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<b>File Title</b> China - General Issues - Correspondence - Volume 3		<b>Barcode No.</b>  1661328		
<b>Document Date</b> 12 May, 1980	<b>Document Type</b> Memorandum			
<b>Correspondents / Participants</b> To: Mr. Robert S. McNamara From: H. Golsong				
<b>Subject / Title</b> IDA - Eligibility of Members for IDA Lending and Country Allocations of IDA Resources: Some Observations on the Legal Aspects and Current Policy, in Particular in the Light of Possible Lending to China				
<b>Exception(s)</b> Attorney-Client Privilege				
<b>Additional Comments</b>		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"> <tr> <td><b>Withdrawn by</b> Tonya Ceesay</td> <td><b>Date</b> 06-Oct-16</td> </tr> </table>	<b>Withdrawn by</b> Tonya Ceesay	<b>Date</b> 06-Oct-16
<b>Withdrawn by</b> Tonya Ceesay	<b>Date</b> 06-Oct-16			

FOR  
EXECUTIVE  
DIRECTORS'  
MEETING

For consideration on  
July 19, 1977

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WBG ARCHIVES

IDA/R77-72 (Rev.)

July 8, 1977

FROM: The Secretary

IDA ALLOCATIONS CRITERIA

Attached is a copy of the President's memorandum entitled "IDA Allocations Criteria" dated July 8, 1977. It is a revision of the memorandum of the same title dated June 15, 1977, which was circulated under the Secretary's memorandum IDA/R77-72 and which was originally scheduled for consideration at a meeting of the Executive Directors on July 5, 1977. The revised memorandum will be considered at a meeting on July 19, 1977.

Changes in the original memorandum were made in paragraphs 4, 7 (including the footnote thereto), 8, 9, 11, 14, and 16. A new paragraph 25 has been added and old paragraph 25, which is now 26, has been revised. Finally, Text Table 1, Annex Tables 1 and 2 and the title of Annex Table 6 have been revised.

Questions may be addressed to Mr. Mahbub ul Haq on Ext. 2781.

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

Office of the President

From: The President

July 8, 1977

IDA ALLOCATIONS CRITERIA

I. Introduction

1. At their final meeting in Vienna on March 14-15, 1977, the representatives of the donor governments for the Fifth Replenishment of IDA requested that a paper be prepared on the criteria underlying the allocation of IDA credits which would provide the basis for a review by the IDA Executive Directors. The present paper has been prepared for this purpose.

II. Eligibility Criteria

2. The purpose of IDA assistance, as stated in the Articles of Agreement, is to provide finance for meeting important development requirements on "terms which are more flexible and bear less heavily on the balance of payments than those of conventional loans." 1/ This type of financing is to be provided to the "less developed areas of the world included within the Association's membership." 2/ Such assistance is not to be provided, however, if financing is "available from private sources on terms which are reasonable for the recipient or could be provided by a loan of the type made by the Bank." 3/ And the Association is to ensure that "the proceeds of any financing are used only for purposes for which the financing was provided, with due attention to considerations of economy, efficiency and competitive international trade and without regard to political or other non-economic influences or considerations." 4/ Implicit in the language of the Articles of the Association, therefore, are three eligibility criteria. In order to be eligible for IDA funds, the borrowing countries must:

- be relatively less developed;
- lack creditworthiness for conventional lending; and
- be in a position, as indicated by their economic performance and absorptive capacity, to use IDA resources effectively.

3. The first of these three criteria can be described only in relative terms. In the 1973 review of IDA lending policies and practices, the Executive Directors agreed that there should be a strong presumption

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1/ Article I.

2/ Article I.

3/ Article V, Section 1c.

4/ Article V, Section 1g.

that countries above \$375 per capita income level (in 1972 terms) would not receive IDA assistance. 1/ In terms of 1975 prices, this benchmark conforms to a per capita income of \$520. Although this was not described as a "ceiling" for IDA lending, the per capita income benchmark has served as a general criterion for eligibility. Accordingly, during the Fourth Replenishment period only 0.7% of total IDA commitments has gone to countries with per capita income of over \$520 in 1975. 2/

4. Underlying the "lack of creditworthiness" criterion is the basic principle which was originally laid down in the IDA Charter for IDA operations, namely that they should supplement, and not be a substitute for loans from the World Bank. Especially since IDA resources remain very scarce in comparison to the justified needs for concessional assistance, it follows that countries must be expected to utilize to the fullest their capacity to borrow on non-concessionary terms before IDA lending becomes appropriate. Consequently, the application of the "lack of creditworthiness" criterion means that some countries with per capita incomes below the IDA eligibility benchmark do not receive IDA credits if they have been able to obtain substantial loans on conventional terms, including from the IBRD. Judgments of creditworthiness must, of course, take into account existing and prospective burdens of servicing external debt. Bank creditworthiness appraisals, and choices between the use of Bank loans or IDA credits to provide assistance to particular countries from the World Bank Group, are based upon judgments of the long-term strengths and weaknesses of these countries' economies and their capacity to service external debt over a long period of years. The recent changes in the world economy, especially changes in commodity prices, have seriously affected both the debt service capacity and the reserves position of many countries and make it imperative that IDA give greater weight under this criterion to countries whose long-term development prospects have been seriously hampered by these events.

5. The application of the performance criterion, including absorptive capacity, on the other hand, leads to exclusion from IDA funds of those countries which might otherwise be considered eligible but where IDA could not be assured that its credits would be put to effective use. Haiti, Uganda, Guinea, Equatorial Guinea and the Central African Empire are examples of countries in which, at times, the performance criterion was decisive in determining IDA eligibility.

6. Even when a country qualifies for IDA credits under the three criteria mentioned above, there still have to be available sound development projects which meet the Association's normal financial and economic criteria for project financing. Special efforts have been made, and will be made, by the Association to assist countries in project preparation so that they may be in a position to utilize such amounts as might otherwise be available to them from IDA's resources.

7. Application of the three eligibility criteria of per capita income, creditworthiness and performance together determine the universe of IDA

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1/ "IDA Lending Policies," IDA/R73-7, dated February 7, 1973.

2/ See Table 2 on p. 5.

borrowers at any particular time.<sup>1/</sup> The per capita income benchmark has, in effect, served to prescribe an upper limit for the definition of the IDA universe. Application of the creditworthiness and performance criteria, however, do not determine permanent eligibility or ineligibility. When the circumstances under which a country is considered ineligible no longer continue to exist, IDA credits can once again be made available. Thus Indonesia, which was graduated from access to IDA's resources during the Fourth Replenishment period as a result of a marked improvement in its creditworthiness following the increase in oil prices, is now being considered for a hard blend of Bank/IDA assistance in view of the large increase in its development program, the sharp rise in its external debt, and the rapid expansion of Bank exposure in the country. Similarly the Philippines and Thailand, which had been graduated, are again being considered for a hard blend of Bank/IDA assistance because of the severe impact of recent changes in international prices and the terms of trade on their balance of payments. As shown in Table 1 below, the universe of IDA recipient countries has fluctuated considerably from one replenishment period to another. During the Fourth Replenishment period, 13 countries that had borrowed during the Third Replenishment period were not allocated any IDA funds, because of their current situation with respect to the criteria discussed above, and it is expected that 9 countries will be "graduated" from access to IDA's resources in the Fifth Replenishment period.

### III. Allocation Criteria

8. IDA resources are scarce, particularly in the Fourth Replenishment period, when the purchasing power of the Replenishment was severely eroded by price increases which had not been foreseen at the time of negotiations. Therefore, IDA resources have to be rationed among those countries judged eligible to receive credits. With the addition of several new countries in East Asia to IDA V, the relative share of other regions will of necessity have to decline somewhat, even though their absolute amounts may well increase. In distributing the resources available to it, IDA has taken account of four main criteria - population size, poverty, economic performance and creditworthiness. There can be no mathematical formula to combine these criteria in a way which determines the precise amount of IDA resources each eligible country would receive. Obviously, judgment must be applied in each case. The following paragraphs describe the approach and rationale which guide the management in making its judgments on the application of the various criteria.

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<sup>1/</sup> During the Fourth Replenishment period the following countries were treated as being eligible for IDA financing: Afghanistan, Bangladesh, Benin, Bolivia, Burma, Burundi, Cameroon, Chad, Congo, Egypt, El Salvador, Ethiopia, Gambia, Ghana, Guinea, Guyana, Haiti, Honduras, India, Jordan, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Nepal, Niger, Pakistan, Papua New Guinea, Paraguay, Rwanda, Senegal, Sierra Leone, Somalia, Sri Lanka, Sudan, Swaziland, Tanzania, Togo, Tunisia, Upper Volta, Western Samoa, Yemen AR, Yemen PDR, Zaire. For the Fifth Replenishment period, the IDA universe as presently defined included the countries listed above excluding Bolivia, Congo, El Salvador, Guyana, Mauritius, Morocco, Paraguay, Swaziland and Tunisia, and also nine new entrants: Central African Empire, Comoros, Grenada, Guinea-Bissau, Indonesia, Laos, the Philippines, Thailand and Vietnam. (Table 1 on page 4)



Table 1: Universe of IDA Recipients

	Replenishment Periods				
	First (FY65-68) No. of Countries	Second (FY69-71) No. of Countries	Third (FY72-74) No. of Countries	Fourth (FY75-77) No. of Countries	Fifth (FY78-80) Estimated No. of Countries
Borrowers during the Replenishment Period	31	48	58	49	49
Change between Replenishment Periods:					
Countries Added of which new members		<u>20</u> <sup>1/</sup> (18)	<u>12</u> <sup>3/</sup> (7)	<u>4</u> <sup>5/</sup> (2)	<u>9</u> <sup>7/</sup> (3)
Countries Dropped of which "graduated"		<u>3</u> <sup>2/</sup> (1)	<u>2</u> <sup>4/</sup> (0)	<u>13</u> <sup>6/</sup> (9)	<u>9</u> <sup>8/</sup> (9)
Net		+17	+10	-9	0

1/ Benin, Central African Empire, Chad, Congo, Dominican Republic, Egypt, El Salvador, Gambia, Guyana, Indonesia, Mauritius, Nepal, Niger, Papua New Guinea, Rwanda, Sierra Leone, Togo, Upper Volta, Yemen PDR, Zaïre. (new members underlined)

2/ Lesotho, Nigeria, Sudan. (graduating members underlined)

3/ Algeria, Equatorial Guinea, Haiti, Ivory Coast, Lesotho, Liberia, Nicaragua, Philippines, Oman, Syria, Thailand, Yemen AR. (new members underlined)

4/ El Salvador, Uganda.

5/ El Salvador, Guinea, Swaziland, Western Samoa. (new members underlined)

6/ Botswana, Central African Empire, Dominican Republic, Ecuador, Equatorial Guinea, Indonesia, Ivory Coast, Korea, Nicaragua, Philippines, Syria, Thailand, Turkey. (graduating members underlined)

7/ Central African Empire, Comoros, Grenada, Guinea-Bissau, Indonesia, Laos, Philippines, Thailand and Vietnam. (new members underlined)

8/ Bolivia, Congo, El Salvador, Guyana, Mauritius, Morocco, Paraguay, Swaziland, Tunisia. (graduating members underlined)

Source: Annex Table 2

### Population Size

9. Population size is a basic criterion for allocating IDA resources among eligible countries. However, as shown in Table 2 below, allocations on the basis of population alone would result in a heavy concentration of IDA resources in a few countries; India would account for over one-half of the allocations to the currently IDA eligible countries. It could be argued that aid efforts, including those of IDA, are essentially aimed at people rather than nations and, accordingly, that the per capita criterion should be given a predominant position. However, a strict allocation of IDA resources according to population size would, for example, considerably

reduce the share of some of the sparsely populated countries of Sub-Saharan Africa. These countries face problems that justify more generous allocation of concessionary assistance. Those problems include limitations in trained manpower, wide dispersion of small populations over wide areas and small market size that cannot support broad based industrialization efforts. These factors along with minimum project size and the requirements of a continuing lending program have introduced the so-called "small country bias" in IDA lending. <sup>1/</sup> As a counterpart to this bias, the Association has constrained its lending to India, for which a ceiling of 40% has been adopted as a general guideline. The Association has thus achieved a much wider geographical diversification of the operations than would have resulted from strict adherence to the criterion of population. For instance, the Least Developed Countries have received an allocation of 33.5% in FY75-77 as against their share of 18.3% in the IDA-eligible population while small countries below 2 million population each have received a per capita allocation of \$5.20 as against an overall average of \$1.40 during the same period.

Table 2: Distribution of IDA Credits by Per Capita Income Levels of Countries

Per Capita Income Level (1975)	1975 Population		Annual Averages				
			IDA III		IDA IV		
			FY72-74		FY75-77 <sup>1/</sup>		Per Capita \$
Sm	%	Sm	%				
<u>Up to \$265 per capita</u>							
India	610	55	432	37.5	596	39.5	0.98
Bangladesh	79	7	47	4.1	153	10.1	1.94
Pakistan	69	6	55	4.7	89	5.9	1.29
Burma	30	3	17	1.5	36	2.4	1.20
Ethiopia	28	3	45	3.9	54	3.6	1.97
Zaire	25	2	18	1.6	40	2.7	1.60
Tanzania	15	1	23	2.0	41	2.7	2.75
Subtotal	856	77	637	55.3	1009	66.9	1.18
* Others <sup>2/</sup>	127	12	250	21.7	298	19.8	2.35
Total	983	89	887	77.0	1307	86.7	1.33
<u>\$266-520 per capita</u>							
Egypt	37	3	42	3.6	61	4.0	1.64
Others <sup>2/</sup>	79	7	142	12.4	130	8.6	1.85
Total	116	10	184	16.0	191	12.6	1.55
<u>Above \$520 per capita</u> <sup>2/</sup>	10	1	80	7.0	10	0.7	1.00
GRAND TOTAL	1,109 <sup>3/</sup>	100	1,151	100.0	1,508	100.0	1.36

<sup>1/</sup> Estimate for FY77 as of June 13, 1977.

<sup>2/</sup> I.e. - other recipients of IDA credits during the respective replenishment periods; in numbers as follows: IDA III, up to \$265 per capita, 22; \$266-520 per capita, 18; above \$520 per capita, 10. IDA IV, up to \$265 per capita, 21; \$266-520 per capita, 16; above \$520 per capita, 4.

<sup>3/</sup> This includes only the IDA recipients in the IV Replenishment.

Source: Annex Table 4.

<sup>1/</sup> For a distribution of IDA resources according to country size, see Annex Table 3.

### Poverty

10. The relative poverty of countries has served as an important criterion for allocating IDA resources. Whereas all countries with per capita incomes of less than \$520 (1975 prices) are considered in principle as eligible for IDA, nearly 87% of the total resources were committed during the Fourth Replenishment period to countries with incomes below \$265 per capita. Excluding India, where IDA allocations were constrained, the countries below \$265 per capita received 47% of total IDA resources against a 34% share in the total population of IDA eligible countries.

11. The increased emphasis on the allocation of scarce IDA resources to the very poorest countries has led to two distinct trends. First, it has significantly increased the resources given to those IDA eligible countries which are at the lowest end of the income scale, which have large pockets of poverty and which suffer from such long-term structural problems as food and energy shortages. For instance, Bangladesh - being one of the poorest countries among IDA recipients and also one with large food and energy deficits - has seen its share of IDA resources increase from 4.1% in IDA III period to 10.1% in IDA IV period. Second, there has been great pressure to reduce allocations to countries beginning to demonstrate a capacity to attract funds from conventional sources. Indeed, as indicated earlier, as many as 11 countries were graduated out for purposes of IDA IV, and 9 more are expected to be graduated in IDA V (see Table 1).

12. Despite the concentration of IDA on the poorest countries, the per capita allocation to some of the more populous low-income countries remains constrained, as explained earlier. For instance, excluding India, the average annual per capita allocation of the countries with per capita income of less than \$265 was \$1.91 during the FY75-77 which is nearly twice the per capita commitments to India (Table 2). On the other hand, the annual average per capita allocation to small countries (below 2 million each) in the same income group was \$5.20 during the same period.

### Performance

13. In allocating its resources among its eligible members, the Association has given weight to "performance", a factor which must be carefully judged in relation to a wide range of social and economic objectives. Such judgments must also take realistic account of the capacity of member countries at their particular stage of development to cope with the problems thrust upon them. This criterion has been applied by the Association to include such elements in country performance as dedication to development objectives, mobilization of domestic resources, rate of GNP growth, progress in achieving more equitable distribution of income, and quality of administration and economic management. When so applied, this criterion ensures that the countries that are pursuing vigorous and effective development policies receive allocations higher than those that would be indicated by other criteria alone.

14. The performance criterion has not been interpreted in a static sense. The Association has given due consideration to the efforts of member countries to adapt to changes in their internal and external environments. For instance, increased weight in allocation is being given to the countries that are pursuing policies to reduce their dependence on food and energy imports. The Association is also giving increased importance to policies that benefit the poorest sections of the country's population and help them to increase their productivity, even in cases where those countries may lie in the middle range income level of IDA recipients. These emphases in gauging country performance should lessen the dependence of IDA borrowers over the years on concessionary external finance and also produce a wider distribution of the fruits of economic growth.

#### Creditworthiness

15. Although lack of creditworthiness serves as an eligibility criterion - with those countries able to borrow adequately from IBRD and/or from the private commercial markets not being included among IDA recipients - it is also used as a criterion for allocating IDA resources. The use of creditworthiness considerations for the purpose of allocation has generally meant that the countries that are short of resources in relation to their development needs, largely because of their inability to qualify for assistance from conventional sources, have been allocated a larger proportionate share of IDA funds. Since the degree of access to conventional sources of finance is closely related to a country's income level, poor creditworthiness, as a criterion for allocation, tends to reinforce the criterion of poverty.

16. The dependence of the poor countries on a few export commodities with weak demand in international markets and their inability to respond quickly to changes in the pattern of external trade have restricted their capacity to increase their foreign exchange earnings to meet their demand for development imports and to service external debts. Hence their dependence on highly concessionary assistance. Their problem has been compounded by the international economic developments since 1973. The international inflation, the increase in the price of oil, the decline of commodity prices from the 1973-74 peaks and the recession in the industrialized countries all served to increase balance of payments deficits. Countries adjusted to this by increased borrowing from a variety of sources on different terms and by reducing investment and growth. Increased debt service ratios and reduced growth performance further affected their creditworthiness. (See Annex Table 6.) These were, essentially, the factors underlying the reintroduction of Indonesia, the Philippines and Thailand into the list of eligibles for IDA V.

17. For IDA countries which have some capacity to borrow on non-concessionary terms, the approach has been to blend IDA and Bank lending. Since IDA resources are scarce, the blend is derived by providing the maximum feasible amount of Bank lending and providing supplementary resources from IDA. Since there is a relation between poverty and creditworthiness, there is little Bank lending to the lowest income countries, except for "enclave" projects where Bank loans can be justified by the security offered by the project as distinct from the creditworthiness of the country. Table 3, below, shows the blend proportions

during the Second, Third and Fourth Replenishment periods. The increase in the share of Bank lending during the Fourth Replenishment period is due largely to the shift in lending to Indonesia from IDA to the Bank.

Table 3: IDA/IBRD Blending

	RATIO OF IDA:IBRD COMMITMENTS						
	<u>1969-71</u>		<u>1972-74</u>		<u>1975-77</u>		<u>1/</u>
	<u>IDA</u>	<u>: IBRD</u>	<u>IDA</u>	<u>: IBRD</u>	<u>IDA</u>	<u>: IBRD</u>	
1975 Per Capita GNP Level of Recipient Countries							
0 - \$265	71	: 29	85	: 15	62	: 38	
\$266 - 520	25	: 75	37	: 63	17	: 83	
\$520 - Above	-	: 100	-	: 100	-	: 100	

1/ Estimate for FY77 as of June 13, 1977.

#### IV. Distribution of Bilateral ODA

18. The IDA allocations to individual countries take some account of the availability of other sources of assistance to them, both bilateral and multi-lateral.

19. There has been a growing concern among bilateral donors in recent years to give priority consideration in their aid efforts to the poorest countries. Nevertheless, past distribution of bilateral concessionary funds reflects several factors which tend to result in a comparatively less pronounced poverty orientation of this assistance than is the case with the distribution of IDA resources. Traditional linkages between donor and recipient countries, political factors and other features of bilateral allocations, have, therefore, led to only 45% of total bilateral ODA from OECD countries being channelled to those in the lowest per capita income group (up to \$265 per capita in 1975 prices) during the period FY72-74 as against 77% of IDA during the same period.

