability of existing staff and expertise of organizations as the World Bank. Finally, contribution to the Third Window will draw great publicity and recognition to OPEC members.

The Minister concluded this discussion by stating that their reaction is positive but they will have, however, to analyze the figure of 35 million. He will review both the increase of the subscribed capital and the Third Window and by the time you will visit the Kingdom he hopes to be able to make firm commitments on both subjects.

- Borrowing program

I gave the Minister the note on our borrowing program and explained to him that he will be approached in the near future. He stated that he would not like to comment on the figure of one billion dollars at this stage. He can only promise that in due course they will study our program carefully.

2. JEDDAH

On Tuesday, February 11th at 6:00 p.m., I met with Sheikh Abdul Aziz Alquraishi, Governor of SAMA. Sheikh Khaled Algosaibi, Vice Governor, was also present.

I gave the Governor copies of the notes about the increase of subscribed capital, the Third Window and the Borrowing program.

- increase in subscribed capital

Governor Alquraishi wondered whether a real profit would be gained from such an increase. Would this bring more influence on the decision-making process? The weight of the large shareholders will be still determining in terms of voting power. I indicated to the Governor that it seems to me a great improvement would be achieved if and when the OPEC members support the sort of increase in subscribed capital which would raise their voting power to 15%. I think that the whole exercise is in line with what has been advocated by OPEC members. I added that one should not look at the proposed increase in the voting power of Saudi Arabia - from 0.49% to 2.86% - in an isolated way. Let us concentrate for a moment on the group represented by Mr. Al-Atrash to which Saudi Arabia belongs. There are

5 OPEC members in that group and because of their proposed increase in subscribed capital the voting power of the whole group would go from 3.53% to 7.98%. This is a tremendous jump and puts the group in a very strong position since only the United States and the United Kingdom would have a higher voting power. I did stress the fact that their grouping in the Bank illustrates forcefully the change of situation that could prevail if the OPEC members were in favour of such an increase. Indeed, their group consists of 12 countries out of which 5 are oil exporting countries and by bringing their financial strength to that group they give a different status to the group. At the level of all the LDCs the results are similar because when we add the votes of the oil exporting countries to those of the rest of the LDCs we reach almost 45% of the global voting power. If we keep in mind that there are also some industrialized countries such as the Scandinavians that frequently support the LDCs we can safely say that a serious improvement has been achieved and the Bank obviously has reconsidered the OPEC members position and adjusted to their new circumstances.

The Governor asked me to explain to him why the authorized capital had to be increased and the related question of preemptive rights. He wanted me also to elaborate on the paid-in capital in case of increase of their subscribed capital and the amount of money the Government would have to put in. After my explanations the Governor said that he feels that doubling of the voting power of the OPEC members would be reasonable but tripling it necessitates further study.

- Third Window

The Governor said that he has not received anything from the Bank about the Third Window and he appreciated the presentation that I made on the subject and the note on this subject will make it easy for him to study it thoroughly later. He wished to know, however, the difference between this new facility and the IMF oil facility. Who is going to control and manage this new Fund, what are the criteria of eligibility. I indicated to him that all these matters and others will be dealt with in the study being prepared by the staff of the Bank, and after discussion by the Board,detailed proposals will be put forward for discussion during the meeting of the development committee in June. Then I came back to the interim scheme based upon the voluntary contributions to the subsidy fund and reassured him that this fund will be operated in close consultation with the contributing countries. The Governor wanted to know if the United States and other OECD countries were going to contribute and who has been already approached. I replied that, at this stage, I was personally concentrating my efforts on the OPEC members with whom I am to maintain close liaison. So, I would not like to speculate about the OECD members but I know that Mr. McNamara has just initiated talks on the Third Window with those countries. I added, when you will meet with him during your forthcoming visit to Jeddah you will be in a better position to answer this question.

The beneficiaries of this new facility seemed to interest particularly the Governor. I told him that the facility is really designed to meet the needs of the most affected countries and the poorer ones. He then spoke at length about the importance and the scope of the assistance given so far by the Kingdom to the poor countries and the role assigned to the Saudi Arabian Development Fund. He touched upon joint-financing with the Bank.

