WHORM Subject File Code: IT023(International Bank for Reconstruction + Development)
Case file Number(s): 018000-019999

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THE WHITE HOUSE
WASHINGTON

CABINET ADMINISTRATION STAFFING MEMORANDUM

DATE: May 7, 1981 NUMBER: 018560CA DUE BY: --

SUBJECT: Special Report on the General Capital Increase of the International Bank for Reconstruction and Development FG006-11 RS

	ACTION	FYI
ALL CABINET MEMBERS	☐	☐
Vice President	☐	☐
State	☐	☐
Treasury	☐	☐
Defense	☐	☐
Attorney General	☐	☐
Interior	☐	☐
Agriculture	☐	☐
Commerce	☐	☐
Labor	☐	☐
HHS	☐	☐
HUD	☐	☐
Transportation	☐	☐
Energy	☐	☐
Education	☐	☐
Counsellor	☐	☐
OMB	☐	☑
CIA	☐	☐
UN	☐	☐
USTR	☐	☐
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	ACTION	FYI
Baker	☐	☐
Deaver	☐	☐
Allen	☐	☐
Anderson	☐	☑
Garrick	☐	☐
Darman *(For WH Staffing)*	☑	☐
Gray	☐	☐
Beal	☐	☐
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Remarks: Attached is the report for the President submitted by Secretary Regan.

Report for the National Advisory Council on International Monetary and Financial Policies

RETURN TO: Craig L. Fuller
Deputy Assistant to the President
Director,
Office of Cabinet Administration
456-2823

THE SECRETARY OF THE TREASURY
WASHINGTON

May 6, 1981

Dear Mr. President:

As Chairman of the National Advisory Council on International Monetary and Financial Policies, I am pleased to transmit herewith the Council's special report on the General Capital Increase of the International Bank for Reconstruction and Development. This report has been unanimously approved by the Council, whose members include the Secretary of State, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System, the President of the Export-Import Bank, the Director of the International Development Cooperation Agency, and the U.S. Trade Representative.

The Council strongly recommends that the Congress take the necessary actions described in the report to authorize U.S. subscription to the General Capital Increase. The operations of the World Bank, together with its affiliates -- the International Development Association and the International Finance Corporation -- are vital to overall U.S. national interests, both in strategic terms and in terms of their contributions to the global economy as a whole. The General Capital Increase of the Bank represents a major component of U.S. diplomatic and foreign economic policy.

This report is also being submitted to the President of the Senate and Speaker of the House of Representatives.

Respectfully,

Donald T. Regan

Donald T. Regan
Chairman, National Advisory Council
on International Monetary and
Financial Policies

The President
The White House
Washington, D.C. 20500

Enclosure

018560CA

IT023

FO004-02

THE WHITE HOUSE

WASHINGTON

CABINET ADMINISTRATION STAFFING MEMORANDUM

DATE: May 7, 1981 **NUMBER:** 018560CA **DUE BY:** ______

SUBJECT: Special Report on the General Capital Increase of the International Bank for Reconstruction and Development

	ACTION	FYI
ALL CABINET MEMBERS	☐	☐
Vice President	☐	☐
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on International Monetary and
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The President
The White House
Washington, D.C. 20500

Enclosure

NATIONAL ADVISORY COUNCIL
ON INTERNATIONAL MONETARY
AND FINANCIAL POLICIES

SPECIAL REPORT

TO THE PRESIDENT

AND

TO THE CONGRESS

ON THE

GENERAL CAPITAL INCREASE

OF THE INTERNATIONAL BANK

FOR RECONSTRUCTION AND DEVELOPMENT

April 1981

Table of Contents

I. Summary and Recommendation

The National Advisory Council on International Monetary and Financial Policies (NAC) recommends that the United States vote for and participate in the recently approved expansion of the capital of the International Bank for Reconstruction and Development (IBRD). The IBRD is the key component of the World Bank Group, the most important development institution in the world. The IBRD forms an integral part of the Western World's relations with the developing countries and plays a vital role in supporting U.S. foreign policy objectives and in advancing fundamental economic and humanitarian goals.

The authorized capital of the IBRD was more than doubled in January 1980, when 127 member countries approved two resolutions which increased the authorized capital from approximately $41 billion to $85 billion. This increase -- the first since the IBRD's 1977 $7.0 billion Selective Capital Increase (SCI) -- took the form of a $40.0 billion General Capital Increase (GCI) together with a $4.0 billion companion increase. The companion increase will provide 250 shares for each member country and will be used for computation of voting positions, but not to support additional lending. The purpose of this second increase is to prevent a dilution of the voting strength of the IBRD's smaller and less developed member countries.

The United States took the lead in successfully urging maximum reliance upon callable rather than paid-in capital in the GCI. The paid-in portion of the GCI will be $3.0 billion, or 7.5 percent of the total GCI, and the remaining $37.0 billion will be callable capital. All of the $4.0 billion companion increase will be callable capital.

The NAC strongly supports this $44.0 billion expansion of the IBRD's authorized capital. The capital expansion was designed to permit the IBRD to raise its loan commitments by about 3 to 5 percent annually in real terms through the mid-1980's. This is approximately the same growth rate in real lending that the IBRD experienced in recent years. However, higher than anticipated rates of inflation mean that there will be very little real growth in IBRD lending during this period.

The General Capital Increase is needed by the IBRD to assist its developing country members in the early and mid-1980's. During this period the non-oil developing countries are expected to face increasingly scarce and expensive oil supplies combined with steadily higher real prices for capital goods and food imports.

The U.S. share of the $40.0 billion GCI is to be $8.78 billion, or 21.95 percent of the total. This proportion is approximately in line with the present U.S. share of the IBRD's subscribed capital. Although the $8.78 billion figure is large, the GCI will actually have only a relatively modest outlay impact upon the U.S. budget. This reflects the GCI's heavy reliance upon callable capital and the proposed schedule for drawing on U.S. paid-in capital subscriptions. The paid-in portion of the U.S. subscription will be $658 million. Under current plans annual outlays from this sum would not exceed $11.0 million through FY 85 with the remainder payable in fiscal years 1986-1989. U.S. participation in the $4.0 billion companion increase ($30 million) will not result in any outlays, as this increase consists entirely of callable capital.

The NAC has examined the proposal and believes that favorable action by the United States should be taken in support of the increase. The General Capital Increase strengthens the capital base of this important development institution and therefore enhances the future economic prospects of the developing countries in a cost effective way.

The National Advisory Council, therefore, recommends to Congress prompt enactment of legislation:

1. authorizing the U.S. Governor of the Bank (a) to vote to increase the authorized capital stock of the Bank by 365,000 shares (amounting to $44 billion), and (b) to subscribe on behalf of the United States to not more than 73,010 shares of the capital stock (amounting to $8.8 billion); any subscription to additional shares would be effective only to such extent or in such amounts as are provided in advance in appropriations acts; and

2. authorizing the appropriation of $8.8 billion for the increase in the U.S. subscription

II. Basis for U.S. Support

The operations of the World Bank, together with its affiliates -- the International Development Association (IDA) and the International Finance Corporation (IFC) -- are vital to overall U.S. national interests, both in strategic terms and for their contribution to the strength of the global economy as a whole. Therefore, the General Capital Increase of the Bank represents a major component of U.S. diplomatic and foreign economic policy. Our support for this proposal is based upon the following considerations:

-- A prosperous America requires an open, growing, market-oriented world economy. The IBRD plays a vital role in supporting this type of international economic system.

-- IBRD resource transfers to the developing nations support broad U.S. foreign policy and fundamental humanitarian interests.

-- The IBRD is a cost-effective channel for U.S. economic assistance.

-- The United States receives important direct economic benefits from procurement of goods and services for IBRD-financed projects.

-- The United States subscription is needed to maintain our leadership on international economic issues and, in the long run, to protect the U.S. veto over potential amendments to the IBRD's Articles of Agreement.

