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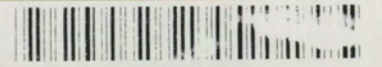
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IDA VI Replenishment - Correspondence 06

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WBG Archives

## THE WORLD BANK

ROUTING SLIP		DATE:
		June 19, 1981
NAME		ROOM NO.
Mr. Robert S. McNamara		E-1227
06/19		
APPROPRIATE DISPOSITION	NOTE AND RETURN	
APPROVAL	NOTE AND SEND ON	
CLEARANCE	PER OUR CONVERSATION	
COMMENT	PER YOUR REQUEST	
FOR ACTION	PREPARE REPLY	
<input checked="" type="checkbox"/> INFORMATION	RECOMMENDATION	
INITIAL	SIGNATURE	
NOTE AND FILE	URGENT	
REMARKS:		
FROM:	ROOM NO.:	EXTENSION:
John E. Merriam	E-826	72468

718/4/32

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NOV 30 2012

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Memorandum of Conversation

Panetta (Dem. - California)  
Chairman of the Reconciliation Subcommittee of the House Budget Committee

In a telephone conversation this morning, I asked Leon specifically the following questions:

1. If IDA is excluded from the reconciliation process, i.e. from the Bill currently being processed through the House for FY82, will there be room later for IDA in the Budget?

Panetta said "Yes" there would be. "It depends on the targets given the appropriations committees." Function 150 of the House Budget Resolution provides room for IDA (so does the Senate Bill). Panetta said, "You have an open field if you can get an authorization passed."

2. If an IDA authorization is passed, would the Appropriations Committee have to take away money from programs already covered by the reconciliation process in order for IDA money to be appropriated?

Panetta said "No", there is room for these programs since the reconciliation targets "don't impact on individual programs". There is a general target, Panetta said, which should permit IDA to be covered.

3. Does the Chairman of the Appropriations Committee have the ability to move money as between different functions, i.e., as between the subcommittees?

Panetta said, specifically, that the Chairman does not have the ability to do that. But what Mr. Whitten likes to do is to leave the Defense appropriation to the end of the year. This Bill is much larger than the budget limitation, but no-one on the Floor would dare stop it.

4. Is IDA, as an authorization, being included in the House Reconciliation Bill?

Panetta said, "No, St. Germaine has backed off because he found he couldn't get additional 'savings'. The CBO has said 'No', since there was a zero baseline for IDA." What Panetta was saying was that the low figures St. Germaine had proposed for IDA would not be regarded as cuts below the authorization figures. At this point, there is no longer an option of moving the authorization via the reconciliation process.

5. What is the chance of the Administration moving a Foreign Aid Authorization Bill through the House Floor?

Panetta said Floor action would be extremely difficult, particularly since the President would have difficulty moving "the young clones" in the Republican Party who pay more attention to NCPAC and the conservative organizations than to the President. Panetta said, "They have spent so much time talking about foreign aid that it's very difficult for them to turn around. For the President to get the Bill through, he would have to make calls and bring them down to the White House."

John E. Merriam  
June 19, 1981

cc: Mr. Robert S. McNamara  
Mr. Moeen A. Qureshi  
Mr. Munir P. Benjenk  
Mr. Eugene H. Rotberg  
Mr. Peter Riddleberger

# Alternative IDA II Financing Programs

I Non-US Donors at Speed Upon <sup>Absolute levels</sup>  
 US at "Realistic" Level a)

	<u>Negotiated</u>		<u>Renegotiated</u>	
	<u>amt</u>	<u>2</u>	<u>amt</u>	<u>2</u>
Non-US	\$8,760	73	8,760	80
US	3,440	27	2,450	20
<b>Total</b>	<b>12,200</b>	<b>100</b>	<b>11,010</b>	<b>100</b>
Profit Transfer	400		800	
Amount for Lending	<u>12,400</u>		<u>11,800</u>	
81	3,400		3,400	
82	4,100		4,100	
83	<u>4,900</u>		<u>4,300</u>	
	<u>12,400</u>		<u>11,800</u>	

Offset the 600 on shortfall by substitution of 11800 lending for IDA of blend countries. Increase the FY 83 IBRD program by that amount by "drawing forward" from future years!

[Joe, please draw up several other "alternatives"]

a) Assume Reagan's requests for 1st two installments are cut 10% (i.e. 485 on line 7540 + 765 on line 7850), and that the 3rd installment comes through at 7,800 on line 7. The requested 1450 -- a total of 4450, 7027 The commitment 7348.

78 19/31

## OFFICE MEMORANDUM

CONFIDENTIAL

TO: Mr. Robert S. McNamara  
 Through: Mr. Moeen A. Qureshi  
 FROM: Joe Wood  
 SUBJECT: IDA6 Commitment Authority

DATE: June 5, 1981

**DECLASSIFIED****NOV 30 2012****WBG ARCHIVES**

1. You asked us to examine various alternatives for financing the existing IDA lending program for the IDA6 period in the event of a reduction in donor contributions.

2. The note attached (Annex 1) reviews possible sources of additional commitment authority that could serve to offset such a reduction.

3. Annex 2 is a table which presents several alternative means of financing the FY81-83 lending program at the level currently planned. The alternatives can be divided into three groups: the first group (Alternatives I to III) analyzes the additional resources needed if the United States' contribution is \$2,250 million (the "realistic" level 1/); the second group (Alternatives IV to VIII) assumes the US contribution at the IDA5 level of \$2,400 million and the third group (Alternatives IX to XII) looks at the additional resources needed if the US contribution is kept at the IDA5 level and a renegotiation takes place under current exchange rates. 2/ Within the groups, the alternatives differ in the actions assumed to be taken by non-US donors and the sources from which additional funds are assumed to be provided.

1/ This level was derived by applying a 10% reduction to the FY81 and FY82 appropriations of \$1,390 million and a reduction of \$850 million from the FY83 appropriation of \$1,850 million.

2/ The rates used in this exercise were those prevailing on May 22, 1981.

## Attachments

cc: Mr. Rotberg

PDeSantis/PVApplegarth:eok

06/08

IDA COMMITMENT AUTHORITY

Potential Sources of Funds

Were IDA to face a severe shortfall in donor contributions, the Association's commitment authority for FY81-83 could be preserved at the level currently planned (SDR 9460 million) by the use of some or all of the potential sources of additional funds listed below:

Transfers from IBRD income

Current plans assume that the IBRD would transfer \$275 million (exclusive of transfers to CGIAR and other programs) in FY81-83. As may be recalled from the Expanded Lending/Means of Financing analysis, retention of a significant portion of future earnings as a cost free resource is important to the IBRD's future financial position. Transfers significantly higher than \$275 million would therefore be likely to raise questions (especially by the Germans) about the prudence of the Bank's reserve position. This concern could in theory be met by aiming for a higher level of net income in the future, though that would be an extremely unpalatable step to take in today's environment of high and rising nominal interest rates.