Table 4: Bilateral ODA Flows from DAC Members  
Net Receipts

1975 Per Capita Income Groups	1971		(Annual average) 1972-74		1975	
	\$m	%	\$m	%	\$m	%
<u>Up to \$265 per capita</u>						
India	847.4	13.4	501.5	6.9	783.6	8.0
Pakistan	360.5	5.7	249.3	3.4	372.0	3.8
Bangladesh	9.4	0.1	283.6	3.9	701.8	7.2
Indonesia	547.1	8.7	502.8	6.9	525.2	5.4
Ethiopia	37.5	0.6	55.7	0.8	72.3	0.7
Tanzania	54.6	0.9	99.1	1.4	242.0	2.5
Zaire	78.1	1.2	120.2	1.6	154.1	1.6
Burma	38.2	0.6	55.7	0.8	65.4	0.7
Sub-total	1,972.8	31.2	1,867.9	25.5	2,916.4	29.7
Others	1,030.2	16.3	1,398.9	19.2	1,206.5	12.3
Total	3,003.0	47.5	3,266.8	44.7	4,122.9	42.0
<u>\$266-520 per capita</u>	842.2	13.3	1,081.3	14.8	1,320.2	18.5
<u>Above \$520 per capita</u>	1,722.0	27.2	1,993.2	27.2	2,661.3	27.1
<u>Others and unallocated</u> <sup>1/</sup>	755.3	11.9	973.5	13.3	1,211.1	12.3
GRAND TOTAL	6,322.5	100.0	7,314.8	100.0	9,815.5	100.0

<sup>1/</sup> This includes unallocated regional shares for Europe, Africa, America, Asia and Oceania as well as for French Overseas Departments and Territories and Associated African and Malagasy States. The major functional categories for these funds are: some technical assistance, donor country institutions financed from aid budget and regional projects not allocated to countries.

Source: OECD (DAC), Development Cooperation: 1975 Review, Statistical Annex Table 26.

OECD (DAC), Development Cooperation: 1976 Review, Statistical Annex Table 26.

20. In the case of bilateral ODA, the most notable deviations from the IDA allocation patterns are the relatively much lower annual average allocations during FY72-74 to India (7%), Bangladesh (4%) and Pakistan (3%). The total bilateral allocations to the three South Asian countries during this period was 14% compared with 46% from IDA. Evidently, the allocation of IDA resources has tended to moderate these bilateral results to some extent. It should be emphasized, however, that the Association's assistance is not a derivative sum, calculated after estimating the concessionary assistance available from other bilateral and multilateral sources. No such approach would be either workable or broadly acceptable.

## V. Conclusion

21. The IDA Articles of Agreement define eligibility in terms of a number of criteria that include relative economic backwardness, lack of creditworthiness for development capital available on conventional terms, and the ability to use effectively the Association's concessionary assistance. In reviewing the lending policies and practices of IDA, the Executive Directors have provided a quantitative interpretation to the first of these three eligibility criteria, that of relative backwardness. In the 1968 review, \$300 per capita income was defined as the level above which there was to be a strong presumption against IDA lending. The 1973 review, taking inflation into account, redefined this level as \$375 in 1972 prices. The current equivalent of this level is \$520 per capita in 1975 prices.

22. While using a per capita income cut-off criterion, lack of creditworthiness and performance have also been used to define the universe of IDA eligible countries. This means that all countries below a certain per capita income level do not automatically become eligible for IDA resources. In order to have access to the Association's funds, they must fulfill the other two criteria of adequate economic performance and lack of creditworthiness for development capital on conventional terms. The application of these criteria means that the universe of IDA recipients differs from one replenishment period to another.

23. The size of the country (in terms of population), along with the application of the criteria of poverty, performance and lack of creditworthiness, have been used for determining country allocations from the resources available to IDA. This process has produced a high concentration of IDA resources among the countries at the lower end of the per capita income scale. Since the more populous IDA eligible countries are also among the very poor, a predominant weight to population would have resulted in even greater concentration of resources among the poorest countries. However, the 40% ceiling on India and the requirement of a minimum project size for, as well as the special problems of, small countries have increased per capita allocations to a number of small countries, particularly in Africa.

24. The pattern of distribution of IDA resources, with the relatively larger share going to the largest and poorest countries, has moderated to some extent the imbalances in the distribution of bilateral ODA. In allocating

their concessional assistance, some donor nations have been more responsive to "special relationships" between themselves and the recipients and less to the type of considerations that have determined the allocation of IDA resources. The needs for development capital by the countries with relatively higher income and a limited degree of creditworthiness has been met by blending IDA resources with IBRD funds.

25. The addition of several East Asian countries to the list of those eligible for IDA V will affect the regional distribution of IDA resources in the next three years, compared with that of the past three. However, the net effect on individual countries will be negligible, because the increase in East Asia will be largely offset by such factors as the graduation of some countries from the list of eligibles and by problems of absorptive capacity in other countries. It is, however, impossible to predict the exact country-by-country distribution of resources over the next three years, since that distribution is bound to be affected, as it has been in the past, by many uncertainties.

26. The existing criteria have well served their purpose of assuring an equitable distribution of IDA's resources and making an effective contribution to the development of the Bank's poorer member countries. They have also served well in that they have allowed flexibility in country allocations that would not be possible under any more rigid programming system. Within the framework of those criteria, special weight will be given, during the IDA V period, to certain critical needs of the developing world. In particular, the Association will stress the need to improve the internal income distribution of lower and middle income recipients and give priority to long-term structural problems such as food and energy deficits. The Association will pay careful attention to those countries whose long-term developmental prospects have worsened because of changes in commodity prices and the terms of trade. Thus the existing criteria, which are responsive to the evolving needs of the developing world, will continue to serve as the basis for allocating IDA resources.

*Robert S. McNamara*



STATISTICAL ANNEXES

1. Countries Presently Regarded Eligible for IDA Assistance
2. IDA Recipients During the Replenishment Periods
3. IDA Commitments by Size of Country, FY72-77
4. IDA Commitments by Income Level of Recipients, FY69-77
5. IDA Lending Operations, FY69-77
6. Debt Service Ratio of IDA IV Eligible Countries, 1975

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Annex Table 1: COUNTRIES PRESENTLY REGARDED  
ELIGIBLE FOR IDA ASSISTANCE

Country	1975	1975
	Pop. (m)	GDP @ c (\$)
<u>EASTERN AFRICA</u>		
Burundi	3.7	100
Comoros	0.3	260
Ethiopia	27.9	100
Kenya	13.3	220
Lesotho	1.2	180
Madagascar	8.8	200
Malawi	5.1	150
Rwanda	4.1	90
Somalia	3.2	100
Sudan	15.6	290
Tanzania	14.7	170
Zaire	24.7	150
Sub Total	122.6	
<u>WESTERN AFRICA</u>		
Benin	3.1	140
Cameroon	7.3	270
C.A.E.	1.0	230
Chad	4.0	120
Gambia	0.5	190
Ghana	9.9	460
Guinea	5.5	130
Guinea Bissau	1.0	200
Liberia	1.5	410
Mali	5.7	90
Mauritania	1.3	310
Niger	4.6	130
Senegal	5.0	370
Sierra Leone	3.0	200
Togo	2.2	270
Upper Volta	5.9	90
Sub Total	61.5	
<u>EMENA</u>		
Afghanistan	16.7	130
Egypt	37.1	310
Jordan	2.7	460
Yemen A.R.	6.5	210
Yemen P.D.R.	1.7	240
Sub Total	64.7	
<u>LATIN AMERICA &amp; CARIBBEAN</u>		
Grenada	0.1	370
Haiti	4.6	180
Honduras	2.9	350
Sub Total	7.6	
<u>EAST ASIA &amp; PACIFIC</u>		
Indonesia	131.6	180
Laos	3.3	70
Papua New Guinea	2.7	450
Philippines	42.5	370
Thailand	41.9	350
Vietnam	45.3	160
Western Samoa	0.2	320
Sub Total	267.5	
<u>SOUTH ASIA</u>		
Bangladesh	78.6	110
Burma	30.2	110
India	609.6	150
Nepal	12.6	110
Pakistan	69.2	140
Sri Lanka	13.6	150
Sub Total	813.8	
TOTAL	1337.3	

Annex Table 2: IDA RECIPIENTS DURING THE REPLENISHMENT PERIODS

	Replenishment Periods				
	FIRST FY65-68	SECOND FY69-71	THIRD FY72-74	FOURTH FY75-77	FIFTH FY78-80 (Estimate)
<u>Eastern Africa</u>					
Jocawena	X		X		
Burundi	X	X	X		
Comoros				X	X
Ethiopia	X	X	X	X	X
Kenya	X	X	X	X	X
Lesotho	X		X	X	X
Madagascar	X		X	X	X
Malawi	X	X	X	X	X
Mauritius		X	X	X	
Rwanda		X	X	X	X
Somalia	X	X	X	X	X
Sudan	X		X	X	X
Swaziland			X	X	X
Tanzania	X	X	X	X	X
Uganda	X	X	X	X	X
Zaire		X	X	X	X
<u>Western Africa</u>					
Benin		X	X	X	X
Cameroon	X	X	X	X	X
Central African Empire		X	X		X
Chad		X	X	X	X
Congo		X	X	X	X
Equatorial Guinea			X		
Gambia		X	X	X	X
Ghana	X	X	X	X	X
Guinea				X	X
Guinea-Bissau					X
Ivory Coast			X		
Liberia			X	X	X
Mali	X	X	X	X	X
Mauritania	X	X	X	X	X
Niger		X	X	X	X
Nigeria	X				
Senegal	X	X	X	X	X
Sierra Leone		X	X	X	X
Togo		X	X	X	X
Upper Volta		X	X	X	X
<u>Europe, Middle East and North Africa</u>					
Afghanistan	X	X	X	X	X
Egypt		X	X	X	X
Jordan	X	X	X	X	X
Morocco	X	X	X	X	
Syria			X		
Tunisia	X	X	X	X	
Turkey	X	X	X	X	
Yemen, A.R.			X	X	X
Yemen P.D.R.		X	X	X	X
<u>Latin America and Caribbean</u>					
Bolivia	X	X	X	X	
Dominican Republic		X	X		
Ecuador	X	X	X		
El Salvador		X		X	
Grenada					X
Guyana		X	X	X	
Haiti			X	X	X
Honduras	X	X	X	X	X
Nicaragua			X		
Paraguay	X	X	X	X	
<u>East Asia and Pacific</u>					
Indonesia		X	X		X
Korea	X	X	X		
Laos					X
Papua New Guinea		X	X	X	X
Philippines			X		X
Thailand			X		X
Vietnam					X
Western Samoa				X	X
<u>South Asia</u>					
Bangladesh	X	X	X	X	X
Burma			X	X	X
India	X	X	X	X	X
Nepal		X	X	X	X
Pakistan	X	X	X	X	X
Sri Lanka	X	X	X	X	X

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Annex Table 3: IDA COMMITMENTS BY SIZE OF COUNTRY, FY72-77

1975 Population Range	1975 Population		FY72-74					FY74-77				
	Million	%	IM	I	Per capita per annum	No.	%	IM	I	Per capita per annum	No.	%
<b>0 - 2.5 Million</b>												
Western Samoa	0.2	0.01	-	-	-	-	-	4.4	0.1	7.3	1	0.4
Equatorial Guinea	0.3	0.02	2.0	0.1	2.3	1	0.4	-	-	-	-	-
Gambia	0.5	0.03	3.7	0.1	2.4	2	0.9	8.1	0.2	5.4	2	0.9
Swaziland	0.5	0.03	-	-	-	-	-	5.0	0.1	3.4	1	0.4
Botswana	0.7	0.05	6.7	0.2	3.1	3	1.3	-	-	-	-	-
Guyana	0.8	0.06	4.4	0.1	1.9	1	0.4	4.3	0.1	1.6	1	0.4
Mauritius	0.9	0.06	11.5	0.3	4.2	3	1.3	3.5	0.1	1.3	1	0.4
Lesotho	1.2	0.08	5.6	0.2	1.6	1	0.4	12.0	0.3	3.3	3	1.3
Mauritania	1.3	0.09	11.6	0.3	3.0	3	1.3	17.2	0.3	4.4	4	1.7
Congo	1.3	0.09	16.3	0.5	4.2	3	1.3	0.5	...	0.2	-	-
Liberia	1.5	0.10	11.0	0.3	2.5	3	1.3	13.0	0.3	2.9	2	0.9
Yemen P.D.R.	1.7	0.12	4.1	0.1	0.8	2	0.9	32.7	0.7	6.4	4	1.7
Central African Empire	1.8	0.13	3.9	0.1	0.7	1	0.4	-	-	-	-	-
Haiti	2.1	0.15	20.0	0.6	3.2	1	0.4	-	-	-	-	-
Togo	2.2	0.15	9.7	0.3	1.3	1	0.4	25.5	0.5	3.9	3	1.3
<b>Total</b>	<b>17.0</b>	<b>1.19</b>	<b>109.7</b>	<b>3.2</b>	<b>2.2</b>	<b>25</b>	<b>11.1</b>	<b>125.9</b>	<b>2.8</b>	<b>3.5</b>	<b>22</b>	<b>9.4</b>
<b>2.6 - 5.0 Million</b>												
Paraguay	2.6	0.18	5.1	0.1	0.7	1	0.4	19.0	0.4	2.4	3	1.3
Jordan	2.7	0.19	24.3	0.7	3.0	3	1.3	29.5	0.7	3.6	6	2.5
Papua New Guinea	2.7	0.19	14.2	0.4	1.7	2	0.9	23.0	0.5	2.9	2	0.9
Madagascar	2.9	0.20	9.6	0.3	1.1	2	0.9	19.0	0.4	2.2	2	0.9
Sierra Leone	3.0	0.21	4.3	0.1	0.5	1	0.4	20.5	0.5	2.3	3	1.3
Benin	3.1	0.22	18.5	0.5	2.0	2	0.9	20.2	0.4	2.2	3	1.3
Somalia	3.2	0.22	32.6	0.9	3.4	3	1.3	43.2	1.0	4.5	6	2.5
Burundi	3.7	0.26	5.0	0.1	0.5	1	0.4	22.7	0.5	2.1	4	1.7
Chad	4.0	0.28	16.1	0.5	1.4	3	1.3	25.0	0.6	2.1	3	1.3
El Salvador	4.0	0.28	-	-	-	-	-	12.0	0.3	1.0	2	0.9
Burkina Faso	4.1	0.29	13.1	0.4	1.1	3	1.3	37.3	0.8	3.0	5	2.1
Ethiopia	4.6	0.32	10.0	0.3	0.7	1	0.4	51.5	1.1	3.7	4	1.7
Niger	4.6	0.32	8.3	0.2	0.6	1	0.4	31.5	0.7	2.3	3	1.3
Dominican Republic	4.7	0.33	13.0	0.4	0.9	1	0.4	-	-	-	-	-
Senegal	5.0	0.35	24.9	1.0	2.2	5	2.2	25.5	0.8	2.4	6	2.5
<b>Total</b>	<b>54.9</b>	<b>3.34</b>	<b>209.0</b>	<b>6.0</b>	<b>1.4</b>	<b>29</b>	<b>12.3</b>	<b>399.9</b>	<b>3.3</b>	<b>2.9</b>	<b>32</b>	<b>12.1</b>
<b>5.1 - 10.0 Million</b>												
Malawi	5.1	0.36	26.6	0.8	1.7	4	1.8	45.1	1.0	2.3	5	2.1
Guinea	5.3	0.38	-	-	-	-	-	21.0	0.5	1.3	2	0.9
Bolivia	5.6	0.39	20.2	0.6	1.2	3	1.3	7.5	0.2	0.4	1	0.4
Tunisia	5.6	0.39	22.0	0.6	1.3	4	1.8	4.8	0.1	0.3	-	-
Mali	5.7	0.40	42.2	1.2	2.5	6	2.7	60.2	1.3	3.5	4	1.7
Upper Volta	5.9	0.41	23.8	0.7	1.3	5	2.2	49.5	1.1	2.8	5	2.1
Yemen A.R.	6.5	0.45	38.2	1.1	2.0	5	2.2	71.6	1.6	3.7	8	3.4
Ivory Coast	6.7	0.47	7.5	0.2	0.4	1	0.4	-	-	-	-	-
Ecuador	7.1	0.50	12.3	0.4	0.6	2	0.9	-	-	-	-	-
Cameroon	7.3	0.51	36.7	1.1	1.7	3	1.3	52.7	1.2	2.4	6	2.5
Syria	7.4	0.52	38.8	1.1	1.7	3	1.3	-	-	-	-	-
Madagascar	8.8	0.62	38.1	1.1	1.4	3	1.3	58.0	1.3	2.2	4	1.7
Ghana	9.9	0.59	41.0	1.2	1.4	4	1.8	32.5	0.7	1.1	2	1.3
<b>Total</b>	<b>67.1</b>	<b>6.09</b>	<b>347.4</b>	<b>10.1</b>	<b>1.4</b>	<b>43</b>	<b>19.0</b>	<b>403.0</b>	<b>8.9</b>	<b>2.0</b>	<b>38</b>	<b>16.2</b>
<b>10.1 - 20.0 Million</b>												
Nepal	12.6	0.88	29.5	0.9	0.8	5	2.2	62.0	1.4	1.6	6	2.5
Kenya	13.3	0.93	61.5	1.8	1.5	4	1.8	59.5	1.3	1.5	6	2.5
Sri Lanka	13.6	0.95	6.0	0.2	0.1	1	0.4	86.7	1.9	2.1	7	3.0
Tanzania	14.7	1.03	69.6	2.0	1.6	6	2.7	121.9	2.7	2.8	12	5.1
Sudan	15.6	1.09	99.0	2.9	2.1	6	2.7	98.0	2.2	2.1	8	3.3
Afghanistan	16.7	1.17	25.0	0.7	0.5	4	1.8	75.0	1.7	1.5	6	2.5
Morocco	16.7	1.17	15.5	0.5	0.4	2	0.9	14.0	0.3	0.3	1	0.4
<b>Total</b>	<b>103.2</b>	<b>7.22</b>	<b>309.1</b>	<b>9.0</b>	<b>1.0</b>	<b>28</b>	<b>12.4</b>	<b>517.1</b>	<b>11.4</b>	<b>1.7</b>	<b>46</b>	<b>19.8</b>
<b>20.1 - 50.0 Million</b>												
Zaire	24.7	1.73	54.0	1.6	0.7	5	2.2	120.5	2.7	1.6	7	3.0
Ethiopia	27.9	1.95	135.1	3.9	1.6	11	4.9	164.3	3.6	2.0	7	3.0
Burma	30.2	2.11	50.0	1.5	0.6	3	1.3	108.5	2.4	1.2	6	2.5
Kenya	34.0	2.38	45.5	1.3	0.4	3	1.3	-	-	-	-	-
Egypt	37.1	2.60	125.1	3.6	1.1	8	3.5	182.0	4.0	1.6	6	2.5
Turkey	40.1	2.80	56.3	1.9	0.6	4	1.8	-	-	-	-	-
Thailand	41.9	2.93	32.0	0.9	0.3	3	1.3	-	-	-	-	-
Philippines	42.5	2.97	32.2	0.9	0.3	3	1.3	-	-	-	-	-
<b>Total</b>	<b>278.4</b>	<b>19.47</b>	<b>540.2</b>	<b>15.6</b>	<b>0.6</b>	<b>40</b>	<b>17.7</b>	<b>573.5</b>	<b>12.7</b>	<b>1.6</b>	<b>26</b>	<b>11.1</b>
<b>Above 50.0 Million</b>												
Pakistan	69.2	4.84	164.0	4.7	0.8	5	2.2	267.6	5.9	1.3	9	3.8
Bangladesh	78.6	5.50	142.2	4.1	0.6	6	2.7	454.1	10.1	1.9	15	6.4
Indonesia	131.6	9.21	334.4	9.7	0.9	22	9.7	-	-	-	-	-
India	509.6	42.54	1295.2	37.5	0.7	29	12.4	-	-	-	-	-
<b>Total</b>	<b>889.0</b>	<b>62.19</b>	<b>1936.8</b>	<b>56.1</b>	<b>0.7</b>	<b>61</b>	<b>27.0</b>	<b>1789.1</b>	<b>39.5</b>	<b>1.0</b>	<b>39</b>	<b>16.4</b>
<b>GRAND TOTAL</b>	<b>1429.6</b>	<b>100.20</b>	<b>7452.2</b>	<b>100.3</b>	<b>0.8</b>	<b>227</b>	<b>100.3</b>	<b>4523.8</b>	<b>55.5</b>	<b>1.1</b>	<b>51</b>	<b>21.7</b>

1/ Estimates for FY77 as of June 13, 1977

2/ Less than 0.1%.