The benefits to the United States from an open, growing, market-oriented world economy have been demonstrated in recent years especially with respect to the developing countries which form the largest U.S. export market. The share of U.S. economic output devoted to total exports has almost doubled over the past decade from 6.4 percent in 1970 to over 12 percent in the first half of 1980. Today, one out of every seven U.S. manufacturing jobs and one out of every three acres of U.S. farmland produce for export. One of every three dollars of U.S. corporate profit derives from the international activities of American firms. U.S. defense capability and living standards are crucially dependent upon imports of a wide variety of raw materials.

More specifically, the IBRD's activities contribute importantly to the type of global economy needed for a prosperous America:

-- IBRD loans support continuing economic development of such major U.S. export markets as Mexico, Brazil, Colombia, Argentina, Korea and Indonesia. Developing countries collectively form the largest single market for U.S. exports and the most rapidly expanding one.

-- The IBRD assists the development of new sources of raw materials in developing countries. Increased production of internationally traded raw materials helps diversify U.S. sources of supply and render more difficult the formation of producer cartels.

-- The IBRD's multilateral character enables it to give policy advice and to prescribe sound economic loan conditions without the political constraints inherent in bilateral aid relationships. A "western" market-oriented economic outlook has always guided the Bank's policy advice. The IBRD has consistently encouraged realistic public sector pricing policies and discouraged excessive trade barriers.

Developing country growth serves our national security interests in strategic areas by enhancing prospects for economic and political stability. The IBRD plays a critical role in maintaining growth and material well-being, and thus stability in vital regions of the world. Nations of key geopolitical importance to the U.S. such as Mexico, Colombia, Brazil, Egypt, Yugoslavia, Turkey, Indonesia, Thailand, Korea, Pakistan, and the Philippines are among the IBRD's largest borrowers. The flow of development assistance which the IBRD provides to these and other nations facilitates orderly economic development and helps to minimize instability which could be potentially disruptive to U.S. interests and the global economy.

Fundamental humanitarian goals are also served by the IBRD's emphasis upon alleviating mass poverty. The IBRD estimates that 800 million people in the developing countries presently live in conditions of absolute poverty. The lives of these individuals are characterized by illiteracy, disease, high infant mortality, and malnutrition so severe in some instances as to have caused permanent brain damage. The IBRD has established special urban and rural poverty units to help ensure that its projects are designed to benefit the poor to the maximum feasible extent. The United States has encouraged these IBRD initiatives.

The IBRD is the largest single source of international development assistance, and it therefore is central to the international community's efforts to meet the financial needs of the developing countries. The net external financing requirements of the non-oil developing countries in 1980 were about $74.0 billion, and these requirements are expected to increase in the future. During the 1980's the non-oil developing countries will face a difficult global economic environment due to real oil prices roughly two-thirds higher in 1980 than in 1977, slower economic growth in the western industrial countries which are their main markets, and uncertain prospects for bilateral aid levels. Accordingly, IBRD lending will be essential if the developing countries are to make adequate economic and social progress.

The IBRD is a cost-efficient channel for U.S. economic assistance, as historically each dollar of U.S. paid-in capital has supported about $60 of lending. As of June 30, 1980, the IBRD had made cumulative loan commitments of $59.3 billion. During that period the United States had paid in only $934.7 million of capital. This 60:1 ratio reflects the fact that in the IBRD the United States shares the cost of providing economic assistance with other countries, and that the IBRD's paid-in capital is leveraged by borrowings in the international financial markets.

The U.S. receives significant direct economic benefits from procurement of goods and services in this country for IBRD-assisted projects. Since the IBRD's establishment, such procurement has amounted to at least $6.3 billion, or almost seven times the $934.7 million total of U.S. paid-in capital. IBRD procurement in the U.S. is now running at around $450-500 million annually, and is benefiting virtually every area of the nation.

U.S. subscription to the GCI would bolster the post-war tradition of U.S. leade ip on international economic issues as well as in the IBRD d other international financial institutions. Additionally, lthough the proposed U.S. subscription schedule, spread over a ix year period, would result in temporary loss of the U.S. veto, the United States should at the end of the GCI subscription period regain its ability to veto future amendments to the IBRD's Articles of Agreement. U.S. subscription to the GCI would also be viewed by the American and international capital markets as a strong demonstration of continuing U.S. interest in and support for the IBRD, thereby helping to protect the IBRD's top credit rating.

III. World Bank Group Overview

The World Bank formally began operations in 1946 with 38 members as a result of the Bretton Woods Agreements. It was established to help restore economies disrupted or destroyed by war, to encourage the development of productive facilities and resources in developing countries, and to promote the long-range balanced growth of international trade. Since the successful reconstruction of Europe, Bank operations have centered almost entirely on the developing world, with Bank membership more than tripling with the emergence of the new nations in the Third World.

The Bank's charter spells out certain basic rules that govern its operations. It must lend only for productive purposes and must stimulate economic growth in the countries where it lends. It must pay due regard to the prospects of repayment. Each loan is made to a government or must have a governmental guarantee. The Bank cannot specify that proceeds of the loan must be spent in any particular member country. The Bank's decisions to lend must be based only on economic considerations. Economic, social and environmental consequences of a project are carefully examined before a loan is made. The IBRD has specific policies for ensuring that projects use appropriate technology, benefit the poorest sectors of the population to the maximum possible extent, and do not finance products in global surplus. IBRD loans encourage specific economic reforms, such as realistic public sector pricing, to assure the financial viability of the loan.

The Bank capital is subscribed by its 139 member countries, and it finances lending operations primarily from borrowings in the world capital markets. Bank loans generally have a grace period of five years and are repayable over 20 years or less. They are directed toward all member developing countries, but generally those at relatively more advanced stages of economic and social development. The interest rate the Bank charges on its loans is calculated in accordance with a formula related to the cost of borrowing funds.

The Bank's affiliates, the International Finance Corporation (IFC) and the International Development Association (IDA), were founded in 1956 and 1960, respectively. The IDA provides assistance for the same developmental purposes as the Bank, but primarily in the poorer developing countries on terms that would bear less heavily on their balance of payments than Bank loans. More than 50 countries are eligible under present criteria. The function of the IFC is to assist the economic development of less developed countries by promoting growth in the private sector of their economies and helping to mobilize domestic and foreign capital for this purpose.

IV. FY 1980 Loan Commitments

The IBRD is the largest single source of external development finance. As of June 30, 1980 the IBRD had made cumulative loan commitments of $59.3 billion to assist 1,875 projects. During FY 1980 the IBRD committed $7,644.2 million in support of 144 projects in 48 developing countries. In the previous year commitments of $6,989.0 million were made to help finance 142 projects in 44 nations.

The IBRD FY 1980 commitment level of $7,644.2 million was distributed as follows by geographic region:

1) East Africa - $150.5 million in support of 8 projects, or 1.97 percent of total IBRD commitments.

2) West Africa - $439.2 million in support of 12 projects, or 5.74 percent of total commitments.

3) East Asia and Pacific - $2,160.5 million in support of 34 projects, or 28.26 percent of total commitments.

4) South Asia - $125.0 million in support of 2 projects, or 1.63 percent of total commitments.

5) Europe, Middle East, and North Africa - $2,174.0 million in support of 42 projects, or 28.44 percent of total commitments.

6) Latin America and Caribbean - $2,595.0 million in support of 46 projects, or 33.96 percent of total commitments.

This distribution reflects the fact that the IBRD focuses its activities on its middle-income member countries, whereas IDA concentrates on the poorest countries which are located primarily in South Asia and Africa.

Countries with large amounts of new IBRD loan commitments in FY 1980 included Brazil ($695.0 million), Turkey ($600.0 million), Indonesia ($580.0 million), Korea ($544.0 million), Thailand ($542.0 million), Colombia ($518.0 million), and the Philippines ($412.0 million). Other countries important to the U.S. with major IBRD programs were Mexico ($300.0 million), Nigeria ($286.3 million), and Egypt ($206.0 million).