In the context of the energy affiliate discussions, IBRD transfers of up to \$500 million over a five year period had been contemplated at one stage. If the transfers were made to IDA instead, and done over three years, <sup>1/</sup> the total amount transferred in FY81-83 could be increased to about \$800 million.

Receivable from IBRD

The amount due IDA, representing the cumulative transfers from IBRD net income, currently stands at \$817 million. A one time transfer of this amount to IDA, for purpose of generating income from its investment, would provide IDA with an additional \$200 million

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<sup>1/</sup> Making the transfer over three years instead of five would have only minimal effect on IBRD's long-term financial position.



during FY82-83 (assuming a return in investments of 12% per annum). <sup>2/</sup> Such a transfer would of course reduce IBRD net income by the same amount. This step differs from the increase in IBRD transfer in that each incremental dollar of IDA commitment authority is backed by a dollar of current income. (With IBRD transfer the actual cash is not transferred until several years after the commitment, because of the "Bank-last" provisions.)

#### Repayments from IDA Credits

Precommitting against FY84-87 repayments during the IDA6 period would provide the Association with additional commitment authority as follows:

\$174 million - if IDA "pre-commits" FY84-85 repayments  
\$292 million - if IDA "pre-commits" FY84-86 repayments  
\$432 million - if IDA "pre-commits" FY84-87 repayments

A decision to precommit repayments raises two possible problems. The first relates to the ability of IDA borrowers to make such repayments. Doubts would almost certainly be expressed about the prudence of basing IDA commitments on the assumption that future repayments will be received. Secondly, precommitting repayments will mean they are no longer available as a measure of protection in two areas where they were in the past -- exchange losses and IDA deficits. Future repayments have been regarded as giving IDA flexibility to make up for any difference which might arise between its resources and its disbursement obligations due to exchange rate changes. Exchange losses now total \$600 million for IDA5, which are offset by a \$200 million gain in IDA4, leaving a net shortfall of \$400 million in total IDA resources. In addition, there is the question of IDA deficits, which are more serious now than before. Objections could well be raised to precommitting part of IDA's future cash flow when IDA does not have sufficient resources on hand to meet its share of administrative expenses.

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<sup>2/</sup> The usefulness of this option depends upon steps being taken to eliminate IDA's deficit (e.g., through changes in the service charge). Otherwise, the incremental income would largely serve to offset currently projected deficits.

### Cancellations

Cancellations of credits have been very small in the past and have contributed only marginally to IDA commitment authority. In the IDA5 commitment period, credits cancelled totalled about \$61 million or \$20 million per year. In the first year of IDA6, cancellations have risen to \$49 million. This figure includes cancellations of two credits for Chad which account for about \$20 million.

In order to get a more precise indication of the volume of future cancellations that would generate additional commitment authority, the Regions could be asked to review existing credits for possible cancellation. Credits eligible for cancellation might include credits on which no disbursements have been made - for example, three credits signed in FY79 are not yet effective - as well as projects which have been completed leaving undisbursed balances.

For purposes of this exercise, it has been assumed that \$100 million will be available from cancellations in the FY81-83 period.

### Releases from Part II countries

As of March 31, 1981, there remain \$255 million in the 90% portion of Part II member subscriptions which have not been released. Of this amount, it may be feasible to release about \$110 million. As Attachment I indicates, if all high and middle income countries released their subscriptions, IDA's commitment authority would be increased by about \$80 million. In the \$346-680 per capita income group category, an additional \$31 million in commitment authority could be provided by releases from Nigeria (\$3.6 million), Thailand (\$3.9 million), Philippines (\$6.4 million), Zambia (\$3.2 million) and Indonesia (\$14.2 million).

### Shift IDA program to IBRD

The analysis carried out a few months ago in relation to an IDA "constrained" program indicated that it would be possible to shift \$1,100 million from the FY82 and FY83 IDA programs to IBRD as follows:

		(\$ million)	
		<u>FY82</u>	<u>FY83</u>
Harden Blend:	India	200	300
	Others	100	100
Graduate Egypt		<u>200</u>	<u>200</u>
		500	600

A part of this shift - that related to Egypt - has already been incorporated in regional lending programs, although there has been no corresponding reduction in the planned IDA commitments for FY82-83.

No attempt has been made in this exercise to re-assess the potential for shifts from IDA to IBRD. The problems are well known: borrower resistance; concerns about the quality of the IBRD portfolio; limits on additions to the IBRD program. Purely as a notional illustration, the previous figure of \$1.1 billion has been used in the attached alternative financing plans.

#### Additional Grant Participation

In the past, Norway and the Netherlands have made additional contributions to IDA in the form of grant participation. These totalled \$22 million in IDA4 and \$46 million in IDA5. In the event donors feel it necessary to cut back their direct IDA6 contributions in accordance with the burden sharing provisions of the Replenishment Agreement, some donors might be willing to maintain their contributions at the originally planned level through grant participation. For example, Alternative 3 in the table attached indicates that the resource deficit might be \$1,425 million after additional funding is received from sources other than donor contributions. This could be financed through grant participation from the following donors:

<u>Donors</u>	<u>\$ million equivalent a/</u>			<u>Assumed % of Reduction given as Grant Participation</u>	<u>Grant Participation</u>
	<u>IDA6 Negotiated Contribution</u>	<u>Contribution Assumed in Alternative III</u>	<u>Reduction</u>		
Scandinavian countries	720	500	220	100%	220
Netherlands	360	250	110	100%	110
France	646	449	197	100%	197
Japan	1758	1221	537	50%	269
Germany	1500	1042	458	50%	229
Other DAC b/	984	683	301	100%	301
Arab OPEC	669	465	204	100%	204
<b>Total</b>					<b>1530</b>

a/ At October 5, 1979 exchange rates.

b/ Australia, Austria, Belgium, Italy and New Zealand.