3/ Includes the drought relief operation in the West Africa Region.

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Annex Table 3: IDA COMMITMENTS BY SIZE OF COUNTRY, FY72-77

1975 Population Range	1975 Population		FY72-74					FY75-77				
	Million	%	IM	I	Per capita per annum	No.	%	IM	I	Per capita per annum	No.	%
<b>0 - 2.5 Million</b>												
western Samoa	0.2	0.01	-	-	-	-	-	4.4	3.1	7.5	1	0.4
Equatorial Guinea	0.3	0.02	2.0	0.1	2.3	1	0.4	-	-	-	-	-
Gambia	0.5	0.03	3.7	0.1	2.4	2	0.9	8.1	0.2	5.4	2	0.9
Swaziland	0.5	0.03	-	-	-	-	-	5.0	0.1	3.4	1	0.4
Botswana	0.7	0.05	6.7	0.2	3.1	3	1.3	-	-	-	-	-
Guyana	0.8	0.06	4.4	0.1	1.9	1	3.4	4.3	3.1	1.6	1	0.4
Mauritius	0.9	0.06	11.5	0.3	4.2	3	1.3	3.5	0.1	1.3	1	0.4
Lesotho	1.2	0.08	3.6	0.2	1.6	1	0.4	12.0	0.3	3.3	3	1.3
Mauritania	1.3	0.09	11.6	0.3	3.0	3	1.3	17.2	0.3	4.4	4	1.7
Congo	1.3	0.09	16.3	0.5	4.2	3	1.3	0.5	2/	0.2	-	-
Liberia	1.5	0.10	11.0	0.3	2.5	3	1.3	13.0	0.3	2.9	2	0.9
Yemen P.D.R.	1.7	0.12	4.1	0.1	0.8	2	0.9	32.7	0.7	6.4	4	1.7
Central African Empire	1.8	0.13	3.9	0.1	0.7	1	0.4	-	-	-	-	-
Nicaragua	2.1	0.15	20.0	0.6	3.2	1	0.4	-	-	-	-	-
Togo	2.2	0.15	9.7	0.3	1.3	1	0.4	25.5	0.5	3.9	3	1.3
<b>Total</b>	<b>17.0</b>	<b>1.19</b>	<b>109.7</b>	<b>3.2</b>	<b>2.2</b>	<b>25</b>	<b>11.1</b>	<b>125.9</b>	<b>2.8</b>	<b>3.5</b>	<b>22</b>	<b>9.4</b>
<b>2.6 - 5.0 Million</b>												
Paraguay	2.6	0.18	5.1	0.1	0.7	1	0.4	19.0	0.4	2.4	3	1.3
Jordan	2.7	0.19	24.3	0.7	3.0	3	1.3	29.5	0.7	3.6	6	2.5
Papua New Guinea	2.7	0.19	14.2	0.4	1.7	2	0.9	23.0	0.5	2.9	2	0.9
Honduras	2.9	0.20	9.6	0.3	1.1	2	0.9	19.0	0.4	2.2	2	0.9
Sierra Leone	3.0	0.21	4.3	0.1	0.5	1	0.4	20.5	0.5	2.3	3	1.3
Benin	3.1	0.22	18.5	0.5	2.0	2	0.9	20.2	0.4	2.2	3	1.3
Somalia	3.2	0.22	32.6	0.9	3.4	3	1.3	43.2	1.0	4.5	6	2.5
Burundi	3.7	0.26	5.0	0.1	0.5	1	0.4	22.7	0.5	2.1	4	1.7
Chad	4.0	0.28	16.1	0.5	1.4	3	1.3	25.0	0.6	2.1	3	1.3
El Salvador	4.0	0.28	-	-	-	-	-	12.0	0.3	1.0	2	0.9
Burma	4.1	0.29	13.1	0.4	1.1	3	1.3	37.3	0.8	3.0	5	2.1
Haiti	4.6	0.32	10.0	0.3	0.7	1	0.4	51.5	1.1	3.7	4	1.7
Niger	4.6	0.32	8.3	0.2	0.6	1	0.4	31.5	0.7	2.3	3	1.3
Dominican Republic	4.7	0.33	13.0	0.4	0.9	1	0.4	-	-	-	-	-
Senegal	5.0	0.35	34.9	1.0	2.3	5	2.2	35.5	0.8	2.4	6	2.5
<b>Total</b>	<b>54.9</b>	<b>3.84</b>	<b>209.0</b>	<b>6.0</b>	<b>1.4</b>	<b>29</b>	<b>12.8</b>	<b>389.9</b>	<b>3.5</b>	<b>2.6</b>	<b>52</b>	<b>22.1</b>
<b>5.1 - 10.0 Million</b>												
Nalawi	5.1	0.36	26.6	0.8	1.7	4	1.8	45.1	1.0	2.9	5	2.1
Guinea	5.5	0.38	-	-	-	-	-	21.0	0.5	1.3	2	0.9
Bolivia	5.6	0.39	20.2	0.6	1.2	3	1.3	7.5	0.2	0.4	1	0.4
Tunisia	5.6	0.39	22.0	0.6	1.3	4	1.8	4.8	0.1	0.3	-	-
Mali	5.7	0.40	42.2	1.2	2.5	6	2.7	60.2	1.3	3.5	4	1.7
Upper Volta	5.9	0.41	23.8	0.7	1.3	5	2.2	49.5	1.1	2.8	5	2.1
Yemen A.R.	6.5	0.45	38.2	1.1	2.0	5	2.2	71.6	1.6	3.7	8	3.4
Ivory Coast	6.7	0.47	7.5	0.2	0.4	1	0.4	-	-	-	-	-
Ecuador	7.1	0.50	12.3	0.4	0.6	2	0.9	-	-	-	-	-
Cameroon	7.3	0.51	36.7	1.1	1.7	3	1.3	52.7	1.2	2.4	6	2.5
Syria	7.4	0.52	38.8	1.1	1.7	3	1.3	-	-	-	-	-
Madagascar	8.8	0.62	38.1	1.1	1.4	3	1.2	58.0	1.3	2.2	4	1.7
Ghana	9.9	0.69	41.0	1.2	1.4	4	1.8	32.5	0.7	1.1	3	1.3
<b>Total</b>	<b>87.1</b>	<b>6.09</b>	<b>347.4</b>	<b>10.1</b>	<b>1.4</b>	<b>43</b>	<b>19.0</b>	<b>403.0</b>	<b>8.9</b>	<b>2.0</b>	<b>38</b>	<b>16.2</b>
<b>10.1 - 20.0 Million</b>												
Nepal	12.6	0.88	29.5	0.9	0.8	5	2.2	62.0	1.4	1.6	6	2.5
Kenya	13.3	0.93	61.5	1.8	1.5	4	1.8	59.5	1.3	1.5	6	2.5
Sri Lanka	13.6	0.95	6.0	0.2	0.1	1	0.4	86.7	1.9	2.1	7	3.0
Tanzania	14.7	1.03	69.6	2.0	1.6	6	2.7	121.9	2.7	2.8	12	5.1
Sudan	15.6	1.09	99.0	2.9	2.1	6	2.7	98.0	2.2	2.1	8	3.4
Afghanistan	16.7	1.17	25.0	0.7	0.5	4	1.8	75.0	1.7	1.3	6	2.5
Morocco	16.7	1.17	18.5	0.5	0.4	2	0.9	14.0	0.3	0.3	1	0.4
<b>Total</b>	<b>103.2</b>	<b>7.22</b>	<b>309.1</b>	<b>9.0</b>	<b>1.0</b>	<b>28</b>	<b>12.4</b>	<b>517.1</b>	<b>12.4</b>	<b>1.7</b>	<b>46</b>	<b>19.6</b>
<b>20.1 - 55.0 Million</b>												
Zaire	24.7	1.73	54.0	1.6	0.7	5	2.2	120.5	2.7	1.6	7	3.0
Ethiopia	27.9	1.95	135.1	3.9	1.6	11	4.9	164.5	3.6	2.0	7	3.0
Burma	30.2	2.11	50.0	1.5	0.6	3	1.3	108.5	2.4	1.2	6	2.5
Laos	34.0	2.38	45.5	1.3	0.4	3	1.3	-	-	-	-	-
Egypt	37.1	2.60	125.1	3.6	1.1	8	3.5	182.0	4.0	1.6	6	2.5
Turkey	40.1	2.80	56.3	1.9	0.6	4	1.8	-	-	-	-	-
Thailand	41.9	2.93	32.0	0.9	0.3	3	1.3	-	-	-	-	-
Philippines	42.5	2.97	32.2	0.9	0.3	3	1.3	-	-	-	-	-
<b>Total</b>	<b>278.4</b>	<b>19.47</b>	<b>540.2</b>	<b>15.6</b>	<b>0.6</b>	<b>40</b>	<b>17.7</b>	<b>573.5</b>	<b>12.7</b>	<b>1.6</b>	<b>26</b>	<b>11.1</b>
<b>Above 55.0 Million</b>												
Pakistan	69.2	4.84	164.0	4.7	0.8	5	2.2	267.6	5.9	1.3	9	3.8
Bangladesh	78.6	5.50	142.2	4.1	0.6	6	2.7	458.1	10.1	1.9	15	6.4
Indonesia	131.6	9.21	334.4	9.7	0.9	22	9.7	-	-	-	-	-
India	509.6	42.64	1294.2	37.5	0.7	28	12.4	-	-	-	-	-
<b>Total</b>	<b>889.0</b>	<b>62.19</b>	<b>1936.8</b>	<b>56.1</b>	<b>0.7</b>	<b>61</b>	<b>27.0</b>	<b>725.7</b>	<b>55.6</b>	<b>1.1</b>	<b>51</b>	<b>21.9</b>
<b>GRAND TOTAL</b>	<b>1429.6</b>	<b>100.00</b>	<b>7442.0</b>	<b>100.0</b>	<b>0.8</b>	<b>227</b>	<b>100.0</b>	<b>4529.8</b>	<b>100.0</b>	<b>1.1</b>	<b>225</b>	<b>100.0</b>

1/ Estimates for FY77 as of June 13, 1977

2/ Less than 0.1%.

3/ Includes the drought relief operation in the West Africa Region.

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Annex Table 3: IDA LENDING OPERATIONS <sup>1/</sup>  
 FY69-77 <sup>2/</sup>

										FY69-71		FY72-74		FY75-77	
	1969	1970	1971	1972	1973	1974	1975	1976	1977	No.	U.S. \$	No.	U.S. \$	No.	U.S. \$
India	2	5	6	11	10	7	10	8	9	13	8.8	18	12.4	27	11.5
Pakistan	1	4	1	1	2	2	2	4	3	4	4.1	5	2.2	9	3.8
Bangladesh	3	3	1	-	3	3	4	6	5	9	6.1	6	2.7	13	6.4
Indonesia	4	4	7	8	7	6	-	-	-	14	12.7	22	9.7	-	-
Sub Total	10	16	16	20	23	18	16	18	17	44	29.9	51	27.5	51	31.7
<u>Up to \$255 per capita</u>															
Nell	-	1	-	2	3	1	1	1	2	1	0.7	6	2.7	4	1.7
Rwanda	-	1	-	1	-	2	1	1	3	1	0.7	3	1.3	5	2.1
Upper Volta	1	-	1	2	2	1	2	1	2	2	1.4	5	2.2	5	2.1
Burundi	1	1	-	-	-	1	-	3	1	2	1.4	1	0.4	4	1.7
Ethiopia	-	2	1	4	4	3	4	1	2	3	2.0	11	4.9	7	3.0
Somalia	1	-	1	1	1	1	1	3	2	2	1.4	3	1.3	6	2.5
Burma	-	-	-	-	2	1	2	2	2	-	-	3	1.3	6	2.5
Nepal	-	1	1	1	2	2	-	2	4	2	1.4	5	2.2	6	2.5
Chad	2	-	1	1	-	2	-	1	2	3	2.0	3	1.3	3	1.3
Afghanistan	1	1	1	-	3	1	2	2	2	3	2.0	4	1.8	6	2.5
Guinea	-	-	-	-	-	-	1	1	-	-	-	-	-	2	0.9
Niger	1	1	1	-	-	1	-	3	-	3	2.0	1	0.4	3	1.3
Senegal	1	-	1	1	1	-	1	-	2	2	1.4	2	0.9	3	1.3
Malawi	-	1	1	1	1	2	2	1	2	2	1.4	4	1.8	5	2.1
Sri Lanka	1	1	-	-	1	-	3	1	3	2	1.4	1	0.4	7	3.0
Zaire	1	1	1	3	1	1	2	2	3	3	2.0	5	2.2	7	3.0
Tanzania	3	1	2	2	2	2	4	4	4	6	4.1	6	2.7	12	5.1
Haiti	-	-	-	-	-	1	1	2	1	-	-	1	0.4	4	1.7
Laos	-	-	-	-	1	-	1	1	1	-	-	1	0.4	3	1.3
Gambia	-	1	-	-	1	1	-	2	-	1	0.7	2	0.9	2	0.9
Madagascar	1	1	1	1	1	1	2	1	1	3	2.0	3	1.3	4	1.7
Sierra Leone	-	1	1	1	-	-	1	1	1	2	1.4	1	0.4	3	1.3
Yemen A.R.	-	-	-	1	1	3	3	2	3	-	-	5	2.2	8	3.4
Kenya	1	1	1	1	1	2	3	-	3	3	2.0	4	1.8	6	2.5
Central African Empire	1	1	-	1	-	-	-	-	-	2	1.4	1	0.4	-	-
Yemen P.D.R.	-	-	1	-	2	-	-	2	-	1	0.7	2	0.9	4	1.7
Uganda	1	1	2	-	-	-	-	-	-	-	2.7	-	-	-	-
Sub Total	17	18	18	24	30	29	38	40	46	53	36.1	83	36.7	125	53.1
Total	27	36	34	44	53	47	55	58	63	97	66.0	144	63.7	176	74.9
<u>\$266-\$520 per capita</u>															
Cameroon	-	2	1	2	-	1	1	2	3	3	2.0	3	1.3	6	2.5
Togo	1	-	-	-	-	1	1	1	1	1	0.7	1	0.4	3	1.3
Sudan	-	-	-	1	2	3	3	3	2	-	-	4	2.7	8	3.4
Egypt	-	1	-	1	3	4	2	2	2	1	0.7	8	3.5	6	2.5
Mauritania	1	-	-	1	-	2	1	1	2	1	0.7	3	1.3	4	1.7
Bolivia	1	1	1	-	1	2	1	-	-	3	2.0	3	1.3	1	0.4
Equatorial Guinea	-	-	-	-	1	-	-	-	-	-	-	1	0.4	-	-
Western Samoa	-	-	-	-	-	-	1	-	-	-	-	-	-	1	0.4
Botswana	-	1	1	2	-	1	-	-	-	2	1.4	3	1.3	-	-
Honduras	-	2	-	-	-	2	-	1	1	2	1.4	2	0.9	2	0.9
Thailand	-	-	-	-	2	1	-	-	-	-	-	3	1.3	-	-
Philippines	-	-	-	1	1	1	-	-	-	-	-	3	1.3	-	-
Senegal	1	1	3	2	3	-	3	3	-	5	3.4	5	2.2	6	2.5
Liberia	-	-	-	2	1	-	-	1	1	-	-	3	1.3	2	0.9
El Salvador	-	-	1	-	-	-	1	-	1	1	0.7	-	-	2	0.9
Papua New Guinea	1	2	-	1	1	-	-	-	2	3	2.0	2	0.9	2	0.9
Ghana	-	4	1	-	1	3	1	1	1	5	3.4	4	1.8	3	1.3
Jordan	-	-	1	1	2	-	4	2	-	1	0.7	3	1.3	6	2.5
Morocco	-	1	-	2	-	-	1	-	-	1	0.7	2	0.9	1	0.4
Swaziland	-	-	-	-	-	-	1	-	-	-	-	-	-	1	0.4
Congo	1	1	1	2	-	1	-	-	-	3	2.0	3	1.3	-	-
Ivory Coast	-	-	-	-	1	-	-	-	-	-	-	1	0.4	-	-
Total	6	16	10	18	19	22	21	17	16	32	21.8	59	26.1	54	23.0
<u>Above \$520 per capita</u>															
Ecuador	-	1	1	1	-	1	-	-	-	2	1.4	2	0.9	-	-
Korea	2	1	1	2	1	-	-	-	-	4	2.7	3	1.3	-	-
Guyana	1	-	1	1	-	-	1	-	-	2	1.4	1	0.4	1	0.4
Paraguay	1	-	-	-	1	-	1	1	1	1	0.7	1	0.4	3	1.3
Mauritius	-	-	1	1	1	1	1	-	-	1	0.7	3	1.3	1	0.4
Syria	-	-	-	1	1	1	-	-	-	-	-	3	1.3	-	-
Dominican Republic	-	-	2	-	1	-	-	-	-	2	1.4	1	0.4	-	-
Nicaragua	-	-	-	-	1	-	-	-	-	-	-	1	0.4	-	-
Tunisia	1	1	1	3	-	1	-	-	-	3	2.0	4	1.8	-	-
Turkey	1	-	7	7	1	-	-	-	-	7	2.7	5	1.8	-	-
Total	6	3	9	12	7	4	3	1	1	18	12.2	23	10.2	3	2.1
GRAND TOTAL	33	39	43	62	70	71	78	76	80	117	100.0	227	100.0	235	100.0

<sup>1/</sup> Joint IBRD/IDA and TV/IDA projects are counted as IDA projects.

<sup>2/</sup> FY77 estimates as of June 13, 1977.

<sup>3/</sup> This includes the drought relief operation in the West Africa Region.

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Annex Table 6: DEBT SERVICE RATIOS OF IDA IV ELIGIBLE COUNTRIES  
1975

	=
India	16.3 <sup>1/</sup>
Pakistan	19.1 <sup>1/</sup>
Bangladesh	17.9
<u>Up to \$265 per capita</u>	
Mali	3.1
Rwanda	1.2
Upper Volta	5.2
Burundi	5.7
Ethiopia	7.7
Somalia	4.0
Burma	18.0
Nepal	N/A
Chad	5.7
Afghanistan	9.5
Guinea	N/A
Niger	6.0
Benin	4.7
Malawi	7.4
Sri Lanka	20.3
Zaire	16.5 <sup>2/</sup>
Tanzania	7.3 <sup>2/</sup>
Haiti	N/A <sup>3/</sup>
Lesotho	2.8 <sup>3/</sup>
Gambia	0.6
Madagascar	2.9
Sierra Leone	9.9
Yemen A.R.	N/A <sup>2/</sup>
Kenya	4.0 <sup>2/</sup>
Yemen P.D.R.	N/A
<u>Above \$265 per capita</u>	
Cameroon	5.3
Togo	8.5
Sudan	21.3
Egypt	25.7
Mauritania	15.3
Bolivia	15.2
Western Samoa	N/A
Honduras	4.6
Senegal	5.6
Liberia	5.2
El Salvador	9.2
Papua New Guinea	N/A
Ghana	3.2
Jordan	5.1
Morocco	7.0 <sup>3/</sup>
Swaziland	1.1 <sup>2/</sup>
Congo	9.4
Guyana	4.6
Paraguay	7.9
Mauritius	1.0
Tunisia	7.6

<sup>1/</sup> Data for fiscal year.

<sup>2/</sup> Includes one-third of the debt service of the East African Community.

<sup>3/</sup> Export data for exports of goods only.

N/A = not available

Source: Provisional Statistical Annex Table 6, World Bank Annual Report, 1977.

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FOR OFFICIAL USE ONLY

FOR  
EXECUTIVE  
DIRECTORS'  
MEETINGFor consideration on  
August 30, 1977M77-41  
IDA/M77-40

FROM: The Secretary

July 22, 1977

Minutes of Meeting of the Executive Directors  
of the Bank and IDA held in the Board Room on  
July 19, 1977 at 10:00 a.m.