Finally he indicated that, at this stage, he can say that he views the Third Window favorably although he has still to learn more about it. In principle, he does not "disagree with this concept", but feels that 35 million dollars as contribution from the Kingdom was on the high side.

- Borrowing program

I gave a copy of the note on this subject to the Governor and made a brief presentation. He indicated that he will take note of the facts and figures and there are certainly many occasions for exchange of views on the borrowing program.

III. QATAR

I did not meet the Minister of Finance and Petroleum because he had left for Vienna the day before to attend the OPEC Conference. However, it is only after his departure that the Ministry was notified that the Conference was postponed.

In Doha, I met with Mr. AbdelKadir Al-Qadi, Director General for financial affairs of the Ministry of Finance and Petroleum, and later, several times with Mr. Madhat Abdul Latif Masood, Director of the Minister's Office and Alternate Governor of the IMF and the Bank for Qatar.

1. Meeting with Mr. Al-Qadi

I met with Mr. Abdel Kadir Al-Qadi on Saturday, February 15th at 9:30 a.m. He said that the Minister regretted very much to have to travel because he was looking forward to this meeting and actually had cabled to me in Washington. I indicated to Mr. Al-Qadi the object of my mission and made a presentation on the three topics. I handed him the notes and told him that they were cleared by you and I would be very grateful to him to give them to the Minister.

- Increase in Subscribed Capital

Mr. Al-Qadi said that in the absence of the Minister it is difficult to offer any official opinion. However, he would like to speak on a purely personal basis. He feels that no matter how we look at this question it has political implications and it is not just an increase of subscribed capital to strengthen the position of the OPEC members. He does not doubt that the management of the Bank is exploring all possibilities to promote cooperation. However, this scheme will result in payment of money to the Bank, thus it is another way of indirect fund raising for the Bank. The resources of Qatar are limited and its income low compared to other countries like Saudi Arabia, Kuwait or Iran. In spite of that, added Mr. Al Qadi, we are helping very much the developing countries by way of loans on soft term and grants. "We consider that this increase in the subscribed capital should be a part of the overall participation in the life of the Bank and not an indirect way of getting only more money". I then clarified many points and told him that we had indication from Mr. Al-Atrash, Executive Director for his country that the Government of Qatar would support an increase in the share capital of OPEC countries to 15% and accepts also the order of magnitude of the individual share of each country. My purpose is to obtain confirmation of the stated intention of the Government. He replied that he did not remember any correspondence to that effect and it is difficult for him to confirm anything in the absence of the Minister.

- Third Window

Mr. Al-Qadi stated that they are always ready to consider proposals oriented towards assistance to other countries. However they have now some serious constraints. He again indicated that he is speaking on his own behalf and cannot commit the Minister who is absent. In the context of their policy of assistance they certainly agree on the principle of setting up a new lending facility such as the Third Window. He concluded that he would have to consult with the Minister on all these issues (increase in subscribed capital and third window). He will try to brief him by phone and particularly about the figures advanced in both cases.

2. Meeting with Mr. Masood

I met with Mr. Madhat Abdul Latif Masood, Director of the Minister's office on Sunday, February 16th at 10:30 a.m.

I essentially treated the same subjects with him.

- increase in subscribed capital

Mr. Masood confirmed to me what was indicated to you by Mr. Al-Atrash. He wanted, however, to know more about the criteria adopted to arrive at the figure retained for Qatar and the impact of the increase for the OPEC members on the rest of the LDCs. I explained to him how we have proceeded at this stage of the exercise and made it clear that the increase in the voting power of OPEC members will be made in such a way as it would have minimum effect on the voting power and representation of the other developing countries. This is our objective and it is of course conditional to the outcome of further discussions and negotiations to be undertaken in due course.

- Third Window

It was stated by Mr. Masood that in principle they agree on the third window lending facility. However, even if we are talking of an interim scheme with voluntary contribution it would be desirable to know the basis for fixing the amount of the individual contributions. It is very important to clarify this question because the yardstick of financial strength is not that clear to him. The OPEC members have different level of oil production different reserves and specific commitments within their respective aid programs. Moreover, he was eager to learn about the position of Saudi Arabia and Iran and their respective contributions. He said that he did not anticipate that 15 million dollars would be expected from Qatar since there are 13 OPEC members and a quick look at the figures has prompted him to anticipate a lower figure. He does not have anything against the whole scheme and he hopes that the Minister will be in a position before your arrival to Doha to form a final opinion.

