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Sub-Fonds: Records of President Robert S. McNamara

Fonds: Records of the Office of the President

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Washington, D.C.

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McNamara Papers

Contracts
Kuwait (1968-1978)



1771111

A1993-012 Other #: 12

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President's papers - Robert S. McNamara Contacts with member countries: Kuwait -
Correspondence 01

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WBG Archives

120. On 2/28/69

Mr. Robert S. McNamara

February 28, 1969

Michael L. Lejeune 151 UAR

Dr. Kaissouni's request for a meeting

1. In the attached letter addressed to you, Dr. Kaissouni, former Deputy Prime Minister of the U.A.R., is asking to meet you around the middle of March. He would like to seek your advice and the Bank's assistance in helping Kuwait on matters of economic development, with special reference to export industries.
2. Dr. Kaissouni is well-known to the Bank as a result of the ministerial posts he occupied interruptedly between 1954 and 1967, especially in his various assignments as Minister of Finance, Economy and Planning (1954-1964) and Deputy Prime Minister for Economic Affairs and Finance (1964-1966). He was Mr. Black's and Mr. Woods' principal Egyptian contact during their tenure and supervised the Ministries which cooperated most closely with Bank missions to the U.A.R. between 1959 and 1967. He lost his last cabinet assignment as Minister of Planning in the Government reshuffle made by President Nasser in March 1968. According to our information, he has no official capacity at present. He mentions in his letter that he is currently advising Sheikh Jaber, Prime Minister and Crown Prince of Kuwait, on economic development matters. You might also be interested to know that Dr. Kaissouni was an economist in the IMF from 1946 to 1950.
3. Dr. Kaissouni's request offers an opportunity for the Bank to advise Kuwait on the best use of its large and growing resources. He would probably be more open to economic discussions and advice than Kuwaiti ministers usually are. Our experience with the latter after the economic survey mission of the early sixties and the publication of its report in book form was somewhat disappointing inasmuch as they were not particularly responsive to the Bank's suggestions.
4. I am arranging to have material related to Dr. Kaissouni's field of interest prepared before his visit and will also give you shortly a brief on what the Bank group might do to help.
5. Dr. Kaissouni, though out of office and perhaps somewhat out of favor, is someone you would probably find it profitable to talk to quite apart from his role as advisor to Sheikh Jaber. I attach a letter for your signature.

Attachments

cleared with and cc: Mr. Hartwich

MPBart/MLejeune:hh

1-1-72

WV

2/28

March 3, 1969

Dear Dr. Kaissouni:

I should like to thank you for your letter of February 19. It gives me the opportunity of telling you how much I heard about your close association with my predecessors in the Bank and the un-failing assistance you gave to anyone coming from the Bank to the U.A.R. The ground broken while you were in office is starting to bear fruit.

We shall be very glad to provide whatever assistance is available in the Bank to help you in your new task of advising Kuwait on matters of economic development. Apart from renewing our association with you, it is of particular pleasure for us to be of help to Kuwait with which, as you know, we maintain close and friendly relations.

I personally look forward to meeting you around the middle of March. I have asked Mr. Lejeune, Director of the Europe, Middle East and North Africa Department, to make arrangements for your visit and I would appreciate it if you could let him know the time you intend to spend in Washington and where we could get in touch with you in order to firm up arrangements for your meetings at the Bank.

With best personal regards,

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

Dr. A.M. Kaissouni
23 Sesostris Street
Heliopolis
Cairo, U.A.R.

MPBart/MLLejeune:hh
Office of the President- IBRD

KU-B-145

"Copy of handwritten letter"

23 Sesostri Str.,
Heliopolis, Cairo
U.A.R.
Feb. 19, 1969

Dear Mr. McNamara,

While I was a member of the Egyptian Cabinet, these last few years, I travelled frequently to the States and had many pleasant and fruitful talks with some of your former colleagues in the U.S. Administration, especially Mr. Dean Rusk. However, I did not have the opportunity to meet you as our fields of interest then were rather different.

Now, however, as Sheik Jaber (Prime Minister and Crown Prince of Kuwait) has asked me to advise him on matters of economic development of Kuwait - with special reference to export industries - I feel I must seek your advice and kind cooperation, and that of the Bank you so ably preside.

The Bank, as you know, had sent two missions to Kuwait, and has, as a result of their investigations, published a most instructive book on the Kuwaiti economy. Part of that book deals with the possibilities of industrial development in Kuwait either for the local or export market. I would like to discuss with you, if I may, some aspects of this problem with special reference to the kinds of industries, the participation of foreign investments in the capital and administration, the Bank's (or the IFC) interest and guidance etc.

It may also be advisable, in this connection, to study the development of another member country of the Bank - Venezuela - and to try to draw the lessons which may be applicable to Kuwait. The Bank's cooperation in this respect would be greatly appreciated.

I plan to be in Washington around the middle of March and I would appreciate the opportunity of meeting you and of benefiting from your advice and that of the Bank.

With my kindest regards,

Yours sincerely,

A.M. Kaissouni

Cal 3/3

OFFICE MEMORANDUM

TO: Files

DATE: May 7, 1969

FROM: Michael L. Lejeune

SUBJECT: Kuwait - Visit of Dr. Kaissouni

Dr. Kaissouni, formerly Finance Minister of Egypt and now out of office, wrote to Mr. McNamara on February 19 to say that Sheikh Jaber, Prime Minister and Crown Prince of Kuwait, had asked Dr. Kaissouni to advise him on matters of economic development of Kuwait with special reference to export industries. Dr. Kaissouni wrote that he felt he should seek Mr. McNamara's advice and the cooperation of the Bank. Mr. McNamara replied on March 3. Copies of this exchange are attached.

Dr. Kaissouni arrived in Washington earlier than expected but a meeting was arranged between him and Mr. McNamara at 5:00 p.m. on Monday, March 10. Mr. Shoaib and Mr. Lejeune were present. At this meeting Dr. Kaissouni briefly explained that the purpose of his visit was to engage the Bank Group's help in interesting foreign companies in establishing export industries in Kuwait, the object being to broaden the basis of Kuwait's export trade. Dr. Kaissouni asked for the help of IFC in making contact with appropriate foreign firms and also suggested that IFC should itself invest in the enterprises established in Kuwait.

Mr. McNamara said that the World Bank Group was always ready to be of whatever help it could to Kuwait. The Kuwait Government supported the Bank Group, not only by contributing to IDA but by purchasing the Bank's bonds. He hoped that this help would continue, and accordingly the Bank Group stood ready to give Kuwait any technical assistance which would be useful to it. He did not respond directly to Dr. Kaissouni's suggestion about IFC's making an investment in Kuwait but it was clearly implied in his remarks that Kuwait was in no need of the Bank Group's financial help. It was agreed that discussions between Dr. Kaissouni and those concerned - particularly those in IFC - would be arranged.

Later a general meeting was held with Dr. Kaissouni with Mr. Shoaib in the chair and with Messrs. Raj, Hassan, Dajany and Bart present. At this meeting it was agreed that the IFC would make a preliminary examination of the possibility of interesting foreign investors in industrial projects in Kuwait, though it was recognized that little specifics could be done without basic information on such things as the cost of power, the supply of labor, and the likely markets for the kinds of goods which could be based either on petroleum products or the availability of cheap power.

A working lunch was held with Dr. Kaissouni on March 18. Meanwhile it had been agreed that Mr. Dodd of IFC would go to Kuwait to obtain information from there on some of the basic information needed. Dr. Kaissouni seemed particularly interested in pursuing the possibility of an aluminum project. A note on this question by Mr. Dajany is attached. As it turned out Mr. Dodd was unable to go to Kuwait because of an urgent mission to India.

May 7, 1969

Dr. Kaissouni also seemed very interested in establishing an automobile tire plant. Mr. Dodd spoke with Uniroyal on this question and a copy of his memorandum to Mr. Hassan dated April 7 and a cable to Dr. Kaissouni dated April 8 are attached.