1. There were present:

CHAIRMAN

Robert S. McNamara, President

EXECUTIVE DIRECTORS AND ALTERNATES ACTING AS EXECUTIVE DIRECTORS

E. Agostini (Alternate)	T. Bilget (Alternate)
E. R. Conesa (Alternate)	R. F. R. Deare (Alternate)
S. El-Naggar	E. Franco-Holguin
E. R. Fried	K. Gyasi-Twum (Alternate)
H. Janssen	R. A. Johnston
A. M. Kalfan (Temp. Alternate)	A. IJ. A. Looijen
E. Magnussen	S. Murayama
E. Pesqueira	R. P. Rigaud (Alternate)
G. Rota	S. R. Sen
T. T. Thahane	Thavil Khutrakul

ALTERNATES NOT ACTING AS EXECUTIVE DIRECTORS

G. S. Aburn	V. Arsaelsson
H-D. Hanfland	M. Islam
F. Iwasaki	A. H. Madinga
E. A. McCullough	B. B. Pradhan

OFFICERS AND STAFF PARTICIPATING

J. Burke Knapp, Senior Vice President, Operations	W. C. Baum, Vice President, Projects Staff
A. Broches, Vice President and General Counsel	I. P. M. Cargill, Vice President, Finance
H. B. Chenery, Vice President, Development Policy	P. N. Damry, Secretary

M. G. Blobel, Country Programs  
 Director, South Asia  
 E. H. Rotberg, Treasurer  
 U. K. Ghoshal, Secretary's Department

M. Haq, Director, Policy Planning  
 and Program Review Department  
 M. Beutgen, South Asia

BORROWING FROM DEUTSCHE BUNDESBANK

2. The Executive Directors considered the President's memorandum entitled "Proposed Borrowing from Deutsche Bundesbank" (R77-207) and, in the light of a statement by Mr. Rotberg, adopted the following resolution:

RESOLUTION NO. 77-148

Authorization to Borrow DM250,000,000

RESOLVED:

THAT the International Bank for Reconstruction and Development (hereinafter called the Bank) create and deliver to the Deutsche Bundesbank, against payment at par, a Note in the principal amount of DM250,000,000, such Note to be dated August 1, 1977, to bear interest at the rate of 6-1/4% per annum payable on February 1, 1978 and semi-annually thereafter on February 1 and August 1 in each year, and to mature August 1, 1982.

THAT the President, the Vice President, Finance, the Treasurer, the Deputy Treasurer, the Vice President and General Counsel and the Associate General Counsel be and each of them is hereby authorized, in the name and on behalf of the Bank, to execute and to deliver any and all such documents, and to do any and all such acts and things as he shall deem necessary or advisable in order fully to carry into effect the purposes of this Resolution.

IDA ALLOCATIONS CRITERIA

3. The Executive Directors discussed the President's memorandum entitled "IDA Allocations Criteria" dated July 8, 1977 (IDA/R77-72[Rev.]), and generally approved the eligibility criteria and allocation guidelines as set forth in the memorandum, noting that during the IDA V period, the Association would exercise a degree of flexibility in the application of these criteria and guidelines, taking into account changes in the circumstances of member countries that may occur during this period. It was also agreed that the Executive Directors were not endorsing, and had not been requested to endorse, the list in the President's memorandum showing members deemed, on present assessment, to be eligible for IDA financing: the list was open to modification from time to time during the IDA V period according as circumstances justified reassessment in application of the approved criteria and guidelines.

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the terms and conditions set forth in the form of Development Credit Agreement (Rajasthan Agricultural Extension and Research Project) between India and the Association and the form of Project Agreement (Rajasthan Agricultural Extension and Research Project) between the Association and the State of Rajasthan, which have been submitted to the Executive Directors.

GRACE PERIODS AND FINAL MATURITIES ON IBRD LOANS IN FY77 AND FY78

6. The Executive Directors recorded their approval on July 11, 1977 of the recommendation contained in the President's memorandum of June 28, 1977 regarding extension of grace periods (R77-197).

INTEREST SUBSIDY FUND (THIRD WINDOW)

7. The Executive Directors recorded their approval on July 11, 1977 of the recommendation contained in the President's memorandum of June 30, 1977 (R77-199), namely, that the Bank accept the Belgian contribution to the Interest Subsidy Fund as soon as formal notification thereof has been received.

IDA - ADDITIONAL CONTRIBUTION BY THE UNITED KINGDOM

8. The Executive Directors recorded their approval on July 12, 1977 of the proposal contained in the memorandum of June 30, 1977 (IDA/R77-87), and adoption of the following resolution:

RESOLUTION NO. IDA 77-69

IDA Fifth Replenishment; United Kingdom -  
Additional Contribution

WHEREAS the Report of the Executive Directors to the Board of Governors on Additions to IDA Resources; Fifth Replenishment dated March 29, 1977, and Resolution No. 102 of the Board of Governors entitled Additions to Resources; Fifth Replenishment (hereinafter referred to as the Fifth Replenishment Resolution), provide for contributions to the Fifth Replenishment of the Association in an aggregate total equivalent to US\$7,637,854,980, including an unallocated amount equivalent to US\$51,662,100; and

WHEREAS in order to reduce the unallocated amount the United Kingdom desires to make an additional contribution in the amount of f872,955.54 (equivalent to US\$1,500,000 at the IMF representative exchange rate of March 14, 1977);

NOW THEREFORE IT IS HEREBY RESOLVED AS FOLLOWS:

(a) The Association is authorized to accept from the United

Kingdom an additional contribution in the amount of f872,955.54 (equivalent to US\$1,500,000 at the IMF representative exchange rate of March 14, 1977);

(b) The rights and obligations of the United Kingdom and the Association in regard to such additional contribution shall be the same as those set forth in paragraphs (c), (d), (e), (f), (g), (h) and (i) of Section B and in Sections E and F of the Fifth Replenishment Resolution.

#### FAREWELL TO MR. ISLAM

9. The Chairman made the customary presentation to Mr. Islam on the expiration of his term of service and the Executive Directors recorded their appreciation of his services and tendered him good wishes for the future.

#### DATE OF NEXT MEETING

10. It was agreed to hold a meeting of the Executive Directors of the Bank and IDA on August 2, 1977.

#### ADJOURNMENT

11. The meeting recessed at 12:40 p.m., reconvened at 4:30 p.m. and adjourned at 4:40 p.m.

#### Distribution:

Executive Directors and Alternates  
President  
Senior Vice President, Operations  
President's Council  
Vice Presidents, IFC  
Directors and Department Heads, Bank and IFC

Financial Settlement

1835  
7/13

Mr. Robert S. McNamara

May 13, 1980

Ernest Stern, VP, Operations

PRC Debt to United Kingdom

Mr. Anson mentioned to me today the problem of Chinese outstanding debts to the United Kingdom and wondered whether he should make a statement on them along the lines of his statement in the IMF at the time of their consideration of the PRC representation issue. As you know, there is about £200 million of bonded debt in default, including accumulated interest, about £20 million of intergovernmental debt and approximately £400 million of private claims. The matter had been raised by the Foreign Secretary during last year's visit of the Chinese Foreign Minister. I told Mr. Anson that the Chinese were no doubt aware of his statement in the IMF and I therefore saw little purpose to be served by a similar statement on Thursday. London is apparently still considering the desirability of a further statement. I explained our standard policy on questions of expropriations and said that it would certainly be some time before we were in any position to consider lending operations to China or be fully conversant with all aspects of this issue. But certainly at an appropriate time we would apprise the PRC of our standing policy if that were warranted. Mr. Anson did not push the matter. If he makes any statement at all on Thursday, it will no doubt be a low-key one.

cc: Mr. Qureshi ✓  
Mr. Nurick  
Mr. Golsong

EStern/lms



# Record Removal Notice



<b>File Title</b> China - General Issues - Correspondence - Volume 3		<b>Barcode No.</b>  1661328		
<b>Document Date</b> 09 May, 1980	<b>Document Type</b> Letter			
<b>Correspondents / Participants</b> To: Lord Trevelyan From: Mr. Lester Nurick				
<b>Subject / Title</b> Re: Debts of the People's Republic of China				
<b>Exception(s)</b> Attorney-Client Privilege				
<b>Additional Comments</b>		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td><b>Withdrawn by</b> Tonya Ceesay</td><td><b>Date</b> 06-Oct-16</td></tr></table>	<b>Withdrawn by</b> Tonya Ceesay	<b>Date</b> 06-Oct-16
<b>Withdrawn by</b> Tonya Ceesay	<b>Date</b> 06-Oct-16			

1707  
4/25

## OFFICE MEMORANDUM

TO: See below  
FROM: JM J. Murli, PAB  
SUBJECT: CHINA

DATE: April 25, 1980

A meeting to discuss the proposals for financial settlement with PRC/ROC was held on April 23, 1980. The meeting was attended by Messrs. Nurick, Golsong, Scott, Forget, Chang, Perch and Murli. The attached note summarizes the discussions.

Cleared with and cc: Messrs. Nurick, Perch  
cc: Messrs. Golsong, Scott, Forget, Chang

JMurli:mm



April 25, 1980

CHINA

1. The arrangements for settlement proposed by the Bank involve the following future payments:

A. To ROC

(i) IBRD Capital Subscriptions: US\$ - Nil  
NT\$ - 3,094,284,085.66

Of the amount in NT\$, NT\$ 557.6 million (equivalent to approximately US\$ 15.5 million at the exchange rate of 2/29/80) are currently out on loan, an amount of approximately NT\$ 171,350 held in the form of cash and NT\$ 2536.5 million held in notes. The notes payable in NT\$ would be cancelled, while the amounts of NT\$ out on loan (and the small amount held in cash) would be returned as soon as the loan amounts can be recalled. Assuming that the NT\$ out on loan are recalled as quickly as possible, the recall can be completed by December 1, 1980 and payment made to ROC shortly thereafter. 1/

---

1/ A proposal for accelerated recall of New Taiwan Dollars is separately being sent by Controller's to the Vice President, Finance.

(ii) IDA Capital Subscriptions: US\$ - 1,526,000.00

NT\$ - 1,362,448,557.59

In terms of IDA's Articles of Agreement, subscriptions are expressed in 1960 dollars. However, the Bank has proposed that the amount payable in US\$ be fixed at \$1.526 million in current dollars, since this is the nominal amount that ROC paid to IDA and is the amount previously discussed with ROC. The amount in NT\$ is entirely held in the form of notes, which would be cancelled.

(iii) IFC Capital Subscriptions: US\$ - 4,154,000.00

B. From PRC

The memorandum signed in Beijing on April 14, 1980 provides for the following payments from PRC to the Bank Group:

(i) IBRD Capital Subscriptions: US\$ - Nil

Renminbi - US\$ 81.4 million  
equivalent

The local currency portion indicated above is the equivalent in current dollars of 9% of the present subscription of 7,500 shares of capital stock valued at \$100,000 each in 1944 dollars (i.e.  $7,500 \times 100,000 \times 0.09 \times 1.20635$ ). The amount payable in local currency is subject to adjustment when the issue of valuation of IBRD capital stock

is decided.

(ii) IDA Capital Subscriptions: US\$ (1960) - 1,526,000.00  
Renminbi - US\$ 30.234 million  
equivalent

The US\$ (1960) amount represents the 10% portion of the initial subscription (of ROC) of \$30.26 million less the amount of US\$ (1960) 1.5 million paid out of the pre-1949 China subscription. The equivalent value in current dollars would be subject to adjustment depending on the valuation of the 1960 dollar. If valued at the rate of 1.20635 current dollars to one 1960 dollar, the amount in 1960 dollars translates to \$1.84 million in current dollars.

The local currency portion was arrived at in the following manner:

90% of initial subscription (0.9 x \$30.26 million)	\$ 27.234 million
Additional subscriptions of ROC to IDA3, 4 and 5	3.000 million
	<hr/>
	\$ 30.234 million

Since IDA subscriptions are expressed in 1960 dollars, the local currency portion of the initial subscription (\$27.234 million) should appropriately be expressed in 1960 dollars. Using the conversion rate of 1.20635 current dollars to one 1960 dollar, this amount translates to \$32.853 million in

current dollars.

As regards the additional subscriptions, the additional subscription to IDA3 was expressed in 1960 dollars, while the subscriptions to IDA4 and IDA5 were expressed in current dollars. The amounts were as follows:

<u>Replenishment</u>	<u>1960 \$</u>	<u>Current \$</u>
IDA3	1,176,080.00	1,418,764.11 <u>a/</u>
IDA4		1,122,350.00
IDA5		<u>459,100.00</u>
		3,000,214.11

---

a/ Translated at 1.0 1960 dollar = 1.20635 current dollars.

The total local currency portion payable should thus come to (\$32.853 million + \$3.000 million), or \$35.853 million.

It was decided that no attempt should be made at this stage to change the figures in the April 14, 1980 Beijing Memorandum but that PRC should be alerted informally that an adjustment may be required to the local currency portion of the IDA subscription.

(iii) IFC Capital Subscriptions: US\$ 4,154,000.00

2. It was agreed that the figures in this note would consistently be used in all documents, including the forthcoming Board memorandum as well as the letter being drafted to ROC, except that as regards the amounts in NT\$, the position as at April 30, 1980 will be incorporated in the letter to ROC before issue.

Financial Analysis Division  
Programming and Budgeting Department

Subscription



# Record Removal Notice



<b>File Title</b> Peoples Republic of China [PRC] - 1980 - Correspondence - Lester Nurick		<b>Barcode No.</b>  1850541		
<b>Document Date</b> 03 December, 1981	<b>Document Type</b> Memorandum			
<b>Correspondents / Participants</b> To: Mr. T. Thahane, Vice President and Secretary From: Wang Liansheng, Executive Director - China				
<b>Subject / Title</b> Increase in Authorized Capital and Subscription by China				
<b>Exception(s)</b>				
<b>Additional Comments</b> Declassification review of this record may be initiated upon request.		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td><b>Withdrawn by</b> Tonya Ceesay</td><td><b>Date</b> 07-Oct-16</td></tr></table>	<b>Withdrawn by</b> Tonya Ceesay	<b>Date</b> 07-Oct-16
<b>Withdrawn by</b> Tonya Ceesay	<b>Date</b> 07-Oct-16			



# Record Removal Notice



<b>File Title</b> China - General Issues - Correspondence - Volume 3		<b>Barcode No.</b>  1661328		
<b>Document Date</b> 03 December, 1981	<b>Document Type</b> Memorandum			
<b>Correspondents / Participants</b> To: Mr. T. Thane, Vice President and Secretary From: Wang Liansheng, Executive Director - China				
<b>Subject / Title</b> Increase in Authorized Capital and Subscription by China				
<b>Exception(s)</b>				
<b>Additional Comments</b> Declassification review of this record may be initiated upon request.		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td><b>Withdrawn by</b> Tonya Ceesay</td><td><b>Date</b> 07-Oct-16</td></tr></table>	<b>Withdrawn by</b> Tonya Ceesay	<b>Date</b> 07-Oct-16
<b>Withdrawn by</b> Tonya Ceesay	<b>Date</b> 07-Oct-16			



SEP 22 AM 10:09  
COMMUNICATIONS DIVISION

MR MOEEN OURESHI

SENIOR VICE PRESIDENT FINANCE

INTBAFRAD

WASHINGTONDC

cc: Mr. Rotberg  
Mr. Thahane  
Mr. Chang  
Mr. Gabriel  
Mr. Nurick  
Mr. Husain

FOR PAYMENT OF RENMINBI PORTION OF SUBSCRIPTIONS  
TO WORLD BANK AND IDA WE PAID 190,516,925.34 YUAN  
AND 52,429,231.10 YUAN RESPECTIVELY TO YOUR DEPOSIT  
ACCOUNTS IN PEOPLE'S BANK OF CHINA AT THE AVERAGE  
EXCHANGE RATE OF SEPTEMBER 15 EXECUTED BY BANK OF

COL 190,516,925.34 52,429,231.10 15

ZY5 MR PAGE 2/50

CHINA THAT IS 1.4623 YUAN FOR ONE US DOLLAR STOP  
PBC ISSUED FOLLOWING NOTICES TO YOU QUOTE THIS IS TO  
INFORM YOU THAT WE HAVE RECEIVED FROM THE MINISTRY  
OF FINANCE RENMINBI 190,516,925.34 YUAN AND DEPOSITED  
IN THE ACCOUNT INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT REGARDS CHEN LI SIGNED DIRECTOR

COL 1.4623 190,516,925.34

ZY5 MR PAGE 3/30

BUREAU OF ACCOUNTING PBC UNQUOTE SAME TEXT FOR IDA IN AMOUNT  
OF 52,429,231.10 STOP ABOVE NOTICES WILL HAND YOU WITHIN  
A FEW DAYS

LI PENG VICE MINISTER OF FINANCE PRC



# Record Removal Notice



<b>File Title</b> China - General Issues - Correspondence - Volume 3		<b>Barcode No.</b>  1661328		
<b>Document Date</b> 16 September, 1980	<b>Document Type</b> Telex			
<b>Correspondents / Participants</b> To: Li Peng, Vice Minister of Finance From: Victor C. Chang, Deputy Controller				
<b>Subject / Title</b> Re: Confirm Deposit				
<b>Exception(s)</b> Financial Information (iv)				
<b>Additional Comments</b>		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td><b>Withdrawn by</b> Tonya Ceesay</td><td><b>Date</b> 06-Oct-16</td></tr></table>	<b>Withdrawn by</b> Tonya Ceesay	<b>Date</b> 06-Oct-16
<b>Withdrawn by</b> Tonya Ceesay	<b>Date</b> 06-Oct-16			

September 11, 1980

Mr. Li Peng  
Vice Minister of Finance  
Ministry of Finance  
Beijing  
People's Republic of China

Re: China subscription to the capital  
stock of the Bank and to IDA

Dear Mr. Peng:

As you know, on September 3, 1980, the Resolution authorizing China to subscribe 4,500 additional shares of the capital stock of the Bank was adopted by the Board of Governors. A copy of the Resolution is attached as Annex A for your information. I am now writing to you to outline the steps that China has to take to subscribe to such additional shares.

1. Payments

Each additional share is valued at U.S. \$100,000 of the weight and fineness in effect on July 1, 1944. The final amount payable cannot be determined until the Bank has decided how to value the 1944 gold dollar. In the meantime, the Bank will accept payment at 1.20635 current dollar to one 1944 gold dollar, subject to adjustment when the valuation question has been resolved. On this basis, China will have to make the following payments:

(a) on account of the 1% portion of the shares payable in gold or U.S. dollars, payment should be made in the amount of U.S. \$5,428,575. This payment should be credited to the Account A - General of the International Bank for Reconstruction and Development in the Federal Reserve Bank of New York, attention, Foreign Department;

(b) on account of the 9% portion of the shares payable in Renminbi, payment should be made in Renminbi in an amount equivalent to U.S. \$48,857,175. This amount should be computed in Renminbi at the market rate of exchange for U.S. dollars in effect at the time of payment or shortly prior thereto. Payment should be made to the Bank's account in the depository to be selected by China pursuant to Section 11 (a) of Article V of the Articles of Agreement of the Bank. In this connection, I would wish to remind you that China has

not yet notified the Bank of the agency it has selected pursuant to that Section. In accordance with Section 12 of Article V of the Bank's Articles of Agreement, non-negotiable, non-interest bearing demand notes may be substituted for the 9% portion of the subscription payable in Renminbi. However, this procedure, which requires the approval by the Bank of various documents, is somewhat time-consuming. In view of your Government's desire to subscribe to the additional shares immediately, you may find it faster to deposit the required amount in Renminbi rather than request a note substitution. A note may be substituted later on if you so desire. Enclosed is a copy of the Bank's Circular No. 1, dated February 1, 1974, which sets forth the conditions on which, and the procedures by which, members may substitute notes for their currency pursuant to Section 12 of Article V.

