WHORM Subject File Code: IT023(International Bank for Reconstruction + Development)
Case file Number(s): 300000-334999

a/

MEMORANDUM

NATIONAL SECURITY COUNCIL

1499

300371

IT023

IT039

IT106

FG006-12

FG012

February 26, 1985

MEMORANDUM FOR RONALD K. PETERSON

FROM: ROBERT M. KIMMITT Bob

SUBJECT: Treasury Draft Proposal

The NSC staff has reviewed the attached Treasury draft proposal "to provide for increased participation by the United States in the International Bank for Reconstruction and Development, the International Finance Corporation, and the African Development Fund" and has no objection.

Attachment
Tab A Legislative Referral Memorandum

NSC # 8501499

MEMORANDUM

1499

NATIONAL SECURITY COUNCIL

February 25, 1985

ACTION

MEMORANDUM FOR ROBERT M. KIMMITT

FROM: ROGER W. ROBINSON

SUBJECT: Treasury Draft Proposal

OMB has requested our comments by March 1 on the attached Treasury draft proposal "to provide for increased participation by the United States in the International Bank for Reconstruction and Development, the International Finance Corporation, and the African Development Fund" (Tab A).

RECOMMENDATION:

That you sign the memorandum to Peterson at Tab I indicating that we have no objection to Treasury's draft proposal.

Approve K Disapprove ______

Chris Lehman and Phil Ringdahl concur.

Attachments
Tab I Memo to Peterson
Tab A Legislative Referral Memorandum

1499

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

SPECIAL

February 22, 1985

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer-

Department of State - Alba 632-0430 (25)
National Security Council
Agency for International Development - Lester 632-8404 (2)
Department of Agriculture - Clemans 382-1516 (1)
Export-Import Bank
Federal Reserve Board
Council of Economic Advisers

SUBJECT: Treasury draft proposal "To provide for increased participation by the United States in the International Bank for Reconstruction and Development, the International Finance Corporation, and the African Development Fund."

The Office of Management and Budget requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

A response to this request for your views is needed no later than FRIDAY, MARCH 1, 1985.

Questions should be referred to TLawler/SThau (395-7300) the legislative analyst in this office.

Ronald K Peterson

RONALD K. PETERSON FOR
Assistant Director for
Legislative Reference

Enclosures
cc: D. Speckhard
E. Strait
S. Farrar

SPECIAL

DEPARTMENT OF THE TREASURY
OFFICE OF THE GENERAL COUNSEL
WASHINGTON, D.C. 20220

2[illegible] FEB 1985

Director, Office of Management and Budget
Executive Office of the President
Washington, D.C. 20503

Attention: Assistant Director for Legislative Reference

Dear Sir:

Enclosed are six copies of a letter to the Speaker of the House and a draft bill, "To provide for increased participation by the United States in the International Bank for Reconstruction and Development, the International Finance Corporation, and the African Development Fund."

Section 101 of the draft bill authorizes the Secretary of Treasury, as U.S. Governor of the International Bank for Reconstruction and Development, to vote for the special capital increase of seventy thousand shares in the authorized capital stock of the Bank, and to subscribe on behalf of the United States to 12,453 such shares.

In compliance with the Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344) ("Budget Act"), the bill authorizes appropriations of $1,502,267,655 to pay for those shares. In accordance with the President's budget, we intend to seek appropriations of $65,718,932 for fiscal year 1986, and $65,729,488 for fiscal year 1987, to pay for the paid-in portion of those shares. To subscribe for the callable portion of those shares, which does not involve a budgetary outlay, we intend to seek program limitations of $685,354,578 for fiscal year 1986, and $685,464,657 for fiscal year 1987.

Section 102 of the draft bill authorizes the Secretary of the Treasury, as Governor of the International Finance Corporation, to vote for the capital increase approved by the Corporation's Board of Directors last June, and to subscribe to 175,162 additional shares in the Corporation. Consistent with the Budget Act, the draft bill authorizes appropriation of $175,162,000 to pay for those shares. In accordance with the President's budget, we intend to seek appropriations of that sum in five annual installments for fiscal years 1986 through 1990.

Section 103 of the draft bill authorizes the Secretary of the Treasury, as Governor of the African Development Fund, to contribute $225,000,000 to the fourth replenishment of the Fund. In compliance with the Budget Act, the draft bill authorizes appropriations for that sum. In accordance with the President's budget, we intend to seek appropriations for that sum in three equal annual installments for fiscal years 1986 through 1988.

Your advice is requested as to whether there would be any objection to the submission of this proposed legislation to Congress. If you approve, the Department will send an identical letter to the President of the Senate.

Sincerely yours,

Margery Waxman

Margery Waxman
Deputy General Counsel

Enclosures

THE SECRETARY OF THE TREASURY

WASHINGTON

Dear Mr. Speaker:

Transmitted herewith is a draft bill, "To provide for the increased participation by the United States in the International Bank for Reconstruction and Development, the International Finance Corporation, and the African Development Fund."

