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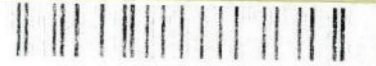
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Loan Committee: Kuwait - General

The World Bank Group  
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1058944

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Kuwait - General - Loan Committee Project File

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WBG Archives

# OFFICE MEMORANDUM

DATE February 11, 1986

TO Mr. Ernest Stern, Senior Vice President, Operations

FROM Willi A. Wapenhans, Vice President, EMENA Region  
Wg

EXTENSION 3-2476

SUBJECT Kuwait - Technical Cooperation Agreement

OK  
ej  
2/15/86

1. Please find attached, for your approval and subsequent presentation to the Board on a no-objection basis, a draft President's Memorandum, and Work Program pertaining to technical cooperation requested by Kuwait. Also attached is a draft Technical Cooperation Agreement relating thereto. For your information, we have received Kuwait's approval of the draft Agreement and the Work Program.

2. Please give any comments you may have on the attached documents to Mr. Isik Erim, extension 3-2482.

## Attachments

Cleared with and cc: Messrs. Stoutjesdijk, Sciolli, Zaidan, El Maaroufi, Abu-Akeel

cc: Mr. El-Rifai (o/r)

  
IErim:pah

## OFFICE MEMORANDUM

1. SP  
2. SP  
Country file

DATE: February 9, 1983  
TO: Files  
FROM: Chassan El-Rifai, Division Chief, EM2D  
EXTENSION: 32480  
SUBJECT: Mr. Clausen's Visit to Kuwait

DECLASSIFIED

MAR 04 2022

WBG ARCHIVES

1. Mr. Clausen arrived in Kuwait on January 16. Messrs. El-Naggar, Findakly and El-Rifai accompanied him in his visit. Mr. Clausen met with His Highness Sheikh Jaber Al-Ahmad Al-Sabah, Amir of Kuwait and His Excellency Abdel Latif Al-Hamad, Minister of Finance and Planning. He also paid courtesy visits to the Kuwait and Arab Funds. A list of the people met is shown in the attached annex.

Meeting with His Highness the Amir

2. The meeting with the Amir was very courteous. The Amir expressed his concern about the deteriorating international economic order and asked how can the Bank assist in alleviating the impact of this deteriorating situation. Mr. Clausen agreed that these were indeed difficult times. He added that this deteriorating economic situation is adversely affecting all countries rich and poor. Mr. Clausen explained that the Bank is doing its utmost to assist poor developing countries in tackling the complex economic issues that are facing them. Mr. Clausen informed the Amir that the Bank has increased the number of its Resident Missions in these countries to enhance the preparation and implementation of projects and to sharpen the economic and operational dialogue, increased its structural adjustment lending to deal with short-term economic and financial imbalances and furthermore; it has formed a number of consultative groups to jointly address and possibly resolve economic development issues in many of these countries. Other matters related to economic development in general were discussed, in particular those in countries of special interest to Kuwait. The Amir concluded by saying that he appreciates the Bank's important role in tackling issues related to economic development in developing countries. The Amir indicated that the Government of Kuwait will continue to support the World Bank in its difficult task.

Meeting with the Minister of Finance

3. An array of subjects of general nature were discussed during this meeting. During the discussions, Mr. Al-Hamad voiced his concern regarding the lack of support and commitment on the part of the US towards development aid. Mr. Al-Hamad felt that such an attitude was not at all conducive to the international effort towards economic development.

4. Regarding increased support from the US for international aid, Mr. Al-Hamad indicated that the Bank should focus on educating the grass roots in the US--the general public--as well as lobbying in developing countries and with Bank's friends in developed countries to persuade the US

to change their outlook vis-a-vis international development aid. Mr. Clausen replied that the Bank is lobbying hard with both the US Administration and the Congress to mobilize support for international aid.