## 2. Documents

In addition to the payments described above, China should also provide the Bank with a notice of subscription to the shares and a memorandum of law. A model of a notice of subscription is attached for your convenience as Annex B to this letter. With respect to the memorandum of law, no such model is available, as its contents vary considerably in accordance with the different constitutional and legal requirements of each country. The Bank normally requires that the memorandum of law, which should be signed by a legal officer of the Government who is authorized to give legal opinions on Government action, set forth (a) the requirements under the member's law for subscribing to the additional shares, (b) the manner in which these requirements have been met (reference should be made to the document whereby the subscription is made and the authority of the person signing such document to validly bind and obligate the member), and (c) the requirements under the member's law for making payments on the shares subscribed, including the portion of such subscription which is left subject to call and any amounts required to be paid in order to maintain the value of the national currency portion of the subscription. The memorandum should conclude by showing, on the basis of the foregoing, that China has taken all steps necessary to carry out its obligations under the Articles of Agreement with respect to the additional shares of capital stock subscribed and should be accompanied by copies of all documents relied upon in the memorandum.

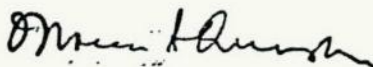
I hope this information will assist you and your colleagues in taking the action required to subscribe to the shares which have been authorized. We stand ready to assist you further if needed.

Before concluding this letter, I would wish to remind you that, while the Bank has received the U.S. dollar payments which were to be made with respect to the 7,500 shares China already holds in the Bank and its shares in IFC, we are still awaiting notification that China has made the Renminbi payments which are to be made on account of these shares in the Bank as well as on account of China's subscription to IDA. For this purpose, as well as for purposes of payment of the Renminbi portion of the newly authorized

shares of the capital stock of the Bank, China must notify the Bank of its designation of its central bank (or such other institution as may be acceptable to the Bank) as depository pursuant to Section 11 (a) of Section V of the Articles of Agreement of the Bank and the corresponding Section 9 of Article VI of the Articles of Agreement of IDA, as these payments must be made in this depository.

With kind regards,

Sincerely,



Moeen A. Qureshi  
Senior Vice President, Finance

Attachments

Cleared with and bcc: Messrs. H. Golsong  
H. Scott  
V. Chang  
P. Crevier

cc: Mr. C. Koch-Weser



# Record Removal Notice



<b>File Title</b> China - General Issues - Correspondence - Volume 3		<b>Barcode No.</b>  1661328
<b>Document Date</b> 11 September, 1980	<b>Document Type</b> Board Record	
<b>Correspondents / Participants</b>		
<b>Subject / Title</b> Draft Board Record		
<b>Exception(s)</b>		
<b>Additional Comments</b> Declassification review of this record may be initiated upon request.		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.
		<b>Withdrawn by</b> Tonya Ceesay
		<b>Date</b> 06-Oct-16

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**

**CIRCULAR No. 1**

*INSTRUCTIONS TO MEMBER GOVERNMENTS AND DEPOSITORIES DESIGNATED BY THEM WITH REGARD TO THE SUBSTITUTION OF NON-INTEREST-BEARING NOTES OR SIMILAR OBLIGATIONS OF SUCH GOVERNMENTS OR DEPOSITORIES FOR CURRENCIES OF SUCH GOVERNMENTS PAID IN ON THEIR SUBSCRIPTIONS TO THE CAPITAL OF THE BANK*



**Washington, D. C. 20433  
February 1, 1974**

## I

### DEFINITIONS

As used in this Circular:

1. The term "Bank" means International Bank for Reconstruction and Development.
2. The term "Articles" means the Articles of Agreement of the Bank.
3. The term "Member" means a member of the Bank.
4. The terms "Member's Currency" and "Currency" mean currency of a Member which has been or is required to be paid to the Bank under Article II, Section 7 (i), of the Articles on account of the 18% of the subscription of such Member to the capital of the Bank which is payable in such currency, or which is paid in to the Bank to meet amortization payments on loans made with such currency.
5. The term "Depository" means a depository duly designated by a Member in accordance with Article V, Section 11 (a), of the Articles.
6. The term "Notes" means notes or other obligations of a Member or a Depository which shall be substituted for a Member's Currency in accordance with Article V, Section 12, of the Articles.

## II

### GENERAL

1. Section 12 of Article V of the Articles provides:

The Bank shall accept from any member, in place of any part of the member's currency, paid in to the Bank under Article II, Section 7 (i), or to meet amortization payments on loans made with such currency, and not needed by the Bank in its operations, notes or similar obligations issued by the Government of the member or the depository designated by such member, which shall be non-negotiable, non-interest-bearing and payable at their par value on demand by credit to the account of the Bank in the designated depository.

2. This Circular sets forth the terms and conditions on which and the procedure by which a Member may substitute Notes, pursuant to Article V, Section 12, of the Articles, for its Currency.



3. The Bank has determined that in general, until it shall otherwise decide, it will need for use in its operations 1% of the aggregate amount of the 18% of the one-half of the subscriptions of the respective Members which have been called for payment in their Currencies under Section 7 (i) of Article II of the Articles. The foregoing determination is subject to the Bank's need for the Currencies of particular Members.

Notes cannot be substituted for the amounts of the respective Currencies needed by the Bank for use in its operations. Subject to the foregoing, the following computation shows the amount of a Member's Currency for which it may normally request that Notes be substituted in respect of each share (of the par value of \$100,000 in terms of U.S. dollars of the weight and fineness in effect on July 1, 1944) of the one-half of its subscription to the capital stock of the Bank which has been called for payment:

(a) The amount to be retained by the Bank for use in its operations .....	\$ 180
(b) The amount for which the Member may request substitution of Notes .....	17,820
	\$18,000

4. In so far as possible, it is the desire of the Bank that the terms, conditions and procedure herein set forth shall apply uniformly to all Members of the Bank. If, however, the fiscal or other laws of any Member of the Bank shall make it necessary for that Member to request any modification in the terms, conditions and procedure herein specified, that Member should promptly communicate with the Bank stating the precise modifications requested and the reasons for the request.

5. No substitution of Notes for any part of a Member's Currency under Article V, Section 12, of the Articles will be permitted, unless and until a request for such substitution shall have been filed with the Bank in accordance with the provisions of this Circular and such request shall have been approved by the Bank. Accordingly, each Member is required to pay in its Currency the full 18% of the one-half of its subscription which has been called for payment in such Currency, unless such Member shall have been notified by the Bank that its request to substitute Notes for such Currency has been received and approved by the Bank.

6. The procedure for substitution of Notes set forth in this Circular shall not apply to the 18% portion of the other one-half of a Member's subscription which has been left uncalled, on the basis set forth in the relevant Resolutions of the Board of Governors of the Bank.

### III

#### REQUESTS FOR SUBSTITUTION

1. Any Member which desires to substitute Notes for its Currency shall deliver to the Bank a written request in English, substantially in the form of the Form of Request set forth in Appendix A to this Circular, signed in the name and on behalf of the Member by the official of the Member who is authorized under the laws of the Member to sign such a request. Normally such a request is signed by the Minister of Finance of the Member or an official holding an equivalent position.

2. The request shall be accompanied by a specimen of the Notes which the Member proposes to substitute for its Currency. The Notes shall be substantially in the form of the Form of Note set forth in Appendix B to this Circular.

3. Each request shall be executed in triplicate. Two counterparts shall be delivered to the Bank at its principal office at 1818 H Street, N.W., Washington, D.C. 20433, U.S.A., and one counterpart shall be delivered to the Depository.

4. The Bank, after review of the request and before approving it, may request from the Member additional evidence to show to the satisfaction of the Bank that the request of the Member and the Notes to be substituted for the particular Currency have been duly authorized, and that such Notes when executed and delivered to the Depository for account of the Bank will be valid and binding obligations of the particular Member or Depository, as the case may be, and will be lawfully held by such Depository for account of and subject to the order of the Bank. The nature of the evidence so to be submitted will necessarily vary as among different Members by reason of variations in their enabling legislation and depending on whether the Notes to be substituted are to be obligations of the Member or of the Depository designated by such Member. If any document submitted as part of the evidence requested by the Bank shall not be in the English, French or Spanish language, it shall be accompanied by an official English translation thereof. All documents so submitted must be in form and substance satisfactory to the Bank.

### IV

#### PROCEDURE FOR EFFECTING SUBSTITUTION

1. When the Bank approves a request presented in accordance with Part III of this Circular, it will by letter, or by cablegram or radiogram, or telex, notify the Member and the Depository of such approval, and of any modifications of such request

which the Bank shall have approved; and will authorize the Depository to receive, for account of the Bank, Notes in the approved form and denominations and in the approved aggregate principal amount, duly executed by the persons designated in such request, in substitution for an equivalent amount of the Member's Currency.

2. When the Depository has received such Notes pursuant to such approval it shall promptly notify the Bank thereof in writing, or by cablegram or radiogram, or telex and shall hold the Notes in safekeeping for account of and subject to the order of the Bank.

3. The Depository shall honor all duly authenticated demands, orders and other instructions of the President, or the Senior Vice President, Operations, or the Vice President, Finance, or the Vice President and General Counsel, or the Treasurer, or the Deputy Treasurer of the Bank, and such other officers of the Bank as may from time to time be designated by the Bank, with respect to such Notes and shall be fully protected in acting in accordance with any such demand, order or other instruction.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

by



P. N. DAMRY  
Secretary

February 1, 1974

FORM OF REQUEST FOR SUBSTITUTION OF NOTES  
FOR CAPITAL SUBSCRIPTION PAYMENTS

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Dear Sirs:

1. .... hereby  
(Here insert name of Member making request)  
gives notice of its desire to avail itself of the provisions of Section 12 of Article V of the Articles of Agreement of your Bank by substituting for currency of the undersigned which has been paid or is payable on its subscription to the capital of your Bank non-negotiable, non-interest-bearing demand notes of .....

(Here

.....  
insert name of the obligor on such notes)

2. The amount of such currency for which such notes are to be substituted and the aggregate principal amount of such notes is .....

(Here insert amount)

3. Such notes will be in denominations of .....  
(Here insert denominations)  
..... and are to be in the form of the specimen note attached hereto and made a part hereof.

4. Also attached hereto are the specimen signatures of the persons who have been duly authorized to sign and deliver such notes.

5. It is hereby represented and certified that the execution and delivery of such notes has been duly authorized in accordance with applicable laws and regulations and such notes, in such form, when signed by one of such authorized persons and received by .....

(Here insert name of Depository)

FORM OF NOTE

Depository, for the account of your Bank will constitute valid and binding obligations of the obligor on such notes in accordance with their terms and that they will be lawfully held by said Depository for account of and subject to the order of your Bank.

6. It is understood and agreed that, notwithstanding the delivery and acceptance of such notes in substitution for such currency:

(a) the obligation of the undersigned, under the Articles of Agreement of your Bank, to pay to your Bank the amount of such currency represented by such notes shall only be discharged by payment to your Bank of such amount in such currency and to the extent of such payment, and

(b) the rights and obligations of your Bank and the undersigned, under said Articles of Agreement, in respect of the value of such currency required to be paid to your Bank and the maintenance of such value shall continue in full force and effect and, for that purpose, the amount of such notes at any time outstanding and unpaid shall be deemed to be the currency of the undersigned held by your Bank and derived from currency originally paid by the undersigned to your Bank, in accordance with said Articles of Agreement, on account of the subscription of the undersigned to the capital stock of your Bank.

7. \_\_\_\_\_ hereby agrees to execute and deliver to your Bank any and all such further instruments and furnish such other information as you shall reasonably request in order fully to comply with the provisions of Section 12 of Article V of the Articles of Agreement of your Bank and with the provisions of the ~~above mentioned~~ Circular No. 1, dated February 1, 1974, of your Bank.

Very truly yours,

by \_\_\_\_\_  
(Signature and official title of person signing)

Note: The request should be signed in the name and on behalf of the Member by the official or representative of the Member who is authorized to sign such request.

1. For value received, \_\_\_\_\_  
(Here insert name of Member or Depository which is the obligor on the note) hereby promises to pay to INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT on demand, the sum of \_\_\_\_\_  
(Here insert the principal amount of the note) without interest.

2. All or any part of the sum aforesaid shall be paid, upon demand made in writing or by duly authenticated cablegram or radiogram or telex to \_\_\_\_\_  
(Here insert agency or officer to receive demand) by credit of the amount so demanded to the account of said International Bank for Reconstruction and Development with the depository duly designated by \_\_\_\_\_  
(Here insert name of Member) pursuant to Section 11 (a) of Article V of the Articles of Agreement of said International Bank for Reconstruction and Development. If payment of a part only of said sum shall be demanded and made, a notation of such part payment shall be endorsed on the reverse of this note or, at the option of said International Bank for Reconstruction and Development, a new note, in substantially the same form as this note, for the sum remaining unpaid hereon shall be executed and delivered in exchange for this note.

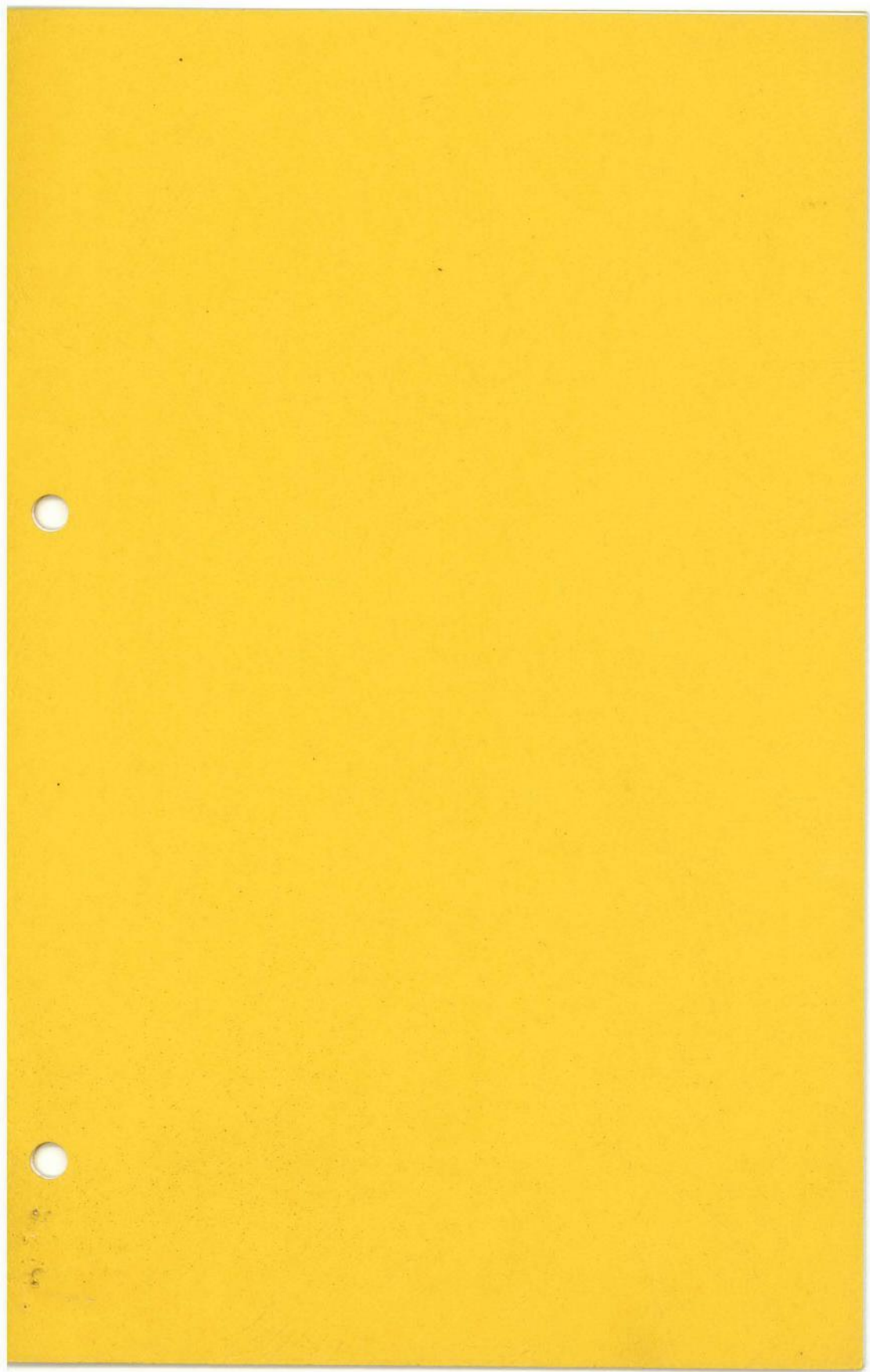
3. This note is executed and delivered pursuant to the provisions of Section 12 of Article V of the Articles of Agreement of said International Bank for Reconstruction and Development.

4. This note is non-negotiable.

\_\_\_\_\_  
(Name of obligor)

Dated:

by \_\_\_\_\_  
(Signature and official title of person signing on behalf of obligor)





# Record Removal Notice



<b>File Title</b> China - General Issues - Correspondence - Volume 3		<b>Barcode No.</b>  1661328		
<b>Document Date</b> 11 September, 1980	<b>Document Type</b> Telex			
<b>Correspondents / Participants</b> To: Mr. Li Peng, Vice Minister of Finance From: Moeen A. Qureshi, Senior Vice President				
<b>Subject / Title</b> Draft Board Record				
<b>Exception(s)</b> Financial Information (iv)				
<b>Additional Comments</b>		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td><b>Withdrawn by</b> Tonya Ceesay</td><td><b>Date</b> 06-Oct-16</td></tr></table>	<b>Withdrawn by</b> Tonya Ceesay	<b>Date</b> 06-Oct-16
<b>Withdrawn by</b> Tonya Ceesay	<b>Date</b> 06-Oct-16			

September 5, 1980

Mr. Li Peng  
Vice Minister  
Ministry of Finance  
The People's Republic of China

Dear Mr. Peng:

As you requested in your letter dated August 15, I want to confirm receipt of the amount of US\$5,994,890.10 to the Federal Reserve Bank of New York with \$1,840,890.10 to the account of IDA and \$4,154,000.00 to IFC's account. My associates have already acknowledged receipt of these payments by cable. A share certificate of the International Finance Corporation has been prepared and will be sent to you in the near future.

I want to express our appreciation of the support of the People's Republic of China to the World Bank Group and to assure you that we very much look forward to contributing in any way we can to the development efforts of the People's Republic of China.

With best personal regards.

Yours sincerely,

Moeen A. Qureshi  
Senior Vice President, Finance, IBRD  
Executive Vice President, IFC

Cleared with and cc: Mr. Chang  
Mr. Burkes

cc: Mr. Rotberg  
Mr. Gabriel  
Mr. Nurick  
Mr. Thahane  
Messrs. Wood/Applegarth

PBiraben/MAQureshi:gmb



# Record Removal Notice



<b>File Title</b> China - General Issues - Correspondence - Volume 3		<b>Barcode No.</b>  1661328		
<b>Document Date</b> 15 August, 1980	<b>Document Type</b> Letter			
<b>Correspondents / Participants</b> To: Moeen A. Qureshi, Senior Vice President From: Mr. Li Peng, Vice Minister of Finance				
<b>Subject / Title</b> Re: Payments of Subscriptions to IDA and IFC				
<b>Exception(s)</b> Financial Information (iv)				
<b>Additional Comments</b>		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td><b>Withdrawn by</b> Tonya Ceesay</td><td><b>Date</b> 06-Oct-16</td></tr></table>	<b>Withdrawn by</b> Tonya Ceesay	<b>Date</b> 06-Oct-16
<b>Withdrawn by</b> Tonya Ceesay	<b>Date</b> 06-Oct-16			

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AUGUST 27, 1980

61089

MINISTRY OF FINANCE

BEIJING, THE PEOPLE'S REPUBLIC OF CHINA

FOR MR. LI PENG, VICE MINISTER OF FINANCE RE YOUR LETTER  
OF AUGUST 15 WE CONFIRM RECEIPT OF UNITED STATES DOLLARS  
1,840,390.10 PAID TO THE ACCOUNT OF IDA. IFC WILL BE  
CONFIRMING AMOUNT PAID TO THEIR ACCOUNT SEPARATELY.