Submission of the bill is required by Section 5 of the Bretton Woods Agreements Act, as amended, 59 Stat. 512, 22 U.S.C. 286 et seq.; Section 5 of the International Finance Corporation Act, as amended, 69 Stat. 669, 22 U.S.C. 282 et seq.; and Section 205 of the African Development Fund Act, as amended, 90 Stat. 591, 22 U.S.C. 290g et seq.

International Bank for Reconstruction and Development
Selective Capital Increase

Section 101 of the draft bill authorizes the Secretary of the Treasury, as Governor of the International Bank for Reconstruction and Development (IBRD) to vote for an increase of seventy thousand shares in the World Bank's capital stock, and to subscribe on behalf of the United States to twelve thousand four hundred and fifty-three (12,453) shares of the capital stock of the Bank. The bill also authorizes the appropriation of $1,502,267,655 to pay for the United States subscriptions. It further provides that any commitment to subscribe to shares of the capital stock of the Bank shall be effective only to the extent or in such amounts as are provided in advance in appropriations acts. In accordance with the President's budget, we are seeking appropriations of $65,718,932 and $65,729,488 for fiscal years 1986 and 1987 respectively to pay for the paid-in portion of those shares. To subscribe to the callable portion of those shares, which does not involve a budgetary outlay, we intend to seek program limitations of $1,370,819,235, approximately half in each of fiscal years 1986 and 1987.

The United States purchase of these shares would constitute 17.79 percent of the Selective Capital Increase (SCI) the World Bank Executive Board unanimously supported on May 24, 1984, to adjust members' shares. This adjustment "parallels" the International Monetary Fund (IMF) quota increase approved November 30, 1983. The United States has traditionally supported the practice of timing SCIs to follow closely the IMF quota reviews.

The United States has also been a strong supporter of "parallelism" insofar as it suggests that countries which, by virtue of their economic growth, have taken a larger quota in the IMF, should take a larger responsibility in the World Bank. Our support for this SCI is in part based on the fact that it accomplishes this objective, i.e., Japan will have the second largest World Bank share after the United States, a position commensurate with its standing in the world economy.

United States support for the SCI also represents our continued belief that Bank operations contribute to vital U.S. interests by encouraging sound economic growth in its developing member countries.

International Finance Corporation

Section 102 of the draft bill authorizes the Secretary of the Treasury, as Governor of the International Finance Corporation (IFC), to vote for an increase of six hundred and fifty thousand shares in the authorized capital stock of the Corporation; and to subscribe on behalf of the United States to one-hundred and seventy-five thousand, one hundred and sixty-two (175,162) additional shares of the capital stock of the Corporation. The bill also authorizes the appropriation of $175,162,000 to pay for the U.S. subscriptions. The bill further requires that any commitment to make payment for such additional subscriptions shall be effective only to such extent or in such amounts as are provided in advance in appropriations acts. In accordance with the President's budget, we are seeking appropriations for that sum in five installments beginning in fiscal year 1986.

The IFC furthers development in its developing member countries by promoting and supporting private enterprises. A strong private sector that can respond to market forces and take advantage of investment opportunities is a sine qua non for achieving sustainable economic development. The Corporation accomplishes this by providing risk capital as well as long term loans, and generally playing an important catalytic role in bringing together entrepreneurship with both foreign and domestic investment capital.

Within the last year, a five year plan for fiscal years 1985 to 1989 has been designed. Under this plan, which the United States actively helped to formulate, the number of projects will increase by 7.5 percent annually and net investments will increase by 7 percent annually in real terms. In addition to the general expansion of investment activity, the program includes four initiatives:

1) increased emphasis on capital market development to build the institutions necessary to mobilize domestic savings;

2) implementation of a corporate restructuring program to assist enterprises in adjusting to changed economic conditions including changes brought about by policy reforms adopted under IMF and IBRD programs;

3) allocation of a larger share of IFC's resources to Sub-Saharan Africa; and

4) establishment of an energy exploration and development program that will attract foreign private resources to developing countries.

The expansion of the IFC's investment program -- which is consistent with the direction and emphasis the United States has encouraged -- requires a capital increase. After consultations with other member countries the increase was set at $650 million; the United States would maintain its current share in the IFC, 27 percent. Because the capital increase requires a favorable vote by countries having 75 percent of the total voting power, U.S. support is necessary for the increase to become effective.

African Development Fund

Section 103 of the draft bill authorizes the Secretary of the Treasury, as U.S. Governor of the African Development Fund (AFDF), to agree on behalf of the United States to pay $225,000,000 as the U.S. contribution to the fourth replenishment of the Fund. The draft bill also authorizes the appropriation of $225,000,000 for payment of the AFDF IV contribution, and requires any commitment to make a contribution to the AFDF be made subject to obtaining the necessary appropriations. In accordance with the President's budget, we are seeking appropriations for that sum in three equal annual installments beginning in fiscal year 1986.