It is my understanding that Messrs. Shoaib and Raj discussed the question of whether IFC could appropriately make an investment in Kuwait, given that Kuwait was a Part I IDA country, and I believe that Mr. Shoaib took this matter up with Mr. McNamara. I do not know whether Mr. Shoaib gave Mr. Kaissouni an answer on this point.

cc: Mr. R. Steckhan ✓
Mr. Bart

OFFICE MEMORANDUM

MAR 24 1969

TO: Files

DATE: March 21, 1969

FROM: O. Dajany

SUBJECT: KUWAIT: Aluminum Proposal

Following the luncheon which Mr. Shoaib gave for Dr. A. M. El Kissouni on March 18, a meeting was held in Mr. Dajany's office to discuss the most useful approach in exploring further the possibilities of an aluminum industry in Kuwait.

In previous meetings it was agreed that Mr. Dodd would go to Kuwait sometime early in April to conduct an "on the spot" study of the potential for an aluminum industry. The discussion in this meeting centered around timing and whether or not to approach some of the larger U.S. aluminum producers before or after such a study. Dr. Kissouni expressed his strong preference for meeting with some of these firms now in order to sound out their interest and also wanted IFC to arrange meetings for him with these firms. Mr. Dodd felt equally strongly that it would be far better to approach such firms only after he had conducted his study. He felt it would be embarrassing to talk with these firms when we were not prepared and obviously lacking a great deal of the basic information which is required before determining whether such a project is viable or not. Mr. Hassan and Mr. Dajany agreed with Mr. Dodd and Mr. Dajany asked Dr. Kissouni why he was in such a hurry when the delay in getting together with such firms would only be a month or so. As long as Mr. Dodd can be in Kuwait prior to Sheikh Jaber's departure for France on April 12, then it seemed much more realistic to await Mr. Dodd's study before anything further is done in contacting U.S. aluminum firms.

Mr. Dajany suggested that Dr. Kissouni be in Kuwait at the time of Mr. Dodd's visit, the timing of which was left for them to work out. Dr. Kissouni asked if it would not be helpful to postpone their visit to early May when Mr. McNamara is expected to be there. He felt that Mr. McNamara's presence could help to push the project. Mr. Dajany said that the timing of Mr. McNamara's visit to Kuwait was still uncertain and that even if it were to take place in May he would not advise involving him in discussing this project during his visit. On the contrary, Mr. McNamara would wish to be briefed about the potential of the project prior to discussing it with anyone here or in Kuwait and that would make it all the more desirable for Mr. Dodd's study to take precedence to everything else. Dr. Kissouni agreed to this course and arranged to meet with Mr. Dodd later to discuss the timing of their joint visit.

cc: Mr. Shoaib
Mr. Raj
Mr. Dodd
Mr. Lejeune
Mr. Hassan

ODajany:pa

Mr. Robert S. McNamara

May 7, 1969

Michael L. Lejeune

Kuwait - Dr. A. M. Kaissouni

As you will remember, Dr. Kaissouni, formerly a member of the Egyptian Cabinet but now out of office, visited you recently to say that he had been asked by Sheikh Jaber, Prime Minister and Crown Prince of Kuwait, to advise on matters of the economic development of Kuwait with special reference to export industries. (A copy of his letter of February 19 to you is attached.) He asked for the Bank Group's help in this and Mr. Shoaib, Mr. Raj and I and others had a number of sessions with him, arranged to send Mr. Dodd to Kuwait for a visit, and at Dr. Kaissouni's urging made contact with several potential investors.

Mr. Dajany told me yesterday that when he was recently in Kuwait he inquired about the relationship between Dr. Kaissouni and the Kuwait Government. Those to whom he spoke expressed surprise that Dr. Kaissouni had made an approach to the Bank on Kuwait's behalf. Mr. Dajany was given to believe that Dr. Kaissouni had sought an assignment from the Kuwait Government and had been told that he was welcome to try to get foreign firms to undertake investment in Kuwait, but he had not been asked to engage the Bank in these endeavors. Mr. Dajany said he would record for your and my information the substance of his conversations but perhaps he has not yet been able to do so.

In the circumstances, Dr. Kaissouni's approach to the Bank should probably be treated with some caution. It may well be that the Kuwait Government is interested in building up export industries and would like to have some kind of advice or help from the World Bank Group, but it would now appear that we should be careful not to give too much weight to Dr. Kaissouni's intervention itself.

Attachment

MLL:neb

cc: Mr. Bank

*to see please
ca 7/2/69*

OFFICE MEMORANDUM

CONFIDENTIAL

TO: Memorandum for the record

DATE: July 2, 1969

FROM: M. P. Benjenk *MP*SUBJECT: Kuwait - Meeting with
Dr. Kaissouni

DECLASSIFIED

MAY 06 2013

WBG ARCHIVES

Mr. Kaissouni called on Mr. McNamara on June 30. Mr. Benjenk was also present.

Mr. Kaissouni said that the purpose of his visit was to elicit the assistance of the Bank and IFC in obtaining the support of American companies which might be interested in doing business in Kuwait. He also hoped that the Bank and IFC would help in screening such companies and selecting those whose proposals were the most attractive from Kuwait's point of view. He had hoped some time ago to interest IFC in taking equity in joint ventures in Kuwait together with foreign companies, but the Prime Minister of Kuwait had felt that this was not desirable in view of the fact that the Bank's Executive Directors would then have a say on such business matters.

Mr. Kaissouni also said that he wanted to clear up a misunderstanding which had arisen in Kuwait as a result of his last visit to Mr. McNamara. He had originally come under instructions from the Prime Minister of Kuwait but the Minister of Finance had not been informed of this and had expressed surprise at Mr. Kaissouni's contacts in Washington. Mr. Kaissouni had since been in contact with the Kuwaiti authorities again and his instructions now were to confine himself to seeking Bank-IFC advice on companies interested in investment in Kuwait and not to pursue further the question of IFC participating in such ventures. Mr. Kaissouni said that perhaps, in the future, it might be appropriate for him to have a formal document from the Prime Minister or the Minister of Finance informing the Bank of the exact nature of the business he wished to transact.

Mr. McNamara agreed with this last suggestion since he himself had noticed, during his recent visit to Kuwait, that a misunderstanding existed on the part of the Minister of Finance with regard to Mr. Kaissouni's recent visit to the Bank. He was, of course, anxious to do everything possible to help Kuwait but it was important for the Kuwaiti authorities not to feel that decisions about investment in their country were being taken without their being directly involved. He therefore hoped that, even though Dr. Kaissouni had limited his present aim at securing advice from the Bank and IFC on U.S. companies, that a letter could be written by the Kuwaiti Minister of Finance who is Governor of the Bank for Kuwait, officially informing the Bank of Kuwait's wishes on the matter. Mr. Kaissouni agreed that this would be done.

cc. Mr. McNamara
Mr. Knapp
Mr. Shoaib
Mr. Raj
Mr. Lejeune (o/r)

President has seen

MPB:ab

OFFICE MEMORANDUM

TO: Memorandum for the record

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July 2, 1969

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Dr. Kaissouni

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MAY 06 2013

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cc. Mr. McNamara
Mr. Knapp
Mr. Shoaib
Mr. Raj
Mr. Lejeune (o/r)

MPB:ab

KUMAIT

KUWAIT

1. 7/23/68 Abdlatif Al-Hamad, Director General, Kuwait Fund for Arab Economic Development
2. 10/2/68 Abdul Rahman Salim Al-Ateeqi, Minister of Finance and Oil
Abdlatif Y. Al-Hamad, Director General, Kuwait Fund for Arab Economic Development
3. 12/12/68 Sheikh Sabah Al-Salim Al-Sabah, Ruler of Kuwait (at Blair House)
Abdul Rahman Al-Ateeqi, Minister of Finance and Oil
4. 5/11-13/69 Shaikh Sabah Al-Salim Al-Sabah, Ruler of Kuwait
(Kuwait) Sheikh Jaber Al-Ahmad Al-Jaber, Crown Prince and Prime Minister
Shaikh Sabah Al-Ahmad Al-Jaber, Minister of Foreign Affairs (brother of the Prime Minister)
Abdul Rahman Salim Al-Ateeqi, Minister of Finance and Oil
- " Ibrahim Adly, Resident Representative, UNDP
- " Ablatif Y. Al-Hamad, Director General, Kuwait Fund for Arab Economic Development
- " Sheikh Abdulla Al-Jaber Al-Sabah, Minister of Commerce and Industry
- " Khaled Ahmad Al Mudaf, Minister of Social Affairs and Labour
- " W. Wolle, Minister of Public Works
- 7/16/69 Abdlatif Al-Hamad, Director General, Kuwait Fund for Arab Economic Development (with Yemen delegation)
5. 10/2/69 Abdul Rahman Al-Ateeqi, Minister of Finance and Oil
Abdlatif Y. Al-Hamad, Director General, Kuwait Fund for Arab Economic Development
Mr. Abu Su'ud
6. 9/23/70 Abdul Rahman Salim Al-Ateeqi, Minister of Finance
(Copen.) Abdlatif Y. Al-Hamad, Director-General, Kuwait Fund for Arab Economic Development
7. 12/14/70 Abdlatif Y. Al-Hamad, Director-General, Kuwait Fund for Arab Economic Development
8. 9/20/71 Abdul Rahman Salim Al-Ateeqi, Minister of Finance and Oil
Abdlatif Y. Al-Hamad, Director-General, Kuwait Fund for Arab Economic Development
- 4/20/72 See Bahrain
Ablatif Y. Al-Hamad, Director-General, Kuwait Fund
Nasser Al-Sayer, Kuwait Fund
Fouad Abdul Aziz Al-Mishri, Counsellor, Kuwait Embassy
- 8/2/72 Dr. Riad El-Sheikh, Faculty of Commerce, Economics and Political Science, Kuwait University -- at reception for professors attending Middle Eastern Seminar