He then said that he does not want to miss this occasion to confess that, although they have always been very cooperative with the Bank, they have not yet received any tangible assistance from the Bank. He attended the annual meeting in Washington and his delegation had discussions with the officials of the Bank. They expect the Bank to help them in providing technical assistance but so far nothing has happened. I replied that to my knowledge the Bank has always been prepared to assist them and mainly in the field of development policy where Qatar might benefit substantially from our technical and advisory services. I made reference to some letters that were sent to the Minister of Finance and Petroleum and particularly to a letter from Mr. Wapenhans dated September 5th 1974. I assured him that the Management of the Bank and the EMENA Region were very anxious to bring their contribution to the difficult task facing the country. The Bank will certainly provide technical assistance in those fields in which we believe we have the expertise required and where the recipient country can make proper and good use of the help provided. Actually, the responsible authorities in the Bank are working hard on a program of technical assistance for the area that will take into consideration our own possibilities and I am sure that Qatar is not forgotten at all.

have they asked for anything

- Borrowing program

I indicated to Mr. Masood what were our immediate preoccupations and left with him copies of the notes including the one concerning our borrowings. He affirmed that Qatar has cooperated with us in the past and will continue. The Minister will have to decide on the figure mentioned in the note. However, he is almost sure that it will be difficult for the Bank to borrow in dollars and their preference would be for a package of currencies equivalent to SDRs.

IV. UNITED ARAB EMIRATES

In Abu Dhabi I met several times with H.E. Mohammed Habroush, Minister of State for financial and industrial affairs and Dr. Hassan Abbas Zaki, Deputy Chairman of the Abu Dhabi Fund for Arab Economic Development.

1. Meeting with the Minister

I met with Minister Habroush on Tuesday, February 18th at 11:00 a.m. After my presentation of the increase in subscribed capital, the Third Window and the borrowing program I handed the notes to him.

- increase of subscribed capital

The Minister stated that he agrees on the principle of such an increase. As a matter of fact he had, in the past, the occasion to indicate to Mr. Cargill that the future cooperation between the Bank and Abu Dhabi will depend on their say in the Bank which should reflect their present position. So, he welcomes this initiative on the part of the Bank which he regards as in the right direction. Agreeing on the principle implies, of course, consultation and further discussion of the figures proposed for the U.A.E. which he is not in a position to do in the absence of the Ruler who has to decide.

- Third Window

The Minister wanted to know the reactions of the countries I have visited so far. He expressed his genuine interest in the Third Window lending facility and added that he will indicate a figure once he consults with other officials and after the matter is brought to the attention of the Ruler. He added that I should bear in mind that they were put in a critical situation by all the Oil Companies who cut down the level of oil output to some 500.000 barrels per day thus contributing to create a dangerous financial situation here. Nobody remembers that only two years ago their reserves were not over 100 million dollars and they have many commitments on two fronts: internally, to develop their industrial basis and to promote social and economic development and, externally, to face the demands of their huge aid program. He stressed the fact that they are certainly the country who gives the largest percentage of their revenues in direct aid for development outside the U.A.E. He mentioned that my visit has taken place at the right time because their demands as far as the Oil Companies are concerned were met - i.e. to bring back the level of oil production to 1,3 million barrels a day - and this clarifies the atmosphere. The Minister added that Mr. Witteven was in Abu Dhabi a few days earlier and no commitments were made mainly because of the "crisis" created by the oil companies and its financial implications. He concluded saying that he does not want to ask any specific questions about the Third Window lending facility, he will analyze the scheme with Dr. Zaki but he wanted me to know they agree on the general idea and by the time you are there they will examine both the increase in subscribed capital and the Third Window with you because they would have already terminated the required consultations.