5. IDA VII. Mr. Clausen indicated that in order to maintain the same level of IDA VI in real terms, the size of IDA VII should be in the magnitude of about 14 billion SDR, not taking into consideration China or the need for increased lending in Sub-Saharan Africa. Mr. Clausen said that in view of the difficult economic situation facing the poorest of the poor we have to make every effort possible to maintain at least, if not more, the same level, in real terms, of IDA VI. Mr. Al-Hamad indicated that Kuwait can live with any figure that the Bank would propose. However, their position would depend on the attitude of the US and other industrialized countries vis-a-vis IDA.

6. Capital Subscription. Mr. Clausen asked Mr. Al-Hamad if Kuwait can expedite the release of the local currency part of their capital subscription. Mr. Al-Hamad said that they will be glad to do it and asked the Bank to write them as quickly as possible on the details.

7. CGIAR. Mr. Clausen said that although it is still a young institution, CGIAR has already been quite successful in stimulating increased agricultural production in many developing countries. Mr. Clausen asked if Kuwait would consider joining CGIAR as a donor member. Mr. Al-Hamad indicated that they will positively consider this request.

8. Sudan. Mr. Clausen asked Mr. Al-Hamad's views on the economic situation in Sudan. Mr. Al-Hamad indicated that the economic situation in Sudan is deteriorating quickly and that their Economic Management needs some discipline. Mr. Al-Hamad further said that unless Economic Management in Sudan improves, Kuwait will not be ready to provide additional assistance.

9. Mr. Al-Hamad concluded the meeting by wishing Mr. Clausen every success and indicated that he considered Mr. Clausen a personal and valued friend and that the Government of Kuwait will continue to support the Bank in its efforts for enhancing economic and social development in the developing World.

#### Economic Work

10. In a separate meeting, I discussed with Mr. Al-Hamad the present economic situation in Kuwait and the impact of the recent Souk Al-Manakh crisis on the Kuwaiti economy. We discussed the possibility of the Bank carrying out a review of the current economic situation and future prospects in Kuwait. Mr. Al-Hamad indicated that he would welcome a Bank economic mission to visit Kuwait to carry out such a study. He mentioned that an appropriate time would be in October/November 1983 or in early 1984. I informed Mr. Al-Hamad that we will be happy to accommodate this and we will be writing to him shortly on this subject. Given Mr. Al-Hamad's negative position on some of the Bank's work in Kuwait in the past, this is a welcome development that we have carefully nurtured the way for during the past two years. We should, therefore, seize this opportunity to take great care in carrying out this requested study.

Meeting with the Kuwait Fund

11. This was a courtesy meeting where aspects of cooperation between the Kuwait Fund and the Bank were discussed. Mr. Al-Khaled, Director General, said that the Kuwait Fund had travelled a long way with the Bank. He added that the two institutions have been candid with each other and that they should make the best of what they do together, especially at the level of the working staff. Mr. Al-Khaled reiterated that in some occasions, there was some high-handed approach by Bank staff members towards their colleagues in the Kuwait Fund. He commented, however, that the overall working relationship has drastically improved and that they look forward to further strengthening it.

12. Mr. Clausen said that while there could be some unfortunate situations from time to time, he is quite pleased that the relationship has improved and that there is now an awareness amongst Bank staff of the need to cooperate with the Kuwait Fund and other institutions for the interest of the developing World.

13. EDI. Mr. Clausen said that the EDI, at the request of the Arab Funds during his last visit, established special courses for staff of these Funds. He stated that it was unfortunate that the Kuwait Fund did not send any of their staff to this course. Mr. Al-Khaled replied that the Kuwait Fund is interested in the EDI special courses and that the reason for not sending anyone to the last course was because of the shortage of the Kuwait Fund staff and not lack of interest.

14. General. On the subject of the international recession, Mr. Clausen probed with Mr. Al-Khaled the idea of an export promotion fund. Mr. Clausen said that such a mechanism could be productive and useful and will help in overcoming the acute economic problems resulting from the present recession. He said that loans under such a mechanism would be quick disbursing and would help promote international trade. Mr. Al-Khaled said that he was quite pleased to hear this from Mr. Clausen. He said that in days like these flexibility and creativity should be the name of the game. Mr. Al-Khaled said that such an idea should be vigorously pursued and would appreciate being informed on any progress on this subject.