9. 9/28/72 Sheikh Abdul Rahman Salim Al-Ateeqy, Minister of Finance and Oil
 10. 2/73 Notes on visit to Middle East Countries (*Filed in Small office*).
 11. 2/10/73
(Kuwait) H.H. The Amir, Sheikh Sabah Al-Salem Al-Sabah
Heir Apparent and PM, Sheikh Jaber Al-Ahmed al Sabah
Abdul Suud, Ministry of Finance and Oil
Saeb Jaroudi, President of the Arab Fund for Economic and
Social Development
Abdlatif Al-Hamad, Director General of the Kuwait Fund for
Arab Economic Development
Abdul Rahman Salim Al-Ateeqy, Minister of Finance and Oil
 - 2/11/73 Sheikh Jaber Abdulla Al-Jaber Al-Sabah, Governor of Ahmadi
 - 7/3/73 Anwar Ali, Governor of the Monetary Fund of Kuwait
 - 1/27/74 Dr. Ahmad Ali Ateega, Secretary-General of the Organization of Arab
Petroleum Exporting Countries (OAPEC) (at home)
 - 3/29/74 Anwar Ali, Governor of the Monetary Fund of Kuwait
 12. 4/3/74 Abdlatif Al-Hamad, Director General of the Kuwait Fund
 13. 8/1/74 Abdulwahab Al-Tammar, Chairman and Managing Director, Kuwait
Foreign Trading Contracting and Investment Company
 14. 10/3/74 Abdlatif Al-Hamad, Director General, Kuwait Fund for Arab Development
 15. 3/7-10/75
(Kuwait) Memoranda of Conversation - Saad El-Fishawy and Sven Burmester
- March 8: Kuwait Fund for Arab Economic Development
 Abdlatif Y. Al-Hamad, Director General
 Nasser Al-Sayer, Deputy Director General
 Feisal Al-Khaled, Director of Operations
- March 8: H. H. Sheikh Jaber Al-Ahmad, Crown Prince and Prime Minister
 H. E. Abdul Rehman Salim Al-Ateeqy, Minister of Finance
Industrial Bank of Kuwait
 Mohammed Al-Sharekh, Chairman and Managing Director
- March 9: Arab Fund for Economic and Social Development
 Dr. Saeb Al Jaroudi, Chairman
Kuwait Investment Company
 Badr Al-Daoud, Chairman
 H. H. Sheikh Saba Al-Salim Al-Sabah, Amir of Kuwait

- 3/7-10/75
(Kuwait)
(Continued)
- Dinner - Kuwait Fund for Arab Economic Development
HOST - Abdlatif Al-Hamad, Director General, Kuwait Fund
Dr. Abdul Rahman Al Awadi, Minister of Public Health
Yousel Ibrahim Al-Ghanim, Chairman, Kuwait Energy Corp.
Khalid Al-Sager, Managing Director, Kuwait Flour Mills
Fahad Al-Bahar, Chairman, Bank of Kuwait and the Middle East
Diraar Y. Alghanim, Partner, AbuGhazaleh Price Waterhouse
Mohamed Al-Sharekh, Chairman, Kuwait Industrial Bank
Hamad Al Bahar, General Manager, Kuwait Investment Company
Yousef Al-Nisf, Member of Kuwait Planning Board
Abdul Mohsin Al Hunaif, Director of Finance, Kuwait
Fund for Arab Economic Development
Faisah Al Khalid, Director of Operations, Kuwait Fund
for Arab Economic Development
Abdul Aziz Al Mathari (Tunisian), Chairman, Arab Investment
Guarantee Corporation
- "
- Luncheon (March 9)--HOST: Abdul Rahman Salim Al Ateeqy--FinMin
Hamza Abbas, Governor, Central Bank
Naser Al-Sayer, Deputy Director General of Kuwait Fund
Salah Al-Marzook, Managing Director Kuwait International
Investment Company
Mahmoud Al-Adasany, Undersecretary, Ministry of Oil
- "
- Dinner (March 9)--HOST: Badr Al-Daoud, Chairman, KIC
Abdel Aziz Alsaqr, Chairman, Chamber of Commerce &
Chairman, Kuwait Oil Tanker Company
Saood Al-Abdel Razzak, Second Apeaker of the National Assembly
Hammoud Youssef Al-Nussof, Minister of Public Works
Yacoub Al-Hamad, Chairman of the National Bank of Xuwait
Fahd Al-Bahr, Chairman, Bank of Kuwait and the Middle East
Hamad Y. Al Essa, lawyer
Hamad Al-Bahr, Cirector, KIC
- 3/10/75
(Riyadh)
- Sheikh Sabah Al Ahmad, Minister of Foreign Affairs
- 6/12-13/75
(Paris-Dev.
Cte.)
- Abdlatif Y. Al-Hamad, Director General, Kuwait Fund for
Arab Economic Development
16. 8/29/75
- Minister of Finance Alateeqy
Ambassador to the US K. M. Jaffar
Mr. Khaled Abou Al-Saoud, Director of Investments, Finance Ministry
- 11/13/75
- Badr Al-Daoud, Kuwait Investment Fund
- 1/6-10/76
(Dev.Cte.,
Kingston)
- Abdlatif Y. Al-Hamad, Director General Kuwait Fund for Arab
Development
- 5/3/76
- Khalid Jaffar, Ambassador (Lunch)

17. 5/24-25/76 Sheikh Jaber Al-Hamad, Crown Prince and Prime Minister
(Kuwait) Abdlatif Al-Hamad, Director General, Kuwait Fund for
Arab Economic Development
Abdul Rahman Salim Al-Ateeqy, Minister of Finance
18. 10/7/76 Abdul Rahman Salim Al-Ateeqy, Minister of Finance
(Manila) Abdlatif Y. Al-Hamad, Director-General of the Kuwait Fund
11/17/76 Ambassador Khalid Jaffar (At dinner at the Saudi Embassy)
12/15/76 Abdalla Yaccoub Bishara, Ambassador to the UN
(New York) (At luncheon hosted by Amb. Akhund of Pakistan)
4/27/77 Abdlatif Al-Hamad, Director General, Kuwait Fund for Arab
Economic Development
19. 4/29/77 Abdlatif Al-Hamad, Director General, Kuwait Fund for
Arab Economic Development
Nasar Al-Sayer, Deputy Director of the Kuwait Fund
Mr. Al-Khoja, Kuwait Fund Operations
20. 9/26/77 Abdul Rahman Salim Al-Ateeqy, Minister of Finance
12/1/77 Abdlatif Al-Hamad, Director General, Kuwait Fund for Arab
Economic Development
12/2/77 Abdlatif Al-Hamad (at dinner hosted by Mr. El-Naggar)
21. 1/25-26/78 Messrs. Al-Ateeqy, Al-Hamad, El-Sayer, Al-Khaled,
(Kuwait) Al-Honeif (all of Kuwait Fund for Arab Economic Development)
22. 9/24/78 Mr. Al-Ateeqy, Minister of Finance
Annual Messrs. Al Sabah and Abdlatif Al-Hamad
Meeting
6/30/80 Abdlatif Al-Hamad (lunch)
2/3/81 Abdlatif Al-Hamad (lunch)



