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Selective Capital Increase - Correspondence 01

International Bank for Reconstruction and Development

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FOR
EXECUTIVE
DIRECTORS'
MEETING

For consideration on
December 23, 1980

R80-326

FROM: Vice President and Secretary

November 18, 1980

CRITERIA FOR SELECTIVE CAPITAL INCREASES

Attached hereto is a memorandum from the President entitled
"Criteria for Selective Capital Increases" dated November 18, 1980.

Questions on this document may be referred to Mr. Applegarth
(Extension 75765).

Distribution:

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

November 18, 1980

Office of the President

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WBG ARCHIVES

MEMORANDUM TO THE EXECUTIVE DIRECTORS

SUBJECT: Criteria for Selective Capital Increases

Section 1. Introduction and Summary

1. At their meeting on August 8, 1980, the Executive Directors agreed to a proposed 4,500 share increase in China's capital subscription to the IBRD, but deferred a decision on a series of Selective Increases proposed for other member countries. Before proceeding with these other Increases, the Executive Directors wished to review the criteria which would govern future Selective Increases and--on the basis of approved criteria--to offer all members the opportunity to apply for Selective Increases. This memorandum seeks to provide the basis for the review and for the establishment of agreed criteria.

2. The first part of the memorandum considers the objectives to be served by Selective Increases. Using the recent memorandum on Criteria for Selective Capital Increases (R80-191, dated July 1, 1980) as its starting point, the present memorandum reaffirms the basic principle that relative subscriptions in the Bank ought to reflect the relative positions of member countries in the world economy. On the assumption that calculated quotas ^{1/} in the IMF are accepted as a device for assessing relative economic and financial positions, the issue for the Bank becomes one of deciding how promptly shifts in countries' relative positions as measured by calculated quotas ought to be reflected in shifts in countries' relative subscriptions to the IBRD. Our present practice is that shifts in actual quotas agreed in the IMF are matched by corresponding allocations of Selective Increases in the IBRD. Our practice is less clear as to whether, and on what grounds, adjustments in the Bank might proceed more rapidly than in the IMF. The memorandum identifies and examines one situation which might justify a more rapid adjustment, namely, as a response to countries that in their relationship with the World Bank Group have demonstrated a willingness to shoulder responsibilities commensurate with their relative positions in the world economy.

^{1/} The concept of calculated quotas is explained in the Annex.

3. Section 3 then takes up three issues which arise in defining specific criteria that would achieve the purposes outlined in Section 2. The first of these issues is how to identify countries providing special support to the Bank Group, the second concerns the pace of adjustment for such countries, and the third is how to keep the size of Selective Increases--either in total or for individual members--from producing unacceptable shifts in the relative positions of member countries.

4. Section 4 enlarges upon the general principles discussed in the two earlier sections by describing a series of specific criteria for determining Selective Increases and by indicating the main consequences likely to flow from the adoption of such criteria. The concluding section of the memorandum then pulls together the preceding discussion and recommends criteria for future Selective Increases.

Section 2. Purpose of Selective Increases

5. The fundamental objective of the Bank's past policy with regard to Selective Increases has been to maintain a correspondence between member countries' subscriptions to the capital of the IBRD and their relative positions in the world economy. The means employed to achieve this objective has been the policy of parallelism with the IMF, i.e., the policy of offering IBRD members the opportunity to increase their subscriptions in the Bank, when a Selective Increase in their quotas is agreed in the Fund.

6. The various reasons that have justified the use of parallelism in the past continue to be valid. It is desirable from the point of view of the Bank as well as its members to retain parallelism as an important element of Bank policy. It is therefore recommended that this practice be reaffirmed by the Executive Directors.

7. If Bank policy were to stop here, the pace of adjustment of Bank capital subscriptions to changes in member countries' relative economic and financial positions would generally be the same as the pace followed in the Fund. The issue for the Bank is whether, and under what circumstances, it might wish to make adjustments at a rate different from that adopted by the Fund.

8. One type of situation which might justify a more rapid adjustment is the one emphasized in the July memorandum:

"Selective increases which have not been preceded by action in the Fund seem most justified in recognition of actions of member countries that are specially supportive of the objectives of the Bank Group..." 1/

Perhaps the clearest illustration of this type of situation was the Selective Increase authorized for Japan in February 1979 (R79-29, dated February 22, 1979). It is well to emphasize that such Selective Increases do not represent a "reward" for services rendered to the Bank Group. Rather they reflect the common-sense notion that if a country is willing to move rapidly to shoulder the responsibilities associated with a more important position in the world economy, it has a good case for expecting that the pace of adjustment in its IBRD capital subscription to the same shifts in economic position will be relatively rapid as well.

Section 3. Issues in the Design of Criteria

9. Each of the two purposes which have been identified
- to maintain parallelism with agreed quotas in the IMF
 - to accelerate the pace of adjustment for countries especially supportive of the Bank Group

has been invoked at one time or another in the past as a reason for proceeding with Selective Increases. Three issues arise in trying to translate these purposes into specific criteria. One is how to identify countries especially supportive of the Bank Group. A second is how to regulate the pace of adjustment for such countries, and the third is how to reconcile the potentially large claims for individual countries under these criteria with the desirability of avoiding abrupt shifts in the relative positions of members.

10. Defining Special Support. The July Board memorandum opted for a flexible approach in this regard. It noted that it was "...impossible to establish any sort of mechanical link between a country's economic situation, the support provided by it to the Bank Group, and the amount of the selective capital increase. One cannot list in advance all the criteria that might be relevant, although some illustrative examples of specific support can be provided. Exceptional contributions to IDA would figure prominently among them. Official long-term lending to the Bank could also constitute a valid consideration. Other types of support might

1/ R80-191, dated July 1, 1980, para. 9.

also be relevant. The merits of eligible requests would have to be considered on a case by case basis; and all capital increases would be subject to approval by the Bank's Board of Governors." 1/

11. There is not--nor should there be--a definitive list of countries that qualify for Selective Increases on grounds of special support for the Bank. For purely illustrative purposes, the projections described in the next section consider two groups of countries: the first, a small group restricted to the four countries (Korea, Kuwait, Saudi Arabia and the United Arab Emirates) for whom Selective Increases were recommended in the July memorandum, 2/ and the second, a larger group of 40 countries that have undertaken official long-term lending to the Bank or contributed to IDA Replenishments. It must be emphasized that both lists are only illustrative; the eventual choice of countries for Selective Increases on grounds of special support (from among those who apply under this criterion) must reflect a judgement about these countries' support.

12. Pace of Adjustment. The earlier Board memorandum took a country's "calculated subscription" 3/ in the Bank as being the upper limit of what it could be allocated through Selective Increases. The use of 100% of "calculated subscriptions" as a basis for determining Selective Increases is somewhat arbitrary. If a lower basis were used--say 80% or 90% of "calculated subscriptions"--this would have the effect of reducing the size of Selective Increases allocated to members under the "special support" criterion. It would also sharply reduce or eliminate the allocations for some countries whose actual subscriptions are relatively close to their "calculated subscriptions." The projections in the next section show the impact of reducing the basis from 100% of "calculated subscriptions" to 80%.

1/ R80-191, dated July 1, 1980, para. 9.

2/ These four countries were included in the July memorandum because they requested increases in response to a memorandum from the President (R79-57, dated March 21, 1979) asking that the Bank be notified of such requests. Their inclusion in a separate list is not intended to reflect a judgement about their support relative to other countries which might qualify as "specially supportive", or to each other.

3/ "Calculated subscriptions" in the Bank are derived by multiplying the Bank's total authorized capital by the ratio of each country's "calculated quota" in the Fund to the total of "calculated quotas." See Annex.

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13. Size of Increases. The expressed intention of the Executive Directors is to develop agreed criteria and then to permit all members an opportunity to apply for Selective Increases under those criteria. Since there is bound to be some uncertainty about which member countries will in fact avail themselves of the opportunity presented, the overall size of increase in authorized capital necessary to accommodate the requested Increases cannot be known precisely in advance.

14. The potential size of the increase in authorized capital will depend critically on the design decisions already discussed as well as on the treatment accorded the larger countries which would qualify for Selective Increases on grounds of special support. The potential Increases which could be allocated to such countries if it were decided to bring them up to 100% of their "calculated subscriptions" would exceed 160,000 shares if all countries that have provided long-term capital to the Bank or contributions to IDA were to apply. Ten countries in particular could be allocated in excess of 5,000 shares each: France, Germany, Japan, Belgium, Canada, Iran, Italy, the Netherlands, Saudi Arabia and Sweden.

15. The issue is how to reconcile the potentially large claims for these countries with the desirability of avoiding abrupt shifts in the relative positions of members. A case can be made for treating France, Germany and Japan as special; the relationships among these countries were reviewed as recently as March 1979 in connection with the Selective Increases approved for Japan and France, and the countries may wish to allow the position that emerged from that review to continue undisturbed. The criteria illustrated in the next section of this memorandum include France, Germany and Japan as countries eligible for Selective Increases in some of the alternative cases examined, but assume that they will not, at this time, decide to request the Selective Increases for which they might qualify.

16. The remaining countries pose a rather different problem, since their relative positions have not been subject to recent review, nor are there traditional arrangements for considering the acceptability of shifts in their positions relative to other members. The July memorandum dealt with this particular problem by proposing that there be a "cap" limiting any country's Selective Increase to 25% of its actual subscription. This continues to be a feasible way of dealing with the problem. In addition, however, it is worth considering an alternative in which the claims of all members requesting Selective Increases are scaled down proportionately in order to keep the overall size of the increase in capital within broadly acceptable limits and to avoid abrupt shifts in the relative positions of members.

17. Three such constrained alternatives (described in more detail in para. 20 below) are presented for illustrative purposes. They assume that

the total increase in authorized capital is limited to 21,000 shares. ^{1/} Such an increase could be justified on a variety of grounds; notably, as being just sufficient to accommodate China (both the 4,500 shares recently approved and the roughly 11,200 shares needed to keep China in line with other members during the General Capital Increase), to provide 250 "membership shares" for each of several new members and to provide a small reserve for contingencies. An increase of 21,000 shares would also mean that, after allowing for China and new members, there would again be about 25,000 shares available for Selective Increases--in line, in other words, with the understanding reached at the time the General Capital Increase was approved. While increases in authorized capital larger than 21,000 shares could provide welcome flexibility for the Bank in responding to requests for Selective Increases under various criteria--and indeed are essential if "requests" under the "special support" criterion are to be met in full--they carry the risk of triggering defensive reactions on the part of members who wish to avoid the relative shifts thereby made possible.