REGARDS, VICTOR CHANG, DEPUTY CONTROLLER

INDEVAS

File: Subs. - People's Rep. of China

P0John/ja

cc: Messrs. Gureshi, Nattori,  
Perch/Gray, Duarte (o/r)

Victor C. Chang

Controller's



## OFFICE MEMORANDUM

TO: Mr. Jadhvir Parmar, Acting Executive Vice President      DATE: August 18, 1980  
FROM: Marshall Burkes *mb*  
SUBJECT: CHINA - Membership Capital

The New York Fed called this morning to indicate that China had deposited \$4.1 million in our account. This is the same amount of funds that was forwarded to Taiwan a couple of weeks ago. We have not received any direct communication from China and will await the receipt of the capital subscription. We will process the stock certificates in the next week or so but will hold them for final clearance by the General Counsel pending the documentation at that time.

cc: Mr. Qureshi  
Mr. Kearns  
Mr. McClure  
Mr. Camacho  
Mr. Thahane  
Mr. Beli

MBurkes:am



# Record Removal Notice



<b>File Title</b> China - General Issues - Correspondence - Volume 3		<b>Barcode No.</b>  1661328		
<b>Document Date</b> 15 August, 1980	<b>Document Type</b> Letter			
<b>Correspondents / Participants</b> To: Moeen A. Qureshi, Senior Vice President From: Mr. Li Peng, Vice Minister of Finance				
<b>Subject / Title</b> Re: Payments of Subscriptions to IDA and IFC				
<b>Exception(s)</b> Financial Information (iv)				
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# Record Removal Notice



<b>File Title</b> China - General Issues - Correspondence - Volume 3		<b>Barcode No.</b>  1661328		
<b>Document Date</b> 02 July, 1980	<b>Document Type</b> Memorandum			
<b>Correspondents / Participants</b> To: Executive Directors From: President Robert McNamara				
<b>Subject / Title</b> Re: Increase in Subscription of China to the Capital Stock of the Bank				
<b>Exception(s)</b> Attorney-Client Privilege				
<b>Additional Comments</b>		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td><b>Withdrawn by</b> Tonya Ceesay</td><td><b>Date</b> 06-Oct-16</td></tr></table>	<b>Withdrawn by</b> Tonya Ceesay	<b>Date</b> 06-Oct-16
<b>Withdrawn by</b> Tonya Ceesay	<b>Date</b> 06-Oct-16			



# Record Removal Notice



<b>File Title</b> China - General Issues - Correspondence - Volume 3		<b>Barcode No.</b>  1661328
<b>Document Date</b> 27 June, 1980	<b>Document Type</b> Board Record	
<b>Correspondents / Participants</b>		
<b>Subject / Title</b> Draft Board Record		
<b>Exception(s)</b>		
<b>Additional Comments</b> Declassification review of this record may be initiated upon request.		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.
		<b>Withdrawn by</b> Tonya Ceesay
		<b>Date</b> 06-Oct-16



# Record Removal Notice



<b>File Title</b> China - General Issues - Correspondence - Volume 3		<b>Barcode No.</b>  1661328		
<b>Document Date</b> 27 June, 1980	<b>Document Type</b> Memorandum			
<b>Correspondents / Participants</b> To: Mr. Robert S. McNamara From: H. Golsong				
<b>Subject / Title</b> Re: China				
<b>Exception(s)</b> Attorney-Client Privilege				
<b>Additional Comments</b>		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td><b>Withdrawn by</b> Tonya Ceesay</td><td><b>Date</b> 06-Oct-16</td></tr></table>	<b>Withdrawn by</b> Tonya Ceesay	<b>Date</b> 06-Oct-16
<b>Withdrawn by</b> Tonya Ceesay	<b>Date</b> 06-Oct-16			



# Record Removal Notice



<b>File Title</b> China - General Issues - Correspondence - Volume 3		<b>Barcode No.</b>  1661328		
<b>Document Date</b> 26 June, 1980	<b>Document Type</b> Letter			
<b>Correspondents / Participants</b> To: Mr. Pu Shan From: Associate General Counsel				
<b>Subject / Title</b> Re: China				
<b>Exception(s)</b> Attorney-Client Privilege				
<b>Additional Comments</b>		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td><b>Withdrawn by</b> Tonya Ceesay</td><td><b>Date</b> 06-Oct-16</td></tr></table>	<b>Withdrawn by</b> Tonya Ceesay	<b>Date</b> 06-Oct-16
<b>Withdrawn by</b> Tonya Ceesay	<b>Date</b> 06-Oct-16			

OFFICE OF THE PRESIDENT

Informal Meeting of EDs on China's Request for a Special Capital Subscription Increase and an Additional Seat on the Board, June 24, 1980

Present: Messrs. McNamara, Drake, Anson, Morioka, Mapa, Kalfan, Al-Hegelan, Sutter, Looijen, Mayobre, Narasimham, Guimaraes, Mentre, Kabbaj, Zain, Kurth, CKing, Abdulai, Coates, Qureshi, Thahane, Gabriel, Nurick, Golsong, Scott, Koch-Weser

In introducing the meeting, Mr. McNamara explained China's request for a quota increase in the Fund and a subscription increase in the Bank on a schedule to permit the EDs and the Governors to act on the request before the October elections. Although the Fund would probably act on the quota request before those elections, it would probably do so only shortly before the Annual Meeting, i.e., too late for the Bank then to process the subscription increase. Considering these timing constraints, there were three alternatives for Bank action:

- (a) Process China's request on its merits without waiting for the Fund; there had been such exceptions in the past;
- (b) Defer action until the Fund acted which would almost certainly leave China without Board representation until November 1982; or
- (c) Delay action on the subscription increase until after the Fund had acted, but in the meantime ask the Governors for a vote on the 21st seat and a provision which would allow China to vote for that seat after it had obtained the subscription increase.

He emphasized that China's request for a subscription was reasonable; it amounted to substantially fewer shares than China would hold if it had maintained its position among members since the early years of the institution.

Mr. Looijen enquired whether the Bank could not move in parallel with the Fund. Mr. McNamara replied that this was not possible in the case of the Bank because China had to go through a procedure of subscribing to the increased shares after the Governors had voted. Mr. Looijen argued that the Fund would face the same problem. Mr. McNamara said that this was not the case; for one, the Fund did not need to create an additional seat for China. In response to a question, he explained that the IMF mission would be in China from June 30; it would face serious problems in obtaining the necessary data for the quota paper because the Chinese data base had been destroyed during the Cultural Revolution. It would take the Fund about 4-5 weeks from now to prepare the quota paper, then there would be the August recess, after the recess Fund Board action would be taken which in turn would then lead to a vote by the Governors.

Mr. Drake suggested that, in view of the fact that creation of a 21st seat seemed to be a prerequisite for everything, this process should be set in train with the Governors. As to China's desire to obtain additional shares, this request could be met from the Bank's authorized but unallocated shares; therefore, no Governors' vote was required and the Board could act on this issue very quickly after Fund quota action; possibly the Bank could take an interim step after the Fund had established the quota but not yet reached a decision. Mr. McNamara said that, although a Governors' vote was not required for the selective capital increase, custom clearly required that this resolution be submitted to a vote by the Governors.

He emphasized again that the Bank had to allow for time for the Chinese to subscribe; the Chinese bureaucracy would need some time. Mr. Drake said that the Bank should not create awkward precedents. Mr. McNamara said that one possibility would be to start down the route of Alternative A and then to take a further reading of the situation before the Fund Board meeting on the issue. In other words, checkpoints should be built into the schedule and management would come back to the Board if any deviation from parallelism with the Fund turned out to be required.

Mr. Narasimham enquired whether the establishment of China's Fund quota was a prerequisite for the Bank to proceed according to Alternative A, i.e., deciding the issue on its merits. As to Mr. McNamara's third Alternative, he asked whether the creation of a 21st seat would be linked to a proviso that the seat was to be filled by China. He emphasized that no LDC constituency should be replaced by China. He suggested exploring the third Alternative outlined by Mr. McNamara, i.e., taking time on the subscription increase in order to follow Fund action.

Mr. Mentre advocated waiting for the Fund quota decision before granting a special subscription increase, but ensuring creation of the 21st seat in the meantime as contained in Mr. McNamara's Alternative C. In his view, the IMF might also have to create an additional seat; in that event, there would be no difference between Fund and Bank action as to the time required. The same was true with regard to China's financial transactions required in both institutions after the Governors had reached a decision; in other words, the Fund also had to make preparations, ensuring that China could act quickly after the Governors had voted. Mr. McNamara argued that the relative position of China was different in the Fund and the Bank; it was his understanding that, in the case of the IMF, even with the requested quota increase, China would not be able to claim its own seat, whereas in the case of the Bank, China clearly could claim its own seat if it controlled 12,000 shares.

Mr. Abdulai said that for the African countries the 21st seat was the most important issue. The Bank should continue to proceed with action which could be accomplished without the Fund. He enquired about the relationship between the Fund quota increase and the Bank's capital subscription increase. Mr. McNamara replied that Fund action on an increased quota was expected to be consistent with the Bank proposal of increasing China's subscription by 4,500 shares; also, any emerging distortion could later be corrected by the GCI.

Mr. Anson enquired about the precedents mentioned for Alternatives A and C to which Mr. McNamara had referred. He agreed with Mr. Mentre as to the assessment of the situation at the Fund. Fund management would have to see to it that the Board was not disturbed; China would undoubtedly want to lead a constituency and that might well require the addition of a seat. Also, the statistical information which the Fund would collect on China was relevant to the Bank. Mr. McNamara repeated that the Fund management had informed him that--as of today--the Fund was not planning on an additional seat. Clearly China was not pushing for its own seat in the Fund as much as it did in the case of the Bank. He emphasized again that, if Alternative B were to be followed, there would be no China representation in the Board before 1982. Mr. Mentre argued that he was not in favor of a situation where China would not be represented until 1982 but, on the other hand, he was not convinced that this would be the result of pursuing Alternative B.

Mr. McNamara concluded that a course of action which involved a strong probability that China would be represented in the Board only by 1982 should be



avoided. He suggested that possibly the most appropriate course of action would be to pursue for the next 2-6 weeks Alternatives A and C and to wait for the return of the Fund mission before reconsidering the matter. Mr. Nurick then briefly mentioned the precedents for Alternatives A and C; an interim election for an additional ED had taken place in 1947, and recent special increases for Japan and Iran had been decided without Fund parallelism.

Mr. Looijen said that, in his view, the creation of a 16th elected seat for China de facto created an appointed seat. Mr. McNamara disagreed; he was not prepared to recommend an additional appointed seat and the Chinese had not asked for one recently. He admitted that there had been some confusion on this issue because, at a meeting in Beijing with representatives of major Western Governments, the PRC had asked for an appointed seat.

Mr. Zain asked why the Bank's management was in such a great hurry to act on China's request; in his view, the Bank could create the 21st seat, then wait for Fund action on the quota before seeking a Governors' vote on the special subscription increase and, finally, have China vote the shares and occupy the seat. Mr. McNamara pointed to the fact that the positions in the Chinese Government on membership in the Fund and the Bank were sharply divided. An unfortunate situation had been created in the Fund in the recent past as a result of the handling of the gold restitution issue. Therefore, the Bank had to be very sensitive; specifically, it had to avoid causing the Chinese to fear that the Bank acted in ways contrary to what the Government expected. In his view, this was a very difficult situation to deal with. Both sides had to go through a learning process.

Mr. King said that he appreciated Mr. McNamara's point on the nature of the additional seat to be created. He enquired about a more specific timetable for further action. Mr. McNamara said that one scenario would be to bring both issues to the Board and to defer a Board meeting until September 2; then allow two weeks for the Governors' vote until about September 16; and then ask the Chinese to take the necessary action on the subscription before September 30. Under this scenario, management would distribute the papers to the Board by August 16; by then management would have a clear idea as to the action the Fund management would recommend. This was a very tight but operable time schedule. Until the recess, the Bank would move along two parallel courses, preparing paperwork for Alternatives A and C.

Mr. King asked whether Alternative A constituted a substantial departure from parallelism. Mr. McNamara replied that it was a departure. In his view, if the Fund did not move on the request before the Annual Meeting, it would find itself in an unstable position and would therefore have to take action before 1982.

Mr. Anson said that he had the impression that it was the general desire of the Board not to go ahead without the Fund. He suggested that the two managements together develop their timetables for action which the EDs could then look at. Mr. McNamara said that the Fund was not in a position to say today when it would be able to reach a decision.

Mr. McNamara summarized that he sensed a strong reluctance of EDs to move ahead of the Fund, but also a desire to avoid a situation where China would be represented in the Board only after 1982. He therefore recommended that the Directors endorse, until a point of no return (which could be early August), proceeding according to Alternatives A and C. Before reaching any point of no return, he would call another informal meeting.

Mr. Narasimham agreed with Mr. McNamara's proposal. He asked on what basis the Bank would proceed under Alternative A in the absence of statistical data. Mr. McNamara explained that there were two bases: (a) the shares China would hold if the PRC had remained a member over the years, and (b) China's economy compared to the economy of other countries. Under both, China would be entitled to a larger subscription than the one requested. The Bank had encouraged the PRC authorities to hold down the number of shares requested.

Mr. Mapa supported Mr. McNamara's proposal of following Alternatives A and C simultaneously. He pointed to the importance of the 21st seat.

Mr. King warned that some governments had not yet decided on the issue of creating a 21st seat. Mr. McNamara agreed; further consultations were needed. Several governments had in the past stated that they were opposed to a 21st seat; he had always maintained the position that a 21st seat should be created if otherwise a Latin American or sub-Saharan seat were lost. The issue would have to be decided with full reflection, and enough time had to be allowed for that.

In response to a question by Mr. Mentre, Mr. McNamara said that--in their present contacts with the Chinese delegation--Bank officials had emphasized that the Bank action would have to await the return of the Fund mission and IMF quota action. He agreed with Mr. Mentre that, with regard to the 21st seat to be reserved for China, the resolution should not mention the specific country by name.

It was agreed that in pursuing the dual course Bank staff would prepare the necessary draft papers which would be distributed shortly to the EDs for information. Another informal meeting of EDs should probably be convened in mid-July.

cc: Mr. Qureshi ✓  
Mr. Stern  
Mr. Husain  
Mr. Golsong



# Record Removal Notice



<b>File Title</b> China - General Issues - Correspondence - Volume 3		<b>Barcode No.</b>  1661328		
<b>Document Date</b> 23 June, 1980	<b>Document Type</b> Memorandum			
<b>Correspondents / Participants</b> To: Mr. Robert S. McNamara From: H. Golsong				
<b>Subject / Title</b> Re: China				
<b>Exception(s)</b> Attorney-Client Privilege				
<b>Additional Comments</b>		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td><b>Withdrawn by</b> Tonya Ceesay</td><td><b>Date</b> 06-Oct-16</td></tr></table>	<b>Withdrawn by</b> Tonya Ceesay	<b>Date</b> 06-Oct-16
<b>Withdrawn by</b> Tonya Ceesay	<b>Date</b> 06-Oct-16			

Form No. 89  
(2.66)

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT  
ASSOCIATION

INTERNATIONAL FINANCE  
CORPORATION

ROUTING SLIP

Date  
June 17, 1980

OFFICE OF THE PRESIDENT

Name	Room No.
Mr. Qureshi	
Mr. Husain	
Mr. Gabriel	
Mr. Jaycox	

	To Handle	Note and File
	Appropriate Disposition	Note and Return
	Approval	Prepare Reply
	Comment	Per Our Conversation
	Full Report	Recommendation
XX	Information	Signature
	Initial	Send On

Remarks

Caio Koch-Weser

From

568  
Beijing, June 10, 1980

Mr. Robert S. McNamara, President,  
International Bank for Reconstruction and Development,  
Washington, D.C.

Dear Sir:

I trust that you have received Foreign Minister Huang Hua's message dated May 31, informing you that I have been appointed by the Government of the People's Republic of China as the Governor representing China in the IBRD, IDA and IFC. I look forward to a fruitful cooperation with you in the future activities of the World Bank Group.

It was stated in the Memorandum signed between the mission of the World Bank Group and the Chinese side in Beijing on April 14, 1980 that "China expects to have an early opportunity to increase its portion of the Bank's capital stock to a size which would be representative of China's position amongst nations." It went on to state that "China is an original member of the IBRD, and had had an Executive Director for a considerable number of years after the establishment of the IBRD. Subsequently, owing to well known reasons, China had not had an Executive Director on the Board. The Chinese representatives believed that this state of affairs should be changed once China was represented in the IBRD by the Government of the People's Republic of China. They looked toward the next election of the Executive Directors to take place at the forthcoming Annual Meeting of the Board of Governors in October to remedy the situation."

In view of the above two points, I am pleased to inform you that:

1. My Government has decided to make a special capital increase of 4,500 shares, raising the total of China's portion of the Bank's capital stock to 12,000 shares.

2. We look toward the Annual Meeting of the Board of Governors this year to take a decision on the question of a Chinese Executive Directorship. We hold that China should be entitled to appoint its own Executive Director because this would benefit China's international standing. To ensure that China's appointment of an Executive Director does not adversely affect the present representation on the Executive Board, we suggest that the current number of twenty Executive Directors be increased to twenty-one, among whom the number of appointed Executive Directors be increased from five to six, with China being the sixth country appointing its own Executive Director.

I fervently hope that you will kindly use your good offices to bring about a smooth and simultaneous resolution of these two questions at the forthcoming Annual Meeting this year.

Please accept the assurances of my highest consideration,

(Signed) Wu Bo,

Minister of Finance of the  
People's Republic of China

华盛顿

国际复兴开发银行行长

罗伯特 S. 麦克纳马拉先生

行长先生：

我相信你已收到黄华外长五月三十一日的电报，通知你：中华人民共和国政府委派我为国际复兴开发银行、国际开发协会和国际金融公司的中国理事。我期望今后我们能在世界银行集团的活动中进行有成效的合作。

世界银行代表团和中国方面一九八〇年四月十四日在北京签署的各备忘录中讲到，“中国期望有机会早日增加它在国际复兴开发银行股本中的份额，使之同中国的国际地位相适应”；备忘录还讲到，“中国是国际复兴开发银行的创始成员国，在国际复兴开发银行成立后的相当一段时间内一直有一名执行董事；后来由于大家所知道的原因，中国在执行董事会中没有执行董事。中国方面相信，当中华人民共和国政府在国际复兴开发银行中代表中国之后，这种状况应予改变。他们期望在今年十月理事会年会选举

下一届执行董事会时，这种状况能得到纠正”。

鉴于上述两点，我愉快地通知你：

一、我国政府决定，作一次特别增股，将其在国际复兴开发银行的股份增加四千五百股，达到一万二千股。

二、我们期待今年理事会年会能就中国执行董事的席位问题作出决定。我们认为，中国应单独指派自己的执行董事，因为这是符合中国在国际上的地位的。为了不致使中国派出执行董事而影响现有执行董事的席位，我们提议，将现有的执行董事名额从二十名增加到二十一名，其中，由一国单独派出的执行董事从五名增到六名，按次序，中国位居第六名。

我深信，你将惠予运用你的影响，促使上述两个问题在今年年会上顺利地得到同时解决。

顺致最崇高的敬意。

中华人民共和国财政部长

吴波

一九八〇年六月十日于北京



**DECLASSIFIED**

OCT 06 2016

## OFFICE MEMORANDUM

CONFIDENTIAL

TO: Mr. Moeen A. Qureshi, Vice President, Finance  
(Through: Mr. K. Georg Gabriel, Director, PAB) *KG*

FROM: Paul V. Applegarth, Chief, Financial Analysis Division, PAB  
*PVA*

SUBJECT: China Capital Increase - Attached Tables

DATE: June 16, 1980

1. The table on Board representation includes Secretary's Department's projections regarding constituency changes in October.
2. You should note that at present exchange rates, we can squeeze China into existing authorized shares (only 74 shares are left over). If the dollar continues to deteriorate, we could look to an increase in authorized capital, expiration of Resolution 258, or scaling back of the post-GCI increases for OPEC and Korea recommended in the Selective Criteria meeting.