Attachment

Unreleased Portion of Part II Countries 90% Portion  
of initial subscriptions, total additional subscriptions  
and supplementary contributions

Income Group	1979 GNP per capita	\$ million equivalent a/	Income Group	1979 GNP per capita	\$ million equivalent a/
High	<u>Over \$1405</u>		Low	<u>\$346-680</u>	
	Saudi Arabia	4.4		Nigeria	3.6
	Libya	1.3		Papua New Guinea	1.1
	Greece	.8		Swaziland	.4
	Gabon	.6		Congo	.6
	Trinidad & Tobago	1.6		Grenada	.1
	Oman	.4		Philippines	6.4
	Cyprus	1.0		Thailand	3.9
	Iraq	1.0		Guyana	1.0
	Argentina	23.5		Cameroon	1.2
	Chile	4.4		Bolivia	1.4
	Fiji	.7		Honduras	.4
	Mexico	6.7		Yemen, A.R.	.6
	Algeria	5.2		Yemen, P.D.R.	1.5
	Korea	<u>1.4</u>		Zambia	3.2
	Total	53.0		Liberia	1.0
				Egypt	6.5
				Senegal	2.2
Middle	<u>\$681-1405</u>			Ghana	3.0
	Turkey	7.3		Indonesia	14.2
	Malaysia	3.3		Kenya	2.1
	Tunisia	1.9		Sudan	1.2
	Syria, A.R.	1.2		Sao Tome & Principe	.1
	Ivory Coast	1.3		Western Samoa	<u>.1</u>
	Paraguay	.4		Total	55.8
	Mauritius	1.1			
	Guatemala	.5			
	Colombia	4.5			
	Dominican Republic	.5			
	Morocco	4.6			
	Peru	2.1			
	Botswana	.2			
	Lebanon	<u>.6</u>			
	Total	29.5			
Total from countries in the categories above		138.3			

Memo Item: "Large" unreleased subscriptions from countries in the "below \$346" category:

China	39.1
India	32.1
Pakistan	<u>13.1</u>
Total	84.3

a/ Figures represent status as of 6/30/80.

## ALTERNATIVE MEANS OF FINANCING IDA LENDING PROGRAM

## US AT "REALISTIC" LEVEL

	US AT "REALISTIC" LEVEL						US AT IDA5 LEVEL										
	As Negotiated		I Non-US donors unchanged, with IBRD lending		II Non-US donors unchanged, without IBRD lending		III Non-US donors scaled back, with IBRD lending		IV Non-US donors unchanged		V Non-US donors scaled back, with IBRD lending		VI Non-US donors scaled back, without precommitting repayments		VII Non-US donors scaled back, no increase in transfers		
	\$ million	SDR million	%	\$ million	%	\$ million	%	\$ million	%	\$ million	%	\$ million	%	\$ million	%		
<b>Resources Available for Lending</b>																	
Donor Contributions																	
United States	3240	2472	27.0	2250	20.4	2250	20.4	2250	27.0	2400	21.5	2400	27.0	2400	27.0	2400	27.0
Japan	1758	1341	14.7	1758	16.0	1758	16.0	1221	14.7	1758	15.8	1302	14.7	1302	14.7	1302	14.7
Germany	1500	1144	12.5	1500	13.6	1500	13.6	1042	12.5	1500	13.4	1111	12.5	1111	12.5	1111	12.5
United Kingdom	1212	925	10.1	1212	11.0	1212	11.0	842	10.1	1212	10.9	898	10.1	898	10.1	898	10.1
France	646	492	5.4	646	5.9	646	5.9	449	5.4	646	5.8	479	5.4	479	5.4	479	5.4
Canada	516	394	4.3	516	4.7	516	4.7	358	4.3	516	4.6	382	4.3	382	4.3	382	4.3
Other OECD	2150	1639	17.9	2150	19.5	2150	19.5	1493	17.9	2150	19.3	1593	17.9	1593	17.9	1593	17.9
Subtotal OECD	11022	8407	91.9	10032	91.1	10032	91.1	7655	91.9	10182	91.3	8165	91.9	8165	91.9	8165	91.9
OPEC	689	526	5.7	689	6.3	689	6.3	478	5.7	689	6.2	510	5.7	510	5.7	510	5.7
Others and Unallocated	289 1/	221 1/	2.4	289	2.6	289	2.6	200	2.4	289	2.6	214	2.4	214	2.4	214	2.4
Total Donor Contributions	12000	9154	100.0	11010	100.0	11010	100.0	8333	100.0	11160	100.0	8889	100.0	8889	100.0	8889	100.0
<b>Other Sources of Commitment Authority</b>																	
IBRD Transfers or "Due IDA" Repayments	265	203		275		775 *		775 *		450 *		775 *		775 *		275	
Cancellations	135	103		135		566 2/*		567 2/*		135		567 2/*		135		567 2/*	*
Part II Releases	-	-		49 3/		49 3/		100 4/		100 4/		49 3/		100 4/		100 4/	*
IBRD Lending (Graduation & Hardened Blends)	-	-		-		-		100 *		100 *		-		100 *		100 *	*
Total Other Sources	400	306		1390		1390		2642		1240		2491		2210		2142	
Grant Participations & Other Contributions Needed	-	-		-		-		1425 5/		-		1020 6/		1301 7/		1369 8/	
TOTAL IDA COMMITMENT AUTHORITY	12400	9460		12400		12400		12400		12400		12400		12400		12400	

## US AT IDA5 LEVEL (con't)

## RENEGOTIATION AT PRESENT EXCHANGE RATES

	VIII US at IDA5 level, other donors same shares as in IDA6		IX US at IDA5 level, other IDA6 contributions reduced pro-rata preserve \$ program		X US at IDA5 level, other IDA6 contributions reduced pro-rata preserve SDR program		XI US at IDA5 level, other donors same contributions as in IDA6 preserve \$ program		XII US at IDA5 level, other donors same contributions as in IDA6 preserve SDR program	
	\$ million	%	\$ million	%	SDR million	%	\$ million	%	SDR million	%
	<b>Resources Available for Lending</b>									
Donor Contributions										
United States	2400	27.0	2400	29.5	2048	29.5	2400	23.3	2048	23.3
Japan	1302	14.7	1312	16.1	1118	16.1	1769	17.1	1509	17.2
Germany	1111	12.5	995	12.2	847	12.2	1341	13.0	1144	13.0
United Kingdom	898	10.1	847	10.4	722	10.4	1148	11.1	980	11.1
France	479	5.4	350	4.3	298	4.3	478	4.6	408	4.6
Canada	382	4.3	375	4.6	319	4.6	501	4.9	428	4.9
Other OECD	1593	17.9	1272	15.6	1084	15.6	1711	16.6	1468	16.7
Subtotal OECD	8165	91.9	7551	92.7	6436	92.7	9348	90.6	7985	90.8
OPEC	510	5.7	505	6.2	430	6.2	691	6.7	583	6.6
Others and Unallocated	214	2.4	90	1.1	76	1.1	279	2.7	228	2.6
Total Donor Contributions	8889	100.0	8146	100.0	6942	100.0	10318	100.0	8796	100.0
<b>Other Sources of Commitment Authority</b>										
IBRD Transfers or "Due IDA" Repayments	Can Be Financed		775 *		661 *		315		235	
Cancellations	as in any of the		567 2/*		484 2/ 9/ *		567 2/*		429 9/ 12/ *	
Part II Releases			100 4/		85 4/		100 4/		-	
IBRD Lending (Graduation & Hardened Blends)			100 *		85 *		-		-	
Total Other Sources	Cases V, VI or VII		1100 *		939 *		1100		664	
Grant Participations & Other Contributions Needed			1612 10/		264 11/		-		-	
TOTAL IDA COMMITMENT AUTHORITY			12400		9460 13/		12400		9460 13/	