Meeting with the Arab Fund

15. This again was a courtesy meeting where general matters related to economic development were discussed. Dr. Imady, Director General, expressed his appreciation for the excellent cooperation that the Arab Fund receives from the Bank. He said that the Arab Fund will continue to develop this productive relationship. Dr. Imady added that a substantial part of the Fund's operations are carried out jointly with the Bank.

16. Mr. Clausen thanked Dr. Imady for his kind gesture. He added that the Bank is very happy to see an increased level of cooperation and coordination between the Arab Fund and the Bank. Mr. Clausen confirmed that the relationship with the Arab Fund is a solid one and that it is the Bank's intention to build up on it.

17. Syria. Mr. Clausen asked Dr. Imady if the Arab Fund and the Bank can do some joint projects in Syria. Dr. Imady said that the previous Management of the Bank tried hard but the Syrian Government was always reluctant to approach the Bank for financing because of the Bank's inflexibility on some issues. In addition, Dr. Imady said the Syrian Government feels that the Bank's money is too expensive for them. Dr. Imady noted that the Arab Fund is now processing two projects in Syria, a Damascus Electricity Project and a Damascus Sewerage Project. He said that the Bank is welcome to join the Fund in these two operations if the Syrian Government were interested.

18. IFC. Dr. Imady recognized that IFC's efforts in Syria did not achieve any tangible results. He added that he would be happy to help out and that IFC would be welcome to look into investments in Syria provided they were serious on this matter.

19. Dr. Imady concluded by confirming the Arab Fund's continuous support to and cooperation with the Bank in its efforts to promote economic development in the Arab World.

GERifai:cs

Attachment

cc: Mr. Clausen

cc: Messrs. Stern (SVPOP), Qureshi (SVPFI), Chauffournier (EMNVP), Benjenk (VPE), Wapenhans (EANVP), Parmar (CAEVP), Bart (EM2), Farrar (CGIAR), Findakly (INV), Southworth (EXC)

Mr. Clausen's Visit to Kuwait

List of Officials Met

- His Highness Sheikh Jaber Al-Ahmad Al-Sabah, Amir of Kuwait
- His Excellency Abdel Latif Al-Hamad, Minister of Finance and Planning
- Mr. Faisal Al-Khaled, Director General of the Kuwait Fund for Arab Economic Development
- Dr. Mohamad Imady, Director General and Chairman of the Board of Directors, Arab Fund for Economic and Social Development
- Mr. Bader Al-Humaidhi, Deputy Director General, Operations and Finance, Kuwait Fund for Arab Economic Development
- Mr. Abdul Wahab Al-Bader, Director of Operations, Kuwait Fund for Arab Economic Development
- Mr. Abdul Aziz Al-Bader, Director, Minister of Finance's Office
- Dr. Nasrat Fadda, Director of Operations, Arab Fund for Economic and Social Development
- Other key Government, Kuwait Fund and Arab Fund officials



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara  
(through Mr. Ernest Stern, Vice President, Operations)  
DATE: September 21, 1978

FROM: Munir P. Benjenk, Vice President, EMENA Region

SUBJECT: KUWAIT - Technical Assistance

1. Attached for your approval is a copy of the draft President's memorandum to the Executive Directors on the above subject, together with a draft Memorandum of Understanding between the State of Kuwait and the World Bank on technical cooperation. I propose that the aforementioned documents be distributed to the Executive Directors for their consideration on a "no objection basis" as was the case for the technical assistance agreement with the Kingdom of Saudi Arabia.

2. The technical cooperation program as envisaged consists of the preparation, within the Ministry of Planning, of a set of overall economic and sectoral long-term development strategies. To this end, the Bank would cooperate by making available its in-house expertise to the extent feasible and by assisting the Government in its recruitment of outside specialized experts. The program for FY79 would require the commitment of up to 5.8 operational man-years of Bank professional staff resources, including sub-contracted specialist services and a resident core team. The incremental cost of the program, i.e., the identifiable increases in the administrative increases of all parts of the Bank are presently estimated at about \$965,000. The Bank would be reimbursed for the full incremental costs of the program.