Attachment

cc: Messrs. Nurick, Golsong, Thahane

PVApplegarth/mjw

## IBRD - ALLOCATION OF SHARES UNDER GCI AND THEREAFTER

General Capital Increase	Number of Shares		
	Without Scaling Down	With Scaling Down	
		I a/	II b/
(1) Present Authorized Capital	340,000	340,000	340,000
(2) Authorized increase under GCI	<u>331,500</u>	<u>302,801</u>	<u>296,296</u>
(3) Total Authorized Capital after GCI	<u>671,500</u>	<u>642,801</u>	<u>636,296</u>
(4) Present subscriptions, including approved increases <u>c/</u>	335,697	335,697	335,697
(5) Authorized subscriptions under GCI	<u>307,190</u>	<u>280,529</u>	<u>274,503</u>
(6) Total subscriptions after GCI	<u>642,887</u>	<u>616,226</u>	<u>610,200</u>
(7) Margin between total Authorized Capital and total subscriptions after GCI [line (3)-line (6)]	28,613	26,575	26,097
(8) Additional allocation for India under GCI (preemptive right)	442	406	397
(9) Allocation for pending new members (including GCI)			
- Regular shares	1,775 <u>d/</u>	1,701	1,684
- Membership shares	1,500 <u>e/</u>	1,500	1,500
(10) Potential requests (maximum) under Resolution 258 <u>f/</u>	2,209	2,209	2,209
(11) Balance [line (7)-line (8)-line (9)-line (10)]	22,687	20,759	20,306
(12) Potential requests on Yugoslavia precedent	11,734	11,242	11,130
(13) Available for Selective Increases [line (11)-line (12)]	10,953	9,517	9,176
(14) Selective Increases Proposed (Saudi Arabia, UAE, Kuwait, Korea)	5,160	4,943	4,895
(15) Available for others [line (13)-line (14)]	5,793	4,574	4,281
(16) Allocation for China	4,500	4,500	4,500
(17) Available for others under new criteria for selective increases.	1,293	74	(209)

a/ Calculated on the basis of the 6/13/80 rate of 1 SDR = \$1.321.

b/ Calculated at a hypothetical exchange rate of 1 SDR = \$1.35.

c/ Under Res. 258 includes Kuwait (523 shares); under Res. 313/314 includes all countries except Singapore (591 shares).

d/ Djibouti (60 shares), Dominica (31 shares), Seychelles (21 shares), St. Lucia (56 shares), St. Vincent (25 shares) and Zimbabwe(1,582).

e/ Represents 250 "membership" shares each for the six new members.

f/ Includes all allocations under Resolution 258 that are available for subscription, except Kuwait's allocation which is included above.

(P&amp;B, JUNE 16, 1980)

## IBRD - PROJECTED CAPITAL SUBSCRIPTION AND VOTING POWER - ASSUMING 21 BOARD SEATS

	INCLUDING ALREADY APPROVED INCREASES			GENERAL INCREASE OF 93,607+250 VOTES			ADDIT INCR RECOMMENDED BY SELECTIVE INCREASE PAPER		
	NUMBER OF SHARES	VOTING POWER TOTAL VOTES	% OF TOTAL	NUMBER OF SHARES	VOTING POWER TOTAL VOTES	% OF TOTAL	NUMBER OF SHARES	VOTING POWER TOTAL VOTES	% OF TOTAL
DIRECTORS APPOINTED BY:									
1. United States	77735	77985	20.73	150745	150995	20.99	150745	150995	20.51
2. United Kingdom	26000	26250	6.98	50586	50836	7.07	50586	50836	6.90
3. Germany	17612	17862	4.75	34347	34597	4.81	34347	34597	4.70
4. France	17567	17817	4.74	34260	34510	4.80	34260	34510	4.69
5. Japan	17539	17789	4.73	34206	34456	4.79	34206	34456	4.68
ELECTED DIRECTORS:									
6. Drake (Canada)									
Bahamas	270	520	.14	773	1023	.14	773	1023	.14
Barbados	139	389	.10	519	769	.11	519	769	.10
Canada	11122	11372	3.02	21782	22032	3.06	21782	22032	2.99
Dominica	16	266	.07	281	531	.07	281	531	.07
Grenada	24	274	.07	296	546	.08	296	546	.07
Guyana	205	455	.12	647	897	.12	647	897	.12
Ireland	1266	1516	.40	2701	2951	.41	2701	2951	.40
Jamaica	596	846	.22	1404	1654	.23	1404	1654	.22
St. Lucia	29	279	.07	306	556	.08	306	556	.08
St. Vincent	13	263	.07	275	525	.07	275	525	.07
Sub-Total	13680	16180	4.30	28984	31484	4.38	28984	31484	4.28
7. El-Nageer (Egypt)									
Bahrain	163	413	.11	566	816	.11	566	816	.11
Egypt	1650	1900	.51	3444	3694	.51	3444	3694	.50
Iraq	956	1206	.32	2101	2351	.33	2101	2351	.32
Jordan	233	483	.13	701	951	.13	701	951	.13
Kuwait	3203	3453	.92	6451	6701	.93	7475	7725	1.05
Lebanon	178	428	.11	595	845	.12	595	845	.11
Maldives	6	256	.07	262	512	.07	262	512	.07
Pakistan	2519	2769	.74	5127	5377	.75	5127	5377	.73
Qatar	361	611	.16	949	1199	.17	949	1199	.16
Saudi Arabia	5662	5912	1.57	11212	11462	1.59	14015	14265	1.94
Syrian Arab Republic	508	758	.20	1233	1483	.21	1233	1483	.20
United Arab Emirates	1103	1353	.36	2385	2635	.37	2981	3231	.44
Yemen Arab Republic	106	356	.09	455	705	.10	455	705	.10
Sub-Total	16648	19898	5.29	35481	38731	5.38	39904	43154	5.84
8. Narasimhan (India)									
Bangladesh	1242	1492	.40	2655	2905	.40	2655	2905	.39
India	11333	11583	3.08	22633	22883	3.18	22633	22883	3.11
Sri Lanka	961	1211	.32	2110	2360	.33	2110	2360	.32
Sub-Total	13536	14286	3.80	27398	28148	3.91	27398	28148	3.82
9. Looijen (Netherlands)									
Cyprus	278	528	.14	788	1038	.14	788	1038	.14
Israel	1673	1923	.51	3489	3739	.52	3489	3739	.51
Netherlands	7679	7929	2.11	15117	15367	2.14	15117	15367	2.09
Romania	2001	2251	.60	4124	4374	.61	4124	4374	.59
Yugoslavia	2263	2513	.67	4631	4881	.68	4631	4881	.66
Sub-Total	13894	15144	4.03	28149	29399	4.09	28149	29399	3.99
10. de Groote (Belgium)									
Austria	2696	2946	.78	5469	5719	.80	5469	5719	.78
Belgium	7268	7518	2.00	14321	14571	2.03	14321	14571	1.98
Luxembourg	297	547	.15	825	1075	.15	825	1075	.15
Turkey	1631	1881	.50	3408	3658	.51	3408	3658	.50
Sub-Total	11892	12892	3.43	24023	25023	3.48	24023	25023	3.40

IRFD - PROJECTED CAPITAL SUBSCRIPTION AND VOTING POWER - ASSIGNING 21 BOARD SEATS

	INCLUDING ALIENARY APPROVED INCREASES			CENTRAL INCREASE OF 93,609,250 VOTES			ADDITIONAL INCREASE RECOMMENDED IN SELECTIVE INCREASE TABLE		
	NUMBER OF SHARES	VOTING POWER TOTAL VOTES	% OF TOTAL	NUMBER OF SHARES	VOTING POWER TOTAL VOTES	% OF TOTAL	NUMBER OF SHARES	VOTING POWER TOTAL VOTES	% OF TOTAL
<b>11. Mayobre (Venezuela)</b>									
Costa Rica	131	391	.10	504	754	.10	899	1149	.16
El Salvador	141	391	.10	523	773	.11	930	1180	.16
Guatemala	167	417	.11	573	823	.11	1057	1307	.18
Haiti	174	424	.11	587	837	.12	987	1237	.17
Honduras	109	359	.10	461	711	.10	788	1038	.14
Mexico	3156	3406	.91	6360	6610	.92	8710	8960	1.22
Nicaragua	110	360	.10	463	713	.10	463	713	.10
Panama	216	466	.12	868	918	.13	962	1212	.16
Spain	4551	4801	1.28	9061	9311	1.29	9061	9311	1.29
Suriname	162	412	.11	564	814	.11	645	895	.12
Venezuela	3776	4026	1.07	7560	7810	1.09	10669	10939	1.49
Sub-Total	12693	15443	4.11	27324	30074	4.18	34791	37541	5.10
<b>12. Lundstror (Sweden)</b>									
Denmark	2524	2774	.74	5136	5386	.75	5136	5386	.73
Finland	2140	2390	.64	4393	4643	.65	4393	4643	.63
Iceland	222	472	.13	690	930	.13	690	930	.13
Norway	2410	2660	.71	4916	5166	.72	4916	5166	.70
Sweden	3676	3926	1.04	7367	7617	1.06	7367	7617	1.03
Sub-Total	10972	12222	3.25	22492	23742	3.30	22492	23742	3.22
<b>13. Feany (Australia)</b>									
Australia	6450	6700	1.78	12737	12987	1.91	12737	12987	1.76
Korea, Republic of	1393	1643	.44	2947	3197	.44	3694	3934	.53
New Zealand	1887	2137	.57	3903	4153	.58	3903	4153	.56
Papua New Guinea	246	496	.13	726	976	.14	726	976	.13
Solomon Islands	17	267	.07	283	532	.07	283	532	.07
Western Samoa	24	274	.07	296	546	.08	296	546	.07
Sub-Total	10017	11517	3.06	20892	22392	3.11	21629	23129	3.14
<b>14. Rota (Italy)</b>									
Greece	945	1195	.32	2089	2339	.32	2089	2339	.32
Italy	10120	10370	2.76	19842	20092	2.79	19842	20092	2.73
Portugal	1324	1574	.42	2813	3063	.43	2813	3063	.42
Sub-Total	12389	13139	3.48	24735	25485	3.54	24735	25485	3.46
<b>15. Madinga (Malawi)</b>									
Botswana	74	324	.09	393	643	.09	393	643	.09
Burundi	174	424	.11	577	827	.12	587	837	.11
Equatorial Guinea	77	327	.09	399	649	.09	399	649	.09
Ethiopia	145	395	.11	593	793	.11	593	793	.11
Gambia, The	65	315	.08	376	626	.08	376	626	.08
Guinea	239	489	.13	713	963	.13	713	963	.13
Kenya	550	800	.21	1315	1565	.22	1315	1565	.21
Lesotho	58	308	.08	362	612	.08	362	612	.08
Liberia	240	510	.14	753	1003	.14	753	1003	.14
Malawi	192	432	.11	602	852	.12	602	852	.12
Nigeria	2941	3191	.85	5944	6194	.86	5944	6194	.84
Sierra Leone	178	428	.11	595	845	.12	595	845	.11
Sudan	702	952	.25	1609	1859	.26	1609	1859	.25
Swaziland	98	348	.09	440	690	.10	440	690	.09
Tanzania	439	689	.18	1100	1350	.19	1100	1350	.17
Trinidad & Tobago	667	917	.24	1541	1791	.25	1541	1791	.24
Uganda	398	648	.17	1021	1271	.18	1021	1271	.17
Zambia	1151	1401	.37	2478	2728	.39	2478	2728	.37
Zimbabwe	817	1067	.28	1832	2082	.29	1832	2082	.28
Sub-Total	9216	13966	3.71	22993	27343	3.80	22993	27343	3.71
<b>16. Pazafindrabe (Madagascar)</b>									
Benin	118	368	.10	478	728	.10	478	728	.10
Cameroon	246	496	.13	726	976	.14	726	976	.13
Cape Verde	16	266	.07	281	531	.07	281	531	.07
Central African Empire	118	368	.10	478	728	.10	478	728	.10
Chad	118	368	.10	478	728	.10	478	728	.10
Comoros	16	266	.07	281	531	.07	281	531	.07
Congo	125	375	.10	492	742	.10	492	742	.10
Djibouti	31	281	.07	310	560	.08	310	560	.08
Gabon	230	480	.13	695	945	.13	695	945	.13
Guinea-Bissau	27	277	.07	302	552	.08	302	552	.07
Ivory Coast	511	761	.20	1239	1489	.21	1239	1489	.20
Madagascar	274	524	.14	780	1030	.14	780	1030	.14
Mali	203	453	.12	443	893	.12	643	893	.12
Mauritania	126	376	.10	494	744	.10	494	744	.10
Mauritius	221	471	.13	678	928	.13	678	928	.13
Niger	118	368	.10	478	728	.10	478	728	.10
Rwanda	174	424	.11	587	837	.12	587	837	.11
Sao Tome & Principe	14	264	.07	277	527	.07	277	527	.07
Senegal	448	698	.19	1117	1367	.19	1117	1367	.19
Somalia	188	438	.12	616	866	.12	616	866	.12
Togo	182	432	.11	602	852	.12	602	852	.12
Upper Volta	118	368	.10	478	728	.10	478	728	.10
Zaire	1236	1486	.40	2643	2893	.40	2643	2893	.39
Sub-Total	4858	10008	2.82	15153	20003	2.91	15153	20003	2.84

IBRD - PROJECTED CAPITAL SUBSCRIPTION AND VOTING POWER - ASSUMING 21 BOARD SEATS

	INCLUDING ALREADY APPROVED INCREASES			GENERAL INCREASE OF 93.60%+250 VOTES			ADDIT INCR RECOMMENDED IN SELECTIVE INCREASE PAPER		
	NUMBER OF SHARES	VOTING POWER TOTAL VOTES	% OF TOTAL	NUMBER OF SHARES	VOTING POWER TOTAL VOTES	% OF TOTAL	NUMBER OF SHARES	VOTING POWER TOTAL VOTES	% OF TOTAL
<b>17. Zain (Malaysia)</b>									
Burma	591	841	.22	1394	1644	.23	1394	1644	.22
Fiji	147	397	.11	535	785	.11	535	785	.11
Indonesia	3888	4138	1.10	7777	8027	1.12	7777	8027	1.00
Laos	118	368	.10	478	728	.10	478	728	.10
Malaysia	2066	2316	.62	4250	4500	.63	4250	4500	.61
Nepal	146	396	.11	533	783	.11	533	783	.11
Singapore	402	652	.17	1028	1278	.18	1028	1278	.17
Thailand	1478	1728	.46	3111	3361	.47	3111	3361	.46
Vietnam	755	1005	.27	1712	1962	.27	1712	1962	.27
Sub-Total	9591	11841	3.15	20818	23068	3.21	20818	23068	3.12
<b>18. Mapa (Philippines)</b>									
Brazil	5401	5651	1.50	10706	10956	1.52	10706	10956	1.40
Colombia	1175	1425	.38	2525	2775	.39	3303	3553	.48
Dominican Republic	175	425	.11	589	839	.12	1119	1369	.19
Ecuador	368	618	.16	962	1212	.17	1357	1607	.22
Philippines	1715	1965	.52	3570	3820	.53	3570	3820	.52
Sub-Total	8834	10084	2.68	18352	19602	2.72	20055	21305	2.89
<b>19. Belkhodja (Tunisia)</b>									
Afghanistan	349	599	.16	926	1176	.16	926	1176	.16
Algeria	2327	2577	.69	4755	5005	.70	4755	5005	.68
Ghana	856	1106	.29	1907	2157	.30	1907	2157	.28
Iran	5645	5895	1.57	11179	11429	1.59	11179	11429	1.55
Libyan Arab Republic	1587	1837	.49	3322	3572	.50	3322	3572	.49
Morocco	1220	1470	.39	2612	2862	.40	2612	2862	.39
Oman	192	442	.12	622	872	.12	622	872	.12
Tunisia	469	719	.19	1158	1408	.20	1158	1408	.18
Yemen, PBP	336	586	.16	900	1150	.16	900	1150	.16
Sub-Total	12981	15231	4.05	27381	29631	4.12	27381	29631	4.02
<b>20. Sola (Argentina)</b>									
Argentina	4701	4951	1.32	9351	9601	1.33	9351	9601	1.30
Bolivia	264	514	.14	761	1011	.14	962	1212	.16
Chile	1240	1490	.40	2651	2901	.40	3683	3933	.53
Paraguay	70	320	.09	386	636	.09	614	864	.12
Peru	938	1188	.32	2066	2316	.32	2844	3094	.42
Uruguay	518	768	.20	1253	1503	.21	1578	1828	.25
Sub-Total	7731	9231	2.45	16468	17968	2.50	19032	20532	2.79
<b>21. N.N. (China)</b>									
China	12000	12250	3.26	12000	12250	1.70	12000	12250	1.66
Sub-Total	12000	12250	3.26	12000	12250	1.70	12000	12250	1.66
<b>Representation undetermined</b>									
Kampuchea, Democratic	254	504	.13	742	992	.14	742	992	.13
Seychelles	11	261	.07	271	521	.07	271	521	.07
South Africa	3463	3713	.99	6954	7204	1.00	6954	7204	.98
Sub-Total	3728	4478	1.19	7967	8717	1.21	7967	8717	1.18
<b>GRAND TOTAL</b>	<b>341114</b>	<b>376114</b>	<b>100.00</b>	<b>684354</b>	<b>719354</b>	<b>100.00</b>	<b>701248</b>	<b>736248</b>	<b>100.00</b>
of which:									
PART I COUNTRIES	216210	220960	58.75	423333	428083	59.51	423333	428083	58.14
PART II COUNTRIES	121176	150676	40.06	253054	282554	39.28	269948	299448	40.67
COUNTRIES NOT REPRESENTED	3728	4478	1.19	7967	8717	1.21	7967	8717	1.18

## OFFICE MEMORANDUM

TO Messrs. McNamara, Qureshi, Gabriel, Golsong, Nurick, June 13, 1980  
and Husain

FROM T. T. Thahane, Vice President and Secretary

SUBJECT: China - Request for Capital Increase

1. In his memorandum of June 11, 1980, Mr. Golsong reported that Counsellor Cao of the Chinese Embassy indicated to him that an official request for an increase in IBRD shares of 4,500 shares was coming. This would therefore mean that China's total shares would be 12,000 excluding the 250 membership shares. The purpose of this memorandum is to provide some calculations on the number of shares that are unallocated, hence, would be available to meet China's request under the General Capital Increase.
2. Attachment I presents IBRD authorized capital and allocations under GCI and thereafter. In Attachment II, information is presented on the unallocated capital shares after allowing for 4,500 for China. Also included in Attachment II is the possible total of unallocated shares assuming that Resolution 258 is allowed to lapse at the end of June, 1980. Attachment III presents the voting power of the Big Five, China and India, assuming that China gets the 4,500 shares and Japan takes the 4,000 shares provided under Resolution 335.
3. After allowing for shares to new members and under Resolution 258 and Resolutions 313/314, the total unallocated shares are 22,041 (see Line 11, Attachment I). Assuming that all potential requests to achieve parallelism with the IMF quotas (81.69003%) were honored, the unallocated shares would be reduced to 10,280. If the Selective Capital Increase proposed for Saudi Arabia, UAE, Korea and Kuwait were to be approved, then available shares for allocation would be 5,120. If China's request for 4,500 were granted, then the remaining unallocated shares would be 620. If no subscriptions were made under Resolution 258 by the time it lapses, 4,277 shares would be released, thus bringing the total unallocated shares to 4,897. I understand, however, that Kuwait has indicated willingness to subscribe to 523 shares under Resolution 258. If this were to occur, then the unallocated shares would be reduced to 4,374. From these figures, it appears that China's request can be accommodated without any difficulties.

#### Issues

4. The main issues on which we need to reach some agreement or a common approach are:
  - (i) Do we proceed with the processing of the request for the 4,500 shares independently of the IMF calculations of China's quota?

- (ii) Do we proceed to seek the approval of the Governors to the expansion of the size of the Board now, or wait until the quota processing has been completed in the Fund?
  
- (iii) Can we obtain an assurance from China that the allocation of 4,500 shares would satisfy their request under paragraph A(b) of the memorandum signed in Beijing?

Confirmation of China that this action would satisfy the request in that memorandum would make it much easier to obtain the approval of the Governors to the increase in the size of the Board.

#### Approach

5. In my view, it is better to inform the Board at the earliest opportunity of China's official request; then follow up by setting up the Committee on Election of Executive Directors towards the end of this month. That Committee could then address the question of an increase in the size of the Board, as well as ensure that there would be, in the October elections, 16 elected Executive Directors, although one of them would be voted for by China alone.