During FY 1980 the IBRD continued to emphasize agriculture and rural development. This sector received $1700.4 million in new commitments. Other priority areas of IBRD lending were energy ($1,913.0 million), transportation ($1,205.0 million), industry ($393.5 million), education ($360.1 million), small-scale enterprises ($222.0 million), urbanization ($249.8 million), and water supply and sewerage ($446.4 million). The most significant developments in the sectoral composition of the IBRD's lending in FY 1980 were a four-fold increase over FY 1979 (to slightly over 4 percent of new commitments) in lending for oil, gas and coal development, and the beginning of a new form of program assistance -- lending for structural adjustment.

The IBRD's energy program is expected to expand in future years to help developing countries meet their growing energy needs while simultaneously reducing their dependence upon increasingly scarce and costly imported oil. Such a reduction would be of great benefit to the United States, since it would ease upward pressure on world oil prices. Structural adjustment lending is designed to support the adjustment of oil-importing developing countries to higher energy prices and other adverse global economic trends, while maintaining their development programs. It is to be conditioned upon adoption of specific micro- and macro-economic policies aimed at improving the borrowing country's fundamental balance of payments position. Structural adjustment lending is to be closely coordinated with the IMF. The U.S. Government is monitoring the progress of the Bank's structural adjustment lending program and its relationship to IMF activities.

V. Lending Program Trends

The sectoral composition of IBRD lending has shifted in recent years towards relatively greater priority for reaching the urban and rural poor and for developing indigenous energy sources. The United States has encouraged this evolution of the lending program. At the end of the 1960's, nearly 60 percent of IBRD lending went to the development of infrastructure. However, by the end of the 1970's such lending had fallen to slightly over one-third of the total. About 40 percent of IBRD lending is now directed to sectors such as agriculture and rural development, education, population and nutrition, urbanization, water and sewerage, and small-scale industries. The nature of infrastructure lending has also evolved. In the transport sector, for example, greater emphasis is being placed upon maintenance and construction of rural roads.

There has also been a steady increase in the share of IBRD funds going to the poorer countries. IBRD lending to member countries whose per capita GNP in 1978 did not exceed $625 has increased from 23 percent of all IBRD commitments during the period FY 1969-1973 to 34 percent during the period 1974-1978. IBRD plans call for this group of poorer countries to receive 38 percent of new IBRD commitments during the FY 1981-1984 period. Conversely, IBRD recipients with a 1978 per capita GNP in excess of $1,745 received 20 percent of new IBRD commitments in FY's 1969-1973, but are expected to receive only 11 percent of new commitments in FY's 1981-1985. During the last few years several countries -- such as Ireland, Spain, Greece and Singapore -- have been "graduated" from eligibility for IBRD lending. This is a logical continuation of a policy that has been in existence since the Bank was founded -- Germany, France and Japan are only a few who were among the original borrowers from the Bank before their economies were rebuilt.

VI. Human Capital Formation, Co-financing and Donor Coordination

One of the most important contributions which the IBRD makes to the development process is the formation of "human capital" in its borrowing member countries. This human capital formation occurs as a result of the IBRD's extensive training and technical assistance programs. The IBRD's Economic Development Institute (EDI), which was established in 1955, provides training in economic management techniques and policies for senior developing country officials. During FY 1980, for example, the EDI gave ten courses and three seminars to about 340 participants in Washington, and overseas about 1080 participants attended EDI programs. The IBRD's Project Preparation Facility (PPF) helps overcome weaknesses in borrowing countries in the area of project preparation by a program of institution-bolstering. The IBRD's monitoring of project design and implementation -- including the provision of engineering services -- provides important technical assistance to borrowing countries.

The IBRD's co-financing activities play an increasingly important role in helping to channel additional public and private resources into sound development projects. Co-financing involves financial participation with the IBRD by other aid donors, official export credit agencies and private banks. Co-financing improves the developmental effects of assistance by avoiding fragmentation of aid efforts, and by reducing overall project administrative costs. In FY 1980 the total amount of Bank Group co-financing was $6,516.3 million, up sharply from the $3,149.4 million level in FY 1979. The IBRD plans to further increase its role in co-financing.

The IBRD maintains continuing contact with senior borrowing country officials regarding economic policy formulation. The Bank also assists donor coordination and borrowing country macro-economic policy formulation by participating in about twenty Consultative Groups or similar bodies. Consultative Groups, which are usually chaired by the IBRD, bring together major bilateral and multilateral aid donors and cabinet-level officials from the recipient country for detailed discussions of individual economic sectors, and of the borrowing nation's overall economic situation and prospects. The IMF also participates in these bodies. During FY 1980, eleven Consultative Groups held formal meetings that were sponsored by the IBRD. The IBRD also participated in the OECD's Turkey Consortium meeting and the Inter-Governmental Group for Indonesia chaired by the Netherlands.

VII. Bank Resources

A. Capital Structure

Under the original capitalization of the IBRD, the authorized stock was valued at $10.0 billion of the weight and fineness of the U.S. dollar in effect in 1944. In 1959, the authorized capital of the IBRD was increased by $11 billion. In this increase, $10.0 billion was provided to permit a doubling of all existing subscriptions (including that of the United States) and the remaining $1.0 billion was provided for subscriptions by new members and special increases in subscriptions by existing members. Subsequent capital increases in 1963 ($1.0 billion), 1965 ($2.0 billion), 1970 ($3.0 billion), and 1977 ($7.0 billion) raised the IBRD's authorized capital to 340,000 shares, each having a par value of $100,000 in 1944 dollars. Accordingly, the value of authorized capital was $41,015,900,000 in current dollars, valuing each 1944 dollar at $1.20635 current dollars.

The General Capital Increase became effective on January 4, 1980, when the IBRD's Board of Governors adopted a resolution that increased the authorized capital stock of the IBRD by 331,500 shares. This represents an increase of approximately $40 billion in current dollars, or essentially a doubling of the IBRD's authorized capital to around $81 billion. In conjunction with the GCI resolution, the Governors also adopted a second resolution to increase the authorized capital by an additional 33,500 shares -- a further increase of about $4 billion in current dollars. The purpose of this second increase was to prevent a dilution of the relative voting strength of the IBRD's smaller and less developed member countries. It has been agreed that this second increase will not be used to support additional lending.

Since 1945 there has been a relative increase in the role of callable capital in relation to paid-in capital, and the GCI continues this trend. Callable capital is not available for lending -- it represents the member governments' guarantee to meet obligations on Bank borrowings in the event of a Bank default. Prior to the doubling of capital subscriptions in 1959, IBRD members paid 2 percent of their subscriptions in gold or dollars and 18 percent in their own currencies. The remaining 80 percent was callable capital. When subscriptions were doubled in 1959, no additional paid-in capital was provided, as the entire increase took the form of callable capital. In effect, the paid-in portion of subscriptions was reduced to 10 percent -- 1.0 percent payable in gold or U.S. dollars, and 9 percent payable in the member country's own currency. The ratio of the IBRD's total callable capital to its total paid-in capital therefore rose from 4:1 to 9:1. All capital increases since 1959 but prior to the GCI have maintained this 9:1 ratio by having only 10 percent of new subscriptions paid-in and the remaining 90 percent callable. In the GCI, however, only 7.5 percent of new subscriptions will be paid-in. As noted earlier, all of the shares in the $4.0 billion companion increase to the GCI will be callable rather than paid-in.

There has been a steady decline in the U.S. share of subscribed capital -- and therefore in the U.S. voting share -- since the IBRD's founding. This decline parallels trends in the IMF and reflects the increase in the relative share of the world economy and MDB cost-sharing of Western Europe and Japan. The U.S. share of subscribed capital on September 27, 1946, for example, was 41.40 percent, and the U.S. voting share on that date was 37.12 percent. At the end of FY 1980, however, the United States had only 23.39 percent of subscribed capital and only 21.11 percent of total votes. There has always been a slight divergence between a country's percentage holding of subscribed capital and its percentage of votes, since each country has 250 "membership" votes regardless of its shareholding.