The AFDF, an affiliate of the African Development Bank, is designed to channel resources to the poorest African countries. More than 80 percent of its lending goes to countries with per capita GNPs of $400 or less in 1982 dollars. To help ameliorate the problems facing these low-income countries, the AFDF makes credits on highly concessional terms for development projects. During 1983, AFDF lending amounted to $344 million to 22 countries. Reflecting Africa's current needs, the agricultural sector is being given the highest priority, accounting for 40 percent of total lending.

In May 1984, the United States agreed to seek a $225 million contribution over three years for the fourth replenishment of the Fund. It is vital to our international standing, and to future bilateral and multilateral negotiations, to honor this pledge and provide the necessary appropriation. Moreover, U.S. participation will demonstrate this country's commitment to Africa's economic growth and development, and fulfill U.S. humanitarian interests in helping to reduce poverty among some of the world's poorest people.

The Office of Management and Budget has advised that there is no objection to the submission of this legislation to the Congress, and that its enactment would be in accord with the program of the President.

Sincerely,

James A. Baker, III

The Honorable
Thomas P. O'Neill, Jr.
Speaker of the House of Representatives
Washington, D.C. 20515

A BILL

To provide for increased participation by the United States in the International Bank for Reconstruction and Development, the International Finance Corporation, and the African Development Fund.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Sec. 101. The Bretton Woods Agreements Act, as amended (59 Stat. 512, 22 U.S.C. 286 et seq.) is further amended by adding at the end thereof the following new section:

"Sec. 51 (a). The United States Governor of the Bank is authorized --

(1) to vote for an increase of seventy thousand shares in the authorized capital stock of the Bank; and

(2) to subscribe on behalf of the United States to twelve thousand four hundred and fifty three additional shares of the capital stock of the Bank; provided, however, that any subscription to additional shares shall be effective only to such extent or in such amounts as are provided in advance in appropriations Acts.

(b) In order to pay for the increase in the United States subscription to the Bank provided for in this section, there are hereby authorized to be appropriated, without fiscal year limitations, $1,502,267,655, for payment by the Secretary of the Treasury."

Sec. 102. The International Finance Corporation Act, as amended (69 Stat. 669, 22 U.S.C. 282 et seq.) is further amended by adding at the end thereof the following new section:

"Sec. 12 (a). The United States Governor of the Corporation is authorized --

(1) to vote for an increase of six hundred and fifty thousand shares in the authorized capital stock of the Corporation; and

(2) to subscribe on behalf of the United States to one hundred and seventy five thousand, one hundred and sixty two additional shares of the capital stock of the Corporation; provided, however, that any subscription to additional shares shall be effective only to such extent or in such amounts as are provided in advance in appropriations Acts.

(b) In order to pay for the increase in the United States subscription to the Corporation provided for in this section, there are hereby authorized to be appropriated, without fiscal year limitation, $175,162,000, for payment by the Secretary of the Treasury."

Sec. 103. The African Development Fund Act, as amended (90 Stat. 591, 22 U.S.C. 290g et seq.) is further amended by adding at the end thereof the following new section:

"Sec. 29. (a)(1) The United States Governor of the Fund is authorized to contribute $225,000,000 to the fourth replenishment of the resources of the Fund.

(2) Any commitment to make the contribution authorized in paragraph (1) shall be made subject to obtaining the necessary appropriations.

(b) In order to pay for the United States contribution provided for in this section, there are authorized to be appropriated, without fiscal year limitation, $225,000,000 for payment by the Secretary of the Treasury."

National Security Council
The White House

System # I

Package # 1499

1604

	SEQUENCE TO	HAS SEEN	DISPOSITION
Bob Pearson	1	P	
Bob Kimmitt	2	K	
John Poindexter			
Paul Thompson			
Wilma Hall			
Bud McFarlane			
Bob Kimmitt			
NSC Secretariat	3 26 FEB 1985		D
Situation Room			

I = Information A = Action R = Retain D = Dispatch N = No further Action

cc: VP Meese Baker Deaver Other

COMMENTS Should be seen by: ______ (Date/Time)

Have seen no previous paper on this question — has this been our position?

T x BL

2/26
RMK sgd
pls dispatch
KMS

2/26
RMK sgd
pls dispatch

KMS

National Security Council
The White House

System # I

Package # 1499

1604

FEB 26 P4:04

	SEQUENCE TO	HAS SEEN	DISPOSITION
Bob Pearson	1	P	A
Bob Kimmitt	2	K	
John Poindexter			
Paul Thompson			
Wilma Hall			
Bud McFarlane			
Bob Kimmitt			
NSC Secretariat	3 26 FEB 1985		D
Situation Room			

I = Information A = Action R = Retain D = Dispatch N = No further Action

cc: VP Meese Baker Deaver Other ____________

COMMENTS Should be seen by: ____________
(Date/Time)

Have seen no previous paper on this question — has this been our position?