- \* Policy change required.  
1/ Includes the unallocated portion of \$161 million (SDR 123 million).  
2/ Precommit FY84-87 repayments.  
3/ Actual cancellations to date.  
4/ \$49 million in FY81 + \$25 million each in FY82-83.  
5/ Requires \$1425 million grant participation out of \$3667 million cutback.  
6/ Requires \$1020 million grant participation out of \$3111 million cutback.  
7/ Requires \$1301 million grant participation out of \$3111 million cutback.  
8/ Requires \$1369 million grant participation out of \$3111 million cutback.  
9/ FY81-83 repayments of \$135 million equal SDR 115 million at the exchange rate of 5/22/81.  
10/ Requires \$1612 million grant participation out of \$3854 million cutback.  
11/ Requires SDR 264 million grant participation out of SDR 2212 million cutback.  
12/ Equals precommitting \$513 million, slightly below the level of FY84-87 repayments.  
13/ Planned IDA commitments in SDR at exchange rates prevailing at time of negotiation.

## OFFICE MEMORANDUM

718 14/30

639

TO: Mr. Robert S. McNamara  
 Through: Mr. Moeen A. Qureshi *MAQ*  
 FROM: Joe Wood *JW*

DATE: May 8, 1981

SUBJECT: Cost of IBRD Loans Relative to Commercial Credit

1. This is the third of three notes on the cost of borrowing from the IBRD. The first compared the effective (terms adjusted) lending rates of the IBRD, AsDB and IDB. The second corrected these effective lending rates for differences in the currency composition of borrowings. The first two notes concluded that the IBRD is at least as attractive to borrowers as the regional banks and the EIB considering nominal lending rates, terms and currencies. The question remains whether the IBRD is pricing itself out of the market by comparison with commercial lenders.

05/16

2. Most commercial loans to developing countries are at floating interest rates, usually LIBOR plus a fixed spread. In 1980, for example, fixed-rate bond issues by IBRD borrowers totaled less than \$1 billion, while variable-rate eurocurrency credits totaled over \$26 billion. The problem of comparing the IBRD with commercial lenders is one of comparing fixed-rate loans with variable-rate loans.

3. One way to make this comparison is to price the IBRD's currency pool at the variable rates currently prevailing in commercial markets. This has been done in Table 1.

Table 1: Commercial Rates on IBRD Pool Currencies

	<u>Pool Weight</u>	<u>Commercial Variable Rate a/</u>
US\$	34%	16.4%
Pound	26%	14.0%
Y	4%	09.4%
SwF	17%	09.2%
Other	<u>19%</u>	<u>14.0%</u>
Average	100%	13.8%

a/ LIBOR plus 150 basis points (figures are for six month maturities as of March 1981.)

4. While the weighted average, 13.8% is higher than the Bank's current fixed 9.6% lending rate or even the 10.6% to which the Bank may move in July, a borrowing country's perception of this differential will obviously depend on how it expects interest rates to behave in the future. Most borrowers are likely to anticipate a decline in rates, from present levels, but we have no way of judging whether the decline they expect would be sufficient to render fixed rate IBRD loans a less attractive option than commercial financing. It would seem reasonable, however, to expect that some higher income borrowers (i.e., those facing relatively low spreads on commercial loans and not fully utilizing their borrowing potential from commercial lenders - Mexico? Malaysia?) would be in this position.

5. We would not expect this to be a very common situation; nor is it at all obvious that the "graduation" thus induced would be a bad thing. What is perhaps more worrisome is the risk that a substantial number of borrowers would accept high cost IBRD loans now but then cancel or prepay in the event of a fall in market rates. We propose to review the arrangements governing prepayments to determine whether the Bank is adequately protected against the risk.

6. Were a large number of governments to express concern about getting "locked in" to high fixed rates, the Bank could of course consider offering adjustable rate features on its new loans. As you know, this is a change which would be desirable for the Bank from other points of view as well.

cc: Mr. Applegarth

THoopengardner/JWood:eok

7/14/29

(\$ in millions)	FY'81	FY'82	Revised
	<u>Continuing Resolution</u>	<u>Carter Request</u>	<u>FY'82 Reagan Request</u>
<b>INTERNATIONAL ORGANIZATIONS (VOLUNTARY)</b>			
UN DEVELOPMENT PROGRAM	126.1	145.0	130.0
UN CHILDREN'S FUND	36.0	45.0	38.75
UN ENVIRONMENT PROGRAM	10.0	7.2	7.2
UN INTERIM FUND FOR SCIENCE AND TECHNOLOGY	0	10.0	0
UN CAPITAL DEVELOPMENT FUND	2.0	2.0	2.0
WORLD FOOD PROGRAM	2.0	2.5	2.5
INTERNATIONAL ATOMIC ENERGY AGENCY	12.5	14.1	14.1
WORLD METEOROLOGICAL ORG.	2.3	2.3	2.3
UN WOMEN'S DECADE	1.0	1.0	.5
NAMIBIA INSTITUTE	.5	.5	0
UN SOUTH AFRICA TRUST FUND	.4	.4	0
UN EDUCATIONAL & TRAINING PROGRAM FOR SOUTH AFRICA	1.0	1.0	1.0
ENDANGERED SPECIES CONVENTION	0	.2	.2
ORGANIZATION OF AMERICAN STATES	15.5	16.5	16.5
<b>TOTAL</b>	<u>209.3</u>	<u>247.7</u>	<u>215.05</u>
<b>INTERNATIONAL ORGANIZATIONS (ASSESSED)<sup>1/</sup></b>			
UN ADMINISTRATION	151.8	204.7	204.7
UN EDUCATIONAL, SCIENTIFIC & CULTURAL ORGANIZATION (UNESCO)	33.7	62.0	62.0
INTERNATIONAL CIVIL AVIATION ORG.	6.5	6.9	6.9
FOOD & AGRICULTURAL ORGANIZATION	35.6	59.2	59.2
INTERNATIONAL LABOR ORGANIZATION	23.6	56.3	56.3
INTERNATIONAL TELECOMMUNICATIONS UNION	4.0	4.9	4.9
WORLD METEOROLOGICAL ORGANIZATION	4.7	5.1	5.1
INTER-GOVERNMENTAL MARITIME CONSULTA- TIVE ORGANIZATION	.7	.7	.7
UNIVERSAL POSTAL UNION	.5	.6	.6
WORLD INTELLECTUAL PROPERTY ORG.	.5	.8	.8
INTERNATIONAL ATOMIC ENERGY AGENCY	24.0	27.0	27.0
WORLD HEALTH ORGANIZATION	57.6	71.0	71.0
OTHERS	120.6	155.8	155.8
<b>TOTAL</b>	<u>463.8</u>	<u>655.0</u>	<u>655.0</u> <u>-(160.0)<sup>2/</sup></u> <u>495.0</u>
<b>MULTILATERAL DEVELOPMENT BANKS</b>			
INTERNATIONAL DEVELOPMENT ASSO. (IDA)	20.0	1080.0	850.0
WORLD BANK, (IBRD)	32.8 (PAID-IN)	711.8	163.2
INTERNATIONAL FINANCE CORP.	0	14.4	14.4
ASIAN DEVELOPMENT BANK	24.8	5.0	5.0
ASIAN DEVELOPMENT FUND	114.8	167.7	125.4
AFRICAN DEVELOPMENT BANK	0	18.0	18.0
AFRICAN DEVELOPMENT FUND	41.7	58.3	58.3
INTER-AMERICAN DEVELOPMENT BANK (IDB)	51.6	58.9	53.4
IDB FUND FOR SPECIAL OPERATIONS	200.0	300.3	190.7
<b>TOTAL</b>	<u>485.7</u>	<u>2414.4</u>	<u>1478.4</u>



