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THE WHITE HOUSE
WASHINGTON

October 1, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

JAMES T. LYNN
BRENT SCOWCROFT

FROM:

JAMES E. CONNOR *JEC*

SUBJECT:

IDA Replenishment Proposal

Confirming phone call this evening, the President reviewed your memorandum of September 28 on the above subject and approved Secretary Simon's proposal contained in his memorandum of September 24 as the best way for continuing U.S. support for IDA whilekeeping options open.

Please follow-up with appropriate action.

cc: Dick Cheney

THE WHITE HOUSE
WASHINGTON

October 1, 1976

MR PRESIDENT:

IDA Replenishment Proposal

The attached memorandum prepared by Jim Lynn and Brent Scowcroft was reviewed and approved by Alan Greenspan, Jack Marsh and Bill Seidman (Roger Porter).

NSC requests that your decision be made today if at all possible.

Jim Connor

10/1 7PM
Called Bud McFarlane
Don Ogilvie
of decision
HBH



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

SEP 28 1976

MEMORANDUM FOR: THE PRESIDENT

FROM: James T. Lynn
Brent Scowcroft *BS*

SUBJECT: IDA Replenishment Proposal

At the World Bank annual meeting in Manila which starts October 4, Secretary Simon wishes to propose that member governments of the International Development Association (IDA) give serious consideration to a one-year replenishment of IDA funds for the July 1977 - June 1978 period. Funding would be at the annual level of the last three years calling for a U.S. commitment of \$500 million which could be appropriated in two \$250 million installments in 1978 and 1979. (Tab A)

This proposal is the minimum the U.S. can do to keep IDA, which lends on soft terms to the world's poorest nations, from running out of commitment authority in July 1977. It constitutes a possible alternative to the current plan to obtain international agreement on a three-year IDA replenishment starting in July 1977 at levels substantially larger than recent years. Secretary Simon points out that major congressional problems in obtaining IDA funds and possible difficulties in concluding international negotiations for the full replenishment may delay the three-year agreement for some time. Without foreclosing U.S. participation in a full replenishment starting in 1978, he wishes to sound out other governments on this possibly more realistic interim approach.

While the proposal is tentative, the United States would be obliged to provide the indicated contribution if other governments agree with it. Thus, it might become a budget commitment. If so, the U.S. funds provided for 1978 would be less than the \$700-900 million possible under a three-year replenishment.

The question of IDA V, which Secretaries Kissinger and Simon have publicly pledged us to support, is important and difficult, and can best be addressed by you in the 1978 budget context. We believe that the Simon proposal is necessary under the circumstances, in that without this minimum level of support we would be accused of abandoning a central element in our strategy toward the developing world. This proposal does not foreclose the option of doing more should you decide to do so in the budget review. We recommend that you approve Secretary Simon's proposal in the attached memorandum as the best way for you to continue U.S. support for IDA while keeping your options open.

Attachment

Approve

A handwritten signature in dark ink, appearing to be 'RC' with a flourish above it, is written over a horizontal line.

Disapprove



THE SECRETARY OF THE TREASURY

WASHINGTON 20220

September 24, 1976

MEMORANDUM FOR: THE PRESIDENT

SUBJECT: IDA and the Bank Meeting

The World Bank Annual Meeting will be held in Manila October 4-8. The Fifth Replenishment of the Bank's soft loan window, the International Development Association (IDA), will be the major development issue discussed there. With your approval, Secretary Kissinger and I committed the United States at the end of last year to participate in this Fifth Replenishment (called IDA V). International negotiations were begun in December 1975 in order to try to reach international agreement by the time of the current World Bank meeting. This schedule was adopted to permit time for ratification and sign-up so that there would be no hiatus after the current IDA agreement terminates June 30, 1977. Unless there is some agreement before that date, IDA will have to stop making loan commitments.

Since the end of 1975, three international meetings have been held to discuss IDA V, the last in early June. At these meetings we have reiterated our support of IDA in principle and our intention to participate in IDA V. However, in view of the fact that no Congressional appropriations were yet in hand for the previous IDA replenishment (IDA IV) agreed to three years ago, we have been noncommittal with respect to specific funding levels and U.S. shares we would support. Just after the last such meeting, Congress did provide the first installment on IDA IV but, in so doing, cut our request from \$375 to \$320 million. Although for the current IDA the Conference Committee voted for our full request for FY 77, we were not sure of that vote until the last minute.

