

The original documents are located in Box C27, folder “Presidential Handwriting 9/2/1975 (1)” of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

Copyright Notice

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

THE WHITE HOUSE
WASHINGTON


September 2, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

JAMES T. LYNN

FROM:

JAMES E. CONNOR 

SUBJECT:

Additional Proposal for Secretary
Kissinger's UN Speech: International
Finance Corporation Loss Reserve

Confirming earlier advices to you, the President reviewed your memorandum of August 31 on the above subject and approved the following:

"Announcement that the U.S. is prepared to provide, with other nations, loss guarantees for the IFC investment trust."

cc: Don Rumsfeld

Jim -

We received this
just now in the outbox --
I assume that somebody
must have called Lynn
(although I could not find
this out from Jim Jura's
office).

Should we pass this
decision on after the fact?

Trudy

*They know
pursuing
informing
decision*

Mr. President,

9/1/75

OMB and State need a decision on the attached today, for possible discussion at the U.N. Special Session tomorrow. After you have decided the issue, it would be helpful if you could have someone call me with the answer.

Dick



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

August 31, 1975

MEMORANDUM FOR: THE PRESIDENT
FROM: JAMES A. LYNN
SUBJECT: Additional Proposal for Secretary
Kissinger's UN Speech: International
Finance Corporation Loss Reserve

You have approved a proposal that Secretaries Kissinger and Simon announce United States willingness to participate in financing a substantial expansion of the activities of the International Finance Corporation (IFC), the World Bank's private enterprise financing arm. The State Department and the Treasury Department now propose also to provide a loss reserve for the IFC investment trust which would require \$40 million in callable, or guarantee, capital to be provided in authorizing legislation, probably in 1977. No appropriations would be sought initially.

Under the basic investment trust proposal, the IFC would make equity and loan investments in private enterprises in developing countries on behalf of foreign private investors, and foreign governments including the OPEC countries. The IFC would invest part of its own funds in the trust. Because of the IFC's recognized experience in promoting private investment in developing countries, the investment trust would offer greater than normal assurance to investors, and thus could facilitate the flow of capital to LDC private enterprise. The total size of the trust could be as much as \$1 billion.

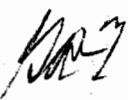
Under the current State/Treasury proposal, which has NSC concurrence, the governments of the United States, other industrialized countries, the OPEC countries, and some developing nations would limit exposure of investors in the trust to major losses with a \$200 million total guarantee fund, further enhancing its attractiveness. This government-backed reserve to cover a portion of any major, early losses would be in effect until the trust itself built up a loss reserve in the course of its operations. Secretary Kissinger feels strongly that this initial loss reserve is important to get the trust launched as a major vehicle for

supporting private enterprise in developing countries. It would provide evidence of U.S. interest in those developing countries with higher per capita incomes, which are likely to be the main recipients of the trust's investments.

OMB continues to have strong reservations about the trust fund proposal itself. The nature of the fund and its operations have not been studied in any great detail either by the U.S. Government or by the IFC. It is not clear whether the investment trust itself would provide significant additional investment in LDC private enterprise, as opposed to merely making more secure investment which would otherwise have taken place. Similarly, the proposed loss guarantees may not significantly increase the flow of investment funds. Under current policy the IFC's regular program has successfully channeled private capital to LDC's without such guarantees.

Although the State/Treasury proposal seeks only authorizing legislation to establish the fund, there may be pressure from potential investors for greater assurance in the form of appropriations. In any event the United States would be liable for up to \$40 million in appropriations later if losses were large. It is not certain that Congress will be receptive to the guarantees which will probably entail greater risks than the provision of callable capital to such institutions as the World Bank. If, as may be the case, the OPEC countries are major investors, the United States would be in the position of backing part of their possible losses. Thus, OMB believes that loss guarantees are not necessary to the success of the trust, and with the possibility of Congressional problems, could be counter productive to winning support of the trust itself.

DECISION

Approve announcement that the U.S. is prepared to provide, with other nations, loss guarantees for the IFC investment trust. (State/Treasury/NSC) 

Do not announce the loss guarantees, study the question further when the operations of the trust itself are made clearer. (OMB)