Section 4. Implications of Alternative Criteria

18. Claims under the Brazil-Yugoslavia Precedent. Before proceeding to present the results of applying specific alternative criteria, a brief account may be given of claims for Selective Increases under the Brazil-Yugoslavia precedent. The background to these claims was set out in a Board memorandum on the subject distributed to the Executive Directors earlier this year. ^{2/} Briefly, the purpose of these Selective Increases is to permit the countries concerned to make up for an initial shortfall in their IBRD subscriptions. There are 22 countries in this category, of which 17 have already requested Selective Increases. The table below lists all 22 countries, the number of additional shares that would be required in each case now to eliminate the disparity between Bank subscriptions and Fund quotas, and the further increases that would be appropriate under the principles adopted for the GCI:

^{1/} 18,500 shares are added to the IBRD capital used for ordinary subscriptions, bringing the total to 690,000 shares. In addition, 2,500 "membership shares" are added to the 33,500 shares available for this purpose, in order to accommodate new members.

^{2/} Special Increases in Certain Subscriptions to Capital Stock of the Bank under the Brazil-Yugoslavia Precedent (R80-236, dated August 1, 1980).

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Member	Required Increases in Shares		
	Needed Now	Additional Needed after GCI	Total
1. Bolivia	104	97	201
2. Chile	533	499	1032
3. Colombia	402	376	778
4. Costa Rica	204	191	395
5. Dominican Republic	274	256	530
6. Ecuador	204	191	395
7. Egypt	213	199	412
8. El Salvador	210	197	407
9. Ethiopia	148	139	287
10. Greece	566	530	1096
11. Guatemala	250	234	484
12. Honduras	169	158	327
13. Iran	193	181	374
14. Iraq	288	270	558
15. Mexico	1214	1136	2350
16. Nicaragua	168	157	325
17. Panama	152	142	294
18. Paraguay	118	110	228
19. Peru	402	376	778
20. Suriname <u>a/</u>	42	39	81
21. Uruguay	168	157	325
22. Venezuela	1616	1513	3129
	<u>7638</u>	<u>7148</u>	<u>14786</u>

a/ Suriname is not an original member of the Bank. However, its initial Bank subscription was lower than its Fund quota, because its initial Fund quota reflected the Sixth Review of Quotas, while its initial Bank subscription did not.

19. Implications of Alternative Criteria. Attached to this memorandum are tables that show the results of applying seven different sets of criteria for Selective Increases. The assumptions made in each of the seven cases are stated below, 1/ along with a brief summary of the principal implications:

1/ All seven cases assume no exercise of preemptive rights by members with regard to increases in authorized capital. If preemptive rights are in fact exercised by any member or members, the share allocations and resulting voting power shown in the attached tables would change.

Case 1 assumes that the Brazil-Yugoslavia precedent claims are granted in full, and in addition enough shares are allocated to countries that have provided special support to the Bank Group and have actual subscriptions below "calculated subscriptions" so as to bring their subscriptions up to 80% of "calculated" levels. The list of such countries is assumed to be limited to the four countries placed in this category in the July Board memorandum (Korea, Kuwait, Saudi Arabia, and the United Arab Emirates). Kuwait receives no increase in this case, however, since its actual subscription is above 80% of its "calculated subscription." This case would involve an increase in authorized capital of approximately 20,000 shares. ^{1/} Saudi Arabia would receive the largest increase (8576 shares).

Case 2 uses the same criteria as Case 1, i.e. the Brazil-Yugoslavia Precedent and Special Support with 80% of "calculated subscriptions" as the standard, but extends the list of eligible countries under the latter criterion to include all countries that have provided long-term capital to the Bank or contributions to IDA Replenishments. It is assumed that Germany and Japan choose not to request Increases (France would be excluded because its actual subscription exceeds 80% of its "calculated subscription"). This case would require an increase in authorized capital of approximately 37,000 shares. Several countries, notably Saudi Arabia, Iran and the Netherlands, would receive large increases.

Case 3 assumes that the Brazil-Yugoslavia precedent claims are granted in full, together with Selective Increases to countries that have provided special support --limited to Korea, Kuwait, Saudi Arabia and the United Arab Emirates-- sufficient to raise their actual subscriptions to 100% of "calculated" levels. This case would require an increase in authorized capital of approximately 28,000 shares.

Case 4 assumes the same criteria as Case 3, i.e. the Brazil-Yugoslavia Precedent and Special Support with 100% of "calculated subscriptions" as the standard, but as in Case 2 extends the list of eligible countries to include all countries that have provided long-term capital to the Bank or contributions to IDA. Once again it is assumed that France, Germany and Japan choose not to request increases. This is the case that would require the largest increase in authorized capital, approximately 106,000 shares. Large increases would go to Saudi Arabia, the Netherlands, Iran, Italy, Belgium, Canada and Sweden.

^{1/} All the figures cited in this section referring to authorized capital assume that China is granted the same GCI increase (i.e. 93.6% unscaled) as all other members. Also the figures refer only to ordinary share capital; "membership shares" are assumed to increase to 36,000 in all cases.

20. The cases discussed so far are all unconstrained cases, in that Selective Increases are allocated to the full extent indicated under the criteria. As noted in the previous section, it would also be possible to constrain the number of shares allocated for Increases. This can be done in a variety of ways. Purely for illustrative purposes, Cases 5 and 6 show what the allocations might look like under the assumption that the increase in authorized capital is limited to 18,500 shares, and that the allocations shown for Cases 3 and 4 above are scaled back pro-rata so as to remain within this ceiling. Case 7 presents the results of a similar adjustment for the allocations in Case 2.

Section 5. Conclusions and Recommendations

21. The choice among alternative criteria for future Selective Increases should take account of the fact that circumstances can change substantially in the future. While it is obviously essential that agreed criteria produce results that are generally acceptable in current conditions, they should be sufficiently flexible to permit the Bank to adapt to future conditions as well. It is this objective which lies behind our principal recommendations, namely to continue to use parallelism as the primary guide, but in exceptional circumstances to deviate from parallelism in the short run by using special support for the Bank Group as a basis for moving subscriptions towards "calculated subscriptions."

22. Parallelism with actual quota increases is a straightforward standard for Selective Increases. It has worked well in the past and raises no problems of implementation. In addition, we recommend that the claims for Selective Increases under the Brazil-Yugoslavia precedent be acceded to in line with previous practice.

23. The choice of a benchmark for determining Selective Increases for countries that are especially supportive of the Bank Group is somewhat arbitrary. Adoption of 100% of "calculated subscriptions" as the standard, rather than a lower figure, would reflect a desire to be responsive to all eligible countries that have a potential claim based on parallelism with "calculated quotas." If a lower basis were used--say 80% of "calculated subscriptions"--this would have the effect of reducing the size of Selective Increases allocated to members and would moderate the shifts in the relative positions of member countries associated with the use of this criterion. It would also sharply reduce or eliminate the allocations for some countries whose actual subscriptions are relatively close to their "calculated subscriptions." On balance, and in view of the fact that "calculated quotas" are necessarily an imprecise measure of countries' relative positions in the world economy, we recommend that a limit of 80% of "calculated subscriptions" be used for this round of Selective Increases.

24. Another question that the Executive Directors need to address is whether the requests for allocation of shares under the various criteria should be met in full or rationed. On the assumption that France, Germany and Japan choose not to request Selective Increases, the increase in authorized capital needed to accommodate all other potential requests under a 80% benchmark for countries providing special support (Case 2) would not exceed 37,000 shares, or 6% of currently authorized capital. Actual requests could, of course, be substantially less. This magnitude of adjustment would not appear to be so large as to require rationing--at least at this stage. Thus it is recommended that the Executive Directors defer consideration of any rationing of share allocations until all requests for Selective Increases have been received. A period of three months from the date of Board decision may be allowed for such requests to be filed.

25. Finally, as recommended in the July memorandum, the timing of Selective Increases may be so arranged that they take place immediately after quota reviews in the Fund, which would normally be once every five years, and in addition once approximately midway through the five-year period. Thus once the present review is completed, the next round of Selective Increases would be considered only after the Eighth Review of Quotas. Further, it may be provided that member countries should be eligible for Selective Capital Increases under the new criteria only if they have taken up all shares still available to them under earlier capital increase resolutions.

26. To sum up, the recommendations are:

- (a) to consider a country eligible for Selective Increases if the country has subscribed to all IBRD shares available to it, and:
 - (i) it qualifies for a Selective Increase under the Brazil-Yugoslavia precedent;
 - or (ii) its agreed quota is increased as a result of a quota review in the Fund;
 - or (iii) it is especially supportive of the Bank Group and its existing subscription is less than 80% of its "calculated subscription."
- (b) the determination of whether a country is eligible under test (ii) would be made by the Executive Directors from time to time on the basis of recommendations put forward by management and in light of the country's overall

relationship with the Bank Group. The distinguishing characteristic of special support would be a country's demonstrated willingness to shoulder responsibilities vis-a-vis the Bank Group commensurate with its role in the world economy.

- (c) Selective Increases should in the future be taken up immediately after quota reviews in the Fund, and in addition once approximately midway between such reviews.

Robert S. McNamara

DERIVATION OF "CALCULATED QUOTAS" AND "CALCULATED SUBSCRIPTIONS"

1. Quota increases in the Fund are the end result of a process that commences with the preparation by Fund staff of sets of quota calculations based on recent economic data, using various formulae constructed for this purpose. The results of several of these formulae are then combined to determine a "calculated" quota for each member. The Fund staff also prepares tables indicating the divergence between calculated quotas and the actual quotas as a result of previous increases. These tables and calculations then form the basis of the quota negotiations that end with a set of "agreed" quotas approved by the Fund's Governors.

2. For purposes of parallel action in the Bank, the common component (percentage), if any, of quota increases for all countries is regarded as a general increase, and the balance is regarded as a selective increase for the countries concerned. Although the principal purpose of special increases in Fund quotas is to adjust the relative positions of individual member countries to reflect changes in their positions in the world economy, the "agreed" quotas are arrived at on the basis of a number of considerations which include, but are not confined to, the relative financial and economic standing of countries indicated by the quota calculations. 1/ Quota reviews are required at intervals of not more than five years, 2/ and the "agreed" quotas become the actual quotas when countries subscribe to them.

1/ In the past these considerations have included:

- (i) to give certain developing countries access to more conditional liquidity in the Fund (prior to Fifth General Review of Quotas, 1970);
- (ii) to meet the needs of the Fund for additional resources through special increases granted to industrial countries (Fourth Review of Quotas, 1965).

2/ The Seventh Review of Quotas took place in 1978, only three years after the previous review.