Tx Bob

NSC/S PROFILE UNCLASSIFIED ID 8501499

RECEIVED 25 FEB 85 11

TO KIMMITT FROM PETERSON, R DOCDATE 22 FEB 85

ROBINSON 25 FEB 85

KEYWORDS: INTL FINANCE LEGISLATIVE REFERRAL

AFRICA IMF

SUBJECT: TREASURY DRAFT PROPOSAL RE INCREASED US PARTICIPATION IN INTL BANK FOR RECONSTRUCTION & DEVELOPMENT & THE AFRICAN DEVELOPMENT FUND

ACTION: MEMO KIMMITT TO PETERSON DUE: 28 FEB 85 STATUS X FILES WH

FOR ACTION	FOR CONCURRENCE		FOR INFO
ROBINSON	LEHMAN, C	RINGDAHL	MCMINN
			SABLE
			FORTIER
			WIGG

COMMENTS

REF# LOG NSCIFID (LF CT)

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
C	2/26	Kimmitt Sgd Memo		RK, RD

DISPATCH CT. 2/26 W/ATTCH FILE WH (C)

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FG006-11
FG033-04
FG006-12

MEMORANDUM

NATIONAL SECURITY COUNCIL

ACTION

April 16, 1985

MEMORANDUM FOR ROBERT M. KIMMITT

FROM: DAVID G. WIGG

SUBJECT: Treasury Testimony on World Bank Sub-Saharan Africa Facility

OMB has asked for our comments on the draft Treasury Testimony on World Bank Sub-Saharan Africa Facility by c.o.b. today. We have no objections to the testimony but recommend that page 2 be changed as indicated.

Douglas McMinn, Chris Lehman, and Phil Ringdahl concur.

RECOMMENDATION

That you sign the memo to Ronald Peterson (Tab I) indicating the recommended change on page 2.

Approve WMP for   Disapprove ______

Attachment
Tab I   Memo to Peterson

NSC 8503013

MEMORANDUM

3013

NATIONAL SECURITY COUNCIL

April 16, 1985

MEMORANDUM FOR RONALD K. PETERSON

FROM: ROBERT M. KIMMITT WHP for

SUBJECT: Treasury Testimony on World Bank Sub-Saharan Africa Facility

The NSC staff has no objection to the draft Treasury Testimony on World Bank Sub-Saharan Africa Facility but recommends change as indicated on page 2.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

3013

April 15, 1985

SPECIAL

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer-
Department of State - Alba - 632-0430 (25)
Agency for International Develop. - Lester - 632-8404 (2)
National Security Council

SUBJECT: Draft Treasury testimony on the World Banks' Facility for Sub-Saharan Africa for a 4/18 hearing.

The Office of Management and Budget requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

A response to this request for your views is needed no later than C.O.B. TUESDAY, APRIL 16, 1985.

Questions should be referred to SueThau/TraceyLawler (395-7300) the legislative analyst in this office.

Ronald K. Peterson
RONALD K. PETERSON FOR
Assistant Director for
Legislative Reference

Enclosures
cc: D. Speckhard
M. Driggs

SPECIAL

Revised Draft
4-15-85

STATEMENT OF THE HONORABLE
JAMES W. CONROW
DEPUTY ASSISTANT SECRETARY
FOR DEVELOPING NATIONS
BEFORE THE
HOUSE SUBCOMMITTEE ON INTERNATIONAL
DEVELOPMENT INSTITUTIONS AND FINANCE
OF THE
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
APRIL 18, 1985

Mr. Chairman and members of the Subcommittee:

The Administration is seriously concerned by the extremely difficult development problems confronted by the countries of Sub-Saharan Africa and we attach major importance to an effective United States development role in the region. I therefore welcome the increased attention being focused on Sub-Saharan Africa by the Subcommittee, as well as the opportunity you have provided for me to meet with you to discuss our shared goal of strengthening the ability of the multilateral development banks (MDBs) to promote sustainable economic growth in the countries of the region.

Overview:

A general consensus has emerged that policy reform is the key to long-term progress in Sub-Saharan Africa. There is also widespread recognition that improving the quality of external assistance is as important as the volume. These have been paramount considerations in formulating an effective U.S. response to Africa's development needs. We also want a program which maximizes its impact on Africa in the most cost-effective way possible. The result of these considerations is a very substantial U.S. effort comprised largely of an expanding bilateral program, but also including cooperative efforts with other members to strengthen the impact of MDB operations in Africa.

Economic Situation:

Approximately 400 million people live in the 45 countries of Sub-Saharan Africa. ~~While~~ The current tragedy of widespread famine and drought has attracted worldwide concern and renewed
While ~~and~~ adverse weather has been an important contributory factor, the bulk of
interest in the region. Sub-Saharan Africa's problems are not a sudden development, but rather the result of a process of economic deterioration which has been continuing since at least the late 1960s. While a number of inter-related factors have contributed to Africa's economic decline, the roots of the current problem are largely based on past policies -- such as inappropriate investments, misaligned exchange rates, and skewed product pricing -- which discouraged efficient use of of resources and significantly reduced the productivity of investment.

While there is still great diversity among the economic situations of individual African countries, the region's overall situation is now characterized by declining per capita agricultural output, a high level of idle industrial capacity, and a deteriorating and increasingly inefficient institutional infrastructure. Sub-Saharan Africa's external position has also weakened significantly with declines in both export volumes and overall terms of trade, and a major build-up of external indebtedness.