3. We have earlier informed you of the current status of discussions between the State of Kuwait and the Bank and of the Government's approval of the Memorandum of Understanding. We have also provided you with a draft of the Memorandum of Understanding and an aide-memoire on these discussions.

4. This memorandum, and the attached documents, have been cleared by the departments concerned.

## Attachments

Cleared with and cc: Messrs. Paijmans, Scott, Kinawy

cc: Messrs. Knox, El Darwish, Serageldin (o/r), Hablutzel, Kanaan

GEL-Rifai:mh

DRAFT

September 21, 1978

MEMORANDUM OF UNDERSTANDING

ON

TECHNICAL COOPERATION

BETWEEN THE

STATE OF KUWAIT

AND

THE WORLD BANK

MEMORANDUM OF UNDERSTANDING

on

TECHNICAL COOPERATION

The Government of the State of Kuwait (the Government), wishes to avail itself of the technical cooperation of the International Bank for Reconstruction and Development (the Bank) in those fields of economic and social development which the Government considers to have the highest national priority and which fall within the specific competence and expertise of the Bank. The Government and the Bank have agreed to establish regular procedures to achieve this purpose and to provide for the necessary administrative and financial arrangements as set out below.

Section 1. (a) The Government and the Bank shall, at the beginning of the second semester of each fiscal year (July 1 to June 30) of the Bank, review, through their representatives, the programs, studies or other projects relating to the development of the economic and human resources of the State of Kuwait for which the Government wishes to obtain from the Bank technical or other advisory services normally provided by the Bank in the course of its operations and for which the Bank would be able, within the scope of its competence and with the expertise and other resources available to it, to provide such services to the Government in the following fiscal year.

(b) On the basis of this review, the Government and the Bank shall establish by mutual agreement, before the beginning of each fiscal year, an annual program of technical cooperation, and related administrative budget, specifying for such fiscal year:

- (i) the various programs, studies or other projects to be undertaken or continued during such year for which technical or other advisory services are expected to be rendered by the Bank to the Government;
- (ii) the estimated overall staffing requirements of the Bank for such services; and
- (iii) the rates at which the cost of such assistance shall be reimbursed by the Government to the Bank.

(c) In establishing their annual program and administrative budget the Government and the Bank shall take into due consideration the technical and other advisory services which may be available to the Government from the United Nations Development Programme (UNDP), the other Specialized Agencies of the United Nations and other international or national sources.

Section 2. The Government and the Bank shall in the course of each fiscal year exchange views from time to time on the progress of the annual program and administrative budget for that year and may by mutual agreement introduce such modifications in the program, and related administrative budget, as they shall deem to be desirable.

Section 3. (a) Within the scope and budgetary allocation of each annual program referred to in Section 1, the services of the Bank required to carry out each such program shall normally be provided by the Bank in accordance with Project Terms of Reference to be agreed upon between the Government and the Bank in respect of each particular activity.

(b) Each Project Terms of Reference to be agreed upon pursuant to paragraph (a) above shall set forth:

- (i) the objectives, description and estimated duration of a particular activity;
- (ii) the methods by which the Bank's services shall be provided and the Bank staff's requirements for the activity;
- (iii) the counterpart or support staff and the facilities to be provided by the Government, at its own cost, for the activity; and
- (iv) appropriate procedures for the exchange of information and views on the progress of the activity.

(c) The Bank staff assigned to any particular activity hereunder shall, in the conduct of their activities, be responsible to, and under the sole direction of the Bank. For the purpose of this Memorandum of Understanding, the staff of the Bank shall include staff of another Specialized Agency of the United Nations assigned by the Bank to any activity hereunder pursuant to a formal cooperative program or similar informal administrative arrangements between the Bank and such Specialized Agency, or other specialized expertise recruited by the Bank, either individually or institutionally, to supplement the Bank's permanent in-house expertise for the execution of the mutually agreed technical cooperation program.

Section 4. In special circumstances, the Bank may, within the scope and budgetary allocation of the annual programs referred to in Section 1, and under arrangements to be agreed upon in each case between the Government and the Bank:

- (i) second, at the request of the Government, individual staff members of the Bank to the Government;
- (ii) direct and supervise on behalf of and for the account of the Government, a complex study requiring the use of outside consultants or other entities.