(\$ in millions)	FY'81 Continuing Resolution	FY'82 Carter Request	Revised FY'82 Reagan Request
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT	<u>0</u>	<u>85.0</u>	<u>45.0</u>
BILATERAL PROGRAMS	<u>1,707.0</u>	<u>2,386.0</u>	<u>1,900.0</u>
PEACE CORPS	<u>105.0</u>	<u>122.0</u>	<u>95.0</u>
PUBLIC LAW 480/FOOD FOR PEACE		<u>1,263.0</u>	<u>1,163.0</u>
COMMON FUND		<u>74.0</u>	<u>0</u>

1/ U.S. assessed contributions to the UN are a component of the State Department budget. For purposes of illustrating its foreign assistance budget, however, the Administration has decided to include assessed contributions in its general foreign assistance budget.

2/ FY'82 obligations to international organizations total \$655 million, including offsetting receipts: United Nations assessed contributions, \$499.2 million; Inter-American organizations, \$91.8 million; regional organizations, i.e. NATO, \$57.5 million; others, i.e. General Agreement on Tariff and Trade, Interparliamentary Union, \$10 million. The Administration will defer payment of \$160 million of this obligation until a later date.

Note: For current Fiscal Year 1981, the Administration intends to reduce the budget for foreign assistance programs from \$5.4 billion to \$4.8 billion. This will be accomplished by eliminating a Carter supplemental request of \$76 million for the Public Law 480/Food for Peace program and one-half of the \$1.080 billion supplemental for a first-year appropriation for IDA-VI. For FY'81, the Reagan Administration will request a \$540 million appropriation for IDA-VI.

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Mr. McNamara

718 / 4/28

FORM NO. 75 THE WORLD BANK  
(9-78)

<b>ROUTING SLIP</b>		DATE: March 11, 1981	
NAME		ROOM NO.	
Members of the Finance Committee			
cc: Mr. Knapp		F-1333	
APPROPRIATE DISPOSITION	NOTE AND RETURN		
APPROVAL	NOTE AND SEND ON		
CLEARANCE	PER OUR CONVERSATION		
COMMENT	PER YOUR REQUEST		
FOR ACTION	PREPARE REPLY		
<input checked="" type="checkbox"/> INFORMATION	RECOMMENDATION		
INITIAL	SIGNATURE		
NOTE AND FILE	URGENT		
REMARKS:  Attached is the memorandum which is being circulated to the IDA Deputies.			
FROM: Paul V. Applegarth	<i>PVA</i>	ROOM NO.: C-1204	EXTENSION: 75765/6

03/11

## STATUS OF IDA6

1. At the IDA Deputies' meeting held last July to discuss bridging arrangements, it was agreed that the Deputies should meet before March 31, 1981 to review the situation if IDA6 had not become effective by that time. The intentions of the new United States administration regarding IDA6 have recently been clarified, and it is now appropriate to review IDA's situation and prospects. The purpose of this note is to serve as a basis of discussion for the Deputies at a meeting to be held on March 30 and 31.

### Status of Notifications to IDA6

2. The Sixth Replenishment will become effective when members, including at least 12 Part I members, deposit Instruments of Commitment and Qualified Instruments of Commitment totalling \$9,600 million with the Association. As of March 1, 1981, 16 donor countries, including 13 Part I countries, have notified IDA of their intention to participate in IDA6. Notifications from these countries total \$5,725 million. Formal notification is still awaited from the following countries (listed in order of share in IDA6):

(\$ million equivalent) a/ b/

United States	3240.0	United Arab Emirates	79.2
France	645.6	Spain	50.0
Canada	516.0	Argentina	25.0
Italy	462.0	Mexico	20.0
Saudi Arabia	390.0	Venezuela <u>c/</u>	20.0
Netherlands	360.0	South Africa	10.0
Belgium	201.6	Portugal <u>c/</u>	7.0
Austria	81.6	Greece	6.0

a/ At exchange rates of October 5, 1979, the date for which contributions to IDA6 are valued.

b/ The Association has been informed by Saudi Arabia, Colombia and Luxembourg of their intention to make additional contributions towards closing the "unallocated" portion of IDA6. Romania has previously stated its intention to participate in IDA6.

c/ Portugal and Venezuela are not yet members of IDA, but are considering membership in connection with the Sixth Replenishment.

3. Notification by the United States, which is necessary to achieve the \$9,600 million amount, would bring total notifications to \$8,965 million. Some of the remaining donors have already taken the

necessary legislative and administrative steps to permit them to give formal notification to IDA, so that IDA6 should become effective upon U.S. notification, or very shortly thereafter.

Advance Contributions

4. To permit IDA to continue making commitments in the period until IDA6 becomes effective, donor countries agreed last July to an arrangement for providing advance contributions. The conditions established to make the arrangement operative were met at the time of the 1980 Annual Meetings, and to date the following countries have made advance contributions:

Advance Contributions to the Sixth Replenishment a/  
(In millions)

<u>Country</u>	<u>National Currency</u>	<u>US\$ Equivalent</u>	<u>SDR Equivalent</u>	<u>Unit of Obligation</u>
Part I:				
Australia	67.843	76.399	58.278	Nat'l Currency
Canada	165.609	141.995	108.316	Nat'l Currency
Denmark	247.680	48.000	36.615	Nat'l Currency
Finland	89.447	24.000	18.307	Nat'l Currency
France	445.500	107.609	82.086	Nat'l Currency
Germany	880.350	500.002	381.410	SDR
Iceland b/	1.380	0.361	0.276	Nat'l Currency
Ireland	2.077	4.400	3.356	Nat'l Currency
Japan	140,377.220	625.845	477.405	Nat'l Currency
Luxembourg	14.250	0.500	0.381	Nat'l Currency
Netherlands	204.206	104.400	79.638	Nat'l Currency
New Zealand	2.900	2.908	2.219	Nat'l Currency
Norway	200.000	40.630	30.993	Nat'l Currency
South Africa	0.826	1.000	0.763	Nat'l Currency
Sweden	230.000	55.302	42.185	Nat'l Currency
(15)		<u>1,733.351</u>	<u>1,322.228</u>	
Part II:				
Korea	421.080	0.871	0.665	Nat'l Currency
Yugoslavia	127.047	6.667	5.085	Nat'l Currency
(2)		<u>7.538</u>	<u>5.750</u>	
TOTAL		<u>1,740.889</u>	<u>1,327.978</u>	

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

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

In addition, the United Kingdom has informed the Association that it has completed Parliamentary action to approve an advance contribution. If an advance contribution is received from the United Kingdom, the amount of advance contributions provided would be sufficient to cover credits, as currently scheduled, through approximately the end of March 1981.