B. Funds for Lending

The IBRD derives funds for lending from the five following sources: paid-in capital subscriptions; borrowings from official and private lenders; principal repayments on previous loans; retained earnings; and loan sales. The relative importance of these sources during the Bank's last three fiscal years has been:

	$ millions	percent
Net Borrowings	7,816	64.5
Loan Repayments	2,651	21.9
Retained Earnings	1,073	8.9
Loan Sales	252	2.0
Capital Subscriptions	324	2.7
Total	12,116	100.0

Over two-thirds of the IBRD's lending operations are now financed by borrowings in capital markets which are backed by the callable capital of the member countries. As the Bank has matured, the importance of paid-in capital has declined. A substantial portion of the Bank's operations are self-financed by the reprogramming of funds generated by principal repayments, net income and loan sales to the private sector.

C. IBRD Borrowings

The IBRD functions as an intermediary in the international financial markets by selling medium and long-term fixed interest rate notes and bonds to official and private purchasers, and re-lending the proceeds at a slightly higher interest rate to member developing countries. The IBRD's intermediation role is vital, since most non-oil developing countries cannot easily borrow either long-term or at fixed interest rates in the international capital markets. The poorer developing countries generally have no access to international capital markets beyond short-term trade finance.

The IBRD is a highly respected international borrower. The institution has followed sound, conservative financial policies and there has never been a default on an IBRD financial obligation. IBRD notes and bonds enjoy an "AAA" rating in the United States -- the highest possible. This rating reflects investor confidence in the quality of the IBRD's management, the soundness of its loan policies and the appropriateness of its capital structure. In order to reduce costs to the borrowers, the IBRD seeks to borrow at the lowest prevailing cost among the world's active capital markets. It also seeks to avoid excessive dependence upon any single capital market in order to maintain world-wide acceptance of its securities.

During fiscal year 1980, IBRD outstanding borrowings increased by $3,388 million to $29,668 million. The gross amount borrowed in FY 1980 was $5,173 million. At the end of FY 1980, outstanding obligations of the IBRD were denominated in seventeen different currencies, and were placed with private and official investors in more than 90 countries. As of June 30, 1980, estimates of the outstanding borrowings by source were:

Country	Principal Amount (US$ millions)	Percentage of Total Outstanding Amount
Germany	8,223	27.7
United States	5,844	19.7
Switzerland	4,730	15.9
Japan	4,173	14.1
OPEC	4,206	14.2
Other	2,492	8.4
Total	29,668	100.0

The main sources for the IBRD's public and private borrowings in FY 1980 were Germany ($2,045.2 million), Japan ($742.2 million), and Switzerland ($669.6 million). The IBRD also borrowed $500 million in the Eurodollar market. The IBRD did not borrow in the U.S. market during this period. Thirty-one of the forty-two borrowing operations that the IBRD conducted in FY 1980 were public issues or private placements. These issues accounted for $3,503.9 million, or 68 percent of the total funds borrowed. The remaining 11 issues ($1,652.9 million) were placed with official sources.

D. Loan Repayments and Net Income

Loan repayments are the second largest source of IBRD funds. During the last three IBRD fiscal years, loan repayments provided $2,651 million, or 21.4 percent of total financial resources. The IBRD's borrowers repaid $976.7 million of loan principal during FY 1980. The expansion of IBRD loan operations since the late 1960's ensures that the volume of loan repayments will continue to grow in the future.

The IBRD's net income provides another major source of funds. The IBRD has established the practice of making an annual grant to IDA ($100 million in FY 1980). The remainder of its income is placed into a general reserve. Loans are committed against -- but not disbursed from -- the general reserve. Earnings in FY 1980 were $587.9 million, and the transfer to the general reserve was $306.5 million. The general reserve had a balance of $2,600 million at the end of FY 1980.

VIII. Key GCI Characteristics

The major characteristics of the GCI are as follows:

- Subscriptions to the $40.0 billion GCI will be accepted from September 30, 1981.
- The overall increase of $40 billion (331,500 shares) is divided into two components. The first component of approximately 25,000 shares is set aside for special increases; the allocation of remaining shares is directly linked to a member country's allocation of existing capital.
- The maximum number of shares allocated to a member will be reduced by the number of shares a member is authorized to subscribe but has not subscribed under the 1977 SCI. Therefore, failure of the United States to take up its remaining unsubscribed 1977 SCI shares will result in an equal reduction in GCI shares available to it.

-- The paid-in portion of the GCI will be 7.5 percent, or approximately $3.0 billion.

-- The paid-in portion of the GCI retains the 9:1 ratio of local currency to gold or dollars established when the IBRD was founded.

The overall $40 billion GCI is divided into two components. The first component of 25,000 shares is set aside for special increases for which requests have already been received from a number of countries, but which have not yet been acted on by the Executive Directors. The remaining approximately 306,500 shares are allocated as a uniform percentage increase in present allocations, i.e., subscriptions after full subscription to the Selective Increase of 1977 and to the Special Increases recommended by the Executive Directors on March 15, 1979. Under this formula, the United States would be able to purchase up to 72,760 GCI shares, assuming we subscribe all our remaining 1977 SCI shares. Accordingly, the United States would have 21.95 percent of the total 331,500 GCI share increase.

The GCI and companion increase will cause a slight decline in relative U.S. voting strength, since the maximum number of new shares which the United States can purchase closely follows the present U.S. share allocation. The proposed schedule of U.S. subscription over a six year period will result in temporary loss of the U.S. veto over proposed amendments to the Articles of Agreement. However, the GCI and companion increase will not result in the permanent loss of the U.S. veto provided that the United States purchases the maximum number of shares because it will still have more than 20 percent of votes. Article VIII provides that amendments to the Articles of Agreement must receive at least 80 percent of the total votes in order to be adopted.

The United States took the lead in successfully urging a reduced proportion of paid-in capital in the GCI. The GCI therefore continues the trend towards a relative decline in the ratio of paid-in capital to total capital. The paid-in portion of GCI subscriptions will be 7.5 percent, or $3.0 billion. The remaining 92.5 percent, or $37.0 billion, will be callable. The GCI's 13.33:1 ratio of total to paid-in capital is significantly higher than the 10:1 ratio which has existed in the IBRD's capital structure since 1959, and which was followed in all capital increases subsequent to 1959 and prior to the GCI. The IBRD's reserves and key financial ratios are expected to remain sound with a 7.5 percent paid-in GCI share.

The 7.5 percent of subscriptions which will be paid-in under the GCI will consist of 0.75 percent of total subscriptions being paid in gold or dollars and 6.75 percent in the member country's own currency. This 9:1 ratio between local and "hard" currency portions of paid-in capital retains the proportions of gold or dollars and national currency originally established when the IBRD was founded. This ratio has been followed in all subsequent capital increases with a paid-in component.

The IBRD Articles of Agreement express the Bank's capital in terms of 1944 dollars. However, since the adoption of the Second Amendment to the IMF Articles in April 1978, currencies no longer have par values in terms of gold. The implications of the Second Amendment on the valuation of Bank capital stock are still being examined. The Bank is continuing and will continue to accept capital subscriptions at 1.20635 current U.S. dollars, the value of the 1944 dollar at the last par value of the U.S. dollar, subject to the possibility that adjustment may be required when the standard of value issue is resolved.

Since no decision has been made on the valuation of capital issue, the $40 billion capital increase has been translated into an increase of 331,500 shares on the basis of one share being valued at $120,635. If resolution of the valuation issue would result in an increase of capital in excess of $40 billion, the increase in authorized capital and the allocation of shares among members would be scaled down.