OFFICE MEMORANDUM

7/22

TO: Mr. Robert S. McNamara

DATE: July 18, 1968

FROM: Michael L. Lejeune

SUBJECT: KUWAIT - Visit of Mr. Abdlatif Al-Hamad

1. Mr. Al-Hamad will call on you on July 22, at 5 p.m. Below is some background information as well as a summary of our position on matters likely to be raised in the conversation.
2. Mr. Al-Hamad is the Director General of the Kuwait Fund for Arab Economic Development (KFAED). He is also Alternate Governor of the Bank for Kuwait, the Governor being the Minister of Finance and Oil. Mr. Al-Hamad comes from a well-to-do family of Kuwaiti traders. He was educated in England, at Claremont Men's College and at the Harvard Business School but was recalled, before he could complete his studies, to be the head of KFAED despite his young age. He is very close to the Prime Minister and Crown Prince, Sheikh Jaber, and can therefore be considered as the interlocutor not only for matters of interest to KFAED but also for our general relations with Kuwait.
3. KFAED began operations in 1962 with the purpose of financing development projects in the Arab world. It has a nominal capital of 200 million Kuwaiti Dinars (\$560 million) entirely held by the Government, of which it seems that only about \$200 million has been paid in, but Mr. Al-Hamad told us a few months ago the Government was prepared to make more resources available. Lending to date amounts to \$190 million. KFAED's operations have somewhat slowed down since the hostilities of June 1967 but have not completely stopped; in a recent report received from the Fund we noted that two loans amounting to \$24 million in total were made in 1968 to Sudan and the UAR. However, it is not yet clear whether the operations of KFAED will be affected by the recently created Arab Fund for Economic Development to which Kuwait is to subscribe 30 percent of the total capital of \$280 million.
4. Despite the political motives which led to the creation of KFAED, it has done a creditable job in selecting reasonably sound projects and in resisting pressures for indiscriminate lending which Arab governments brought to bear upon it. But the pattern of allocating roughly equivalent amounts to every country where it is active emerges.

President has seen

It has lent so far to Algeria, Jordan, Lebanon, Morocco, Sudan, Tunisia and the UAR. The only potential recipients absent from this list are Iraq, Syria and Yemen. Discussions have been under way with Iraq for some time on a few projects. Kuwait's relations with Syria are extremely bad.

5. The Government has not restricted its aid to Arab countries to economic purposes, channelling it entirely through KFAED as was considered in recent years. Politically motivated direct budget support has continued unabated and has been greatly increased in the aftermath of the June 1967 war. The Government had "lent" some \$380 million prior to June 1967; since then it has become committed to granting \$154 million yearly to the UAR and Jordan as long as the economic consequences of the June war have not been overcome.

6. The Bank's relations with Kuwait have been very good over the years though the Government has sometimes expressed disappointment at our limited activity in the Arab world. Apart from economic missions which visited Kuwait in the early sixties and led to the publication of a book on "The Economic Development of Kuwait", which can be considered as a technical assistance effort, we have helped Kuwait in organizing and staffing KFAED; the latter effort was, however, interrupted prematurely when the adviser IFC had seconded, Mr. Svoboda, was transferred to the Malaysian Development Bank and Mr. Al-Hamad may still have the feeling that we somewhat let him down in this respect.

7. In keeping with Mr. Woods suggestion made at the time of his visit to Kuwait in 1967, we have maintained close contact with KFAED on operational matters and have conducted periodical reviews of our respective operations in the Arab world. Since last June, I have met with Mr. Al-Hamad five times - in Washington, Rio, Kuwait, Paris and again Washington. However, the hope we initially had of being able to organize joint lending operations has not yet materialized. The only prospect in this respect was the potash project in Jordan which was severely affected by last year's hostilities. KFAED has turned down our offer to join in the financing of an agricultural credit project in Jordan. I have already broached with Mr. Al-Hamad our wish that the KFAED join with us in the Rahad project in the Sudan if we go ahead with it. In addition, we have proposed to the Lebanese Government that we help formulate a plan for the development of the Litani river, part of which KFAED is considering financing. It should be noted that so far KFAED has never taken the initiative of proposing a joint operation though they lent in sectors and for projects in which we were active. This can be explained by an understandable reluctance, due to political reasons as well as to the determination to assert themselves as an independent institution, to appear to be riding on the Bank's coat tails. However, I am confident that with the effort started a year ago to expand our operations in the Arab world, we should soon have opportunities to join forces.

8. In view of what Mr. Dajany reports in his memo of July 1 on Mr. Shoaib's and his visit to Kuwait regarding the feeling expressed by the Government that the Bank is still insufficiently active in Arab countries, it may be useful to recall that over the past year a very great increase in activity has taken place. We had economic missions in all Arab countries except Jordan, Lebanon (both countries had economic missions in the preceding year), Saudi Arabia and Kuwait itself, in addition to numerous missions for general discussions, project identification, appraisal and supervision. The missions that have gone to the "socialist" Arab countries, i.e. the UAR, Algeria, Iraq and Syria in recent months have tried hard to dispel the impression that the Bank was politically motivated against those countries, but the outcome is still doubtful in Algeria and Syria. We were making good progress in Iraq, but the coup of a few days ago makes everything uncertain. In some of the other countries our activity has sometimes been hampered by problems related to development policies or projects (as is the case in Morocco) or by the prevailing conditions (as is the case in Jordan).

9. The World Bank group's total investment in Arab countries so far is given in the summary below where I have also shown KFAED's own lending and separated the Near-East countries (UAR, Jordan, Lebanon, Syria, Iraq), to which Kuwait attaches understandably special importance, from the Maghreb (i.e. Libya and the former French North Africa) and the Sudan. (A detailed comparison is given in Annex A).

| (\$ million) | <u>Bank, IDA & IFC</u> | <u>KFAED</u> |
|--------------|----------------------------|--------------|
| Near East | 131.5 | 64.9 |
| Maghreb | 216.3 | 85.5 |
| Sudan | 151.2 | 38.6 |
| | <hr/> | <hr/> |
| Total | 499.0 | 189.0 |

10. It is obvious that our efforts in the Near East and the Maghreb should be stepped up but I think we can reassure Mr. Al-Hamad that the Bank has already taken steps to that end. As you know, the five-year lending forecast for this Department, excluding Iran and Israel, involves about \$1,140 million of which about \$550 million is in the Near-East, including about \$215 million for the UAR. The most recent review of the forecast shows that we could lend in the current year about \$220 million in the Arab world, including, it is true, some \$100 million in countries (UAR, Morocco, Syria) where there may still be difficult constraints such as lack of IDA funds or intractable political problems. Whether we will be able to live up to the 5-year forecast depends on many imponderables, but the target is not unrealistic. If anything, it is on the low side.

11. The Prime Minister suggested to Mr. Shoaib and Mr. Dajany that the Bank should establish a regional office in the Near-East and Mr. Al-Hamad may raise this with you. This is an important question which I would like to discuss with you in due course. I feel that this is not something we should rush into. While I am sure that such representation would be very well received by the countries in the area I think that before becoming committed to it we should form a clear idea of what its function would be and how it would help solve the problems we face in the area.

12. I shall not deal here with the question of the special bond issue in Kuwait on which Mr. Shoaib has presumably already reported. Apart from Kuwait's previous subscriptions to IDA (\$6.7 million) and expected participation in the new replenishment (\$5.4 million), it has so far participated through KFAED in IBRD loan sales (\$3.8 million outstanding) and bonds (\$4 million) and through the Kuwait Investment Co. and the Kuwait Foreign Trading, Contracting and Investment Co. in IFC operations (\$2.2 million outstanding). The respective role of the Kuwaiti financial institutions and of the Government is described more in detail in Annex B.