Recent Action by the United States

5. After conducting an internal review of its present and projected expenditures, the new United States administration has confirmed to the Association its intention to request Congressional authorization of the full U.S. share negotiated for IDA6 (\$3.24 billion). After Congressional approval has been obtained for this authorizing legislation and for the first U.S. appropriation for IDA6, the United States may be expected to give its formal notification regarding its participation in IDA6 and, as noted in paragraph 3 above, the IDA6 Replenishment should become effective at that time or very shortly thereafter. In these circumstances, the question of renegotiating the IDA6 agreement does not arise.

6. The U.S. administration has indicated that it is proposing to alter the schedule of U.S. appropriations originally contemplated for the three year IDA6 period. This rephasing creates a possible problem for IDA's commitment capacity.

United States Appropriations for IDA6  
(\$ million)

	<u>FY81</u>	<u>FY82</u>	<u>FY83</u>	<u>Total</u>
<u>As originally contemplated:</u>				
As provided in previous U.S. administration's budget (33-1/3:33-1/3:33-1/3)	1080	1080	1080	3240
As permitted under IDA6 Resolution (29:33:38)	940	1080	1220	3240
<u>As now intended:</u>	540	850	1850	3240

7. The appropriations proposed for FY81 and FY82 under this new schedule fall below the minimum amount of installments referred to in paragraph 11(a) of the IDA6 Resolution.<sup>1/</sup> Therefore, under the terms of the Resolution, IDA's ability to make new credits may be curtailed.

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<sup>1/</sup> Resolution No. 117, adopted on March 26, 1980. Draft Resolution contained in the Report of the Executive Directors, Additions to IDA Resources: Sixth Replenishment, dated January 15, 1980.

The Resolution provides that if the U.S. installments are below the minimum amounts, IDA may enter into credits up to the sum of cumulative unqualified commitments from the United States, and a proportion of the contributions of other donors equal to the ratio of the United States' unqualified commitments to the United States' total contribution. In other words, with the shortfall in U.S. appropriations, the amounts available to IDA for credit commitments from donors other than the U.S. would be reduced to the proportion that U.S. appropriations bear to its total contribution unless these donors take action to permit IDA to commit larger amounts. The effect on commitment authority provided to IDA through donor contributions would be as follows:

IDA6 Commitment Authority  
Provided by Donor Contributions

<u>IDA fiscal year</u>	<u>FY81</u>	<u>FY82</u>	<u>FY83</u>
As originally planned (29:33:38)			
- per annum	3480	3960	4560
- cumulative	3480	7440	12000
Per IDA6 Resolution, with new U.S. proposal <u>a/</u>			
- per annum	2000	3150	6850
- cumulative	2000	5150	12000

a/ For the sake of simplicity, calculations throughout this note include the unallocated portion of the Replenishment and assume that IDA6 becomes effective in FY81 and that all donors have notified IDA when IDA6 becomes effective.

Thus, in the absence of some fresh action by the IDA donors, IDA will lack commitment authority from approximately the end of March 1981 until IDA6 becomes effective, and even thereafter will face a serious disruption in its operations if U.S. legislative action is in accordance with the plan proposed by the new Administration.

Commitment authority prior to IDA6 effectiveness

8. Seventeen IDA donors have already been generous in providing contributions to bridge the gap in IDA commitment authority. If all donors other than the United States, who have not yet provided advance contributions or have contributed less than their first installment of

their IDA6 pledge, were to provide one third of their negotiated IDA6 amount, over \$1,100 million could be added to the IDA commitment authority now available. <sup>1/</sup> Some gap in commitment authority seems inevitable, however, even if such contributions were forthcoming.

Phasing of operations after IDA6 effectiveness

9. The timing of U.S. congressional action on legislation affecting IDA6 cannot be predicted precisely. Three separate actions, in each of the two houses of Congress, are to be considered over the next few months: one authorization bill relating to the full U.S. contribution to IDA6 (i.e., \$3,240 million) and two appropriation bills relating to the first two payments (i.e., \$540 million for FY81 and \$850 million for FY82). Approval of an authorization bill and of the first appropriation would form the legal basis for the United States to deposit its Qualified Instrument of Commitment, thereby triggering the effectiveness of the Replenishment. If the United States moves ahead expeditiously, it is possible that the IDA6 authorization bill can be passed by June. While it is unlikely that action on the FY81 appropriations bill will be finished by that time, it is reasonable to expect that the bill will have been completed by the end of the United States FY81 fiscal year in September 1981. It is possible that action on the FY82 appropriations may also have been completed by that time.

10. As discussed in paragraph 6 above, US appropriations on this schedule will reduce IDA commitment authority significantly below planned levels in FY81, and could have a similarly adverse effect in FY82. It would be very desirable to minimize the disruption to IDA that would be caused by such delays. However, this objective should be pursued in a way that maintains equitable burden sharing and protects the interests of donors other than the United States. The issue for the Deputies to address, therefore, is what should be done to avoid serious delays to IDA while preserving the principle of burden sharing.

11. A step-by-step approach linked to the stages of the U.S. legislative process would seem to be the best way to achieve these objectives. This approach would result in donors other than the United States authorizing commitments against their contributions, at

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<sup>1/</sup> As with the earlier advance contributions, these contributions would become part of the regular Sixth Replenishment contributions as soon as IDA6 becomes effective and would give their donors all the rights and obligations provided for in the IDA6 Agreement.



least for the first two years, on the original schedule but with safeguards so that participation in the scheme would be at a no risk/no cost basis to themselves. To implement this approach, preserve the spirit of the burden sharing arrangements underlying the IDA6 Agreement and ensure that other donors are not prejudiced by this action, it is recommended that IDA proceed to make credit commitments against donors' installments only on the understanding that:

- (i) at no time would IDA6 commitments against the contributions of donors other than the United States exceed 270% 1/ of the planned U.S. appropriations that IDA can expect to receive with reasonable assurance. This would help to ensure that the U.S. share of total IDA6 commitments will represent the 27% share negotiated in the agreement; and that no donor is exposed to a material risk of having to finance a greater than intended share of IDA6 commitments.
- (ii) IDA would not plan to make calls on non-U.S. donors other than in the 73/27% ratio negotiated in the agreement (as adjusted for the understanding reached regarding calls from the United Kingdom and individual contributors permitted under the agreement). In effect, calls on donors would be made on a pro-rata basis in relation to total commitments on the schedule originally negotiated, (adjusted only for smaller total IDA commitments in FY81 and FY82).