IX. Proposed Legislation

Section 5 of the Bretton Woods Agreements Act, as amended, provides that "Unless Congress by law authorizes such action, neither the President nor any person or agency shall on behalf of the United States. . .subscribe to additional shares of stock under Article II, Section 3, of the Articles of Agreement of the Bank. . ." The section also provides that ". . .unless Congress by law authorizes such action, no governor or alternate appointed to represent the United States shall vote for an increase of capital stock of the Bank under Article II, Section 2, of the Articles of Agreement of the Bank, if such increase involves an increased subscription on the part of the United States." Therefore, both the vote by the U.S. Governor for the increase in the capital stock of the Bank and the increased U.S. subscription must be authorized by Congress.

Legislation has been submitted to Congress to authorize the U.S. vote and the additional U.S. subscription. This legislation would authorize the U.S. Governor: (1) to vote for an increase of 365,000 shares (amounting to $44 billion) in the authorized capital of the Bank, and (2) to subscribe to 73,010 additional shares, amounting to $8.8 billion, on behalf of the United States. The legislation would provide that any subscription by the United States to additional shares would be effective only to such extent or in such amounts as are provided in advance in appropriations acts. This legislative provision would allow subscriptions to callable capital to be made after program limitations are enacted in appropriations acts. Congress is also asked to authorize an appropriation of $8.8 billion to pay for the increase in the U.S. subscription.

It is anticipated that appropriations for the paid-in portion and program limitations for the callable portion will be sought over a period of six years beginning with FY 1982. Outlays for the paid-in portion will be spread out over a period of eight years beginning with FY 1982. This extended schedule is required for domestic budgetary reasons and represents a more cost effective approach for the United States than originally proposed. Outlays for the paid-in portion would not exceed $11 million through FY 85 with the balance payable in fiscal years 1986-1988.

X. Conclusion

The NAC believes that the IBRD serves major U.S. economic and political interests in a cost-efficient manner. Accordingly, the NAC regards prompt U.S. participation in the GCI and companion increase as an essential element in our diplomatic and foreign economic policy.

Appendices

A. Report of the Executive Directors and GCI Governors Resolution

B. Key IBRD Statistics for FY's 1971-1980

C. Fifteen Largest IBRD Borrowers in FY's 1978-1980

D. Regional Distribution of New IBRD Loan Commitments in FY 1978-1980

E. Sectoral Distribution of New IBRD Loan Commitments in FY's 1978-1980

The World Bank / 1818 H Street, N.W., Washington, D.C. 20433, U.S.A. • Telephone: (202) 477-1234 • Cables: INTBAFRAD

(TO ALL MEMBERS)

AIRMAIL REGISTERED

July 3, 1979

IBRD General Capital Increase

Gentlemen:

1. I have been directed by the Executive Directors of the International Bank for Reconstruction and Development (Bank) to send you the following:

Attachment 1 - Report dated June 28, 1979 from the Board of Executive Directors to the Board of Governors regarding proposed increases in the authorized capital stock of the Bank and in subscriptions thereto;

Attachment 2 - Draft resolution entitled "1979 General Capital Increase" (Resolution I); and

Attachment 3 - Draft resolution entitled "1979 Additional Increase in Authorized Capital Stock and Subscriptions Thereto" (Resolution II).

2. It will be appreciated if you will transmit the report and draft resolutions to the Governor of the Bank representing your country for a vote without meeting pursuant to Section 13 of the By-Laws of the Bank. Votes cast shall be deemed to apply to both resolutions unless a contrary intention is stated. No particular form of vote is required as long as a clear indication, in writing, is received as to whether or not the Governor approves the resolutions. The Executive Directors have waived the requirement that Governors shall not vote on the resolutions until seven days after dispatch.

3. The requirements for adoption of the two resolutions are as follows:

- For purposes of a quorum in each case, replies must be received from a majority of Governors exercising not less than two-thirds of the total voting power; and

- In addition, each of the two resolutions must receive the approval of a three-fourths majority of the total voting power.

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4. In order to be valid, votes must be cast by Governors or Alternate Governors and must be received by my office by 5:30 p.m. Washington time on July 1, 1980, unless the Executive Directors shall have extended the period of voting. Votes not received by the terminal date shall be void.

5. If at any date prior to the termination of the voting period Governors exercising the required voting majority shall have approved Resolution I, Resolution II or both, such resolution or resolutions shall be deemed to have been adopted on that date, provided, however, that in such event Governors who have not yet done so may cast their vote on the resolution or resolutions after that date and until the terminal date of voting.

6. Votes cast on the resolution or resolutions shall be held by the Vice President and Secretary until counted. The Vice President and Secretary shall canvass the votes so cast and report thereon to the Executive Directors, who shall record the results. All members shall be informed of the results of the voting. The Vice President and Secretary shall take such further action as he shall deem necessary or appropriate in the circumstances.

Yours sincerely,

P. N. Damry
Vice President and Secretary

Attachments

Secretary of the Treasury
Department of the Treasury
Washington, D. C. 20220

cc: Secretary
National Advisory Council
on International Monetary and
Financial Policies
The Department of the Treasury
Washington, D.C. 20220

ATTACHMENT 1

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

June 28, 1979

REPORT OF THE EXECUTIVE DIRECTORS TO THE BOARD OF GOVERNORS

IBRD GENERAL CAPITAL INCREASE

A. Introduction

1. More than two years ago, the Executive Directors began consideration of a general increase in IBRD capital subscriptions. Agreement on the size and terms of a general capital increase has now been reached. The purpose of this report is to present the Executive Directors' specific recommendations on the General Increase to the Board of Governors. Subsequent sections describe: (a) the size of the increase; (b) the proportion of the increase to be paid in; (c) voting power and Board representation; and (d) the timing of subscriptions.

2. The basis for the Directors' deliberations has been several memoranda from the President, most notably "The Future Role of the World Bank and its Associated Capital Requirements" (R77-18, dated January 31, 1977).

B. Size of the Increase

3. A first meeting of the Executive Directors on the Future Role of the Bank memorandum took place on March 8, 1977. The question of political support for further growth in World Bank operations was addressed in several important meetings which took place in the months following the March 8 discussion. First the representatives of the developing countries, meeting as the Group of 24 prior to the Development Committee session on April 27, 1977, issued a statement in which they urged that "the capital of the World Bank and the regional development finance institutions should have a sizeable increase." Second, the heads of state of seven major developed countries and the President of the European Community addressed the Bank's capital requirements in the communique issued at the conclusion of their meeting in London in May 1977. They expressed support for the World Bank and stated that its "general resources should be increased sufficiently to permit its lending to rise in real terms." Thirdly, the countries represented at the CIEC conference issued a report in June 1977 in which they affirmed their agreement in the following terms:

> "The capital base of the World Bank should be increased sufficiently to permit its lending to rise adequately in real terms in the years ahead. Negotiations for a general increase in the capital of the Bank should be undertaken, as soon as possible,

so as to allow the Bank to achieve its lending programme of $6.8 billion in FY1979 and thereafter further increases in its lending in real terms." 1/

4. Against this background of political support for a Capital Increase a series of informal discussions was arranged to give the Executive Directors an opportunity to exchange views on the future growth rate of IBRD lending and to discuss several other matters which have a direct bearing on the size of the Capital Increase. Discussion initially focussed on a series of variables that together determine the amount of additional capital needed by the Bank, specifically the real rate of growth in commitments, assumptions about inflation, the number of years of lending that the capital increase should finance, the terms of lending and the interpretation to be given to "non-disruptive adjustment." 2/ Several Directors, however, suggested that the size of the increase not be rigidly tied to a particular set of assumptions concerning these variables. The management's proposal for a doubling of capital subscriptions - or an increase of approximately $40 billion - was based on this principle, and on this same basis Executive Directors accepted an increase of $40 billion. A $40 billion increase in IBRD subscribed capital will permit the Bank to maintain significant real growth in lending over the next several years.