Arthur Hye

Loans and investments made by the WORLD BANK GROUP and the KUWAIT FUND
FOR ARAB ECONOMIC DEVELOPMENT in Arab countries as of June 30, 1968

(in millions of US dollars)

| | WORLD BANK GROUP | | | | KUWAIT FUND | | |
|---------|------------------|-------------------------|--------------|------------------|-------------|---------------|--------------|
| | year | purpose | amount 1/ | institu- tion | year | purpose | amount 1/ |
| ALGERIA | 1964 | Gas liquefaction | 20.5 | IBRD | 1964 | Pipeline | 21.0 |
| | 1955 | Power | 10.0 | IBRD | 1967 | Pipeline | 7.0 |
| | 1959 | Pipeline | 50.0 | IBRD | | | |
| | | | <u>80.5</u> | | | | <u>28.0</u> |
| IRAQ | 1950 | Flood control | 6.5 | IBRD | | | |
| | 1966 | Roads | 23.0 | IBRD | | | |
| | | | <u>29.5</u> | | | | <u>-</u> |
| JORDAN | 1961 | Water supply | 1.5 | IDA | 1962 | Irrigation | 11.2 |
| | 1963 | Water supply | 2.5 | IDA | 1962 | Mining | 8.4 |
| | 1963 | Agricultural credit | 3.0 | IDA | 1964 | Power/Tourism | 1.4 |
| | 1967 | Agricultural credit | 3.0 | IDA | | | |
| | | | <u>10.0</u> | | | | <u>21.0</u> |
| LEBANON | 1955 | Power and irrigation | 27.0 | IBRD | 1966 | Power | 6.7 |
| | | | <u>27.0</u> | | | | <u>6.7</u> |
| MOROCCO | 1964 | Agriculture | 17.5 | IBRD | 1966 | Irrigation | 20.6 |
| | 1962 | Industry - BNDE | 15.0 | IBRD | 1966 | Irrigation | 7.6 |
| | 1966 | Industry - BNDE | 17.5 | IBRD | | | |
| | 1965 | Agriculture | 9.8 | IBRD | | | |
| | 1965 | Education | 11.0 | IDA | | | |
| | 1966 | Food Processing - Lukus | 1.4 | IFC | | | |
| | 1962 | Dev. Bank - BNDE | 1.5 | IFC | | | |
| | | | <u>73.7</u> | | | | <u>28.2</u> |
| SUDAN | 1958 | Transportation | 39.0 | IBRD | 1962 | Railways | 19.6 |
| | 1960 | Irrigation | 15.5 | IBRD | 1965 | Industry | 4.8 |
| | 1961 | Irrigation | 19.5 | IBRD | 1967 | Irrigation | 14.2 |
| | 1965 | Railways | 31.0 | IBRD | | | |
| | 1968 | Power 2/ | 24.0 | IBRD | | | |
| | 1961 | Irrigation | 13.0 | IDA | | | |
| | 1968 | Education 2/ | 8.5 | IDA | | | |
| | 1964 | Textiles | 0.7 | IFC | | | |
| | | | <u>151.2</u> | | | | <u>38.6</u> |
| SYRIA | 1963 | Roads | 8.5 | IDA | | | - |

WORLD BANK GROUP

KUWAIT FUND

| | year | purpose | amount <u>1/</u> | institu- tion | year | purpose | amount <u>1/</u> |
|-----------------------|------|------------------|---------------------|------------------|------|---------------|---------------------|
| TUNISIA | 1964 | Port | 7.0 | IBRD | 1963 | Power | 10.8 |
| | 1967 | Agriculture | 12.0 | IBRD | 1967 | Power | 12.9 |
| | 1966 | Industry - SNI | 5.0 | IBRD | 1963 | Irrigation | 5.6 |
| | 1967 | Industry - SNI | 10.0 | IBRD | | | |
| | 1962 | Education | 5.0 | IDA | | | |
| | 1966 | Education | 13.0 | IDA | | | |
| | 1967 | Agriculture | 6.0 | IDA | | | |
| | 1962 | Fertilizer - NPK | 3.5 | IFC | | | |
| | 1966 | Dev. Bank - SNI | 0.6 | IFC | | | |
| | | | <u>62.1</u> | | | | <u>29.3</u> |
| U.A.R. | 1959 | Suez Canal | 56.5 | IBRD | 1964 | Suez Canal | 27.4 |
| | | | <u>56.5</u> | | 1968 | 8 Cargo ships | 9.8 |
| | | | | | | | <u>37.2</u> |
| ALL ARAB COUNTRIES | | | <u>499.0</u> | | | | <u>189.0</u> |

1/ Original amount less cancellations.

2/ Not yet effective.

Middle East and North Africa Department

July 18, 1968

KUWAIT AID AND FINANCIAL INSTITUTIONS

1. The flow of public funds (excluding Arab League military assistance) from Kuwait to the other Arab countries consists of four components.

- (A) Loan assistance from the Kuwait Government to other Arab Governments. Press reports indicate a volume of \$ 378 mln since 1963, ostensibly in the form of loans with interest not exceeding 4% p.a. Many of these loans, which are generally untied, appear to be politically motivated.
- (B) Grant assistance from the Kuwait Government. On October 15, 1967 the National Assembly ratified the law providing for financial assistance of \$154 million per year 1/ to the U.A.R. and Jordan "until the Suez Canal is reopened as affecting the United Arab Republic and until the West Bank is restored to Jordan as affecting the Jordanian Kingdom".
- (C) Loan assistance from the Kuwait Fund which since 1967 amounted to \$ 189 mln for 16 projects in 7 countries. Typical terms would include interest between 3 and 4% p.a. with repayment over 14 years after 4 years of grace. Kuwait Fund loans are tied to projects.
- (D) A variety of other institutions exist in Kuwait to manage profit seeking investments abroad. The Kuwait Investment Company with a share capital of \$ 21 million (50 % Government and 50 % reserved for the private sector but reportedly not subscribed yet) deals with commercial investments throughout the world, owns portfolios in major finance centers and accepts deposits. The Kuwait Foreign Trading, Contracting and Investment Company capitalized at \$ 56 million of which 50 % is paid up, is controlled by the Government. The Arab-African Bank (capital \$ 28 million) has been set up by the Kuwaiti and Egyptian Governments for business in Africa; its head office is in Cairo. A Kuwait-Nigerian Investment Company has been set up along similar lines.

2. The Economic Council meeting of the Arab League approved on May 18, 1968 the establishment of the Arab Fund for Economic and Social Development. Such an institution was originally proposed by Kuwait who offered to contribute 30 % to its capital of \$ 280 mln. Several countries 2/ subscribing 45 % of its capital have signed the convention. Subscriptions

1/ In addition and in accordance with the resolution adopted at the 1967 Khartoum Summit Conference, Saudi Arabia contributes \$ 140 mln and Libya \$ 84 mln per year. Of the yearly total of \$ 378 mln, the U.A.R. receives \$ 266 mln annually and Jordan \$ 112 mln.

2/ Algeria, Jordan, Kuwait, Lebanon, Lybia, South Yemen, Sudan, Syria, U.A.R. and Yemen.

amounting to 66 % of its capital are required to bring the convention into force. Whether or not the new Arab Development Fund will become a reality is still open to doubt. During the past 15 years such an institution has repeatedly been proposed, although not on as large a scale as at present. If the new Fund were to materialize it might change the composition of present Kuwaiti assistance.

Middle East and North Africa Department
July 18, 1968

OFFICE MEMORANDUM

TO: Files

DATE: November 19, 1968

FROM: Michael L. Lejeune

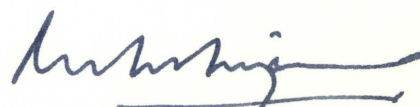
SUBJECT: Kuwait - Finance Minister's Meeting with Mr. McNamara - Oct. 2/68

During the Annual Meeting, the Minister of Finance and Oil, Abdul Rahman Al-Ateegy, accompanied by Mr. Abdlatif Al-Hamad, Director General of the Kuwait Fund for Arab Economic Development, called upon Mr. McNamara. Mr. Shoaib, Mr. Dajany and I were present.

This was in effect a courtesy call. The Minister wished to make clear to Mr. McNamara that Kuwait fully supported his initiatives for the World Bank and could be counted upon to participate not only by purchase of the Bank's obligations but also by subscribing as a Part I member to IDA's replenishment. He hoped that the Bank and Kuwait could continue their close relationship in working together in the financing of suitable development projects in the Middle East. He said that they in Kuwait would always welcome visitors from the Bank and he had been asked by the Ruler to invite Mr. McNamara to come to Kuwait at the earliest opportunity.