World Bank Operations:

The operations of the World Bank were specifically designed to encourage appropriate policies and thereby assist in the economic growth of its developing country members. The Bank has significantly expanded its operations in Africa and, in addition to its proven expertise as an investment project lender, provides helpful policy guidance and technical assistance, and acts as a catalyst in encouraging private enterprise and investment capital.

In the FY 1980-84 period, IBRD commitments to African countries totaled $4.1 billion. Given the near-market terms of IBRD loans, this assistance has concentrated on the relatively more creditworthy countries; with Nigeria, the Ivory Coast and Kenya accounting for about two-thirds of the total. Over the same five-year period, concessional IDA commitments to Africa totaled $5.2 billion with the five largest recipients (Sudan, Uganda, Kenya, Tanzania, and Zaire) accounting for almost 40 percent of the total. In addition to IBRD/IDA commitments, gross IFC investments totaled $417 million.

World Bank Sub-Saharan Africa Report:

As a result of its extensive experience in Africa, the World Bank has accumulated an impressive and internationally respected store of development expertise on the region. In August 1984, the Bank issued its third report on Sub-Saharan Africa analyzing development prospects and outlining an action program to help restore economic recovery. The key themes in the report are the urgent need for policy reform and getting better value from both internal and external resources.

With respect to <u>domestic policy environment</u>, the report criticizes recent African reform efforts, places major stress on market incentives -- particularly in agriculture and including realistic exchange rates -- and identifies the need for major public sector reforms, reductions in public expenditure, and institutional reform geared to better coordinated and more efficient management. Africa's population growth, the world's highest, and lack of human infrastructure is also highlighted.

With regard to <u>external assistance</u>, the key emphasis is on improving the quality of donor support for African countries implementing major policy reform. The need for better aid coordination to improve project selection and more emphasis on the rehabilitation and maintenance of existing facilities -- rather than new infrastructure -- is also stressed. In addition, the report outlines a program to increase the effectiveness of the Bank's own assistance efforts in Africa.

<u>U.S. Response</u>:

The Administration agrees with the World Bank that policy reform is the key to sustained economic progress in Sub-Saharan Africa, and we also recognize the importance of adequate donor support for those countries implementing such reform. In this context, we are working hard to increase the effectiveness of both our bilateral and multilateral assistance efforts. At the same time, the difficulties of putting together effective projects in Africa should not be underestimated. There are major absorptive capacity constraints, with the weaknesses in the region's institututional infrastructure providing a particularly difficult obstacle to effective project implementation.

Bilateral Program:

The United States has a very considerable and expanding bilateral assistance program for Sub-Saharan Africa, including food aid and project specific assistance, as well as special non-project funds ($75 million in FY 85) to support policy reforms in selected countries. Total U.S. bilateral assistance to Sub-Saharan Africa is now projected to rise from $_____ million in FY _____to over $1.7 billion in FY 1985.

World Bank Program:

The United States remains the largest single contributor to the World Bank, and we are working with Management and other members to improve the effectiveness of the Bank's assistance efforts in Africa. In this context, we are pleased at the speed with which the Bank has recently moved, with the full support of the Executive Board, to strengthen the administration and management of its African operations with the object of supporting policy reform efforts in the region.

While we want the Bank to continue emphasizing its mandated responsibility for solid investment project lending, the United States has also supported Bank efforts to respond effectively to the changing circumstances and the economic realities of individual members. The Structural Adjustment Lending (SAL) program is a good example of such flexibility and has proved a valuable instrument of fast disbursing support for countries willing to formulate and implement programs of structural adjustment. Since their introduction in FY 1980, there have been 10 SALs (totaling $841.6 million) to six African countries.

We also support sector adjustment loans as reasonable instruments for encouraging adjustment as long as there is effective conditionality. Such sector adjustment loans may be particularly appropriate for Sub-Saharan Africa when instututional weaknesses hinder the design and implementation of more comprehensive policy based lending.

Concessional IDA resources are of particular importance to Africa. In the international negotiations which preceeded agreement on the Seventh Replenishment, the United States strongly urged that on the basis of need, lack of alternative financing, and limited opportunities for improving terms of trade, Sub-Saharan Africa should have first claim on available resources to the extent that they can be used effectively. While the share of annual IDA lending going to Africa has increased significantly -- from about 26 percent in FY 1980-81 to 34 percent in FY 1982-84 -- we view the 35 percent share of IDA VII currently programmed for Sub-Saharan Africa as far too modest and not fully responsive to the IDA Deputies' recommendation to accord "highest priority" to this region.

Within the last year, a new five-year program has been designed for the IFC. The United States took an active role in the construction of this plan, and successfully encouraged agreement to allocate a larger share of IFC's resources to Sub-Saharan Africa with an approach that reflects the economic circumstances of the region, i.e., a focus on promotional activities and smaller scale projects. Although the last review of the IFC's portfolio indicated the principal weaknesses occurred in investments in low-income countries, particularly in Sub-Saharan Africa, the United States and other member countries support an increased and even accelerated IFC investment program because of the potential benefits that a strengthened private sector could bring to the region.