5. It is proposed to divide the overall increase of $40 billion into two components. The first component, amounting to about 25,000 shares, would be set aside for special increases for which requests have already been received but not yet acted upon by the Executive Directors. The remainder of the $40 billion increase would be allocated as a uniform percentage increase in present allocations, i.e., subscriptions after full subscription to the Selective Increase of 1977 and to Special Increases recommended by the Executive Directors on March 15, 1979 (except for members that have formally notified the Bank that they do not intend to subscribe to previously authorized increases). 3/

6. In order to translate the overall increase of $40 billion into a specific number of shares to be subscribed by each member, it is necessary to determine a subscription price per share. The IBRD Articles of Agreement express the Bank's capital in terms of 1944 dollars. Since April 1, 1978, the effective date of the Second Amendment of the IMF Articles of Agreement, currencies no longer have par values in terms of gold and the preexisting basis for translating the 1944 dollar into members' currencies has ceased to exist. The implications of this change on the valuation of Bank capital stock are still being examined. Since April 1, 1978, the Bank has expressed the

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1/ The CIEC Report noted that this paragraph was to be read together with any agreed recommendations relating to the financing of energy and other priority sectors in other conference documents.

2/ The issue of "non-disruptive adjustment" is discussed in the Role of the Bank memorandum, paragraphs 109-115.

3/ No shares would be allocated to Taiwan. The calculation would also take into account one pending increase under Resolution No. 258.

value of its capital stock on the basis of the SDR for purposes of its financial statements. The Bank has continued and will continue to accept capital subscriptions at 1.20635 current U.S. dollars to one 1944 dollar, the value of the 1944 dollar at the last par value of the U.S. dollar, subject to the possibility that adjustment may be required when the standard of value issue is resolved.

7. No decision has been made on the unit for valuation of capital and issues related to maintenance of value and the procedure for reaching a decision on these issues. It is expected that before subscriptions to the General Capital Increase take place, the Board of Executive Directors will be able to arrive at a definitive position on this matter and that the procedure for resolution of these issues will have been agreed upon. On the basis of one share being valued at $120,635, the proposed $40 billion increase translates into an increase of 331,500 shares. If, on the other hand, the price per share were set at SDR100,000, the total number of shares corresponding to $40 billion would depend upon the relationship between the $ and SDR. At the present rate of 1 SDR = approximately $1.27 the number of shares would be 315,000.

8. As it is not foreseeable at this moment how the valuation issue will be resolved, a capital increase of 331,500 shares is proposed on condition that the increase in Authorized Capital and the allocation of shares among members will be scaled down in case the increase would exceed the amount of $40 billion. This scaling down would also apply to the total number of shares set aside for the special increases. In case agreement is only reached on the valuation issue after subscriptions have taken place and if subscriptions have been made that exceed the scaled-down figures, the excess subscriptions will be cancelled and the amounts paid-in will be credited to the respective members.

C. Proportion Paid-In

9. Since 1959, when IBRD capital subscriptions were doubled with no additional paid-in, all new or increased subscriptions to the Bank have contained a 10% paid-in proportion. In deciding on the proportion of the present increase to be paid in, the Executive Directors have been guided by two main considerations: the Bank's need for additional income and reserves; and the perception of shareholder support held by bond markets. It is generally recognized that from the perspective of the Bank and its borrowers a high proportion is to be preferred. Paid-in capital, however, represents concessional assistance and many member governments are concerned that the amount paid in be no greater than necessary to ensure the financial soundness of the Bank.

10. Analysis of the Bank's future income and reserve requirements suggests that a 7-1/2% portion (amounting to approximately $3 billion) would provide a satisfactory increase in paid-in capital, and this is what the Executive Directors recommend for the second component mentioned in paragraph 5, whereas

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the portion to be paid in for the first component would be decided upon each time a portion of these shares is allocated. The Bank's key financial ratios would continue to remain within an acceptable range. The Directors also believe that insofar as the financial markets are concerned a 7-1/2% portion would be a clear sign of continued, strong shareholder support for the Bank and its programs.

11. The attached Resolution provides for 3/4% of the price of each share to be paid in gold or dollars and 6-3/4% to be paid in the member's own currency. This approach retains the proportions of gold or dollars and national currency established for initial subscriptions in the Articles.

D. Voting Power and Board Representation

12. The proposed increase will approximately double the number of shares outstanding. It will not, however, result in a proportionate increase in the number of votes held by member countries because membership votes are fixed by the Articles of Agreement at 250 votes per country. Because membership votes cannot be increased without an amendment of the Articles, a simple proportionate increase in each member's subscription would result in an unintended and unfortunate reduction in the voting power of the smaller member countries who benefit most from the existence of membership votes. Since the overwhelming majority of small countries are developing countries, this would have the effect of reducing the aggregate voting power of the developing countries. To overcome this unintended effect of the General Increase, it is proposed that a special allocation of 250 shares be made to each member country. These 250 shares would be separated from the General Increase in two ways: First, no part of the subscription price would be paid in. The purpose of this provision is to avoid imposing a financial burden on those member countries who are intended to benefit most from the extra 250 shares. These countries need the membership votes precisely because their small size and relatively poor economies prevent them from taking up large subscriptions in the Bank. It would be contradictory to offer them special shares intended to offset the dilution of their membership votes and also to expect payments which in some cases would be a multiple of that required to participate in the General Increase itself. Second, in view of the purpose of authorizing these shares, the Directors have agreed they should not be counted as part of the capital base of the Bank for purposes of determining lending authority. This will enable the 250 shares to be outside the $40 billion limit to the General Increase and yet not to create additional lending capacity. A separate Resolution covering these shares is attached.

13. The Resolution provides for the authorization of 33,500 shares, or 250 shares per member. In order for this proposal to affect voting power as intended, it will be necessary for all members to waive their preemptive rights to a proportionate share of any increase in Authorized Capital. The draft Resolution provides that this increase will become effective only if all members waive preemptive rights.

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14. For several years, Executive Directors have been concerned about the possibility of a change in the geographic pattern of representation on the Executive Board, particularly as a result of the sharp increase in the voting power of the major oil exporting nations. The greatest degree of concern has been expressed about the representation of the African countries south of the Sahara and the countries of Latin America. The Directors have agreed that special efforts should be made to preserve a broad georgaphic pattern of representation and that all major groups of countries should be represented. The Directors therefore recommend that at the time of elections of Executive Directors the Governors take special note of the risk that the representation of the sub-Saharan African and Latin American countries could be reduced and take whatever steps are necessary to ensure that these countries along with other groups of countries, especially the Asian and Pacific counties, are adequately represented on the Executive Board.

E. Timing of Subscriptions

15. The Bank's Articles of Agreement limit the amount of disbursed and outstanding loans to the total of subscribed capital and reserves. On the basis of the present subscribed capital plus allocations yet to be subscribed under the Selective Increase of 1977, the Bank's authority to make new commitments is expected to be exhausted by March 1982. 1/ It is highly desirable that the General Increase Resolution be approved by the Governors well before that date in order to provide an assured base for proceeding with the Bank's lending program. Accordingly, it is recommended that the Governors vote on the Resolutions by July 1, 1980.

16. Approval of the Resolutions would immediately increase the Bank's authorized capital. In order to avoid marked shifts in relative subscriptions and voting power, it is recommended that no subscriptions under these Resolutions be accepted until September 30, 1981. The component of the General Increase set aside for future special increases would not be subject to this restriction and subscriptions to this component could be accepted upon approval of the General Increase Resolution and any further resolutions allocating the shares set aside for special increases. Subscriptions would be accepted until July 1, 1986 but it is expected that countries would begin subscriptions no later than FY83.