Mr. McNamara thanked the Minister for Kuwait's support and said he was most interested in coming to Kuwait as soon as he could. He was giving his first attention to those countries which faced important problems in economic development. As the Minister knew, he had already been to Turkey and Egypt, he expected soon to go to Argentina and Brazil, and soon thereafter to India and Pakistan. Although he was fully committed for the short run, he hoped that an opportunity would arise before too long for him to come to Kuwait.

Mr. McNamara especially thanked the Minister for the help Kuwait was providing by working out with the Bank subscription to a special bond issue.



MLL:neb

President has seen

Mr. McNamara - to see, please.
WBS 12/20

11/3

*By
file in Bank
Lew*

VERY CONFIDENTIAL

MEMORANDUM: FOR THE RECORD

December 20, 1968

FROM: Omar Dajany *D.*

SUBJECT: KUWAIT: Meeting with the Ruler

1. Mr. McNamara had an audience with High Highness the Ruler of Kuwait at Blair House on Wednesday, December 11. Accompanying Mr. McNamara were Messrs. Shoaib, Lejeune and Dajany. H.E. Abdul Rahman Al-Ateeqi, Minister of Finance and Oil, was also with the Ruler.

Mr. McNamara welcomed the Ruler to Washington and said he was delighted to meet with him and have the opportunity of exchanging views on the Kuwait/Bank relations which had been most satisfactory ever since Kuwait became a member in the Bank. The ruler reciprocated by welcoming Mr. McNamara and saying that he has heard so much about his outstanding career especially as Secretary of Defense and was glad at last to make his acquaintance. Although Mr. McNamara is Head of the Bank now, and not in politics, the Ruler added, yet his personality and past record cannot eliminate the great impact he can have on the well being of member countries, and hoped Mr. McNamara would use his political influence in addition to the economic assistance in helping the Arab countries of the Middle East.

2. Mr. McNamara then referred to the World Bank Group activity in the Arab countries and mentioned that the cumulative Bank and IDA lending to date in the Arab world had reached close to a half billion dollars and that in the next five years we contemplate further lending to double this amount. Mr. McNamara added that he was aware of Kuwait's concern for the Arab Middle East people and that he wanted him to know, therefore, that we have projects presently under consideration in Sudan, UAR, Lebanon and Iraq and that we are continuing our search for projects that could be financed in Jordan and Syria. In conducting our work, Mr. McNamara added, we maintain constant close consultation with the Kuwait Fund for Arab Economic Development to explore areas where the Bank and Fund could undertake projects jointly. The Ruler replied that he was aware and was most gratified

that this close relationship existed between Kuwait and the Bank Group and hoped it would continue and strengthen in the future, and took this opportunity to bestow high praise upon Mr. Abdlatif Alhamad.

3. Referring to the Kuwaiti Bond Issue of last August, Mr. McNamara said that the Issue was most helpful to the Bank and he and the Bank Group were delighted at this initial Kuwaiti participation in the Bank borrowing operations. He realized that Kuwait's present financial assistance to the UAR and Jordan constituted a heavy drain on their resources but hoped that when this special situation came to an end Kuwait would be in a position to invest periodically and substantially in IBRD Bonds. The Ruler said that he was very much in favor of the recent Bond Issue and personally participated in the Issue and in convincing others to subscribe. Mr. Ateeqi, addressing both the Ruler and Mr. McNamara, explained that although the return from IBRD Bonds may not be as high as the Kuwaitis could get elsewhere, yet because of the level of security these Bonds offer and because Kuwait wanted to participate actively in assisting the world community, the Kuwaitis were pleased to forego the financial advantage other investments may offer. Furthermore, it was gratifying and most prestigious to have had the Issue denominated in Kuwaiti Dinars.

4. The conversation then shifted to the impact of political stability on economic development all over the world, and both Mr. McNamara and the Ruler agreed that political stability in the area would enhance and speed up economic development in each of the countries involved. Mr. McNamara asked the Ruler what he felt was a solution to the existing impasse in settling the Middle East problem. The Ruler said that he was hopeful that the continued efforts of Mr. Jarring together with impartial assistance from the United States would bring about a settlement. Mr. Al-Ateeqi said that unless a just settlement is brought about which would return to the Palestinians their lost lands and homes, he was afraid that the situation may no longer be controllable or in the hands of the Arab governments. The Palestinians, Mr. Al-Ateeqi added, have waited for 20 years for the Arab governments and Arab leadership to return their land to them, and these governments and all the leadership in the neighboring countries had failed. The Palestinians have now begun actively to take matters into their own hands and are met with unprecedented popularity and unanimous support from all the Arabs. It would be difficult, indeed, for any one ruler or any one country to accept a settlement which would not give to the Palestinians their rights and their own land, and if any leader dared to do so he would be instantly toppled. Mr. Al-Ateeqi reiterated that unless a fair solution is found in the very near future the entire situation would become out of hand and much more difficult. The Fedayeen are a reality, are getting stronger and more popular every day, and are receiving moral and financial assistance from all the Arabs in all the Arab countries. No one can blame them for their struggle to return to their land.

5. Mr. McNamara said that he was aware of Kuwait's interest in the Trucial States and that the Bank was very interested in these Emirates and in the Gulf area as a whole. He cited the magnitude of our lending operation in Iran; mentioned the good relations that exist between the Bank on the one hand and Kuwait and Saudi Arabia on the other; and said that we have begun our exploration in the Trucial States to see how best we can be of help to them. Mr. McNamara asked the Ruler for his views on the chances of the unity of the Emirates into a federation after the withdrawal of the British in 1971 and whether he was worried about the possibility of Soviet penetration in the area as result of the vacuum created by the British withdrawal. He also asked whether the recent military build-up in Iran could constitute a deterrent to Soviet expansion. The Ruler said that he did not minimize the difficulties confronting the Emirates in arriving at unity after the British withdrawal. In fact, he said, the question of the withdrawal itself was not as certain as all that. The Ruler had met recently with Mr. Stewart, the British Foreign Secretary, and came out with different views regarding the withdrawal. First of all, the Ruler believed, the British will continue to have some kind of "presence" in the area. Secondly, he felt that the Labour Government who had decided on the withdrawal may not remain in power after the elections in 1970. If the Conservatives were to win, the decision on withdrawal may be reversed, or at least not carried out as presently expected. However, Kuwait was continuing its active role and its efforts in bringing about understanding among the Emirates. He recalled Kuwait's role in bringing about the present understanding and said that regardless of whether or not there would be withdrawal, Kuwait would continue its diligent efforts in bringing about the desired unity. It is this unity, the Ruler added, and not the military build-up in Iran, which would stand in the way of Soviet infiltration. The Ruler had no fears or worries about Iran's increased military build-up in the area and doubted that Iran itself would move militarily to take over any of the Emirates.

6. Mr. McNamara mentioned that the Bank was particularly interested in extending assistance to the UAR, and asked in this connection, if Kuwait's present financial assistance to the UAR would continue under all circumstances, i.e. so long as no political settlement is arrived at in the Middle East. The Ruler said that Kuwait would have to wait to see the results of Mr. Jarring's mission before deciding one way or the other on this point. Mr. Jarring was continuing his peace efforts now and some day soon it will be learned whether they are fruitful or not. Kuwait would have to wait until then and take a position on the financial assistance in the light of this report.

7. Mr. Al-Ateeqi then referred to the invitation extended to Mr. McNamara to visit Kuwait which Mr. McNamara had accepted last October 2, and wanted

to discuss the timing for such a visit. Mr. McNamara repeated his thanks to the Ruler and to the Government for extending this ~~visit~~ INVITATION to him and said that he was truly looking forward to such a visit, especially after what he had heard about Kuwait from his two predecessors, as well as from everyone else in the Bank Group who had visited Kuwait. He hoped to be able to do so in the near future. Mr. Al-Ateeqi then said that he would like to get a more specific answer than the word "hope", and at that point the Ruler joined in adding his hope that Mr. McNamara would be more specific in indicating the timing that would be convenient for him to make the visit. They both hoped it would be soon after Ramadan or early in the Spring before the hot weather sets in in Kuwait. Mr. McNamara said he did not mind hot weather. He fully intended to visit Kuwait but could not fix a definite date at present. However, he would remain in touch with Mr. Al-Ateeqi to set the exact timing for the visit.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: December 11, 1968

FROM: Michael L. Lejeune

SUBJECT: KUWAIT - Meeting with the Ruler

1. An audience with the Ruler of Kuwait has been scheduled for you on Thursday noon, December 12, at Blair House. Also likely to be present on the Kuwaiti side are: Minister of Finance Al Ateeqi (whom you met at the time of the Annual Meeting), Minister of Foreign Affairs Sheikh Sabah (brother of the Crown Prince and Prime Minister), and Ambassador Al-Ghoussein. Both the Ruler and Sheikh Sabah speak only Arabic. You might like to take the opportunity of this meeting to mention four matters which are of direct interest to Kuwait.