3. Once the calculated quotas in the Fund are known, calculated subscriptions in the Bank can be derived by multiplying the Bank's total authorized capital by the ratio of each country's calculated quota in the Fund to the total of calculated quotas. In arriving at calculated subscriptions for the purposes of this memorandum, the calculated quotas used are those from the Seventh Review of Quotas, adjusted to take account of the subsequent calculations for new members as well as for China. Further, the "membership" shares (250 per country) allocated as part of the General Capital Increase have been excluded from the Bank's total authorized capital for purposes of this calculation. Differences between the figures presented in this memorandum and those in the July memorandum are attributable to these two adjustments.

FOR ILLUSTRATIVE PURPOSES ONLY

TABLE 1

Page 1

IBRD: ESTIMATED SELECTIVE INCREASES
UNDER DIFFERENT CRITERIACASE 1

<u>Brazil-Yugoslavia Precedent</u>	<u>Additional Shares</u>
Bolivia	201
Chile	1032
Colombia	778
Costa Rica	395
Dominican Republic	530
Ecuador	395
Egypt	412
El Salvador	407
Ethiopia	287
Greece	1096
Guatemala	484
Honduras	327
Iran	374
Iraq	558
Mexico	2350
Nicaragua	325
Panama	294
Paraguay	228
Peru	778
Suriname	81
Uruguay	325
Venezuela	3129
	<u>14786</u>
<u>Special Support (80% Standard)</u>	
Korea, Republic of	842
Saudi Arabia	8576
United Arab Emirates	1979
	<u>11397</u>

CASE 2

<u>Brazil-Yugoslavia Precedent</u>	<u>Additional Shares</u>
Bolivia	201
Chile	1032
Colombia	778
Costa Rica	395
Dominican Republic	530
Ecuador	395
Egypt	412
El Salvador	407
Ethiopia	287
Greece	1096
Guatemala	484
Honduras	327
Iran	374
Iraq	558
Mexico	2350
Nicaragua	325
Panama	294
Paraguay	228
Peru	778
Suriname	81
Uruguay	325
Venezuela	<u>3129</u>
	<u>14786</u>

(continued)

<u>Special Support (80% Standard)</u>	<u>Additional Shares</u>
Austria	336
Belgium	1771
Denmark	305
Iran	3798
Italy	913
Korea, Republic of	929
Libyan	1554
Netherlands	3646
Nigeria	717
Norway	190
Oman	549
Saudi Arabia	9057
Spain	298
Sweden	2061
Trinidad and Tobago	465
United Arab Emirates	<u>2080</u>
	<u>28669</u>

TABLE 1

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CASE 3

<u>Brazil-Yugoslavia Precedent</u>	<u>Additional Shares</u>
Bolivia	201
Chile	1032
Colombia	778
Costa Rica	395
Dominican Republic	530
Ecuador	395
Egypt	412
El Salvador	407
Ethiopia	287
Greece	1096
Guatemala	484
Honduras	327
Iran	374
Iraq	558
Mexico	2350
Nicaragua	325
Panama	294
Paraguay	228
Peru	778
Suriname	81
Uruguay	325
Venezuela	3129
	<u>14786</u>
<u>Special Support (100% Standard)</u>	
Korea, Republic of	1778
Kuwait	1088
Saudi Arabia	13743
United Arab Emirates	3067
	<u>19676</u>

CASE 4

<u>Brazil-Yugoslavia Precedent</u>	<u>Additional Shares</u>
Bolivia	201
Chile	1032
Colombia	778
Costa Rica	395
Dominican Republic	530
Ecuador	395
Egypt	412
El Salvador	407
Ethiopia	287
Greece	1096
Guatemala	484
Honduras	327
Iran	374
Iraq	558
Mexico	2350
Nicaragua	325
Panama	294
Paraguay	228
Peru	778
Suriname	81
Uruguay	325
Venezuela	<u>3129</u>
	<u>14786</u>

(continued)

TABLE 1
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<u>Special Support (100% Standard)</u>	<u>Additional Shares</u>
Austria	2402
Belgium	7662
Brazil	3626
Canada	6491
Denmark	2236
Finland	815
Greece	366
Iran	9413
Ireland	162
Italy	8538
Korea, Republic of	2277
Kuwait	1901
Libyan	3274
Netherlands	10530
Nigeria	3101
Norway	1995
Oman	892
Portugal	580
Saudi Arabia	16500
South Africa	769
Spain	3685
Sweden	5474
Trinidad and Tobago	1118
United Arab Emirates	3647
Yugoslavia	636
	<u>98090</u>

TABLE 1
Page 6

<u>Special Support (100% Standard)</u>	<u>Additional Shares</u>
Austria	2402
Belgium	7662
Brazil	3626
Canada	6491
Denmark	2236
Finland	815
Greece	366
Iran	9413
Ireland	162
Italy	8538
Korea, Republic of	2277
Kuwait	1901
Libyan	3274
Netherlands	10530
Nigeria	3101
Norway	1995
Oman	892
Portugal	580
Saudi Arabia	16500
South Africa	769
Spain	3685
Sweden	5474
Trinidad and Tobago	1118
United Arab Emirates	3647
Yugoslavia	<u>636</u>
	<u>98090</u>

CASE 5Constrained Case: All claims scaled down equally.

<u>Brazil-Yugoslavia Precedent and Special Support (100% Standard)</u>	<u>Additional Shares</u>
Bolivia	154
Chile	789
Colombia	595
Costa Rica	302
Dominican Republic	405
Ecuador	302
Egypt	315
El Salvador	311
Ethiopia	219
Greece	838
Guatemala	370
Honduras	250
Iran	286
Iraq	427
Korea, Republic of	1315
Kuwait	760
Mexico	1796
Nicaragua	248
Panama	225
Paraguay	174
Peru	595
Saudi Arabia	10262
Suriname	62
United Arab Emirates	2293
Uruguay	248
Venezuela	2392
	<u>25933</u>

CASE 6

Constrained Case: All claims scaled down equally.

Brazil-Yugoslavia Precedent
and Special Support (100% Standard) Additional Shares

Austria	489
Belgium	1650
Bolivia	63
Brazil	647
Canada	1058
Chile	326
Colombia	246
Costa Rica	125
Denmark	454
Dominican Republic	167
Ecuador	125
Egypt	130
El Salvador	128
Ethiopia	91
Finland	82
Greece	346
Guatemala	153
Honduras	103
Iran	2357
Iraq	176
Italy	1701
Korea, Republic of	543
Kuwait	314
Libyan	809
Mexico	742
Netherlands	2426
Nicaragua	103
Nigeria	668
Norway	395
Oman	237

(continued)

<u>Brazil-Yugoslavia Precedent and Special Support (100% Standard)</u>	<u>Additional Shares</u>
Panama	93
Paraguay	72
Peru	246
Portugal	72
Saudi Arabia	4238
Spain	722
Suriname	26
Sweden	1283
Trinidad and Tobago	268
United Arab Emirates	947
Uruguay	103
Venezuela	988
Yugoslavia	<u>24</u>
	<u>25936</u>

CASE 7Constrained Case: All claims scaled down equally.

<u>Brazil-Yugoslavia Precedent and Special Support (80% Standard)</u>	<u>Additional Shares</u>
Austria	127
Belgium	893
Bolivia	131
Chile	673
Colombia	507
Costa Rica	258
Denmark	113
Dominican Republic	346
Ecuador	258
Egypt	269
El Salvador	265
Ethiopia	187
Greece	715
Guatemala	316
Honduras	213
Iran	2471
Iraq	364
Italy	256
Korea, Republic of	546
Libya	937
Mexico	1533
Netherlands	2071
Nicaragua	212
Nigeria	361
Norway	43

(continued)

Brazil-Yugoslavia Precedent
and Special Support (80% Standard) Additional Shares

Oman	343
Panama	192
Paraguay	149
Peru	507
Saudi Arabia	5575
Spain	44
Suriname	53
Sweden	1192
Trinidad and Tobago	274
United Arab Emirates	1287
Uruguay	212
Venezuela	<u>2041</u>
	<u>25934</u>

7/18/5/7

RATIOS OF "ACTUAL" SHARES TO CALCULATED SHARES

	<u>POST</u> <u>GCI SHARES</u>	<u>CALCULATED</u> <u>SHARES</u>	<u>RATIO</u>
MALDIVES	262	8	32.7500
COMOROS	281	13	21.6154
GRENADA	296	20	14.8000
SAO TOME & PRINCIPE	277	19	14.5789
LAOS	478	36	13.2778
WESTERN SAMOA	296	23	12.8696
GUINEA-BISSAU	302	27	11.1852
EQUATORIAL GUINEA	399	37	10.7838
BURUNDI	587	55	10.6727
RWANDA	587	79	7.4304
GAMBIA, THE	376	51	7.3725
CENTRAL AFRICAN EMPI	478	72	6.6389
MALI	643	99	6.4949
SOMALIA	616	97	6.3505
LESOTHO	362	66	5.4848
CHAD	478	94	5.0851
KAMPUCHEA, DEMOCRATI	742	148	5.0135
HAITI	587	119	4.9328
BENIN	478	97	4.9278
UPPER VOLTA	478	102	4.6863
MALAWI	602	132	4.5606
SRI LANKA	2110	464	4.5474
GUINEA	713	157	4.5414
SIERRA LEONE	595	138	4.3116
BURMA	1394	330	4.2242
BARBADOS	519	123	4.2195
AFGHANISTAN	926	236	3.9237
NIGER	478	126	3.7937
INDIA	22633	6292	3.5971
YEMEN, PDP	900	252	3.5714
UGANDA	1021	289	3.5329
NEPAL	533	157	3.3949
MADAGASCAR	780	233	3.3476
PAKISTAN	5127	1540	3.3292
MAURITANIA	494	150	3.2933
BANGLADESH	2655	810	3.2778
LIBERIA	753	253	2.9763
FIJI	535	186	2.8763
SUDAN	1609	561	2.8681
TOGO	602	218	2.7615
SWAZILAND	440	161	2.7329
TANZANIA	1100	409	2.6895
CYPRUS	788	310	2.5419