Section 5. (a) The Government shall make arrangements to enable the Bank to be promptly reimbursed for the cost of such services at the rates calculated in accordance with paragraph (b) and specified in said annual program. The Bank will present a statement of services actually rendered by it in each quarter of each fiscal year in accordance with the annual program and administrative budget for such year.

(b) The rates at which the services rendered by the Bank shall be reimbursed shall be calculated in accordance with the Bank's normal budgeting procedures and agreed upon between the Government and the Bank to cover the full incremental cost to the Bank of the services to be rendered.

(c) The Bank shall keep appropriate records of the services rendered in accordance with its normal practices and shall furnish to the Government such information thereon as the Government shall reasonably request.

Section 6. The Government shall accord to the staff members of the Bank and its consultants who shall be assigned to any activity under this Memorandum of Understanding, the status, privileges and immunities provided for Bank officials in the Articles of Agreement of the Bank.

Section 7. The Government shall hold the Bank and its staff harmless from any claims of any party against the Bank or its staff arising from any action, advice or omission of the Bank, its staff or its external consultants in the provision of services under this agreement except where resulting from willfull misconduct of its staff or consultants.

Section 8. The Government designates the Minister of Planning or such other official as it shall from time to time notify to the Bank as the official channel of communications for all matters arising under this Memorandum of Understanding and as the official who shall be authorized in the name and on behalf of the Government to enter into agreement on the annual program and administrative budget. The Bank designates the Director of the Europe, Middle East and North Africa Projects Department, or such other official as it shall from time to time notify to the Government, to act in such capacity on behalf of the Bank.

Section 9. (a) The Bank, in carrying out the services under this Memorandum of Understanding shall use the same care and diligence as it uses in its other operations. If, at any time the Bank in consultation with the Government shall determine that for any reason it is unlikely that the services called for in any Project Terms of Reference can be successfully completed or can be carried out in accordance with the usual standards and practices which are applied by the Bank in its operations, the Bank may, by notice to the Government suspend the provision of such services and, unless the Government and the Bank shall otherwise agree, the Bank shall be relieved of any further responsibility for the carrying out of such services 30 days after the date of such notice.

(b) If at any time the Government shall decide that any specific service to be provided by the Bank under the Project Terms of Reference shall not be provided in whole or in part, the Government may notify the Bank and no such specified service shall, after receipt of notification, be carried out by or on behalf of the Bank. The Government shall reimburse the Bank for expenses incurred by the Bank in the preparation for or in conjunction with provision of the said specific service.

Section 10. The understandings reached in this Memorandum shall remain in force and effect until six months after the date on which either party shall have notified the other of its intention to terminate this arrangement. Upon receipt of such notice, the Parties shall take all appropriate steps to terminate in an orderly fashion the activities then ongoing and to settle promptly all outstanding financial matters.

Washington, D. C., \_\_\_\_\_, 1978

On Behalf of:

The Government of the State of Kuwait: \_\_\_\_\_

The International Bank for Reconstruction & Development: \_\_\_\_\_



FROM: The President

KUWAIT - TECHNICAL COOPERATION

1. This memorandum recommends that the Executive Directors approve a "Memorandum of Understanding on Technical Cooperation," which sets out the basis for a program of technical cooperation between the Government of Kuwait and the Bank. The technical cooperation program as envisaged consists of the preparation, within the Ministry of Planning, of a set of overall economic and sectoral long-term development strategies. To this end, the Bank would cooperate by making available its in-house expertise to the extent feasible and by assisting the Government in the recruitment of outside specialized experts. The Bank would be reimbursed for the full incremental costs of the program.

Background

2. The Government of the State of Kuwait has made, in the past, several requests for technical assistance to which the Bank responded positively. These included studies on the industrial sector and on some of the government subsidies, as well as the release of Bank staff to the Kuwait Fund for Arab Economic Development (KFAED) and the Industrial Bank of Kuwait.