The African Development Bank and Fund:

The Administration has also supported the efforts of the African Development Bank and Fund to enhance their financial and technical capacity to play a more important role in addressing the fundamental problems facing Africa. In the FY 1980-84 period, AFDB/AFDF lending commitments totaled $3.7 billion. In the most recent replenishment of the AFDF, the United States increased its contribution to $225 million which represents a 50 percent increase over the previous U.S. commitment level.

World Bank Special Facility for Sub-Saharan Africa:

In our view, donors must have the flexibility to respond to Africa's needs in ways of their own choosing. Such responses should of course be coordinated to the extent practical with the World Bank and other donors in order to ensure resources are being utilized in the most effective and rational manner. In January, 14 governments and the World Bank agreed to establish a Special Facility for Sub-Saharan Africa. This Facility will finance structural adjustment, sector policy reform, and rehabilitation in countries committed to monitorable stabilization and adjustment programs. The United States is not participating in this Facility, preferring instead to concentrate on better focusing,

National Security Council
The White House

System # I

APR 16 P3:01 Package # 3013

	SEQUENCE TO	HAS SEEN	DISPOSITION
Bob Pearson	1	P	A
Bob Kimmitt			
John Poindexter			
Paul Thompson			
Wilma Hall			
Bud McFarlane			
Bob Kimmitt			
NSC Secretariat	2		D
Situation Room			

I = Information A = Action R = Retain D = Dispatch N = No further Action

cc: VP Meese Regan Deaver Other ________

COMMENTS Should be seen by: ________
(Date/Time)

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NSC/S PROFILE UNCLASSIFIED ID 8503013

RECEIVED 15 APR 85 19

TO KIMMITT FROM PETERSON, R DOCDATE 15 APR 85

URGENT

KEYWORDS: ECONOMIC ASSISTANCE AFRICA

LEGISLATIVE REFERRAL

SUBJECT: TREASURY TESTIMONY ON WORLD BANK SUB SAHARAN AFRICA FACILITY

ACTION: MEMO KIMMITT TO PETERSON DUE: 16 APR 85 STATUS S FILES WH

FOR ACTION	FOR CONCURRENCE		FOR INFO
WIGG	MCMINN	RINGDAHL	FORTIER
	LEHMAN, C		SABLE

COMMENTS

REF# LOG NSCIFID (JF)

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
C	4/16	Pearson SGD MEMO		WG BP MC CL PR

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Current Status	Open
User Name	dbarrie
Status Date	2015-10-08
Case Number	F14-043
Notes	3 p. Transferred to IT023

Change Status Close Window

Review Status History

No.	Status	Date	User	Case Number	Notes
1	Open	2015-10-08	dbarrie	F14-043	3 p. Transferred to IT023

JV

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THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON
20506

PY

April 15, 1985

MEMORANDUM TO : Secretary James A. Baker, Chairman
Members of the SIG-IEP

FROM : William E. Brock

ISSUE : Some Thoughts on MIGA

We are quickly approaching a point in the Bank's discussion of the MIGA in which the U.S. must begin to draw its substantive bottom-line. We have over the past year endorsed a negotiating strategy of low-key, positive support for the MIGA as a means of getting seriously interested parties to the table. We have been successful in that effort. We must, however, differentiate between that tactical external strategy and developing an internal position that gives direction to our substantive negotiations and tells our negotiators at which point they should walk away if we are unsuccessful in achieving our objectives.

In this context, some concerns on certain key issues are outlined below.

USTR has viewed the MIGA as an opportunity to stimulate, not subsidize, the economic development process by influencing conditions which will repeatedly encourage foreign direct investment flows to developing countries. We believe, consistent with this Administration's policy, that the best way to accomplish our development objectives is to induce and reward policy changes in host governments' investment environments that will continue to attract an increase in investment flows. Inherent in pursuing this goal as the objective of MIGA is the rejection of a MIGA which rewards governments for maintaining restrictive and discriminatory policies. To endorse a MIGA which does not contain adequate assurances to protections for investors, or at least first-steps toward this end, is to act contrary to our own interests: it would condone and reinforce the unwillingness of governments to reform their policies.

My basic question about the MIGA is, therefore: for what purpose is the MIGA proposal intended? It should not be to eliminate "faulty" perceptions of the investor, for these perceptions are, generally well-founded. It should not be to tide countries with restrictive policies over until they are convinced that changes are necessary. It should be, rather, to induce these changes, to help those countries which are doing what they can to help themselves.

Looking at the MIGA from this perspective puts a different light on the question of additionality. Presumably, a great deal more investment "additionality" would be created in the long-run if MIGA helps induce the kind of climate which will repeatedly attract investors, than if the focus of MIGA is only those investments which it directly insures. Indeed, we believe U.S. financial resources are much better spent to support long-term benefits than one-time, direct grants.