RATIOS OF "ACTUAL" SHARES TO CALCULATED SHARES

	<u>POST</u> <u>GCI SHARES</u>	<u>CALCULATED</u> <u>SHARES</u>	<u>RATIO</u>
GRANA	1907	759	2.5125
SURINAME	564	226	2.4956
LUXEMBOURG	825	331	2.4924
BOTSWANA	393	159	2.4717
SENEGAL	1117	452	2.4712
URUGUAY	1253	519	2.4143
MAURITIUS	678	304	2.2303
GUYANA	647	292	2.2158
BAHAMAS	773	352	2.1960
ARGENTINA	9351	4268	2.1910
KENYA	1315	646	2.0356
ICELAND	680	346	1.9653
ZAIRE	2643	1357	1.9477
VIETNAM	1712	901	1.9001
HONDURAS	461	253	1.8221
PARAGUAY	386	214	1.8037
EGYPT	3444	1980	1.7394
CONGO	492	283	1.7385
JAMAICA	1404	833	1.6855
JORDAN	701	441	1.5896
ZAMBIA	2478	1575	1.5733
CAMEROON	726	462	1.5714
NEW ZEALAND	3903	2497	1.5631
COLOMBIA	2525	1683	1.5003
BOLIVIA	761	516	1.4748
UNITED KINGDOM	50586	34866	1.4509
ETHIOPIA	533	368	1.4484
YEMEN ARAB REPUBLIC	455	315	1.4444
MOROCCO	2612	1848	1.4134
NICARAGUA	463	334	1.3862
IVORY COAST	1239	956	1.2960
EL SALVADOR	523	404	1.2946
PERU	2066	1619	1.2761
THAILAND	3111	2456	1.2667
SYRIAN ARAB REPUBLIC	1233	985	1.2518
PHILIPPINES	3570	2862	1.2474
AUSTRALIA	12737	10220	1.2463
INDONESIA	7777	6270	1.2404
COSTA RICA	504	408	1.2353
MALAYSIA	4250	3474	1.2234
CHILE	2651	2174	1.2194
ROMANIA	4124	3457	1.1929
ISRAEL	3489	2967	1.1759
PANAMA	668	574	1.1638
TUNISIA	1158	1031	1.1232
IRELAND	2701	2411	1.1203
UNITED STATES	150745	134684	1.1192
PAPUA NEW GUINEA	726	656	1.1067
ALGERIA	4755	4454	1.0676
BAHRAIN	566	532	1.0639
GABON	695	658	1.0562

RATIOS OF "ACTUAL" SHARES TO CALCULATED SHARES

	<u>POST</u> <u>GCI SHARES</u>	<u>CALCULATED</u> <u>SHARES</u>	<u>RATIO</u>
DOMINICAN REPUBLIC	589	567	1.0388
MEXICO	6360	6265	1.0152
SOUTH AFRICA	6954	6895	1.0086
YUGOSLAVIA	4631	4629	1.0004
PORTUGAL	2813	2900	.9700
FINLAND	4393	4574	.9604
TURKEY	3408	3729	.9139
GUATEMALA	573	634	.9038
ECUADOR	962	1082	.8891
KUWAIT	6451	7475	.8630
CANADA	21782	25856	.8424
FRANCE	34260	41209	.8314
BRAZIL	10706	12993	.8240
VENEZUELA	7560	9354	.8082
NORWAY	4916	6146	.7999
SPAIN	9061	11530	.7859
DENMARK	5136	6571	.7816
AUSTRIA	5469	7032	.7777
ITALY	19842	25954	.7645
NIGERIA	5944	8115	.7325
BELGIUM	14321	20052	.7142
TRINIDAD & TOBAGO	1541	2222	.6935
GREECE	2080	3038	.6847
NETHERLANDS	15117	23433	.6451
KOREA, REPUBLIC OF	2947	4589	.6422
JAPAN	34206	53399	.6406
SWEDEN	7367	11617	.6342
QATAR	949	1622	.5851
IRAN	11179	19114	.5849
LIBYAN ARAB REPUBLIC	3322	5856	.5673
OMAN	622	1166	.5334
GERMANY	34347	64697	.5309
UNITED ARAB EMIRATES	2385	5335	.4470
SAUDI ARABIA	11212	25339	.4425
IRAQ	2101	5910	.3555
LEBANON	595	2239	.2657
SINGAPORE	1028	4440	.2315

ELIGIBLE BANK MEMBERS FOR SELECTIVE CAPITAL INCREASE

	<u>POST</u> <u>GCI SHARES</u>	<u>CALCULATED</u> <u>SHARES</u>	<u>RATIO</u>
PORTUGAL	2813	2900	.9700
FINLAND	4393	4574	.9604
TURKEY	3408	3729	.9139
GUATEMALA	573	634	.9038
ECUADOR	962	1082	.8891
KUWAIT	6451	7475	.8630
CANADA	21782	25856	.8424
FRANCE	34260	41209	.8314
BRAZIL	10706	12993	.8240
VENEZUELA	7560	9354	.8082
NORWAY	4916	6146	.7999
SPAIN	9061	11530	.7859
DENMARK	5136	6571	.7816
AUSTRIA	5469	7032	.7777
ITALY	19842	25954	.7645
NIGERIA	5944	8115	.7325
BELGIUM	14321	20052	.7142
TRINIDAD & TOBAGO	1541	2222	.6935
GREECE	2080	3038	.6847
NETHERLANDS	15117	23433	.6451
KOREA, REPUBLIC OF	2947	4589	.6422
JAPAN	34206	53399	.6406
SWEDEN	7367	11617	.6342
QATAR	949	1622	.5851
IRAN	11179	19114	.5849
LIBYAN ARAB REPUBLIC	3322	5856	.5673
OMAN	622	1166	.5334
GERMANY	34347	64697	.5309
UNITED ARAB EMIRATES	2385	5335	.4470
SAUDI ARABIA	11212	25339	.4425
IRAQ	2101	5910	.3555
LEBANON	595	2239	.2657
SINGAPORE	1028	4440	.2315

7/18/5/6

(PAR, JULY 8, 1980)

IBRD - PROJECTED CAPITAL SUBSCRIPTION AND VOTING POWER - ASSUMING 20 BOARD SEATS

	INCLUDING ALREADY APPROVED INCREASES			ADD POTENTIALLY AVAILABLE SUBSCRIPTION			ADD GENERAL CAPITAL INCREASE - UNALLOCATED		
	NUMBER OF SHARES	VOTING POWER TOTAL VOTES	PERCENTAGE OF TOTAL	NUMBER OF SHARES	VOTING POWER TOTAL VOTES	PERCENTAGE OF TOTAL	NUMBER OF SHARES	VOTING POWER TOTAL VOTES	PERCENTAGE OF TOTAL
DIRECTORS APPOINTED BY:									
1. UNITED STATES	77735	77985	20.73	77735	77985	20.26	150745	150995	20.51
2. UNITED KINGDOM	26000	26250	6.98	26000	26250	6.92	50586	50836	6.90
3. GERMANY	17612	17862	4.75	17612	17862	4.64	34347	34597	4.70
4. FRANCE	17567	17817	4.74	17567	17817	4.63	34260	34510	4.69
5. JAPAN	17539	17789	4.73	17539	17789	4.62	34206	34456	4.68
ELECTED DIRECTORS:									
6. BRIBE (CANADA)									
BARBADOS	270	520	.14	270	520	.14	773	1023	.14
BHARAT	139	389	.10	139	389	.10	510	769	.10
CANADA	11122	11372	3.02	11122	11372	2.95	21782	22032	2.99
CUBANA	24	274	.07	24	274	.07	296	546	.07
GUYANA	205	455	.12	205	455	.12	647	897	.12
IRELAND	1266	1516	.40	1266	1516	.39	2701	2951	.40
JAMAICA	596	846	.22	596	846	.22	1404	1654	.22
SUB-TOTAL	13622	15372	4.09	13622	15372	3.99	28122	29872	4.06
7. EL-MAGAR (EGYPT)									
BAHRAIN	163	413	.11	163	413	.11	566	816	.11
EGYPT	1650	1900	.51	1650	1900	.49	3444	3694	.50
IRAQ	956	1206	.32	956	1206	.31	2101	2351	.32
JORDAN	233	483	.13	233	483	.13	701	951	.13
KUWAIT	3203	3453	.92	3732	3982	1.03	7475	7725	1.05
LEBANON	178	428	.11	178	428	.11	595	845	.11
MAURITIUS	6	256	.07	6	256	.07	262	512	.07
PAKISTAN	2519	2769	.74	2519	2769	.72	5127	5377	.73
QATAR	361	611	.16	361	611	.16	949	1199	.16
SAUDI ARABIA	5662	5912	1.57	7110	7360	1.91	14015	14265	1.94
SYRIAN ARAB REPUBLIC	507	757	.20	508	758	.20	1233	1483	.20
UNITED ARAB EMIRATES	1103	1353	.36	1411	1661	.43	2981	3231	.44
YEMEN ARAB REPUBLIC	106	356	.09	106	356	.09	455	705	.09
SUB-TOTAL	16648	18998	5.29	18933	22183	5.76	39904	43154	5.86
8. MARGASIMAN (INDIA)									
BAHRAIN	1242	1492	.40	1242	1492	.39	2655	2905	.39
INDIA	11333	11583	3.08	11333	11583	3.01	22633	22883	3.11
SRI LANKA	961	1211	.32	961	1211	.31	2110	2360	.32
SUB-TOTAL	13536	14286	3.80	13536	14286	3.71	27398	29149	3.82
9. LUGLJEN (NETHERLANDS)									
CYPRUS	278	528	.14	278	528	.14	788	1038	.14
ISRAEL	1673	1923	.51	1673	1923	.50	3483	3733	.51
NETHERLANDS	7679	7929	2.11	7679	7929	2.06	15117	15367	2.09
ROMANIA	2001	2251	.60	2001	2251	.58	4124	4374	.59
YUGOSLAVIA	2263	2513	.67	2263	2513	.65	4631	4881	.66
SUB-TOTAL	13894	15144	4.03	13894	15144	3.94	28149	29399	3.90
10. DE GROOT (BELGIUM)									
AUSTRIA	2696	2946	.78	2696	2946	.77	5469	5719	.78
BELGIUM	7268	7518	2.00	7268	7518	1.95	14321	14571	1.98
LUXEMBOURG	297	547	.15	297	547	.14	825	1075	.15
NETHERLANDS	1631	1881	.50	1631	1881	.49	3408	3658	.50
SUB-TOTAL	11892	12892	3.43	11892	12892	3.35	24023	25023	3.40