3. These requests were made sporadically and were not part of a coherent framework for technical assistance. The amount of assistance provided, other than staff released for employment in Kuwait, never exceeded one man-year per year and, therefore, in accordance with Bank guidelines, its cost was not reimbursed by the Government.

4. In December 1977, an advisor to the newly-established Ministry of Planning visited the Bank, and informally investigated the possibility of Bank technical assistance to that Ministry in the broad area of economic development planning. The Bank responded positively but the discussions were kept on a very informal basis.

5. In March 1978, the Ministry of Planning officially requested the Bank for "advisory assistance in the form of a high-level resident team of experts to:

- (a) prepare in-depth studies of the problems of further development of the major economic and social services in the State of Kuwait; and

- (b) prepare flexible and fully integrated long-range activities and policies for each of the major fields of activity in the economic and social sectors of the State of Kuwait,

so as to enable the Government of Kuwait to achieve the goals and objectives of a modern productive and progressive society." Two high-ranking ministry officials subsequently visited the Bank in May/June 1978 and worked closely with Bank staff to draw up a draft work program. Since the work envisaged would substantially exceed one man-year and would, therefore, have to be reimbursed, it was deemed useful for the Bank and the Government to enter into a formal technical cooperation agreement in the form of a Memorandum of Understanding similar to that which exists between the Kingdom of Saudi Arabia and the Bank (draft Memorandum of Understanding is attached). In August 1978, the Ministry of Planning informed the Bank of the Government's approval of both the draft Memorandum of Understanding and the work program.

6. The State of Kuwait has had a Planning Board (the predecessor of the Ministry of Planning) for some time; however, economic programming was carried out through annual budgets rather than a medium-term plan. The newly-established Ministry of Planning had produced a draft five-year plan covering the period 1976/77-1980/81, but it was not formally implemented. Officials of the Ministry of Planning, however, feel that the country at the present time is in need of broad guidelines in the form of flexible but consistent sectoral strategies that would guide the economy's further overall development, and it is for this reason that the Government has now approached the Bank for assistance.

#### Memorandum of Understanding

7. The draft Memorandum of Understanding prescribes the broad guidelines under which Bank assistance would be provided; it is sufficiently flexible to accommodate changes from time to time in the work program agreed with the Ministry of Planning, and additional assistance in other areas that might be requested by the Government in the future. The principal features of the draft Memorandum of Understanding are:

- (i) an annual review of the technical cooperation program at the beginning of the second semester of each fiscal year;
- (ii) based on this review, the establishment of an Annual Budget before the beginning of the next Bank fiscal year;
- (iii) the preparation of Project Terms of Reference to be agreed upon for each new activity to be covered by the Annual Budget, describing the objectives, duration, and form of technical cooperation envisaged; and
- (iv) reimbursement to the Bank for the full incremental cost of its services on the basis of a quarterly statement of services rendered.

Areas of Technical Cooperation

8. In FY79 the technical cooperation activities would consist of services to the Ministry of Planning in the form of a team that would (a) establish a perspective framework for analyzing Kuwait's macro-economic development options, (b) propose sectoral development strategies, and (c) design policy measures to achieve the various strategy objectives.

9. To execute these tasks, it is envisaged to set up a core team comprising a team leader and his deputy, both taking up residence in Kuwait for a period of approximately 18 months. This core team would be responsible for the overall macro-economic perspective framework and for the coordination and review of the work to be undertaken by sectoral teams and missions who would visit Kuwait for periods of shorter duration.

10. The Bank would directly assist the Government in establishing the core team, through secondment either of headquarters staff or staff recruited by the Bank on a fixed-term basis on behalf of the Government. The Bank would also directly carry out the work necessary in the areas of Manpower and Education. The Bank would also provide for supervision of the work done by specialized consulting firms in industry, productive services, housing and public administration.

Budget

11. The Program for FY79 would require the commitment of up to 5.8 operational man-years of Bank professional staff resources, including sub-contracted specialist services and the resident core team. The incremental cost of the program (i.e., the identifiable increases in the administrative expenses of all parts of the Bank), presently estimated at about \$965,000, would be fully reimbursed by the Government of Kuwait. The Government has agreed to reimburse the Bank upon presentation of quarterly statements for incremental expenses incurred, and has approved the draft budget.