12. Specifically, it is proposed that non-US donors release their full first installment as advance contributions. These donors would not be expected to make any further contributions until IDA6 becomes effective and the United States completes the FY81 appropriation of \$540 million. 2/ When the \$540 million is appropriated and IDA6 becomes effective, the advance contributions would become part of the Sixth Replenishment and accrue for their donors all the rights and obligations incorporated in the IDA6 Agreement. At this point, donors other than the United States would permit IDA to commit their second installments on the principles set

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1/ 73% divided by 27%.

2/ As a matter of policy, the United States does not give its formal notification to IDA until it has obtained both the necessary authorizing legislation and first appropriation. Therefore, these two steps should occur simultaneously.

out in paragraph 11(i) and (ii) above. The specific method of applying this approach and limiting IDA commitments so as to avoid any real risk to non-U.S. donors of disproportionate burden sharing will be discussed in the course of the forthcoming meeting of IDA Deputies.

13. On the basis of this approach, there will be times during the FY81-FY82 period when IDA will lack commitment authority.<sup>1/</sup> However, if the U.S. legislative process moves on schedule, these periods will be of limited duration. As shown in the table below, actions taken along the proposed lines can permit IDA's operations to proceed for the first two years with relatively minor rephasings compared to the earlier plans.

IDA6 Commitment Authority  
Provided by Donor Contributions  
(\$ million)

	<u>As Originally Negotiated</u>			<u>As Adjusted for Reduced U.S. Installments</u>			<u>As Proposed</u>		
	<u>FY81</u>	<u>FY82</u>	<u>FY83</u>	<u>FY81</u>	<u>FY82</u>	<u>FY83</u>	<u>FY81</u>	<u>FY82</u>	<u>FY83</u>
<u>U.S.</u>									
Per Annum	940	1080	1220	540	850	1850	540	850	1850
Cumulative	940	2020	3240	540	1390	3240	540	1390	3240
<u>Other Donors</u>									
Per Annum	2540	2880	3340	1460	2300	5000	2540	2880	3340
Cumulative	2540	5420	8760	1460	3760	8760	2540	5420	8760
<u>Total</u>									
Per Annum	3480	3960	4560	2000	3150	6850	3080	3730	5190
Cumulative	3480	7440	12000	2000	5150	12000	3080	6810	12000

The second table shows that calls on donors, and, consequently disbursements to IDA's borrowers, could also go forward approximately as originally contemplated.

<sup>1/</sup> During these times, IDA will continue to submit credits for approval to the Executive Directors but will delay signing them until funds become available.

Projected IDA6 Calls a/  
(by fiscal year in \$ million)

FY	As Originally Negotiated			As Adjusted for Reduced U.S. Installments			As Proposed		
	U.S.	Others	Total	U.S.	Others	Total	U.S.	Others	Total
81	18	49	67	10	28	38	16	43	59
82	114	307	421	70	188	258	102	275	377
83	273	735	1008	201	544	745	252	683	935
84	479	1293	1772	425	1150	1575	464	1253	1717
85	591	1595	2186	555	1500	2055	580	1570	2150
86	626	1691	2317	629	1703	2332	627	1694	2321
87	493	1336	1829	556	1503	2059	511	1381	1892
88	354	959	1313	412	1111	1523	370	1001	1371
89	196	533	729	250	676	926	212	572	784
90	96	262	358	132	357	489	106	288	394
Total	3240	8760	12000	3240	8760	12000	3240	8760	12000

a/ Based on current FY81-83 lending program composition. Disbursements and calls will be affected by changes in the program and could vary considerably from these estimates. However, lending program changes will affect all three schedules in the same manner.

14. As regards donors' third installments of the IDA6 Replenishment, it would seem preferable to arrive at a decision regarding commitments against these installments only on the basis of a review of the progress of U.S. legislation. For this purpose, it would be useful to plan for a meeting of the Deputies in the first part of calendar 1982 to assess the situation up to that point and make arrangements for the disposition of the third installment at that time.

Summary

15. IDA6 is not yet effective, and there is likely to be a substantial hiatus in IDA's ability to make new commitments. Even when IDA6 becomes effective, IDA faces the risk of significant disruption to its presently planned operations with particularly adverse effects on the poorest countries. Donors are requested to take what steps they can to minimize the adverse impact of these circumstances on the poorest developing countries. Specifically, it is important that the United States should move as quickly as possible to give its notification, so that the Agreement can become effective. It is strongly recommended that donors other than the United States proceed as outlined in this memorandum to give IDA the commitment authority it needs to carry out its operations.

16. In brief, these donors are asked to:

- i) Release their full first installments as advance contributions, to give the Association commitment authority until IDA6 is effective.
- ii) Provide their second installments, as soon as IDA6 becomes effective, for commitments in accordance with the principles of no risk/no cost set forth in paragraph 11.
- iii) Defer a decision with respect to their third installment until a meeting of Deputies, planned for the first part of 1982, has reviewed the progress of U.S. legislation.

718/4/27

# OFFICE MEMORANDUM

TO: Mr. John E. Merriam

DATE: March 10, 1981

FROM: Peter Riddleberger *PR*

SUBJECT: Reagan Budget Revisions

I attach excerpts from President Reagan's FY82 Budget Revisions which outline development assistance reductions for the next five years. Also attached are the proposed increases for military and security assistance.

*03/10*  
The multilateral aid components will be spelled out in more detail tomorrow when Treasury official R.T. McNamar testifies before the House Banking Subcommittee.