TABLE - PROJECTED CAPITAL SUBSCRIPTION AND VOTING POWER - ASSUMING 20 BOARD SEATS

	EXCESSIVE ALREADY APPROVED INCREASES			AND POTENTIALLY AVAILABLE SHARES NOW			AND GENERAL CAPITAL INCREASE - RECALCULATED		
	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
11. MAYORGE (VENEZUELA)									
COSTA RICA	131	361	.10	335	526	.15	499	1149	.16
EL SALVADOR	141	391	.10	351	601	.16	430	1170	.16
GUATEMALA	167	417	.11	417	667	.17	1057	1307	.18
HAITI	174	424	.11	174	424	.11	587	837	.11
HONDURAS	109	359	.10	278	528	.16	788	1038	.14
MEXICO	3156	3406	.91	4370	4620	1.20	8710	8960	1.22
PANAMA	216	466	.12	368	618	.16	962	1212	.16
PERU	930	1198	.32	1340	1590	.41	2844	3094	.42
SPAIN	4551	4601	1.28	4551	4601	1.25	9061	9311	1.26
SURINAME	162	412	.11	204	454	.12	645	895	.12
VENEZUELA	3776	4026	1.07	5302	5642	1.47	10689	10939	1.49
SUB-TOTAL	13521	14271	4.33	17770	20530	5.33	37172	39922	5.42
12. LUNDSTROM (SWEDEN)									
GERMANY	2524	2774	.74	2524	2774	.72	5136	5386	.73
FINLAND	2140	2390	.64	2140	2390	.62	4393	4643	.63
ICELAND	222	472	.13	222	472	.12	690	930	.13
NORWAY	2410	2660	.71	2410	2660	.69	4916	5166	.70
SWEDEN	3676	3926	1.04	3676	3926	1.02	7367	7617	1.03
SUB-TOTAL	10972	12222	3.25	10972	12222	3.18	22492	23742	3.22
13. KEAY (AUSTRALIA)									
AUSTRALIA	6450	6700	1.78	6450	6700	1.74	12737	12987	1.76
KOREA, REPUBLIC OF	1393	1643	.44	1774	2024	.53	3684	3934	.53
NEW ZEALAND	1807	2137	.57	1887	2137	.56	3903	4153	.56
PAPUA NEW GUINEA	246	496	.13	246	496	.13	726	976	.13
SOLOMON ISLANDS	17	267	.07	17	267	.07	283	533	.07
WESTERN SAMOA	24	274	.07	24	274	.07	296	546	.07
SUB-TOTAL	10017	11517	3.06	10308	11598	3.09	21629	23129	3.14
14. ROTA (ITALY)									
GREECE	945	1195	.32	945	1195	.31	2080	2330	.32
ITALY	10120	10370	2.76	10120	10370	2.69	19642	20092	2.73
PORTUGAL	1324	1574	.42	1324	1574	.41	2913	3063	.42
SUB-TOTAL	12389	13139	3.49	12389	13139	3.41	24735	25495	3.44
15. HADINGA (MALAWI)									
BOTSWANA	74	324	.09	74	324	.08	393	643	.09
BURUNDI	174	424	.11	174	424	.11	587	837	.11
EQUATORIAL GUINEA	77	327	.09	77	327	.08	399	649	.09
ETHIOPIA	146	396	.11	146	396	.10	533	783	.11
GAMBIA, THE	65	315	.08	65	315	.08	376	626	.09
GUINEA	232	489	.13	239	489	.13	713	963	.13
KENYA	550	800	.21	550	800	.21	1315	1565	.21
LESOTHO	58	308	.08	58	308	.08	362	612	.08
LIBERIA	260	510	.14	260	510	.13	753	1003	.14
MALAWI	182	432	.11	182	432	.11	602	852	.12
NIGERIA	2941	3191	.85	2941	3191	.83	5944	6194	.84
SIERRA LEONE	178	428	.11	178	428	.11	595	845	.11
SUDAN	702	952	.25	702	952	.25	1609	1859	.25
SWAZILAND	98	348	.09	98	348	.09	440	690	.09
TANZANIA	439	689	.18	439	689	.18	1100	1350	.18
TRINIDAD & TOBAGO	667	917	.24	667	917	.24	1541	1791	.24
UGANDA	398	648	.17	398	648	.17	1021	1271	.17
ZAMBIA	1151	1401	.37	1151	1401	.36	2478	2728	.37
SUB-TOTAL	8399	12099	3.43	8399	12099	3.35	20761	25261	3.43
16. BAZAFINDRANE (MADAGASCAR)									
BENIN	118	368	.10	118	368	.10	478	728	.10
CAMEROON	246	496	.13	246	496	.13	726	976	.13
CAPE VERDE	16	266	.07	16	266	.07	291	541	.07
CENTRAL AFRICAN EMPIRE	118	368	.10	118	368	.10	478	728	.10
CHAD	118	368	.10	118	368	.10	478	728	.10
COMOROS	16	266	.07	16	266	.07	291	541	.07
CONGO	125	375	.10	125	375	.10	492	742	.10
CARON	230	480	.13	230	480	.12	695	945	.13
GUINEA-BISSAU	27	277	.07	27	277	.07	302	552	.07
IVORY COAST	511	761	.20	511	761	.20	1239	1489	.20
MADAGASCAR	274	524	.14	274	524	.14	760	1010	.14
MALI	203	453	.12	203	453	.12	643	893	.12
MAURITANIA	124	374	.10	124	374	.10	494	744	.10
MAURITIUS	221	471	.13	221	471	.12	678	928	.13
NIGER	118	368	.10	118	368	.10	478	728	.10
RUANDA	174	424	.11	174	424	.11	587	837	.11
SAO TOME & PRINCIPE	14	264	.07	14	264	.07	277	527	.07
SENEGAL	447	697	.18	447	697	.18	1117	1367	.18
SOMALIA	189	439	.12	189	439	.11	614	864	.12
TOGO	192	432	.11	192	432	.11	602	852	.11
UPPER VOLTA	118	368	.10	118	368	.10	478	728	.10
ZAIRE	1236	1486	.40	1236	1486	.39	2543	2793	.39
SUB-TOTAL	4727	10127	2.75	4727	10127	2.68	14743	20343	2.76

(P&R, JULY 8, 1980)

IBRD - PROJECTED CAPITAL SUBSCRIPTION AND VOTING POWER - ASSUMING 20 BOARD SEATS

	INCLUDING ALREADY APPROVED INCREASES			ADD POTENTIALLY AVAILABLE SUBSCRIPTION			ADD GENERAL CAPITAL INCREASE - UNCALLED		
	NUMBER OF SHARES	VOTING POWER		NUMBER OF SHARES	VOTING POWER		NUMBER OF SHARES	VOTING POWER	
		TOTAL VOTES	% OF TOTAL		TOTAL VOTES	% OF TOTAL		TOTAL VOTES	% OF TOTAL
17. SAIR (MALAYSIA)									
BURMA	591	841	.22	591	841	.22	1394	1644	.22
FIJI	147	397	.11	147	397	.10	535	785	.11
INDONESIA	3838	4138	1.10	3838	4138	1.08	7777	8027	1.09
LACS	118	368	.10	118	368	.10	478	728	.10
MALAYSIA	2066	2316	.62	2066	2316	.60	4250	4500	.61
NEPAL	146	396	.11	146	396	.10	533	783	.11
SINGAPORE	402	652	.17	402	652	.17	1028	1278	.17
THAILAND	1478	1728	.46	1478	1728	.45	3111	3361	.46
VIETNAM	755	1005	.27	755	1005	.26	1712	1962	.27
SUB-TOTAL	9591	11841	3.15	9591	11841	3.08	20818	23068	3.13
18. SAPA (PHILIPPINES)									
BRAZIL	5401	5651	1.50	5401	5651	1.47	10706	10956	1.49
COLOMBIA	1175	1425	.38	1577	1827	.47	3303	3553	.48
DOMINICAN REPUBLIC	175	425	.11	449	699	.18	1119	1369	.19
ECUADOR	368	618	.16	572	822	.21	1357	1607	.22
PHILIPPINES	1715	1965	.52	1715	1965	.51	3570	3820	.52
SUB-TOTAL	8834	10084	2.68	9714	10564	2.85	20055	21305	2.89
19. BELYUCOJA (TUNISIA)									
AFGHANISTAN	349	599	.16	349	599	.16	926	1176	.16
ALGERIA	2327	2577	.69	2327	2577	.67	4755	5005	.68
CHINA	856	1106	.29	856	1106	.29	1907	2157	.29
IPAN	5645	5895	1.57	5645	5895	1.53	11179	11429	1.55
LIBYAN ARAB REPUBLIC	1587	1937	.49	1587	1837	.48	3322	3572	.49
MOROCCO	1220	1470	.39	1220	1470	.39	2612	2862	.39
OMAN	192	442	.12	192	442	.11	622	872	.12
TUNISIA	469	719	.19	469	719	.19	1158	1408	.19
YEMEN, PDR	336	586	.16	336	586	.15	900	1150	.16
SUB-TOTAL	12981	15231	4.05	12981	15231	3.96	27381	29631	4.02
20. SOLA (ARGENTINA)									
ARGENTINA	4701	4951	1.32	4701	4951	1.29	9351	9601	1.30
BOLIVIA	264	514	.14	248	618	.16	962	1212	.16
CHILE	1240	1490	.40	1773	2023	.53	3683	3933	.53
PARAGUAY	70	320	.09	188	438	.11	614	864	.12
PERU	518	768	.20	486	936	.24	1578	1828	.25
SUB-TOTAL	6793	8943	2.14	7716	8566	2.33	16188	17438	2.37
REPRESENTATION UNDETERMINED									
CHINA	12000	12250	3.26	12000	12250	3.18	12000	12250	1.66
GUINEA	31	291	.07	31	281	.07	310	560	.08
HONDURAS	16	266	.07	16	266	.07	281	531	.07
KAMBODIA, DEMOCRATIC	254	504	.13	254	504	.13	742	992	.13
NICARAGUA	110	360	.10	110	360	.09	463	713	.10
SEYCHELLES	11	261	.07	11	261	.07	271	521	.07
SOUTH AFRICA	3463	3713	.99	3463	3713	.96	6954	7204	.98
ST. LUCIA	29	279	.07	29	279	.07	306	556	.08
ST. VINCENT	13	263	.07	13	263	.07	275	525	.07
ZIMBABWE	817	1067	.28	817	1067	.28	1832	2082	.28
SUB-TOTAL	16744	19244	5.12	16744	19244	5.00	23434	25934	3.52
GRAND TOTAL	341114	376114	100.00	349842	384842	100.00	701248	736248	100.00
OF WHICH:									
PART I COUNTRIES	216210	220960	58.75	216210	220960	57.42	423333	426083	58.14
PART II COUNTRIES	108160	135910	36.14	116888	144638	37.58	254481	282231	38.33
COUNTRIES NOT REPRESENTED	16744	19244	5.12	16744	19244	5.00	23434	25934	3.52

7/18/5/14

OFFICE MEMORANDUM

TO: Executive Directors and Alternates DATE: July 28, 1980

FROM: T. T. Thahane ~~TTT~~

SUBJECT: Points for Discussion on Criteria for Selective Capital Increases

Attached is a short note on points for discussion on Criteria for Selective Capital Increases. This note will form the basis of a discussion at an informal meeting of Executive Directors on Wednesday, July 30th, at 2:30 p.m. in Room E-1227.