Recommendation

12. I recommend that, in the absence of any objection (which should be communicated to the Secretary or the Deputy Secretary by close of business on October , 1978), the attached draft Memorandum of Understanding on Technical Cooperation be deemed approved, and so recorded in the Minutes of a subsequent meeting of the Executive Directors.

13. Upon approval by the Executive Directors, the Memorandum of Understanding on Technical Cooperation in English and Arabic will be signed.

Robert S. McNamara  
President

## OFFICE MEMORANDUM

*Kuwait  
p. 2*

TO: Files

DATE: March 13, 1974

FROM: Richard A. Cambridge, <sup>MRC</sup> Personal Assistant to the  
Senior Vice PresidentSUBJECT: Operational Vice Presidents' Meeting, March 11, 1974

Present: Messrs. Knapp (Chairman), Alter, Baum, Bell, de la Renaudiere, Wapenhans, Weiner, Dosik, Wiehen and Cambridge.

IMF Oil Facility

1. Mr. Knapp reported on the state of discussions in the IMF regarding its proposed Oil Facility.

Regional Banks Meeting

2. Mr. Knapp informed the Vice Presidents that the Bank has been invited to a meeting of the Regional Development Banks (Asian Development Bank, African Development Bank and the Inter-American Development Bank), on March 12 at the IDB in Washington. The purpose of the meeting was to coordinate the efforts of all the Banks in obtaining funds from the oil-producing countries.

Energy Conference

3. Mr. Knapp also informed the Vice Presidents that both the Bank and the Fund have been invited to send observers to the next meeting of the follow-up Coordinating Committee of senior officials which grew out of the Washington Energy Conference. This meeting will be in Brussels on March 14 and the Bank would be represented by Mr. Stern. Mr. Knapp drew the attention of the Vice Presidents to two specific items on the proposed agenda, one calling for the Bank to give a larger role to the oil-producing countries in the administration of the Bank's affairs, and one suggesting the advance repayment of outstanding loans by the Bank to the oil-producing countries.

Iran

4. Mr. Knapp reported that Messrs. Aldewereld, Rotberg and Nurick arrived in Tehran today to begin negotiations on a US\$200 million loan from Iran to the Bank. He indicated that in the longer run the amount of the Bank's borrowing in Iran would be related to the extent of the Bank's lending program there. He said that the Bank would continue to lend to Iran, with no radical shortening of terms, and would begin to move away from the traditional forms of financing into new sectors such as agriculture and education. Mr. Knapp stressed that the Bank's strategy towards Iran would be that of borrowing a base of about US\$200 million a year plus an amount to cover any new loan commitments made that year. With reference to the Shah of Iran's proposals for a 'Special' Fund, Mr. Knapp said that the Bank was still awaiting official reactions from the Arab oil-producing countries.

Kuwait

5. In the same vein, Mr. Bell noted that he was still awaiting some reaction from the Kuwait Government on the list of projects the Bank submitted to them. Mr. Bell explained that the list was provided because the Government of Kuwait had indicated it was interested in working with the Bank in East and West Africa.

Venezuela

6. Mr. Knapp reported that the Bank would be borrowing US\$27 million from Venezuela at 7-1/2 percent. Mr. Alter suggested that the Bank begin discussion with the Venezuelans on joint and parallel financing of projects in Latin America. Mr. Wapenhans noted that the Venezuelan proposal for an OPEC Bank was still on the agenda of the OPEC meeting scheduled for the end of March.

Monthly Operational Summary

7. Mr. Knapp noted that the monthly operational summary had come to be regarded as a very informative document, but that its circulation and use outside the Bank had been limited due to its classification which had ranged over time from "confidential" and "restricted" to "not for public use". Mr. Knapp pointed out, however, that several Executive Directors had begun the practice of excerpting information from the document and utilizing it outside the Bank. Mr. Knapp said that, after discussion with Mr. McNamara, it was decided that the document should be declassified.