1/ This is the date when new commitments would need to cease in order to prevent disbursed loans from exceeding the statutory limit in June 1984. The gap between the cessation of commitments and technical violation of the statutory limit is created by the fact that with a growing lending program, disbursed loans will continue to increase for about 2 years after commitments stop.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

(DRAFT)

Resolution No. ____

1979 General Capital Increase

WHEREAS the original capital stock of the Bank amounted to $10 billion in terms of United States dollars of the weight and fineness in effect on July 1, 1944 (hereinafter referred to as 1944 dollars);

WHEREAS the Board of Governors, by Resolutions Nos. 128, 131, 194, 222, 264 and 315 increased the authorized capital stock to $34 billion divided into 340,000 shares having a par value of $100,000 each in terms of 1944 dollars;

WHEREAS the Executive Directors of the Bank, having duly considered the question of enlarging the resources of the Bank through an increase in its authorized capital, have concluded that action to increase the capital of the Bank would be desirable and have submitted an appropriate proposal therefor to the Board of Governors;

WHEREAS the Executive Directors have concluded that it would be desirable to reserve a portion of the increase in authorized capital for selective increases in the subscriptions of present members;

WHEREAS the Board of Governors expects that in the circumstances members will not wish to avail themselves of their preemptive rights pursuant to Article II, Section 3(c) of the Articles of Agreement of the Bank;

NOW THEREFORE the Board of Governors hereby resolves as follows:

1. The authorized capital stock of the Bank shall be increased by 331,500 shares of capital stock having a par value of $100,000 each in terms of 1944 dollars; provided, however, that if as a result of determinations on the standard of value for Bank capital stock the increase in authorized capital is in excess of $40,000,000,000 calculated as of the time of such determinations and on the basis of that value, the number of shares authorized by this Resolution shall be reduced so that such value shall be equivalent (to the nearest number of shares) to $40,000,000,000.

2. Each of the members of the Bank listed below may subscribe up to the maximum number of shares of the Bank set forth opposit its name subject to adjustment as provided in paragraph 3 of this Resolution:

Member Country	Maximum Number of Shares	Member Country	Maximum Number of Shares
Afghanistan	327	Central African Empire	110
Algeria	2178	Chad	110
Argentina	4400	Chile	1161
Australia	6037	Colombia	1100
Austria	2523	Comoros	15
Bahamas	253	Congo	117
Bahrain	153	Costa Rica	123
Bangladesh	1163	Cyprus	260
Barbados	130	Denmark	2362
Belgium	6803	Dominican Republic	164
Benin	110	Ecuador	344
Bolivia	247	Egypt	1544
Botswana	69	El Salvador	132
Brazil	5055	Equatorial Guinea	72
Burma	553	Ethiopia	137
Burundi	163	Fiji	138
Cameroon	230	Finland	2003
Canada	10410	France	16443
Cape Verde	15	Gabon	215

ATTACHMENT 2

Member Country	Maximum Number of Shares	Member Country	Maximum Number of Shares
Gambia, The	61	Norway	2256
Germany	16485	Oman	180
Ghana	801	Pakistan	2358
Greece	885	Panama	202
Grenada	22	Papua New Guinea	230
Guatemala	156	Paraguay	66
Guinea	224	Peru	878
Guinea-Bissau	25	Philippines	1605
Guyana	192	Portugal	1239
Haiti	163	Qatar	338
Honduras	102	Romania	1873
Iceland	208	Rwanda	163
India	10608	Sao Tome & Principe	13
Indonesia	3639	Saudi Arabia	5300
Iran	5284	Senegal	419
Iraq	895	Sierra Leone	167
Ireland	1185	Singapore	376
Israel	1566	Solomon Islands	16
Italy	9472	Somalia	177
Ivory Coast	478	South Africa	3241
Jamaica	558	Spain	4260
Japan	16417	Sri Lanka	899
Jordan	218	Sudan	657
Kampuchea, Democratic	238	Suriname	152
Kenya	515	Swaziland	92
Korea, Republic of	1304	Sweden	3441
Kuwait	2998	Syrian Arab Republic	475
Lao People's Dem. Rep.	110	Tanzania	411
Lebanon	167	Thailand	1383
Lesotho	54	Togo	170
Liberia	243	Trinidad & Tobago	624
Libya	1485	Tunisia	439
Luxembourg	278	Turkey	1527
Madagascar	256	Uganda	373
Malawi	170	United Arab Emirates	1032
Malaysia	1934	United Kingdom	24336
Maldives	6	United States	72760
Mali	190	Upper Volta	110
Mauritania	118	Uruguay	485
Mauritius	207	Venezuela	3534
Mexico	2954	Viet Nam	707
Morocco	1142	Western Samoa	22
Nepal	137	Yemen Arab Republic	99
Netherlands	7188	Yemen, P.D.R.	314
New Zealand	1766	Yugoslavia	2118
Nicaragua	103	Zaire	1157
Niger	110	Zambia	1077
Nigeria	2753		

3. In the event that the number of shares authorized by this resolution shall be reduced pursuant to the proviso to paragraph 1 above, the amount authorized to be subscribed by each member shall be reduced correspondingly (to the nearest number of shares).

4. Each subscription authorized pursuant to paragraph 2 above shall be on the following terms and conditions:

(a) the subscription price per share shall be par;

(b) a member may subscribe from time to time prior to July 1, 1986, or such later date as the Executive Directors may determine; provided, however, that the Bank shall not accept any such subscription prior to September 30, 1981;

(c) the subscribing member shall pay to the Bank (i) gold or United States dollars equal to 3/4% of the subscription price of the shares subscribed and (ii) an amount in its own currency equal to 6-3/4% of such subscription price;

(d) the Bank shall call the amounts of the 2% and 18% portions of subscriptions which are not required to be paid under paragraph 4(c) above only when required to meet obligations of the Bank for funds borrowed or on loans guaranteed by it, and not for use by the Bank in its lending activities or for administrative expenses;

(e) before any subscription shall be accepted by the Bank, the following action shall have been taken:

(i) the member shall have taken all action necessary to authorize such subscription and shall furnish to the Bank such information thereon as the Bank may request; and

(ii) the member shall have made the payments provided for in paragraph 4(c) above; and

(f) the maximum number of shares authorized to be subscribed at any time by a member pursuant to this Resolution shall be reduced by the number of shares such member is authorized to subscribe but has not then subscribed pursuant to Resolutions Nos. 313 and 314, adopted by the Board of Governors on January 3, 1977 and February 9, 1977, respectively, and Resolutions submitted after that latter date and prior to March 22, 1979 to the Board of Governors for a vote; provided, however, that no such reduction shall be made on account of shares authorized under Resolutions Nos. 313 and 314 which the member has formally notified the Bank by March 22, 1979 it will not subscribe.

5. If no determinations have been made on the standard of value issue by September 30, 1981, and if any member thereafter shall have subscribed a number of shares in excess of the number of shares authorized to be subcribed by it after reduction in accordance with paragraph 3 above, such excess shall be cancelled and any amounts paid thereon shall be credited to the member on account of the subscription price of the balance of the shares theretofore subscribed to the extent that the amounts provided for in paragraph 4(c) above have not been paid and any balance shall be returned to the member.

6. In the absence of notice to the Bank from any member on or before July 19, 1979 that it intends to exercise its right to subscribe its

proportionate share of the increase in capital provided for in this Resolution, such member will be deemed to have waived such right; provided, however, that if any such notice is received from any member the Secretary of the Bank shall promptly after the said date notify all other members thereof whereupon such other members shall have an additional 30 days after the said date to give such notice.