Thus, we believe that unless the MIGA Convention contains substantive provisions on expropriation, fair and equitable treatment, international law, automatic arbitration and premiums related to governmental-policy risks, the U.S. should be prepared to consider withdrawing its support for the MIGA. To achieve our broad objective of development through policy reform, there must be adequate room for U.S. input in setting and "enforcing" MIGA policies (which raises the issue of voting rights and MIGA's link with the World Bank) and dispute settlement.

Finally, there is the question of whether this proposal deserves a place in the U.S. budget. If the substantive provisions mentioned above can be negotiated, we believe the MIGA would be a significant step forward. If not, we would recommend against funding U.S. participation.

Although the Bank's most recent proposal has incorporated some previously suggested U.S. changes, we are disappointed over their failure to respond to our suggestions for incorporating substantive policy provisions on improving the investment climate.

The preamble states that the MIGA is being formulated taking into consideration the importance of fair and stable standards for the treatment of foreign direct investment and realizing that financial viability of MIGA will depend on its ability to improve investment climates. The Convention, however, makes no such similar reference in Article 2 -- Objectives and Purpose -- and in footnotes 5 and 48, it specifically rejects the inclusion of substantive provisions as being unnecessary and beyond the scope of the Convention. Neither is any mention made of substantive assurances under Article 14 -- Eligible Host Countries; Article 16 - Terms and Conditions of the Contract; Article 4 -- Membership;

or Article 23 -- Complementary Activities. We can be flexible on the specific language used, but much of our concerns could probably best be met by changes in one or more of these provisions. At a minimum, new language would need to ensure fair and equitable MFN treatment for investors and agreement to review and attempt to remove obstacles or restrictions to investment.

MIGA's rights under the Convention as subrogee and an investor's right to arbitration must remain indisputable. While the Bank's new proposal has improved language on these issues (i.a. by dropping Article 62 allowing for an erosion of MIGA's rights as subrogee), we believe Articles 18, 63, and 64 and the Annex could be tightened per the suggestions in Treasury's commentary of March 26. We, too, would prefer a reference "to prompt, adequate and effective compensation" and there should be no back-sliding on principles of international law.

The link to the Bank should be strengthened and the voting procedure adopted should more nearly reflect a country's financial contribution.

Incorporation of substantive policy provisions makes sense. The U.S. cannot afford to hold out the hope of growth to developing countries through a continuing flow of small grant allotments now and then. We must begin to confront and emphasize the significance of the changes which are needed to stimulate the economies of developing countries.

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THE WHITE HOUSE

WASHINGTON

July 23, 1985

Dear Jim:

It is with regret that I accept your resignation as United States Executive Director of the International Bank for Reconstruction and Development, effective July 12, 1985.

Of all the things we've accomplished since January of 1981, none makes me so proud as the high quality of people we've attracted to serve in key decision-making positions in government. Our philosophy was very simple: find the best people in every field and give them the freedom and support they need to implement sound policy initiatives. You have been part of that select group both as Executive Director of the International Bank for Reconstruction and Development, and as Special Assistant to the Chairman of the Council of Economic Advisers, and I want to thank you personally for the good job you have done as a member of my Administration.

Nancy joins me in sending you our best wishes for every future success and happiness.

Sincerely,

Ronald Reagan

The Honorable James B. Burnham
United States Executive Director
International Bank for
Reconstruction and Development
Washington, D.C. 20433

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JUL 23 1985

Dear Jim:

It is with regret that I accept your resignation as United States Executive Director of the International Bank for Reconstruction and Development, effective July 12, 1985.

Of all the things we've accomplished since January of 1981, none makes me so proud as the high quality of people we've attracted to serve in key decision-making positions in government. Our philosophy was very simple: find the best people in every field and give them the freedom and support they need to implement sound policy initiatives. You have been part of that select group both as Executive Director of the International Bank for Reconstruction and Development, and as Special Assistant to the Chairman of the Council of Economic Advisers, and I want to thank you personally for the good job you have done as a member of my Administration.

Nancy joins me in sending you our best wishes for every future success and happiness.

Sincerely,

RONALD REAGAN

The Honorable James B. Burnham
United States Executive Director
International Bank for
Reconstruction and Development
Washington, D.C. 20433

RR/NP/ech-(6NP)

Original mailed via Shipping Desk to enclosed forwarding address on 7/25/85

Referred by attached memo to Sec of State, 8/5/85

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THE WHITE HOUSE

WASHINGTON

July 23, 1985

Dear Jim:

It is with regret that I accept your resignation as United States Executive Director of the International Bank for Reconstruction and Development, effective July 12, 1985.

Of all the things we've accomplished since January of 1981, none makes me so proud as the high quality of people we've attracted to serve in key decision-making positions in government. Our philosophy was very simple: find the best people in every field and give them the freedom and support they need to implement sound policy initiatives. You have been part of that select group both as Executive Director of the International Bank for Reconstruction and Development, and as Special Assistant to the Chairman of the Council of Economic Advisers, and I want to thank you personally for the good job you have done as a member of my Administration.

Nancy joins me in sending you our best wishes for every future success and happiness.