7/29
Attachment

SUBJECT: Points for Discussion on Criteria for Selective Capital Increases

Pursuant to the withdrawal of the paper on Criteria for Selective Capital Increases (R80-191), the following steps are proposed as a basis for proceeding:

- (1) We would process the pending increase in the PRC's subscription;
- (2) We would defer all other pending requests for increases, i.e. the recommended increase for 16 countries under the Brazil-Yugoslavia precedents and four increases recommended under the proposed new criteria;
- (3) We would prepare a paper containing proposed criteria for selective increases for consideration after the Board recess. The paper would contain criteria only, and not make recommendations for specific increases;
- (4) If the Board approves the proposed criteria, countries eligible for increases under the criteria could request increases until December 31, 1980;
- (5) Based on the requests received, Management would make recommendations for individual increases and examine the extent to which eligible requests could be met from existing shares; and
- (6) The Board would consider Management's recommendations for increases and decide on the extent to which authorized capital should be increased to accommodate eligible requests and to provide a margin for new member countries and other purposes.

*E. Rodman
for Dis. when*

*Talking pts + info only
re new journal*

Mr. McDemara
7/28 15/5

OFFICE MEMORANDUM

TO: The President and Executive Directors
DATE: July 21, 1980

FROM: A. IJ. A. Looijen and H. Lundström

SUBJECT: Criteria for Selective Capital Increases (R80-191, R80-191/1)

To facilitate reaching a decision on the above papers during the Board meeting of July 29, and to avoid any further delays, we want to bring the following remarks to the attention of the Board members at this stage.

1) Until quite recently the only criterion for Bank subscriptions has been parallelism with the Fund quota. In a few cases where Bank subscriptions were less than the Fund quota as a result of the outcome of the Bretton Woods negotiations in 1944, Bank subscriptions have been increased to restore parallelism with the Fund (Brazil, Yugoslavia). The proposal in the present document to restore this parallelism for 16 other countries creates no problem, as it is consistent with the existing criteria and practice.

2) The second part of the management proposals is quite different. It will create the possibility to increase subscriptions so as to come closer to or to reach the so-called "calculated quota" in the Fund. This is clearly a new criterion. If the Board should adopt it the rules for its application should be clarified.

3) This seems particularly necessary with regard to the second sentence of paragraph 11 of the President's proposal which deals with the timing of new selective capital increases. In our opinion, we should clearly specify at which times proposals should be made to the Board of Governors and deadlines should be set for member countries wanting to apply for special increases.

4) As capital increases are approved by the Board of Governors, it seems appropriate that new criteria for such increases should also be approved by the Governors, or should at least be set out much more precisely in the report to the Governors. We would like to get advice on this issue from our General Counsel.

5) The new "calculated quota" criterion seems to be applied for the first time in a rather haphazard way. It has been applied in the cases of France and Japan before even any thought had been given to new criteria, and if we approve the papers before us it would now be applied to four more countries which happen to have applied for a capital increase before any new criteria existed. We consider it logical that other eligible countries should get the opportunity to participate in this first round of applications. Therefore, a deadline should be announced in the report to the Governors (for instance, December 31, 1980) before which date applications for special capital increases should be received by the Secretary and Vice President of the Bank.

6) It is clear that the authorized capital will be insufficient to accommodate other countries than those which are mentioned in the report. Therefore, a new special increase in the authorized capital of the Bank will be necessary. This could be decided upon during the first months of 1981, together with the increase in authorized capital which will probably be necessary in connection with the fact that extra shares will have to be allocated to China in accordance with the general capital increase.

7) We would appreciate it if the Legal Department could prepare the amendments to the draft report to the Board of Governors and to the draft Resolution necessary for the implementation of the above suggestions, so as to avoid any delay in the Board's decision on this issue at its meeting on June 29.

7/21/80

Mr. McNamara

OFFICE MEMORANDUM

State the rules clearly
1. We must have a rule in parallel with 1976 & 1977.
2. Will permit a country to take of 3% share (Aunt?)
3. Will permit a country to move toward a pro based on sel. quota, rather than actual
4. Will permit a country to take of 3% share (Aunt?)
5. Will permit a country to move toward a pro based on sel. quota, rather than actual

TO: Mr. Robert S. McNamara, President

DATE: July 21, 1980

FROM: Said El-Naggar, Executive Director *S. El-Naggar*

SUBJECT: Criteria for Selective Capital Increases

1. According to selective increases proposed in your memorandum (R80-191, July 1, 1980), the voting power of Saudi Arabia, Kuwait and the United Arab Emirates will increase as follows:

Relative Voting Power (%)

	<u>Present</u>	<u>After Selective Increases and GCI</u>	<i>Request</i>	<u>Net Increase</u>
Saudi Arabia	1.57	1.94	2.50	0.37
Kuwait	0.92	1.05	1.50	0.13
UAE	0.36	0.44	.50	0.08
Total	2.85	3.43	4.50	0.58

Thus, the combined voting power of the three countries after all selective increase and GCI have been subscribed to will rise by a mere 0.58%. Such a marginal increase would seem to be much less than is justified by their increased economic strength, strong support for the World Bank Group and outstanding record in development assistance.

2. Under the so-called Brazil-Yugoslavia precedent, both Egypt and Iraq would qualify for selective increases on the same basis as the sixteen countries included in paragraph 3 of your memorandum. Iraq is further qualified by the fact that its post-GCI actual share is far below its calculated share as shown in Appendix 2 of your memorandum. Accordingly, these two countries should be considered for selective increases.

3. In the light of these considerations it will be appreciated if you would call an informal meeting with Executive Directors as soon as possible to discuss the requests of my constituency as well as the criteria for selective increases.

cc: Executive Directors
Messrs. M. Qureshi
T. Thahane ✓
G. Gabriel

Determine what we want to do: change
Then meet with SL or
ask shares?
Return of shares to the
ED's of the countries
Request

Before
to meeting

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question 1976,
if possible
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not because the
prevalent 2x
40% are in
1976 as 70%
Eds of 2 jobs
most interested
Secret would then
countries

OFFICE MEMORANDUM

11 ~~Handwritten~~
2/15/79 U. Fakhri
Secretary
DATE March 9, 1979
L. M. M.

TO: Mr. Robert S. McNamara, President

DATE March 9, 1979

FROM: Said El-Naggar, Executive Director

SR/3/16
Handwritten initials

7/18/5/2
Handwritten notes

SUBJECT: Adjustment in the Voting Rights of
Kuwait, Saudi Arabia and United Arab Emirates

On behalf of the Governments of Kuwait, Saudi Arabia and United Arab Emirates, I hereby request an adjustment in the voting rights of these countries. In your memorandum R79-22 dated February 12, 1979, these three countries figure among the 11 countries whom you are proposing for special increases in line with the recent adjustment of their IMF quotas. However, this adjustment falls far short of what they should claim on the basis of the following considerations:

1. That they are important contributors to IDA. In IDA V, for instance, the combined share of these countries amounted to 7.6%. In contrast their voting right in the World Bank is presently about 2.5%.

2. That they are important contributors in the field of development assistance in general. According to the most recent estimate of the OECD the proportion of net disbursement of concessional aid to their GNP in 1977 is as follows:

Kuwait	10.18%
Saudi Arabia	4.82%
United Arab Emirates	10.97%

(Source: OECD Observer, November 1978)

3. The fact that you proposed a special increase for OPEC countries on the occasion of the last Selective Increase which was supposed to increase their voting power from 5% to 15%. In the event these countries obtained only an increase from 5% to 9%.

In the light of these considerations, I believe the following adjustment of their voting right would be appropriate:

	Present Voting Power %	Proposed Adjustment %
Kuwait	0.74	1.50
Saudi Arabia	1.43	2.50
UAE	0.34	0.50
	<u>2.51</u>	<u>4.50</u>

According to this request the total voting power of the 3 countries would rise from the present 2.5% to 4.5%. The number of shares required for

this adjustment would be in the neighborhood of 6,000 shares.

It is hoped you will recognize the validity of this case and that some way will be found to accommodate their request.

cc: Executive Directors
Mr. I.P.M. Cargill
Mr. P.N. Damry ✓

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FOR
EXECUTIVE
DIRECTORS'
MEETING

DECLASSIFIED
NOV 30 2012
WBG ARCHIVES

For consideration on
July 22, 1980

R80-191

FROM: Vice President and Secretary

July 1, 1980

CRITERIA FOR SELECTIVE CAPITAL INCREASES

Attached hereto is a memorandum from the President entitled
"Criteria for Selective Capital Increases" dated July 1, 1980.

Questions on this document may be referred to Mr. Applegarth (X75765).

7/2

Distribution:

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

Office of the President

July 1, 1980

CRITERIA FOR SELECTIVE CAPITAL INCREASES

DECLASSIFIED

NOV 30 2012

WBG ARCHIVES

Introduction

1. At the time the Executive Directors approved the proposals for selective increases in Bank capital subscriptions for Japan and France in 1979, 1/ several Directors expressed the view that it would be desirable to agree on the criteria for determining such increases before considering any new proposals. This memorandum suggests certain general criteria that the Bank might use in considering requests for special capital subscriptions. Specifically, it recommends that selective increases in the Bank should continue to be based essentially on the principle of parallel action to the Fund, with some flexibility for the Bank to grant selective increases independent of the Fund when it would be in the Bank's interest to do so. Such action may be justified in recognition of special actions of member countries that further the objectives of the Bank Group, or when there is a significant change in the economic circumstances of member countries that enables them to play a larger role in the Bank. The memorandum recommends the grant of selective increases to 20 member countries, 16 based on established principles and 4 applying the new criteria.

Bank Policy in the Past

2. At the Bretton Woods Conference in 1944, it was intended that the initial subscriptions of the original members of the Bank be equal to the members' Fund quotas. However, twenty-three developing countries requested lower subscriptions to the Bank's capital, and the shortfall was taken up by three countries -- Canada, China and the United States -- that subscribed more than their Fund quotas indicated (Appendix 1). 2/

1/ Japan - Increase in Subscription (R79-29, dated February 22, 1979) and France - Increase in Subscription (R79-44, dated March 8, 1979).

2/ In 1956 (Brazil) and 1979 (Yugoslavia), two of the original twenty-three obtained special capital increases which brought their Bank subscriptions into line with their Fund quotas (cf. R-976, dated June 22, 1956 and R79-23, dated February 14, 1979). These increases, which permitted the two countries to make up the initial shortfall in their subscriptions, were granted in recognition of their growing economic strength that enabled them to assume a greater share of the burden of financing the Bank.