- Borrowing program

The Minister stated that they have always been predisposed to cooperate with the Bank and the past experience proves it. He will approach this matter of future borrowings with a very open mind. I asked him how should I interpret his earlier reference to Mr. Witteven. Should I relate it to our own preoccupations in the Bank ? He said: "not at all" and indicated that Mr. Witteven arrived to Abu Dhabi at the wrong time because the Ruler was absent and is still in Pakistan since the end of the year, he himself was in London and most of all they were seriously concerned by the attitude of the Oil Companies to the extent that they had already prepared an emergency plan of action in case of no change in the attitude of the oil companies. I learnt from reliable sources that in case of failure of the negotiations with the oil companies the Government was prepared to cut down investments drastically, reduce substantially the aid program and reconsider all the participations and contributions to international organizations.

2. Meeting with Dr. Zaki

On Monday February 17th at 11:15 I had a meeting with Dr. Hassan Abbas Zaki, Vice Chairman of the Abu Dhabi Fund for Arab Economic Development. I discussed in general terms the increase in subscribed capital, the Third Window and the borrowing program because the Minister told me that he has already been in touch with him.

Has he asked [illegible] borrowing + wht kind wht steps to do so

Dr. Zaki was very anxious to establish close working relationship with the Bank. To that effect he feels that the Bank should help him in organizing and restructuring the Fund. He said that they are in an urgent need of training staff and recruiting competent people. He made reference to that effect to a discussion he had with Mr. Upper from the Bank to whom he indicated this need for recruiting competent staff, possibly on secondment from the Bank.

He went on explaining to me the policy of the Fund and elaborating on their operations in other countries. Obviously he wants to develop with the Bank group a program of joint financing of projects. He mentioned that he had an interesting meeting with Mr. Cherif Hassan to explore the best ways of collaboration with IFC.

I exposed to him our approach concerning joint or parallel financing and your own frequent statements on this question and what we have done so far. He asked me to send him feasibility studies or appraisal reports on projects in Malaysia, Pakistan, Sri Lanka, India and Bangladesh. He added that the Fund is also prepared to join in projects in Africa where they have sent a mission to explore all possibilities. I left with him a list of projects in Asia and Africa which are in the pipeline and promised him that I would convey to the management all the views he has expressed. He asked me also to convey to you the desire of the Government to create a money market in Abu Dhabi and whether the Bank could give help in this particular field.

. . . .

CONCLUSION

In the context of my discussions in the four countries visited I can state that the officials I met with have reacted on both topics - increase in capital subscription and Third Window - in a very encouraging way. However, their final positions depend upon the consultations they have initiated on the basis of the notes I left with them reflecting the present thinking of the management and the discussions they wish to have with you during your forthcoming visit.

With hindsight, I feel that all the officials visited had, deep in their mind, the unity and the solidarity that should prevail among OPEC members. From their questions and reactions one could sense easily that they expected all the other OPEC members to be approached in order to avoid any misinterpretation of their determination to keep their Organization as strong and united as possible.

On the increase in subscribed capital they wanted more specific information on the criteria adopted to determine the voting power of the OPEC members and assurances that such an increase will not take place at the expense of the other developing countries.

On the third window there was sympathetic response and support in general. However, the officials visited wished to have more details on the scheme and particularly on how it will be operated and the countries which will benefit from it. As stated before, there was expression of opinion that the voluntary contributions (Kuwait: 25 million, Saudi Arabia: 35 million, Qatar: 15 million and UAE: 20 million dollars) seem to be on the high side and they wish to know more about the guiding principles for determining the amount of individual contributions. Moreover, they hope that the OECD members will participate and contribute to the subsidy fund and that we should not expect OPEC members to bear an excessive burden.

At this point, in order to avoid any possible ill-feeling or misinterpretation of our initiatives, we should contact as soon as possible those OPEC members which are not yet aware of the discussions initiated with the four countries I visited. For the success of the scheme they should be convinced to endorse the interim phase and contribute to the subsidy fund even token amounts for some of them. At the same time, we need to be in a position to give some kind of indication on the present thinking of several OECD members to those OPEC members already approached and the others as well.

MNKochman:gwh

cc: Messrs. Knapp
Benjenk
Shoaib
Stern
Wappenhans
Paijmans
El Darwish
El Fishawy