2. Activities in the Arab World. The level of activity of the World Bank Group in the Arab world is a subject on which the Kuwaiti Government voiced some criticism at the time of Mr. Woods' visit to Kuwait in February 1967. Since that time, there has been a substantial stepping up of our activities in Arab countries. Economic missions, which are expected to pave the way for new lending, have since visited all Arab countries except Kuwait itself and Saudi Arabia (though the mission to Libya was essentially of a technical assistance character). They were followed by operational missions in most countries. Cumulative Bank and IDA lending to date in the Arab world is close to half a billion dollars (\$406 million for the Bank and \$75 million for IDA). Over the next five years we contemplate total lending in the Arab countries of the order of \$1.2 billion. In the Middle East proper, which is of particular concern to Kuwait, we have projects under consideration in Sudan, UAR, Lebanon and Iraq which should come to fruition in the course of 1969. We are also planning to send a mission to Jordan soon in order to identify projects which could be financed in the present circumstances pending the resumption of conditions enabling the Government to proceed with the large potash project in which we have a continued interest. We have faced some difficulties in securing the cooperation of the Syrian Government but these are now beginning to be overcome and it is possible that we could also be active in Syria in the course of 1969.

*300 in part 2 & 3
no for part 5*

3. We maintain close contacts with the Kuwait Fund for Arab Economic Development (Mr. Al-Hamad) and are seeking opportunities for joint financing. We hope that the Kuwait Government will find it possible soon to replenish the resources of the Kuwait Fund. In this regard we are fully aware of Kuwait's special assistance to the UAR and Jordan (\$93 million and \$39 million per year respectively) and only hope that it will not be too long before this general assistance can be channelled directly toward specific economic development.

President has seen

4. You might like to add that while the Bank recognises that the absence of a political settlement in the area has serious repercussions on the orderly pursuit of economic development, the Bank has actively continued to explore ways for assisting the countries most in need. We have done this even where extremist regimes have made it difficult for the Bank, and we are glad to report that we seem to have made progress. At this point you might wish to ask the Ruler how he thinks the Bank is regarded in, say, Egypt, Iraq, Syria, Saudi Arabia and the Trucial States of the Gulf.

5. Gulf Emirates. While the Gulf emirates are moving toward some kind of federation and complete sovereignty, their foreign affairs are, for the present, handled by Great Britain. You might like to mention to the Ruler our interest in this area which we know is shared by Kuwait. We look forward to an early political association between the various emirates, whatever may be its form, which could in due course lead to admission to Bank membership. Meanwhile, we stand ready to help them where possible in formulating plans and programs for economic development. A recent visit by a Bank staff member (Mr. Dajany) will be followed by more contacts and we look to Kuwait to make the emirates aware of the role the Bank can play.

6. Bond Issue. You will wish to tell the Ruler how gratified we were to be able to open a new field for Bank's borrowings with last August's Bond issue of \$15 million Kuwaiti dinars (\$42 million). We were particularly pleased that it was possible to denominate the Bonds in Kuwaiti dinars. We look forward to a continued relationship with Kuwait in this field.

7. Visit to Kuwait. You were invited by the Finance Minister in the name of the Ruler to visit Kuwait. You accepted but were non-committal as to the timing of your visit. The Ruler will probably ask when you expect to go.

A handwritten signature in dark ink, appearing to be 'H. H. H. H.', with a long horizontal line underneath.

OFFICE MEMORANDUM

TO: Files

CONFIDENTIAL

DATE: May 27, 1969

FROM: Omar Dajany

DECLASSIFIED

MAY 06 2013

WBG ARCHIVES

SUBJECT: Mr. McNamara's Visit to Kuwait

Mr. McNamara, accompanied by Mr. Mohamed Shoaib and Mr. Omar Dajany, visited Kuwait from May 11th to May 13th. During his visit Mr. McNamara met with H.H. The Ruler, H.H. The Crown Prince and Prime Minister; H.E. The Minister of Foreign Affairs, H.E. The Minister of Finance and Oil, and the Director General of the Kuwait Fund for Arab Economic Development. In addition, he visited the Kuwait Museum, The Shuaiba Industrial Estate, the home of Mr. Ateeqi, the old bazaar, and attended a reception in his honor given by the U.N. Development Program Representative in Kuwait, a private lunch at the home of Mr. and Mrs. Al-Hamad, a dinner party by the Minister of Finance and Oil and saw movies dealing with the educational system in Kuwait.

1) Meeting with H.H. The Ruler, Sheikh Sabah Al-Salim Al-Sabah

The Ruler welcomed Mr. McNamara to Kuwait but expressed his regret that the visit was so short. Mr. McNamara said that in his anxiety to make the visit as soon as possible he preferred to make a short one now rather than delay any further. He sincerely hoped to come on another longer visit with Mrs. McNamara in the near future.

He also said that he had heard a great deal about the Kuwaiti achievements in a relatively short period of time and wanted to see for himself the progress being made and the accomplishments thus far. The Ruler said that Kuwait's financial affairs and economic policies were in good hands, motioning to Mr. Ateeqi and Mr. Al-Hamad. He hoped that Mr. McNamara would enjoy his visit and will come back again but wanted to take this opportunity to tell him that Kuwait is most appreciative of the Bank's efforts in the Gulf Emirates and hoped that the Bank would continue to assist the Emirates in any way it can. Mr. McNamara related the sequence of the Bank's contacts with the Gulf Emirates leading to the proposed reconnaissance mission in June and the full-scale mission contemplated in the fall of 1969. He asked The Ruler for his opinion on the chances of agreement among the Emirates to form a Federation and what he thought Iran's role would be following the British announced withdrawal in 1971. The Ruler hedged the question humorously and countered by saying that as a former politician and Secretary of Defense he would like to know what Mr. McNamara's views on these questions were. In Kuwait, The Ruler continued, they were keeping their fingers crossed, hoping that the Gulf Emirates would reach an agreement and that Kuwait was prepared to provide any assistance in its power to that end. Kuwait, he also said, was interested in peace in the Gulf area and the Middle East and has often offered its mediation when disputes arose among its neighbors, such as the recent dispute between Iran and Iraq. No country

President has seen

can be allowed to interfere with, or have ambitions on, any of the Gulf Emirates and he hoped that the U.S. would support such a policy in the interest of peace in the area. The area also needs assistance in its economic development; as is the case in many other Arab countries and he hoped that the Bank would lend its assistance to the countries that need it.

Mr. McNamara said that the Bank's knowledge of the real needs and situation in the Arab world is limited but that he hoped through more intensified efforts and more frequent consultations with the Kuwaitis to bring about an accelerated program of assistance in the Arab countries. He was hoping that during the remaining part of fiscal 1969 and fiscal 1970 the Bank would increase its activity in the Middle East by 50 percent of the total of what it has done during the past 23 years. In doing so he emphasized his intention to utilize the Kuwait Fund's experience in the area and their advise on contemplated Bank projects. The Ruler said that he was pleased to hear this and assured Mr. McNamara he could rely completely on the assistance of Mr. Ateeqi and Mr. Al-Hamad who represent Kuwait in this field.