3. Since then, members' quotas in the Fund and subscriptions in the Bank have been increased on several occasions. Following the Bretton Woods precedent, the Bank has adopted a policy of maintaining proportionality between IMF quotas and Bank capital subscriptions, and has authorized increases in capital subscriptions whenever there was a selective increase in Fund quotas.

4. The quota increases in the Fund have been the end result of a process that commences with the preparation by Fund staff of sets of quota calculations based on recent economic data, using various formulae used in the past. The results of several of these formulae are then combined to determine a "calculated" quota for each member. The Fund staff also prepares tables indicating the divergence between calculated quotas and the actual quotas as a result of previous increases. These tables and calculations then form the basis of the quota negotiations that end with a set of "agreed" quotas approved by the Fund's Governors. Although the principal purpose of special increases in Fund quotas is to adjust the relative positions of individual member countries to reflect changes in their positions in the world economy, it is important to recognize that the "agreed" quotas are arrived at on the basis of a number of considerations which include, but are not confined to, the relative financial and economic standing of countries indicated by the quota formulae. ^{1/} Quota reviews are required at intervals of not more than five years, ^{2/} and the "agreed" quotas become the actual quotas when countries subscribe to them.

*members
used by IMF
from IMF
cal. quotas*

*of their table
7 set on
cal. IMF
quotas*

5. In the Bank, the general policy that has emerged with regard to capital increases has been the following:

- General increases in the capital of the Bank are determined by the objectives and specific needs of the Bank. For example, the General Capital Increase was

1/ In the past, these considerations have included:

- (1) to give certain developing countries access to more conditional liquidity in the Fund (prior to Fifth General Review of Quotas, 1970);
- (2) to meet the needs of the Fund for additional resources through special increases granted to industrial countries (Fourth Review of Quotas, 1965).

2/ The Seventh Review of Quotas took place in 1978, only three years after the previous review.

primarily necessitated by the need to sustain current and projected higher levels of lending in the future.

- Selective increases are granted pursuant to the policy of parallelism with the Fund. Thus, whenever the Fund has granted a selective increase in quotas, whether to individual countries or to a group of countries, the Bank has taken parallel action so that the increases authorized in Bank subscriptions are in the same proportion as the selective increases in the Fund. For purposes of parallel action in the Bank, the common component (percentage), if any, of quota increases for all countries is regarded as a general increase, and the balance is regarded as a selective increase for the countries concerned.

6. Separating Bank increases in this manner into general increases independent of the Fund and selective increases parallel to selective increases in the Fund has helped to ensure that the relative positions of countries in the two institutions were similar even though the sizes of the institutions may have changed because of general increases. 1/

Criteria for the Future

7. Over the years, the principle of parallelism has served the Bank well. It has generally ensured that increases in the Bank's capital come from the richer and faster-growing countries. It is a simple and practical system, which has avoided duplication of time-

1/ Parallel action has not achieved perfect parallelism, although relative positions of member countries in the Bank and the Fund are quite close. Differences can be traced to the smaller initial subscription to Bank shares by 23 developing countries (paragraph 2), and converse action by three other members; to occasional decisions by members not to take up their authorized Fund quotas, while taking up their authorized additional Bank shares, or vice versa; to the occasional exercise of preemptive rights by some member countries (Article II, Section 3(c) of the Bank's Articles of Agreement gives each member country the right to purchase shares in the new capital increase in proportion to their existing holdings.); to the two selective capital increases of 1979 referred to in paragraph 1; and to the decision to grant each IBRD member 250 "membership" shares as part of the General Capital Increase.

consuming negotiations. It is consistent with the precedents of Bretton Woods, which have been reviewed and endorsed by the Executive Directors on several subsequent occasions. 1/

8. The various reasons that have justified the use of parallelism in the past continue to be valid. It is therefore desirable from the point of view of the Bank as well as its members to retain parallelism as a cornerstone of Bank policy, and it is recommended that the Bank do so. However, parallelism should not be so strictly applied as to prevent the Bank from authorizing in exceptional circumstances special increases beyond those agreed in the Fund even when there is a consensus among Bank members that such increases would be justified.

9. Selective increases which have not been preceded by action in the Fund seem most justified in recognition of actions of member countries that are specially supportive of the objectives of the Bank Group, or when the economic circumstances of member countries change sufficiently for them to accept a larger relative share in the Bank. It is recommended that such circumstances be considered in future selective increases. It is impossible to establish any sort of mechanical link between a country's economic situation, the support provided by it to the Bank Group, and the amount of the selective capital increase. One cannot list in advance all the criteria that might be relevant, although some illustrative examples of specific support can be provided. Exceptional contributions to IDA would figure prominently among them. Official long-term lending to the Bank could also constitute a valid consideration. Other types of support might also be relevant. The merits of eligible requests would have to be considered on a case by case basis; and all capital increases would be subject to approval by the Bank's Board of Governors.

Technical Aspects

10. Selective increases granted on these considerations should not be allowed to compromise, over the long-term, the principle of parallelism with the Fund. This could best be accomplished by restricting selective increases independent from the Fund to cases where a member country's authorized participation in the Bank's capital falls short of its calculated subscription derived from its

1/ See, for example, Draft Report of the Executive Directors, attached to Special Increases in Certain Subscriptions to Capital Stock, dated February 14, 1979, (M79-24). See, similarly, M70-4, dated January 7, 1970 and R69-221, dated November 24, 1969.

calculated quota in the Fund. 1/ In the past, special increases authorized by the Fund have served to reduce divergences between actual and calculated quotas. It is therefore reasonable to expect that, provided independent action by the Bank is limited to cases where authorized subscriptions are less than calculated subscriptions, such independent action will often just anticipate Fund action and will therefore constitute only a limited departure from the principle of parallelism over the long-run. Out of the Bank's 135 member countries, only 33 now have an actual subscription below their calculated subscription. A list of these countries, and the maximum increases to which they would be entitled, appears in Appendix 2. Of these 33 members, three would qualify for increases under the Brazil and Yugoslavia precedents (paragraph 13). If the recommended increases under these precedents are granted, these three countries would cease to be eligible for increases under the proposed new criteria. Two of the 33 members, France and Japan, have already received selective increases associated with the GCI and are not eligible at present. Thus, 28 members would satisfy this criterion for increases out of the remaining shares authorized in the GCI.

why "cease"
why not

11. The scope of the exception to the rule of strict parallelism with the Fund can be further reduced by restricting the frequency of selective increases. It would be reasonable to arrange the timing of such increases so that they are taken up immediately after quota reviews in the Fund, which would normally be once every five years, and in addition once approximately midway through the five year period. Considering all requests for increases together at those times would be administratively convenient and would enable the requests to be evaluated in light of one another and against the same standards. It also seems desirable that member countries should be eligible for selective capital increases under the new criteria, i.e. increases not determined by parallelism with the Fund, only if they have taken up all shares still available to them under earlier capital

1/ Calculated subscriptions in the Bank can be derived by multiplying the Bank's total authorized capital (including the GCI) by the ratio of each country's calculated quota in the Fund to the total of calculated quotas.

increase resolutions.^{1/} Finally, additional shares allocated to any member in such exceptional capital increases might be limited to no more than 25% of the shares already authorized for it at the time of the increase, with the further condition that the increase should not exceed the amount required to raise the actual subscription to the calculated level. This would serve to limit further the departures from strict parallelism.^{2/}

Selective Increases for Individual Member Countries

12. The criteria developed above can be employed in evaluating the requests for selective capital increases currently pending with the Bank.

13. The first group of requests involves sixteen countries that have followed the Brazil and Yugoslavia precedents ^{3/} in requesting selective increases to bring their Bank subscriptions in line with their Fund quotas. The new criteria for selective increases proposed in paragraphs 9-11 are not applicable to these requests, since they are based solely on existing precedent. The requests were in fact received prior to Board approval of the General Capital Increase report last year, and a block of about 25,000 shares was set aside in the GCI for meeting these requests as well as other requests that were expected. The table below shows the names of the countries concerned, the number of additional shares that would be required in each case now to eliminate the disparity between Bank subscriptions and Fund quotas, and the further increases that would be appropriate under the principles adopted for the GCI:

27 countries
27 countries of BR
27 countries of BR
27 countries of BR

-
- ^{1/} Since procedural formalities relating to subscription take time to be completed, it might be provided that for a request for a special increase to be processed, the member concerned must have advised the Bank that it intends to subscribe to the shares available under previous resolutions. The special increase, if any, authorized would be subject to satisfactory completion of action on the earlier application.
- ^{2/} The maximum potential increases shown in Appendix 2 have been adjusted to take account of this constraint.
- ^{3/} See footnote to paragraph 2.

	Required Increase in Shares		
	(1)	(2)	(3)
<u>Member</u>	<u>Needed Now</u>	<u>Additional Needed After GCI</u>	<u>Total</u>
1. Bolivia	104	97	201
2. Chile	533	499	1032
3. Colombia	402	376	778
4. Costa Rica	204	191	395
5. Dominican Republic	274	256	530
6. Ecuador	204	191	395
7. El Salvador	210	197	407
8. Guatemala	250	234	484
9. Honduras	169	158	327
10. Mexico	1214	1136	2350
11. Panama	152	142	294
12. Paraguay	118	110	228
13. Peru	402	376	778
14. Suriname <u>a/</u>	42	39	81
15. Uruguay	168	157	325
16. Venezuela	1616	1513	3129
	<u>6062</u>	<u>5672</u>	<u>11734</u>

a/ Suriname is not an original member of the Bank. However, its initial Bank subscription was lower than its Fund quota, because its initial Fund quota reflected the Sixth review of quotas, while its initial Bank subscription did not.

14. Since these requests follow precedent and are in consonance with the principle of parallelism with the Fund, it is recommended that the additional shares be allocated as requested. To maintain parallelism, increases shown in column 2 of the table above would be subject to the same "scaling down" condition as increases allocated to members under the GCI resolution. 1/

15. From 1959 (when Bank capital subscriptions were doubled with no additional paid-in capital) until the GCI, all new or increased subscriptions to the Bank contained a 10% paid-in portion. Under the GCI, the paid-in portion of the increased subscriptions has been fixed at 7.5%. In order to maintain parity of treatment, the proportion to be paid in of the increases proposed in paragraph 13-14 above would be

1/ See "IBRD General Capital Increase" (R79-57/2, dated June 20, 1979), Attachment I, paras. 6-8.

so fixed as to be equivalent to a 10% paid-in portion on the increase shown as needed now (6076 shares) and a 7.5% paid-in portion on the component corresponding to the GCI (5685 shares).