ATTACHMENT 3

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

(DRAFT)

Resolution No. _____

1979 Additional Increase in

Authorized Capital Stock and Subscriptions Thereto

WHEREAS the Resolution entitled "1979 General Capital Increase" (hereinafter referred to as the Main Resolution) provides for an increase (subject to adjustment) of 331,500 shares in the authorized capital stock of the Bank;

WHEREAS it is desirable further to increase the authorized capital stock of the Bank in order to provide for the subscription by each member to 250 additional shares of capital stock for the purpose of avoiding dilution of the voting power of certain members as a result of the General Capital Increase;

WHEREAS the understanding as among members is that, with respect to such subscriptions, the 2% and 18% portions of each subscription payable pursuant to the Articles of Agreement in gold or United States dollars and the currency of the subscribing member, respectively, shall not be called for use by the Bank in its lending activities or for administrative expenses;

WHEREAS it is also the understanding as among members that subscriptions pursuant to this Resolution will not be counted in determining limitations on guarantees and borrowings of the Bank pursuant to Article III, Section 3 of the Articles of Agreement of the Bank;

WHEREAS in order to achieve the purpose of authorizing such additional subscriptions it is necessary that members waive their right under Article II, Section 3(c) of the Articles of Agreement to subscribe their proportionate share of the increase in authorized capital stock pursuant to the present Resolution;

NOW THEREFORE the Board of Governors hereby resolves as follows:

1. The authorized capital stock of the Bank shall be increased by 33,500 shares of capital stock having a par value of $100,000 each in terms of United States dollars of the weight and fineness in effect on July 1, 1944.

2. Each member may subscribe to 250 shares on the following terms and conditions:

(a) the subscription price shall be par;

(b) the subscription of each member shall be received by the Bank on or before July 1, 1986, or such later date as the Executive Directors may determine; provided, however, that the Bank shall not accept any such subscription prior to September 30, 1981; and

(c) each member shall represent to the Bank that it has taken all action necessary to authorize such subscription and shall furnish to the Bank such information thereon as the Bank may request.

3. The Bank shall call the 2% and 18% portions of subscriptions made pursuant to this Resolution only when required to meet obligations of

the Bank for funds borrowed or on loans guaranteed by it, and not for use by the Bank in its lending activities or for administrative expenses.

4. In the absence of notice to the contrary from any member on or before July 19, 1979, such member shall be deemed to have waived its right to subscribe its proportionate share of the increase in authorized capital under this Resolution.

5. Subscriptions to capital stock pursuant to this Resolution shall not be taken into account in determining the amount of the unimpaired subscribed capital, reserves and surplus of the Bank for purposes of Article III, Section 3 of the Articles of Agreement of the Bank.

6. This Resolution shall not become effective unless:

(a) all members have waived their right to subscribe to their proportionate share of such increase; and

(b) the Main Resolution has become effective.

Key IBRD Statistics for World Bank

Fiscal Years 1971 - 1980

	Fiscal Year									
	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
	US$ millions									
oan amounts[1]	1,921	1,966	2,051	3,218	4,320	4,977	5,759	6,098	6,989	7,644
isbursements[2]	915	1,182	1,180	1,533	1,995	2,470	2,636	2,787	3,602	4,363
otal income	578	646	758	929	1,157	1,330	1,617	1,947	2,425	2,800
et income	212	183	186	216	275	220	209	238	407	588
otal reserves	1,444	1,597	1,750	1,772	1,902	1,916	2,026	2,245	2,498	2,893
orrowings: total	1,368	1,744	1,723	1,853	3,510	3,811	4,721	3,636	5,085	5,173
orrowings: net	819	1,136	955	990	2,483	2,530	3,258	2,171	3,235	2,382
ubscribed capital	23,871	26,607	30,397	30,431	30,821	30,861	30,869	33,045	37,429	39,959
	number									
perations approved	78	72	73	105	122	141	161	137	142	144
orrowing countries	42	40	42	49	51	51	54	46	44	48
ember countries	116	117	122	124	125	127	129	132	134	135
rofessional staff (number)	1,348	1,516	1,654	1,752	1,883	2,066	2,203	2,290	2,382	2,474

Excludes loans to IFC of $60 million in FY1972, $40 million in FY1973, $110 million in FY1974, $50 million in FY1975, $70 million in FY1976, and $20 million in FY1977. Includes amounts in FY1976 and FY1977 lent on Third Window terms.

Excludes disbursements on loans to IFC.

Fifteen Largest IBRD Borrowers

In WBFY 1978

Rank (by $)	Country	Number of Loans	Total New Commitments ($ million)
1	Brazil	9	705.0
2	Mexico	6	469.5
3	Korea	6	439.0
4	Indonesia	7	435.0
5	Philippines	8	410.0
6	Colombia	7	354.6
7	India	4	330.0
8	Yugoslavia	4	328.0
9	Romania	4	256.5
10	Turkey	3	205.0
11	Algeria	2	172.0
12	Argentina	2	165.0
13	Egypt	2	140.0
14	Portugal	3	131.0
15	Ivory Coast	5	121.0

Fifteen Largest IBRD Borrowers

In WBFY 1979

Rank (by $)	Country	Number of Loans	Total New Commitments ($ million)
1	Indonesia	9	704.0
2	Brazil	9	674.0
3	Mexico	5	552.0
4	Korea	4	397.0
5	Yugoslavia	5	385.0
6	Morocco	6	349.0
7	Philippines	8	333.5
8	Turkey	4	312.5
9	Colombia	7	311.5
10	India	2	300.0
11	Romania	5	295.0
12	Thailand	6	225.1
13	Kenya	5	211.0
14	Egypt	3	188.0
15	Nigeria	5	182.0

Fifteen Largest IBRD Borrowers

In WBFY 1980

Rank (by $)	Country	Number of Loans	Total New Commitments ($ million)
1	Brazil	7	695.0
2	Turkey	7	600.0
3	Indonesia	6	580.0
4	Korea	8	544.0
5	Thailand	9	542.0
6	Colombia	6	518.0
7	Philippines	8	412.0
8	Yugoslavia	6	347.0
9	Romania	4	325.0
10	Mexico	3	300.0
11	Nigeria	5	286.3
12	Argentina	2	237.0
13	Egypt	5	206.0
14	Morocco	4	204.0
15	Tunisia	5	171.0

Regional Distribution of New IBRD Loan Commitments

In Bank Fiscal Years 1978, 1979 and 1980

	FY 1978		FY 1979		FY 1980	
	$ million	percent	$ million	percent	$ million	percent
East Africa	162.4	2.67	266.0	3.81	150.5	1.96
West Africa	303.4	4.98	317.1	4.53	439.2	5.75
East Asia and Pacific	1,586.9	26.02	1,791.6	25.64	2,160.5	28.26
South Asia	330.0	5.41	300.0	4.29	125.0	1.63
Europe, Middle East and North Africa	1,660.5	27.23	2,081.5	29.78	2,174.0	28.45
Latin America and Caribbean	2,054.5	33.69	2,232.8	31.95	2,595.0	33.95
Totals	6,097.7	100.00	6,989.0	100.00	7,644.2	100.00

Appendix E

Sectoral Distribution of New IBRD Loan Commitments

In Bank Fiscal Years 1978, 1979 and 1980

	FY 1978		FY 1979		FY 1980	
	$ million	percent	$ million	percent	$ million	percent
Agriculture and Rural Development	1,929.0	31.63	1,568.1	22.45	1,700.4	22.24
Development Finance Companies	782.5	12.83	559.0	7.99	743.0	9.72
Education	268.9	4.41	245.5	3.51	360.1	4.71
Oil, Gas and Coal	- 0 -	- 0 -	82.4	1.18	328.5	4.29
Power	900.0	14.76	872.5	12.49	1,584.5	20.74
Industry	360.0	5.90	721.0	10.33	393.5	5.15
Non-project	80.0	1.32	301.5	4.31	280.0	3.67
Population, Health and Nutrition	25.0	0.41	17.0	0.24	65.0	0.85
Small-Scale Enterprises	51.8	0.85	69.6	0.99	222.0	2.90
Technical Assistance	11.0	0.18	- 0 -	- 0 -	- 0 -	- 0 -
Telecommunications	153.6	2.52	110.0	1.57	66.0	0.86
Tourism	50.0	0.82	66.7	0.95	- 0 -	- 0 -
Transportation	918.1	15.05	1,430.9	20.48	1,205.0	15.76
Urbanization	222.4	3.65	297.5	4.25	249.8	3.27
Water Supply and Sewerage	345.4	5.67	647.3	9.26	446.4	5.84
Totals	6,097.7	100.00	6,989.0	100.00	7,644.2	100.00