#### Attachments

cc: Mr. Koch-Weser

ATTACHMENT I

IBRD - ALLOCATION OF SHARES UNDER GCI AND THEREAFTER

	<u>No. of Shares</u>
(1) Present Authorized Capital . . . . .	340,000
(2) Authorized increase under GCI . . . . .	+ <u>331,500</u>
(3) Total Authorized Capital after GCI . . . . .	= <u>671,500</u>
(4) Present subscription, including approved increases <u>a/</u> . . . . .	335,697
(5) Additional subscription under GCI . . . . .	+ <u>307,190 (93.6%)</u> -
(6) Total subscription after GCI . . . . .	= <u>642,887</u>
(7) Margin between total Authorized Capital and total subscription after GCI (line (3))-line (6) . . . . .	28,613
(8) Additional allocation for India under GCI (Preemptive right) . . . . .	442
(9) Allocation for pending new members (including GCI) <u>b/</u> . . . . .	353 1,500 <u>c/</u> -
(10) Potential requests (maximum) under Res. 258 <u>d/</u> . . . . .	4,277
(11) Balance - (line (7))-line (8) -line (9)-line(10) . . . . .	22,041
(12) Potential requests on Yugoslavia precedent (i.e., 81.69003% of Fund quota) . . . . .	11,761
(13) Available for Selective Increases (i.e., unallocated) (line (11))-line (12) . . . . .	10,280
(14) Selective Increases Proposed (based on support of IBRD) (Saudi Arabia, UAE, Korea, Kuwait) . . . . .	5,160
(15) Available for Allocation . . . . . (line (13))-line (14)	5,120

a/ Under Res. 258 includes Kuwait (523 shares); under Res. 313/314 includes all countries except Singapore (591 shares).

b/ Djibouti, Dominica, St. Lucia, St. Vincent and Grenadines, Seychelles, and Zimbabwe (assumes 160 + 250).

c/ Represents 250 "membership" shares for each of the six new members.

/ Includes all allocations under Res. 258 that are available for subscription.



BANK CAPITAL AFTER GCI

	<u>Shares</u>	<u>From Att. I</u>
Total Authorized Capital	671,500	
Unallocated	22,041	Line 11
Potential requests based on 81% of IMF Quota	<u>11,761</u>	Line 12
Available for Allocation	10,280	Line 13
Selective Increases based on support of Bank (Saudi Arabia, UAE, Korea, Kuwait)	<u>5,160</u>	Line 14
Available for Allocation	5,120	Line 15
Potential Allocation to China	<u>4,500</u>	
Net Unallocated	<u>620</u>	
 <u>Assume Resolution 258 Lapses (6/30/80)</u>		
Maximum Shares Released (including Kuwait - 523; USA - 1,231)	4,277	
Total Unallocated	<u>4,897</u>	
 <u>Assume Kuwait Subscribes Under Resolution 258</u>		
Maximum Shares Released	3,754	
Total Unallocated	<u>4,374</u>	

Voting Power of 'Big Five', China and India

Showing Current Voting Power, and assuming:

- (A) Increase by China of 4,500 shares  
 (B) Increase by Japan of 4,000 shares (under Res. 333)  
 (C) Preemptive increase by India of 442 shares

<u>Member</u>	<u>Voting Power</u>	<u>Percent</u>			
		<u>as of 6/13/80</u>	<u>Assumption A</u>	<u>Assumption B</u>	<u>Assumption C</u>
United States	70,833	21.39	21.10	20.85	20.83
United Kingdom	26,250	7.93	7.82	7.73	7.72
Germany	17,862	5.39	5.32	5.26	5.25
France	17,817	5.38	5.31	5.25	5.24
Japan	13,789 (17,789)	4.16	4.11	5.24	5.23
China	7,750 (12,250)	2.34	3.65	3.61	3.60
India	11,583 (12,025)	3.50	3.45	3.41	3.54

SEC  
6/13/80




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<b>File Title</b> China - General Issues - Correspondence - Volume 3		<b>Barcode No.</b>  1661328		
<b>Document Date</b> 11 June, 1980	<b>Document Type</b> Memorandum			
<b>Correspondents / Participants</b> To: Mr. Robert S. McNamara From: H. Golsong				
<b>Subject / Title</b> Re: China - Request for Capital Increase				
<b>Exception(s)</b> Attorney-Client Privilege				
<b>Additional Comments</b>		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td><b>Withdrawn by</b> Tonya Ceesay</td><td><b>Date</b> 06-Oct-16</td></tr></table>	<b>Withdrawn by</b> Tonya Ceesay	<b>Date</b> 06-Oct-16
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## OFFICE MEMORANDUM

TO: Mr. Moeen Qureshi  
(through K. Georg Gabriel, Director, PAB)   
FROM: Paul Applegarth  
PVA  
SUBJECT: Maintenance of Value

DATE: April 8, 1980

Resolution of the maintenance of value question could affect payments to and from China in several ways:

(a) The Bank is currently accepting subscriptions to new shares at a rate of \$1.20635/SDR, subject to subsequent adjustment. If the SDR is adopted as the standard of value, additional payments equal to the difference between the current SDR/\$ rate (about \$1.27) and \$1.20635 would be required.

(b) Settlements of maintenance of value payments have been suspended, except for those countries which officially change their central bank rate against a 1.20635 standard. As long as the SDR/\$ rate exceeds 1.20635, adopting the SDR will require additional payments from all shareholders.

(c) IDA repayment obligations are denominated in 1960 dollars, but repayments are accepted provisionally at a rate of 1.20635. Adopting the SDR as the logical successor to the 1944 and 1960 dollars could increase the amounts due from IDA borrowers both for future payments and amounts already repaid at the provisional rate.

PVA:ba

## OFFICE MEMORANDUM

TO: Mr. Moeen A. Qureshi, VP, Finance  
 Through: Mr. K. Georg Gabriel, Director, PAB  
 FROM: Paul V. Applegarth, Chief, Financial Analysis, PAB  
 PVA  
 SUBJECT: China - Possible Subscription

DATE: October 26, 1979

*See  
 P. 10  
 10/26/79  
 Jh*

1. You asked for our analysis of the "proper" subscription for the People's Republic of China (PRC), should it join the Bank. This note will indicate that the range of possible subscriptions is fairly large, with China becoming anywhere from the third to the eighteenth largest Bank shareholder. After exploring the various alternatives, we believe a subscription tied to China's historical subscription in the Bank, adjusted to offset the unusual circumstances surrounding the development of its subscription, is preferable. Under this approach, and depending on the variant taken, China would become either the sixth or eighth largest shareholder, with a pre-GCI subscription of approximately 10,000 - 12,000 shares and a post-GCI subscription of 20,500 - 23,000 shares. This note concludes with a brief discussion of the Chinese position in IDA and IFC.

Bank

2. History: China is one of the three IBRD charter members whose initial subscription in the Bank was greater than its initial quota in the Fund. In 1960 the Republic of China (ROC) was permitted to reduce its Bank subscription so that its ranking in the Bank substantially corresponded to its ranking in the Fund. This was effected by a transfer from the ROC to the Bank of 2,250 shares (out of the 6,000 then held).<sup>1/</sup> China's subscription was subsequently doubled as part of the doubling of the Bank's capital in 1960 <sup>2/</sup> to 7,500 shares.

3. China was not included in the special capital increases approved in Res. Nos. 218 (adopted April 30, 1965), 258 (adopted July 31, 1970) and 314 (adopted February 9, 1977). As a result, China's present subscription remains 7,500 shares.

4. Possible Subscriptions: If the PRC joins the Bank, the "proper" number of shares could be derived in several ways:

- (A) The PRC could retain Taiwan's present subscription:  
 i.e. 7,500 shares.

If the issue of the PRC's joining is merely one of representation, the question of increasing its capital does not necessarily arise. A subscription of 7,500 shares represents 2.59% of total IBRD shares outstanding on June 30, 1979, and would make the PRC IBRD's tenth largest shareholder. China is not accorded any shares under the GCI resolution. Without some adjustment, 7,500 shares would make China the eighteenth largest shareholder after the GCI. This position might not reflect China's economic strength but countries whose IBRD shares also do not reflect their economic

<sup>1/</sup> By Res. No. 139, adopted June 30, 1960.

<sup>2/</sup> By Res. No. 128, dated September 1, 1959, approved July 1960.

strength may argue China is in the same situation as they, and should not be accorded an increase without an increase for themselves. We find this "hardline" approach troubling because it fails to recognize the artificial constraints on the past growth of China's subscription, and hence would not recommend it.

B. The PRC could be accorded shares related to its calculated quotas.

As the PRC makes more economic data available, it should be possible to determine its calculated quota under the customary IMF formulas, and derive an appropriate number of shares for the Bank.<sup>1/</sup> This could be most easily defended if the PRC were to apply to the Bank as a new member. The complication would be the 7,500 shares still held by Taiwan, unless it was decided both governments should be members. Absent any other alternative, Taiwan's shares could be eliminated by having the PRC assume the ROC shares, withdraw from the Bank and reapply for membership. Presumably, were a calculated quota approach deemed desirable, a solution involving less cumbersome procedures can be negotiated.

C. The PRC could receive Taiwan's present shares plus increases to which China would have been entitled had the history of its participation been less abnormal.

Several plausible scenarios are possible under this general approach, which ties the development of China's subscription to purely institutional factors. While there is no formal linkage to economic criteria under this approach, a sense of where China "ought to be" is useful in making the choice among scenarios less arbitrary. Therefore, the number of shares and GNP of the Bank's largest shareholders are shown in Annex 1.

- (a) The first scenario under this approach assumes that China would have not returned shares to the Bank in 1960 under normal circumstances, and would have exercised all its preemptive rights since 1949. This would give China 20,400 shares presently, making it the third largest shareholder after the U.S. and the U.K. Such a ranking seems unrealistically high and is clearly not feasible politically.
- (b) A second scenario is to assume no return of shares to the Bank, and full Chinese participation in all IBRD general capital increases. This would give China 12,000 shares now, and 23,160 after the GCI, making it the sixth largest member.

<sup>1/</sup> The Bank and the Fund have traditionally acted in parallel in the treatment of their shareholders. At present, the Fund has indicated it is inclined to wait for a Bank initiative on China. However, the Bank might simply choose to wait for the Fund and parallel its action following usual procedures.

- (c) A third scenario is based on the premise that China's position only became abnormal in recent years. This approach has the advantage of not having to rewrite history completely, and instead tying adjustments to a period when it will be generally conceded that the freedom of the holder of China's shares to control the evolution of its holdings was retarded. A convenient benchmark date is 1970, when the IMF ceased giving Taiwan the option to participate in general quota increases.<sup>1/</sup> There have been no general IBRD capital increases since 1970, and it would be purely speculative to try to estimate the increases, if any, China might have received in the selective increases since 1970. However, assuming China had exercised its preemptive rights in the selective increases, it would presently have 10,625 shares making it the Bank's eighth largest shareholder.

Obviously, the number of conceivable scenarios under this institutional approach is virtually unlimited; the three above are among the most appealing.

#### Recommendation

5. In general, we believe the third approach offers the most attractive possibilities for determining China's IBRD subscription. Of the three scenarios, we would suggest (b) or (c). (b) is probably the better result if economic standing is the sole criterion. However, we have a slight preference for (c) because it is reasonable, the least speculative regarding historical events, and leads to a result which does not do great violence to our sense of the "economically right" solution.

#### IDA

6. China's subscription votes in IDA are calculated on the basis of its 6,000 initial shares in the Bank, and with the standard procedure used for Part II countries under all replenishments. It appears therefore that no adjustment is required.

#### IFC

7. China joined IFC in 1968, with a subscription below its original Articles of Agreement allotment, to keep in line with its reduced IBRD subscription. China was not offered shares in the most recent IFC capital increase.

8. Should the PRC express an interest in joining IFC, its subscription can be determined using the principles adopted in deciding its IBRD subscription.

<sup>1/</sup> The Republic of China was given the option to participate in quota increases in 1956 and 1965, but declined.

IBRD CAPITAL SUBSCRIPTIONS

<u>Member Country</u>	<u>Number of IBRD Shares</u>			<u>GNP <sup>1/</sup></u> <u>(billions\$US)</u>
	<u>Present</u> <u>6/30/79</u>	<u>After Already</u> <u>Approved Increases</u>	<u>After</u> <u>GCI</u>	
United States	69231	77735	150745	1874
United Kingdom	26000	26000	50586	247
Germany	17612	17612	34347	501
France	12792	17567	34260	387
Japan	13539	17539	34206	642
India	11333	11333	22191	97
Canada	11122	11122	21782	197
Italy	8525	10120	19842	195
Netherlands	7679	7679	15117	99
Belgium	7268	7268	14321	75
Australia	6450	6450	12737	103
Saudi Arabia	4899	5662	11212	46
Iran	1580	5645	11179	75
Brazil	3733	5401	10706	158
Argentina	4701	4701	9351	45
Spain	3371	4551	9061	116
Indonesia	3888	3888	7777	41
China (Republic of)	7500	7500	7750	20
Venezuela	1972	3776	7560	36
Sweden	3676	3676	7367	76

MEMO ITEM:

Peoples' Republic of China GNP - \$346 billion.

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<sup>1/</sup> Source: 1978 World Bank Atlas.



Membership

October 26, 1979

Mr. Gabriel

E-624

Mr. Qureshi dictated the attached just before leaving, but did not have a chance to review it.

Gillian Butler  
(Mr. Qureshi's Office) I 12-100 60381

DRAFT  
WPHoehenwarter/MAQureshi:gmb  
October 26, 1979

TO : FILES  
FROM : Wolfgang P. Hoehenwarter, P&B  
SUBJECT: CHINA - Membership in Bank Group

1. Messrs. Qureshi, Shahid Husain, Nurick and I met on Thursday, October 18, to discuss questions associated with the membership of the People's Republic of China (PRC) and the Republic of China (ROC) in the Bank Group.

2. First, the available background information was reviewed, including the statement of Loans and Credits held by the Bank Group. Mr. Qureshi indicated that Controller's would separately provide undated figures.

Mr. Qureshi then directed the discussion to the two main issues:

- (i) membership itself, including the "proper" level of subscription for the PRC in the Bank Group; and
- (ii) the likely impact of PRC membership on the operations of the Bank Group, and especially IDA.

It was recognized that the discussion was partly speculative, since no clear readings about PRC's intentions are available at this time.

#### Membership Issue

3. Mr. Nurick pointed out that the membership issue actually is an issue of representation, since mainland China was one of the charter members of the Bank. China has been represented through ROC, but representation could conceivably pass back to mainland China, since PRC claims to represent all of China. Discussion then turned to the question of ROC's debts to the Bank. Mr. Nurick referred to the understanding that had been reached by Mr. Goodman on this matter with Chinese representatives. He had met with

Mr. Martin Wong on the previous day and he had enquired from him as to whether ROC would continue to adhere to the understandings reached in that arrangement. Mr. Wong said that he would need to check back with the authorities, but he thought that the earlier understandings would still be valid.

4. Another problem that was discussed related to the quota and the voting power. The issue was whether PRC would be content with their present quota in the Bank or whether they would take the position that they would wish to revert to their previous position as one of the original "Big Five". Mr. Qureshi said that P&B should work out alternative scenarios :

- (i) China's quota; subscription and voting rights if it were to maintain its original relative position as one of the "Big Five";
- (ii) Similar data, assuming that China had accepted the capital increases that had occurred in the Bank/Fund;
- (iii) Similar data, assuming we apply the criteria now being developed within P&B for selective capital increases.

#### Operational Issues

5. Inclusion of the world's most populous country will obviously have a pronounced impact on the operations of the Bank and IDA. A major issue would be the share of China in the total (IBRD and IDA) lending program, given political concerns among donors about a reduction in shares for African countries and India. It may well turn out that the major portion of lending for China may have to be additional to the present lending programs.

6. With regard to the possible effect on IDA operations, Mr. Husain noted that there would be no effect on IDA 5. PRC's admission would be

an important consideration in connection with IDA 6 but the effect would probably be limited. Assuming that PRC became a member, say, at the earliest, by the middle of 1980, a further 1-1/2 to 2 years would be required before any commitments were made. Thus the issue with respect to IDA 6 would, at best, relate to the final years of IDA 6 (FY83). Mr. Husain thought that on this basis an allocation of \$1 billion for PRC from IDA 6 represented a possible order of magnitude. Mr. Husain said that he would have a position paper prepared on this matter and would send it to Mr. Qureshi before he left on his forthcoming visit abroad.

7. On the question of timing, Mr. Qureshi thought some IDA6 donors might be unhappy about seeing resources go to a country which was not included in the list of prospective recipients when IDA 6 was negotiated, even though they might not have the legal right as donors to question the use of IDA resources. One option would therefore be to start IBRD operations first; simultaneously, the Chinese economy could be studied and information gathered to enable IDA operations to be commenced in IDA 7.

Further Steps

8. It was agreed that a further meeting should be held as soon as more information becomes available.

Cleared with and cc: Mr. Qureshi

cc: Messrs. Nurick  
Husain  
Gabriel/Baneth  
Applegarth

## OFFICE MEMORANDUM

TO: Mr. Moeen A. Qureshi, VP, Finance  
Through: Mr. K. Georg Gabriel, Director, PAB  
FROM: Paul V. Applegarth, Chief, Financial Analysis, PAB

DATE: October 19, 1979

SUBJECT: China - Membership in the Bank Group

1. Attached is a draft prepared by Wolfgang Hoehenwarter for your clearance.
2. Paragraph 4 indicates the "admission" of the PRC would have to be accompanied by an increase in China's capital. The issue of the proper size of a subscription normally arises only for initial subscriptions when a country joins the Bank. If the Bank takes the position that the issue of the PRC's joining is merely one of representation, the issue of size of subscription does not necessarily arise. China presumably is in the same situation as many other countries whose IBRD shares do not reflect their economic strength, and these other countries might legitimately object to China's share being raised without an increase for themselves.
3. We will examine this further in the note for you due October 26.

Attachment

cc: Messrs. Baneth  
Hoehenwarter (o/r)

PVApplegarth:sl

To: Files  
From: Wolfgang P. Hoehenwarter, PAB  
Subject: China - Membership in Bank Group

1. Messrs. Qureshi, Shahid Husain, Nurick and I met on Thursday, October 18, to discuss questions associated with the membership of the People's Republic of China (PRC) and the Republic of China (ROC) in the Bank Group.

2. First, the available background information was reviewed, including the statement of Loans and Credits held by the Bank Group. Mr. Qureshi indicated that Controller's would separately provide updated figures. Mr. Qureshi then directed the discussion to the two main issues:

- (i) membership itself, including the "proper" level of subscription for the PRC in the Bank Group; and
- (ii) the likely impact of PRC membership on the operations of the Bank Group, and especially IDA.

It was recognized that the discussion was partly speculative, since no clear readings about PRC's intentions are available at this time.

Membership Issue

3. Mr. Nurick pointed out that the membership issue actually is an issue of representation, since mainland China was one of the charter members of the Bank. China came to be represented through ROC, but representation could conceivably pass back to mainland China, since PRC claims to represent all of China. Discussion then focussed

on the question of ROC's debts to the Bank, and whether the Bank would, or could, make PRC recognize these obligations. It was concluded that all these questions would have to be decided by the Executive Directors.

4. Another problem in this context relates to voting power: what would be the "proper" subscription for PRC in the Bank and IDA? It was agreed that PAB/FA would analyze this question and report back by October 26. Prima facie, however, it appears that the presently authorized capital is insufficient to accord China the number of shares that would be in line with accepted Bank criteria as to economic ranking. Admission of the PRC would therefore have to be accompanied by an increase in China's authorized capital.

Operational Issues

5. Inclusion of the world's most populous country will obviously have a pronounced impact on the operations of the Bank and IDA. A major issue would be the share of China in the total (IBRD and IDA) lending program, given political concerns among donors about a reduction in shares for African countries and India. It may well turn out that the major portion of lending for China may have to be additional to the present lending programs.

6. As regards the timing of operations, Mr. Husain estimated that PRC could come in at the earliest in the middle of 1980. Judging from past experience, a further 1 1/2 to 2 years might be required for commencement of operations. This would put the first lending to China in the last year of IDA6 (FY83).



Mr. Husain estimated that under this scenario, a maximal allocation of \$1 billion under IDA6 might be feasible. It was agreed that Mr. Husain (EAP) would have a position paper prepared within about a month on these aspects, including creditworthiness considerations and the possible share of China in IDA lending.

*before  
the end  
of this week*

7. On the question of timing, Mr. Qureshi thought some IDA6 donors might be unhappy about seeing resources go to a country which was not included in the list of prospective recipients when IDA6 was negotiated, even though they might not have the legal right as donors to question the use of IDA resources. One option would therefore be to start IBRD operations first; simultaneously, the Chinese economy could be studied and information gathered to enable IDA operations to be commenced in IDA7.

Further Steps

8. It was agreed that a further meeting should be held as soon as more information becomes available, probably in about a month's time.

Cleared with and cc: Mr. Qureshi

cc: Messrs. Nurick  
Husain  
Gabriel/Baneth  
Applegarth