16. The proposed new criteria would apply to a second group of requests for selective increases. These requests are not based on parallelism with the Fund but rely on considerations relating to economic performance in general as well as specific support for the Bank Group. Such requests have been received from Saudi Arabia, the United Arab Emirates, Kuwait and Korea. The four cases are discussed individually below:

- (i) Saudi Arabia: If Saudi Arabia takes up its entire allotment under the GCI, its actual subscription would be 44.3% of its calculated subscription. Saudi Arabia has subscribed to all the shares available to it under previous resolutions. In terms of the criteria proposed in paragraphs 10-11 above, it would be entitled to a maximum increase of 25% of its post-GCI subscription, or 2803 shares, provided it meets the criterion relating to support for the Bank Group. As against its projected share of 1.66% in the Bank's capital after the GCI, and a share of 2.20% in the capital contributed by IDA6 donors alone, Saudi Arabia contributed 3.25% of both the Fifth and Sixth IDA Replenishments, and an additional \$100 million to the Fifth Replenishment. Further, the Saudi Arabian Monetary Agency has directly purchased Bank bond issues in both FY79 and FY80, and additional borrowings from it are contemplated in coming years. Under these circumstances, and in view of Saudi Arabia's growing economic strength as a capital exporting country, it is recommended that a selective increase of 2803 shares be granted to Saudi Arabia, 1448 shares to be available to subscription now, and 1355 shares when the subscription period to the GCI begins.

*only 44.3%
of calculated
sub 2/3 from T
Sat 2/80*

*could it do so
again?
- Rm?*

- (ii) United Arab Emirates: This again is a case of extreme divergence, since the UAE's post-GCI share of Bank capital would be 44.7% of its calculated share. UAE meets the other technical criteria of eligibility for a selective increase, and would be entitled to a maximum increase of 25% of its post-GCI subscription, or 596 shares. It has contributed 0.66% to both the Fifth and Sixth Replenishments of IDA, significantly in excess of its post-GCI share of 0.35% in total Bank capital and 0.47% in capital contributed by IDA6 donors alone. It is recommended that a selective increase of 596 shares

*sub 2/3 from T
Sat 2/80*

be granted to UAE, 308 shares to be available for subscription now and 288 shares when the subscription period to the GCI begins.

(iii) Kuwait: If Kuwait takes up all the shares available to it under previous resolutions, its post-GCI subscription would be 86.3% of its calculated subscription. Consequently, under the technical criteria proposed earlier, Kuwait would be entitled to a maximum increase of 1024 shares, representing the difference between its actual and calculated subscriptions. Compared to its projected share of 0.95% in total Bank capital after the GCI, and a share of 1.26% in the capital contributed by IDA6 donors alone, Kuwait's share was 2.59% in the Fifth IDA Replenishment and 1.67% in the Sixth Replenishment. It is recommended that a selective increase of 1024 shares be granted to Kuwait, 529 shares to be available for subscription now, and 495 shares when the subscription period to the GCI begins.

*Not 2/1000
+ Sel 2000*

(iv) Korea: Assuming that Korea takes up the shares allocated to it under the GCI, its actual subscription would be 64.2% of its calculated subscription. Since Korea also fulfils the other technical criteria for selective increases, it would be eligible for a maximum increase of 25% of its post-GCI subscription, or 737 shares. Korea was one of four Part II donors in the IDA Fifth Replenishment, and has increased its contribution in the Sixth Replenishment. In view of Korea's growing economic strength, it is hoped that opportunities for official Bank borrowing from it may also arise in the future. Korea has expressed a very strong desire to increase its share in the Bank's capital. Since it fulfils the technical criteria proposed for selective increases, it is recommended that a special increase of 737 shares be granted to Korea, 381 shares to be available for subscription now and 356 shares when the subscription period to the GCI begins.

17. The proportion of capital to be paid-in may be fixed at 10% for the portion of the capital increases recommended in the preceding paragraph to be subscribed now, and 7.5% for the portion to be subscribed later, in line with the arrangements agreed upon for the GCI.

Availability of Shares

18. Approximately 25,000 shares were set aside for special increases as part of the General Capital Increase. The total number of shares available for allocation is affected by many factors, including the decision as to how the Bank's capital is to be valued and the effect of this on the \$40 billion ceiling on the GCI. The selective increases recommended above would be subject to adjustment if the allocations under the GCI are scaled down and would be further reduced if additional adjustments are necessary to remain within the total of authorized shares. However, even if the GCI is scaled down, an adequate number of unallocated shares is available at present exchange rates to cover the special increases recommended in paragraphs 14 and 16 above, plus pending subscriptions from new members and, if desired, the 4500 shares recently requested by China (Appendix 3).

Summary and Recommendations

19. As a general rule the Bank should continue to allocate selective increases of its capital in parallel with selective increases of quotas in the International Monetary Fund. However, it is desirable for the Bank to have some flexibility in recognizing actions by member countries that are specially supportive of the Bank Group, as well as significant changes in their economic circumstances, particularly when those changes are not fully translated into higher quotas due to the length of the period over which the Fund reviews its quotas. Such flexibility could enable the Bank to respond positively to strong support received from its members, and to encourage and elicit further support from members for the Bank Group in the future. It would also enable the Bank to recognize changes in country positions and grant selective increases during the intervals between adjustments of Fund quotas, when there was a consensus to do so. Therefore, I recommend that requests for selective capital increases independent of action by the Fund should be eligible for consideration in the exceptional circumstances described above. Eligibility to be considered for such increases, their magnitude and their frequency should be restricted according to the criteria defined in paragraphs 11 and 12 above. I also recommend that selective increases be granted to individual countries as recommended in paragraphs 13 to 18.

20. A draft report to the Governors, a draft letter of transmittal, and a draft resolution incorporating these recommendations will be circulated separately.

Robert S. McNamee

APPENDIX 1

ORIGINAL BANK MEMBERS WHOSE SUBSCRIPTIONS
DIVERGED FROM THEIR FUND QUOTAS
(See Paragraph 2)

Initial Bank Subscription higher than Fund Quota:

Canada
China
United States

Initial Bank Subscription lower than Fund Quota:

Bolivia
Brazil
Chile
Colombia
Costa Rica
Dominican Republic
Ecuador
Egypt
El Salvador
Ethiopia
Greece
Guatemala
Honduras
Iran
Iraq
Mexico
Nicaragua
Panama
Paraguay
Peru
Uruguay
Venezuela
Yugoslavia

APPENDIX 2

SELECTIVE CAPITAL INCREASES - LIST OF ELIGIBLE COUNTRIES
UNDER PROPOSED CRITERIA

		<u>Post-GCI Shares</u>	<u>Calculated Shares</u>	<u>Maximum Entitlement</u>	<u>Maximum Shares After Potential Increases</u>
*1	AUSTRIA	5469	7032	1367	6836
*2	BELGIUM	14321	20052	3580	17901
3	BRAZIL	10706	12993	2287	12993
4	CANADA	21782	25856	4074	25856
*5	DENMARK	5136	6571	1284	6420
6	ECUADOR	962	1082	120 a/	1082
7	FINLAND	4393	4574	181	4574
8	FRANCE	34260	41209	6949	41209
*9	GERMANY	34347	64697	8587	42934
*10	GREECE	2080	3038	520	2600
11	GUATEMALA	573	634	61 a/	634
*12	IRAN	11179	19114	2795	13974
*13	IRAQ	2101	5910	525	2626
*14	ITALY	19842	25954	4961	24803
*15	JAPAN	34206	53399	8552	42758
*16	KOREA, REPUBLIC OF	2947	4589	737	3684
17	KUWAIT	6451	7475	1024	7475
*18	LEBANON	595	2239	149	744
*19	LIBYAN ARAB REPUBLIC	3322	5856	831	4153
*20	NETHERLANDS	15117	23433	3779	18896
*21	NIGERIA	5944	8115	1486	7430
*22	NORWAY	4916	6146	1229	6145
*23	OMAN	622	1166	156	778
24	PORTUGAL	2813	2900	87	2900
*25	QATAR	949	1622	237	1186
*26	SAUDI ARABIA	11212	25339	2803	14015
*27	SINGAPORE	1028	4440	257	1285
*28	SPAIN	9061	11530	2265	11326
*29	SWEDEN	7367	11617	1842	9209
*30	TRINIDAD & TOBAGO	1541	2222	385	1926
31	TURKEY	3408	3729	321	3729
*32	UNITED ARAB EMIRATES	2385	5335	596	2981
33	VENEZUELA	7560	9354	1794 a/	9354

a/ These countries are eligible for the following increases under existing precedents (para. 13): Guatemala - 484 shares, Ecuador - 395 shares, and Venezuela - 3129 shares. If increases under these precedents are approved, Guatemala, Ecuador, and Venezuela will cease to be eligible for increases under the proposed new criteria.

Note: The maximum increases shown against the countries marked with an asterisk (*) have been limited to 25% of their post-GCI subscriptions (see footnote to para. 11).

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IBRD - ALLOCATION OF SHARES UNDER GCI AND THEREAFTER

	<u>Number of Shares</u>	
	<u>Without Scaling Down a/</u>	<u>With Scaling Down b/</u>
(1) Authorized Capital prior to GCI	340,000	340,000
(2) Authorized increase under GCI <u>c/</u>	<u>331,500</u>	<u>302,801</u>
(3) Total Authorized Capital after GCI	<u>671,500</u>	<u>642,801</u>
(4) Present subscriptions, including approved increases <u>d/</u>	335,697	335,697
(5) Authorized subscriptions under GCI	<u>307,190</u>	<u>280,529</u>
(6) Total subscriptions after GCI	<u>642,887</u>	<u>616,226</u>
(7) Margin between total Authorized Capital and total subscriptions after GCI [line (3)-line (6)]	28,613	26,575
(8) Additional allocation for India under GCI (preemptive right)	442	406
(9) Allocation for pending new members (including GCI)		
- Regular shares	1,775 <u>e/</u>	1,701
- Membership shares	1,500 <u>f/</u>	1,500
(10) Potential requests (maximum) under Resolution 258 <u>g/</u>	2,209	2,209
(11) Balance [line (7)-line (8)-line (9)-line (10)]	22,687	20,759
(12) Requests under Yugoslavia precedent	11,734	11,242
(13) Available for Selective Increases [line (11)-line (12)]	10,953	9,517
(14) Selective Increases proposed under new criteria (Saudi Arabia, UAE, Kuwait, Korea)	5,160	4,943
(15) Available for others [line (13)-line (14)]	5,793	4,574
(16) Request by China	4,500	4,500

a/ Calculated on a basis of 1 SDR = \$1.20635

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

c/ Excluding 33,500 shares authorized as "membership" shares.

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

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

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

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

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