Sincerely,

Ronald Reagan

The Honorable James B. Burnham
United States Executive Director
International Bank for
Reconstruction and Development
Washington, D.C. 20433

THE WHITE HOUSE
WASHINGTON

August 5, 1985

Dear Mr. Secretary:

The enclosed is referred for your information.

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Ronald R. Geisler
Executive Clerk

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ITE HOUSE

The Honorable George A. Shultz
Secretary of State
Washington, D.C. 20520

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to the United Nations

August 5, 1985

Dear Mr. Secretary:

Transmitting copies of the following:

Ltr of resignation, 6/13/85, from JSSorzano, Dep. Rep. of the U.S.A. to the U.N., eff. at "the end of this summer;" acc. 7/23/85, eff. upon a date to be determined.
Ltr of resignation, 6/12/85, from RPHRobinson,Jr., Amb. to Canada, eff. "this fall;" acc. 7/23/85, eff. on no date dertain.
Ltr of resignation, 7/1/85, from JPMoffat, Amb. to Chad, eff. POP; acc. 7/23/85, eff. upon a date to be determined.
Ltr of resignation, 6/19/85, from RLRidgway, Amb. to the German Demo. Rep., eff. POP; acc. 7/23/85, eff. on no date dertain.
Ltr of resignation, 5/29/85, from JMRentschler, Amb. to Malta, eff. POP; acc. 7/23/85, eff. upon a date to be determined.
Ltr of resignation, 6/21/85, from HAHolmes, Amb. to Portugal, no eff. date; acc. 7/23/85, eff. upon a date to be determined.
Ltr of resignation, 6/14/85, from JHReed, Amb. to Sri Lanka & Maldives, eff. at a date to be determined; acc. 7/23/85, eff. upon a date to be determined.
Ltr of resignation, 6/26/85, from JBBurnham, U.S. Ex. Dir. of the World Bank, eff. 7/12/85; acc. 7/23/85, eff. 7/12/85.

(Sent to SECSTATE, Attn: Jane Mossellem, 26A07, WASHDC 20520)

dwc

OK per Chew 7/23/85

Received S S
1985 JUL 22 PM 7:08

THE WHITE HOUSE

WASHINGTON

July 22, 1985

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT H. TUTTLE RT

SUBJECT: Letters of Resignation

Attached for your signature and review are letters of acceptance for the resignations of the following individuals:

Michael Ira Burch, Assistant Secretary of Defense.

James B. Burnham, United States Executive Director of the International Bank for Reconstruction and Development.

Robert S. Cooper, Assistant Secretary of Defense.

Henry Allen Holmes, United States Ambassador to Portugal.

Jay P. Moffat, United States Ambassador to Chad.

John Hathaway Reed, United States Ambassador to the Democratic and Socialist Republic of Sri Lanka and the Republic of Maldives.

Rozanne L. Ridgway, United States Ambassador to the German Democratic Republic.

Paul Heron Robinson, Jr., United States Ambassador to Canada.

Jose S. Sorzano, Deputy Representative of the United States to the United Nations.

James M. Rentschler, United States Ambassador to the Republic of Malta.

To DC - 7/9/8
3:30 PM

THE WHITE HOUSE

WASHINGTON

July 2, 1985

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT H. TUTTLE RT

SUBJECT: Letters of Resignation

Attached for your signature and review are letters of acceptance for the resignations of the following individuals:

Michael Ira Burch, Assistant Secretary of Defense.

James B. Burnham, United States Executive Director of the International Bank for Reconstruction and Development.

THE BURCH & BURNHAM LETTERS WERE RETURNED TO DUNCAN CLARK BY D. CHEW'S OFFICE FOR REWRITES.

FROM
THE WHITE HOUSE
WASHINGTON, D.C.

The Honorable James B. Burnham
3030 44th Street, N.W.
Washington, D.C. 20016

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

Executive Director

June 26, 1985

Dear Mr. President:

It has been an honor to serve you and your Administration for over four years, first as Staff Director for your Council of Economic Advisers and since July 1982, as your Executive Director at the World Bank. The time has now come, however, to return to the private sector, and accordingly I am submitting my resignation to you, to take effect July 12, 1985.

In carrying out my responsibilities, both at the World Bank and earlier, I have been greatly assisted by your clear articulation of a vision of government which largely confines itself to providing appropriate incentives to individuals to work, save and invest. It is a source of considerable satisfaction to me that the Bank increasingly shares this same set of priorities.

I am convinced that the World Bank Group can continue to play an important role in acting as an intellectual and financial stepping stone for developing countries which genuinely desire to advance individual economic well-being. The extent to which the Bank is successful in this mission will depend in large part on its ability to avoid displacing alternative sources of finance and in resisting pressures for turning it into a mere conduit for resource transfers.

In closing, I wish to reiterate my thanks for the opportunity to serve in your Administration, and the deeply satisfying experience that comes from a responsible position in public service.

Sincerely yours,

James B. Burnham

James B. Burnham
U.S. Executive Director

cc: The Honorable James A. Baker, III
Mr. A. W. Clausen

The Honorable Ronald Reagan
President
The White House
Washington, D.C. 20500