As a result of our inability to negotiate during the past year, the IDA V negotiations are now behind schedule and there is a real danger of a hiatus in IDA's commitment authority. Were this to happen, the U.S. will be subjected to domestic and international criticism for not being responsive to the needs of developing countries, and in particular the poorer countries assisted by IDA. In seeking ways to avoid this possibility, I have examined three courses of action that we could take at Manila.

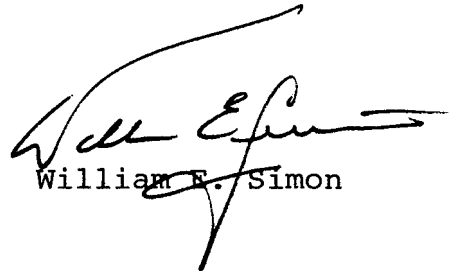
One alternative is to announce that we will be willing to make a major contribution to IDA V, contingent of course on the participation levels of other countries and the approval of Congress. I have rejected raising this approach with you, however, because it would require your making a major budget commitment prior to the normal budget review process. The second approach would recommit the United States to IDA in principle, but avoid any commitments on amounts. This alternative is unsatisfactory because the United States would be attacked for continuing to stall on IDA V and for cutting off IDA's ability to make commitments next year.

The third course of action would have us continue to recommit ourselves to IDA in principle, but in order to avoid a hiatus we would propose that other members give serious consideration to providing for IDA to continue after July 1, 1977 for one year at the IDA IV funding level. Such an arrangement would call for a United States contribution of \$500 million which would be committed by IDA in FY 1978. Because disbursement requirements will be considerably slower, the United States could provide its contribution in two installments calling for appropriations of \$250 million in FY 1978 and in FY 1979.

If other countries strongly support this approach it will have effectively committed the United States to budget increases for IDA in FY 1978 and 79. Outlays would rise by \$75 million in FY 1978 and \$135 million in FY 1979. The outlay increases would, however, be substantially lower than under an IDA V replenishment which could call for three annual U.S. contributions in the \$700 to \$900 million range with outlay increases of up to \$120 million in FY 1978 and \$215 million in FY 1979. The alternative of providing no increase for IDA in FY 1978 would leave the Association without funds and would be totally inconsistent with our previous position.

I would like to stress that while the approach I have outlined appears now to be the most realistic course of action, I do not wish to foreclose the possibility of U.S. participation in a full IDA V starting in FY 1978. Once I have obtained the reaction of the World Bank and other governments I plan to make a final recommendation to you in the 1978 budget context either to adopt the one-year extension or for U.S. participation in IDA V in FY 1978.

I have coordinated this proposal with State, NSC and OMB. They concur with this approach.



William F. Simon

Approve _____

Disapprove _____

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: October 1, 1976

Time:

FOR ACTION:

cc (for information):

☒ Alan Greenspan
☒ Jack Marsh☒ Bill Seidman

FROM THE STAFF SECRETARY

DUE: Date: Immediate turnaround Pls.

Time:

SUBJECT:

James T. Lynn and Brent Scowcroft
memo 9/28/76 re: IDA Replenishment
Proposal.

ACTION REQUESTED:

☐ For Necessary Action☒ For Your Recommendations☐ Prepare Agenda and Brief☐ Draft Reply☒ For Your Comments☐ Draft Remarks

REMARKS:

Please call [redacted] comments to Trudy Fry X2206
thank you.

Seidman - approved Simon's proposal x
Marsh - agree
Greenspan - approve

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Connor
For the President

THE WHITE HOUSE

2 WS copy

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WASHINGTON

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APPROVE SIMON PROPOSAL

RBP

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delay in submitting the required material, please
telephone the Staff Secretary immediately.

Jim Connor
For the President

THE WHITE HOUSE
WASHINGTON

12:30

10/1

Trudy,

Seidman's office called on
IDA Proposal. Roger Porter
says " approve Simon proposal. "

E.