Appraisal/Issues--Decision Process

8. Mr. Baum reflected that at a Board meeting, in response to a question concerning the need to speed up the appraisal process, he outlined two procedures that could be of help: (1) increased use of the loan officer on appraisal missions and (2) early decisions on the Issues Papers. Mr. Baum said that he had been informed by some Vice Presidents that due to budgetary constraints the use of loan officers on appraisal missions was somewhat limited. One Vice President pointed out that the problem in his Region (in addition to the budget constraints) was the small number of officers vis-a-vis the number of projects.

9. As regards the Issues-Decision Process, Mr. Knapp reminded the Vice Presidents of his March 7 memorandum to them, in which he urged them to remind staff to issue decision memoranda promptly and to keep Issues Papers and Decision Memoranda as short and succinct as possible, as outlined in the "Guidelines on the Issue/Decision Process" which were distributed last July.

Next Meeting

10. The next meeting will be held on Monday, March 18, in Conference Room E1208 immediately following the President's Council meeting.

Cleared with Mr. Knapp

cc: Participants

Messrs. Chadenet, Gabriel and Mrs. Boskey

RACambridge:mep

August 17, 1972

Mr. A. A. Al-Turki  
Assistant Secretary-General  
Organization of Arab Petroleum  
Exporting Countries  
P.O. Box 20501  
Kuwait

Dear Mr. Al-Turki:

Many thanks for your letter of June 26, 1972 to Mr. Pollan. I regret the delay in replying, occasioned by Mr. Pollan's absence on leave.

I presume that by requesting the Bank to initiate studies on the proposed Finance Corporation, you are referring in the first instance to a market flow study, i.e. an assessment of the number and extent of project possibilities. This would necessarily precede a subsequent, more comprehensive study, on the feasibility of the corporation itself. I believe this point was emphasized by Mr. El-Emary during the London meeting in May, 1971.

We agree that it would not be easy to assess at this stage, with any degree of certainty the number or extent of the projects which the proposed Finance Corporation might be able to finance. Yet, such preparatory work is necessary, we feel, in order to proceed sensibly with the formation of any finance corporation, particularly one of the character proposed. What is sought at this stage - in order to provide a basis for more concrete thinking on such matters as the resource endowment, capital structure, organization and staffing of the proposed corporation - is some plausible idea, prepared systematically, regarding project possibilities, their volume and timing. We realize of course, that forecasts of this nature are subject to numerous imponderables but these do not invalidate the need to prepare projections at this stage estimating the demand for finance the corporation may be expected to face.

We believe that the information on the basis of which judgements will have to be made about the likely flow of business in the first few years should be assembled by a consulting firm. We understand some work on these lines has been done for you by a consulting firm, on a possible tanker fleet. Perhaps other projects may be in the offing on which data might exist, such as the ship-repair yard, petroleum services, and other petroleum oriented possibilities you have previously mentioned. As Mr. Benjenk wrote in his letter of April 7, 1971, we would be ready to assist in preparing a market flow study on the basis of information available to you, or data which you might develop concerning likely business flow in the first few years. We would be happy to give our comments when this work has been done.

The subsequent full feasibility should reflect OAPEC's own thinking. If it would be difficult for OAPEC to do such work itself, you might consider subcontracting a specialist firm or institution. In either event, we would be prepared to assist in drawing up terms of reference for the feasibility study, and try to assist you locate qualified consultants. Furthermore, we could recurrently review work progress with you, as well as eventually review the feasibility studies' findings.

When all the necessary studies - i.e., the market flow study and eventually the comprehensive feasibility study - are completed, demonstrating a sound basis for the proposed corporation, and should OAPEC then decide to form that institution, we would be happy to collaborate in preparing statutes, policies organizational framework and other related matters.

We would of course be glad to discuss these matters further. Mr. Pollan returns at the end of August and it might be better to arrange any meeting subsequently. Please let us know your thoughts on the above suggestions.

Yours sincerely,

Jacques Coudol  
Development Finance Companies

JCoudol/dm

cleared with and cc: Messrs. Cope, Da Costa, Gordon  
cc: Messrs. Davar (o/r), Pollan (o/r), Diamond/Gustafson