Attachment

cc: Messrs. McNamara, Stern, Qureshi,  
Rotberg, Benjenk, Gabriel,  
Chenery, Golsong, Paijmans,  
Wood, Burki, Mrs. Boskey, Bell,  
Vibert, Applegarth, and Mrs. Stitt.  
Mr. Knapp  
Mr. Steckhan (Paris Office)

PR:sb

**NOTICE**

There Should Be No Release  
of This Document Until  
1 p.m. (E.S.T.)  
Tuesday, March 10, 1981

**JAMES BRADY**  
Press Secretary to the President

PETER WOODFORD

FISCAL YEAR 1982

# *Budget Revisions*



MARCH 1981

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET

150: INTERNATIONAL AFFAIRS

	(\$ billions)		
	Actual	Estimate	
	1980	1981	1982
<u>Budget Authority</u>			
January budget.....	15.5	25.2	19.6
Reestimates:			
Export-Import Bank.....	---	-0.1	-*
Policy reductions:			
Development aid.....	---	-0.6	-1.7
International organization assessments.....	---	---	-0.2
Export-Import Bank.....	---	-0.7	-0.6
All other.....	---	*	-0.1
Policy increases:			
Security assistance.....	---	---	0.9
Other.....	---	*	*
Revised budget.....	15.5	23.7	17.9

<u>Outlays</u>			
January budget.....	10.7	11.3	12.2
Reestimates:			
Export-Import Bank.....	---	0.1	-0.4
Other (net).....	---	0.1	0.1
Policy reductions:			
Development aid.....	---	-0.1	-0.3
International organization assessments.....	---	---	-0.2
Export-Import Bank.....	---	-0.1	-0.2
All other.....	---	*	-0.1
Policy increases:			
Security assistance.....	---	---	0.1
Other.....	---	*	*
Revised budget.....	10.7	11.3	11.2

\* \$50 million or less.

The revised budget proposals for international affairs include a policy increase to meet critical security assistance objectives, but because of offsetting policy reductions and downward reestimates, the function totals for 1982 are well below the January budget request. The Administration's budget authority request is \$1.5 billion lower in 1981 and \$1.7 billion lower in 1982 than the January budget levels. Outlays are estimated to be

approximately the same as the January budget for 1981 and \$1.0 billion lower in 1982.

Reestimates.--Reestimates of spending rates reduce 1982 outlays on net by \$0.3 billion below the January budget. Of this amount, \$0.4 billion is a downward reestimate of Export-Import Bank outlays due to lower interest rates and slower disbursements on aircraft loans. Subscriptions to the multilateral development banks have also been reestimated down (\$-0.1 billion) since January and partially offset an upward reestimate of exchange stabilization fund outlays (\$0.2 billion).

Proposed reductions.--The Administration proposals reduce budget authority for international affairs by \$1.4 billion in 1981 and \$2.6 billion in 1982 below the January budget request. Outlays are estimated to be \$0.2 billion lower in 1981 and \$0.8 billion lower in 1982 as a result.

Reductions are proposed in development programs to eliminate lower priority activities. Contributions to internationally agreed replenishments of the funds of some multilateral development banks will be stretched out in a manner consistent with those agreements. Voluntary contributions to some United Nations and other international organization programs and funding for the Agency for International Development (AID), P.L. 480 food aid, and the Peace Corps would be reduced from the levels in the January budget. Humanitarian programs, such as those providing emergency disaster relief and food, would be maintained at their recent levels. The AID programs would be reoriented to assure that they clearly contribute to the ability of Third World countries to improve their economic performance.

Starting in 1982 there will be a delay each year in the payment of U.S. assessed contributions to international organizations. This change will permit savings in the budget requests for 1982-85. For 1982, this shift would reduce the January budget request by \$0.2 billion in budget authority and outlays.

The Administration proposal to reduce the long-term lending authority of the Export-Import Bank is part of the overall effort to control the expansion of Federal credit programs, particularly those with an unneeded subsidy element. The lower lending level would still permit the Bank to offer substantial levels of credit to exporters. In addition to benefiting from regular, long-term direct loans, smaller U.S. exporters would continue to be assisted by the Bank's medium-term discount loan program. The revised budget proposes an authorization level of \$0.4 billion for the medium-term loan program, while the January budget proposed termination of this program. The net effect of these changes would reduce 1982 budget authority for the Export-Import Bank by \$0.6 billion and outlays by \$0.2 billion below the January budget request.

Other proposed reductions include cutbacks in International Communication Agency activities and in the U.S. contribution to the Sixth International Tin Agreement. In addition, the proposals would reduce the Overseas Private Investment



Corporation's loan guarantee program and terminate its direct lending.

Proposed increases.--The Administration is proposing to increase security assistance programs to several countries as well as contingency accounts. These initiatives would increase 1982 budget authority by \$0.9 billion above the January budget request. In addition, the Administration plans to establish a new revolving fund for procuring military equipment for eventual transfer to other countries that would shorten lead times for delivery of critical weapons systems. Because the fund would receive payments well before they are paid out against military equipment orders, the effect of the fund is to reduce outlays in the international affairs function. As a result, the net increase in security assistance outlays above the January budget is \$0.1 billion in 1982.

The Administration also proposes to increase funding for Radio Free Europe/Radio Liberty through the appropriation to the Board for International Broadcasting to improve broadcasting to Eastern European countries.

7/18/4/22

OFFICE MEMORANDUM

TO: President Robert S. McNamara  
 All Executive Directors  
 FROM: Colbert I. King, U.S. Executive Director

DATE: February 19, 1981

SUBJECT: The Reagan Administration's World Bank Budget Decisions

As the President emphasized in his speech last night, the U.S. requires a very tightly disciplined national budget necessitating major reductions in many government programs, including U.S. funding for foreign assistance.

Nonetheless, the Reagan Administration is taking action to fulfill all agreements negotiated internationally by the previous administration. The Administration will request Congressional authorization of the full amount for U.S. participation in IDA VI over the internationally negotiated three-year period beginning in FY1981, and will seek full authorization for the General Capital Increase (GCI).

The Reagan proposals provide for the following changes from the previous administration's budget request:

IDA VI

1) The same overall total for IDA VI as in the Carter budget (\$3.24 billion), but a steeper stair-stepping of the U.S. subscription.

- a) New proposal: \$540 million - FY81;  
 \$850 million - FY82; and \$1,850 million - FY83;
- b) Old proposal: \$940 million - FY81;  
 \$1,080 million - FY82; and \$1,220 million - FY83.

	R	C	
'81	540	940	=400
'82	850	1080	-230
'83	1850	1220	+630
	<u>3240</u>	<u>3240</u>	0

GCI

2) A stretch-out of U.S. subscriptions to the GCI.

- a) New proposal: \$110 million in budget authority for paid-in each year from FY82 through FY87 and \$1,383 million in FY82 and \$1,353 million from FY83 through FY87 in program limitations for callable capital.
- b) Old proposal: \$658 million budget authority for paid-in FY82 and \$8.14 billion in program limitations for callable capital in FY82.

I will be pleased to answer any questions which you may have regarding these proposals.

cc: Mr. E. Stern, Senior Vice President, Operations  
 Mr. M. Qureshi, Senior Vice President, Finance

02/19

## OFFICE MEMORANDUM

FW  
File

TO: President Robert S. McNamara  
All Executive Directors

DATE: February 19, 1981

FROM: Colbert I. King, U.S. Executive Director

718 / 4/26

*Colbert King*

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