2) Meeting with The Crown Prince and Prime Minister - H.H. Sheikh Jaber Al-Ahmad Al-Jaber

Again, accompanied by Messrs. Ateeqi, Al-Hamad, Shoaib and Dajany, Mr. McNamara met with The Crown Prince and Prime Minister in his office. Sheikh Jaber extended a warm welcome to Mr. McNamara and said that he had been looking forward to his visit in Kuwait although he had hoped it would be longer. Mr. McNamara again explained the reason for the brevity of the visit and reiterated his intention to come back on a longer visit in the near future. He told Sheikh Jaber that he was fully aware that the Bank's relations with and activity in the Arab Middle Eastern countries has not been as close or as much as he would have liked it to be. He has come to Kuwait not only to see for himself the accomplishments of the Kuwaitis and how they efficiently utilized their wealth in developing the country but also to promote a closer relationship between the Bank and Kuwait, which, hopefully, would permit the Bank to fall back on Kuwait's knowledge and experience in the Arab world. This, he said, would be most valuable to the Bank in its pursuit of increased activity in the Middle East and would establish a consultative relationship with Kuwait in the course of future Bank operations there. It is his intention, he said, to increase this activity during the remainder of fiscal 1969 and fiscal 1970 by 50 percent of the total of what has been done during the past 23 years.

Sheikh Jaber said that Kuwait had always been willing to cooperate with the Bank and was very much in favor of creating the closest ties possible with the Bank. He said that they had told this to Mr. Black and Mr. Woods before him and they are reiterating this intention now. They were often told in the past that there would be greater Bank activity in the Arab world and closer, more frequent, consultations with Kuwait. He was hopeful, now that they have met Mr. McNamara early in his term as President of the Bank, that these intentions would be implemented. Kuwait, he said, is willing to cooperate fully and extend every assistance that may be required.

Mr. McNamara related the current Bank activity in the various Middle Eastern countries mentioning specifically the UAR, Lebanon, Jordan and the Gulf Emirates. He added that the Bank would continue to look for sound and useful projects and in doing so the Bank would give first consideration to the needs of a country and not to the political regime in it.

Sheikh Jaber then asked if it would be possible to channel some of the Bank's assistance through Kuwait in cases where, for one reason or another, the Bank did not want to lend directly to some countries. Mr. McNamara said that due to the Charter's requirement of Government guarantee the Bank could not channel financial assistance through the Kuwait Government or the Kuwait Fund. However, the Bank will resort to close consultation with the Fund in its operations in the area and may also provide technical assistance to be channeled through the Fund to some Arab countries when and if the Bank deemed fit. Mr. McNamara added that he would like to explore more seriously the possibilities of collaboration in joint projects between the Bank and the Kuwait Fund in Arab countries and hoped to find at least one such project which could be jointly done in the near future.

3) Meeting with The Minister of Foreign Affairs - H.E. Sheikh Sabah Al-Ahmad Al-Jaber

Mr. McNamara then met with the Minister of Foreign Affairs at his office. Sheikh Sabah welcomed Mr. McNamara to Kuwait and expressed regret that the visit was so brief. He had hoped for a longer visit because he wanted to invite Mr. McNamara for a tour of the Kuwait Gulf on his newly acquired yacht. Mr. McNamara said he would have liked this very much and promised to take him up on this invitation when he visited Kuwait next time, which he hoped would be in the near future. Sheikh Sabah wanted to set a date for this right away but it was left open because it was difficult to make a commitment so far in advance. Sheikh Sabah then said that he was aware of the Bank's recent interest in the Gulf Emirates and wanted to thank Mr. McNamara most heartily for the proposed study of the Emirates and urged that the Bank continue to provide technical assistance to the 9 Emirates because they need it badly. The British, he continued saying, have done nothing for the Emirates in all the time they have been protectorates. They have spent no money in developing the area, and when they leave shortly, they will leave the Emirates with no educational system, no administration, no roads and not even a trace of locally trained people that could take over to run a government. The Emirates are now getting together pooling their resources of wealth and men and trying to form a Federation which will become an independent sovereign state. All of the Emirates are now being helped by educated Arab nationals such as Palestinians, Egyptians and Iraqis but their need for technical assistance in the various fields of development remains too great and he was hoping, therefore, that the Bank could help by filling this gap as much as possible.

Mr. McNamara said that he was aware of Kuwait's interest in the Gulf Emirates and of Sheikh Sabah's personal efforts in bringing about agreement among the Rulers of the Trucial States. He related the Bank's intention with regard to the proposed survey mission and said that the Bank would

continue its keen interest in the Emirates. When the Federation is formed and becomes independent he hoped they would become members in the Bank which, in turn, would lead to a long and fruitful association.

Mr. McNamara referred to the meeting of the 9 Rulers that was being held at Doha to settle the various issues related to Federation and asked Sheikh Sabah what his opinion was on the chances of agreement among them. Sheikh Sabah said that there are definite obstacles in the way but he, like everyone in the Arab world, was keeping his fingers crossed and hoped that agreement will be reached. Referring to the possible Iranian claim on Bahrein Sheikh Sabah doubted if Iran would resort to force to annex the island. Although some Iranians are in favor of such a move the Shah himself does not want trouble in the area and he doubted that the Shah would expose Iran to the bitter animosity of the entire Arab world. In any case, he went on saying, a vacuum will certainly be created when the British leave and the Rulers of the Emirates realize that as a Federation they stand a much better chance of facing intrusion whereas disunity will leave them vulnerable and exposed. Kuwait has a definite policy in this regard and feels very strongly about it. The Gulf, he said, should not be a zone of influence for any foreign power whatever. The only logical and effective way to prevent any foreign intervention and/or ambitions by neighboring countries is the formation of a strong Federation which will join the community of friendly Gulf Sovereign States. We in Kuwait, Sheikh Sabah continued, are very simple people. We have experienced the smooth emergence into statehood and now have excellent relations with all countries. The Emirates wish to have the same experience and it is Kuwait's intention to do whatever it can to assist them in ensuring this smooth transition without outside interference. Kuwait hopes, he added, that the U.S. would strongly back this policy because otherwise a new area of trouble would emerge in the world and no one certainly wants that.

Mr. McNamara touched upon some of the subjects discussed with The Ruler and Sheikh Jaber and reiterated to Sheikh Sabah his intention of establishing a much closer relationship between Kuwait and the Bank along the lines discussed above.

The meeting ended on a warm and hopeful tone that Mr. McNamara would return soon and devote a day for Sheikh Sabah to host him on his yacht.

There were no specific meetings scheduled with the Minister of Finance nor with Mr. Al-Hamad. Discussions with Mr. Ateeqi were held during the several times they met or drove together. Mr. Al-Hamad accompanied Mr. McNamara throughout the entire visit and discussions with him were held off and on during that time.

The main points discussed in the three scheduled meetings, as well as with Mr. Ateeqi and Mr. Al-Hamad, are summarized as follows:-

1) Mr. McNamara emphasized the purposes of his visit to Kuwait as:

- a) to see for himself the development in the country accomplished by the Kuwaitis in the short period of time they have been at it.
- b) to promote closer relationship between the World Bank and Kuwait, which, hopefully, would permit the Bank to fall back on Kuwait's knowledge and experience in the Arab world. He was anxious to establish a consultative relationship with Kuwait in the course of future Bank operations in the Arab world.

2) Mr. McNamara expressed regret for the brevity of his visit but, due to his anxiety to make the visit as soon as possible, preferred to make a short visit now and he sincerely hoped to come on another longer visit with Mrs. McNamara in the near future.

3) Declared the Bank's intention to increase the Bank's activity in the Middle East during the fiscal 1969 and 1970 by 50 percent of the total of what has been done during the past 23 years. In doing so he again emphasized his determination to utilize the Kuwait Fund's experience in the area and advice on contemplated Bank projects.

4) The Ruler, Prime Minister, Minister of Foreign Affairs, Minister of Finance, and the Director General of the Kuwait Fund did, at one time or another during the visit, express most enthusiastically their appreciation of the Bank's efforts in the Gulf Emirates; wished the Bank good luck in its efforts to assist the area and pledged support by Kuwait if and when needed by the Bank.

5) Agreed to explore more seriously and effectively possibilities of collaboration in joint projects between the Bank and the Kuwait Fund in Arab countries and determined to look for such a project which they can do jointly in the very near future.

6) Kuwait proposed that a delegation from Yemen be invited to visit the Bank and discuss their situation in order to give the Bank first-hand information on the situation in Yemen. The visit is to be sponsored and arranged by the Kuwait Fund, which will incur all expenses. Mr. McNamara welcomed the proposal and suggested that the mission arrive to the Bank before August 15, 1969.

7) While the Bank could not channel financial assistance to Arab countries through the Fund (due to the Charter's requirement of Government guarantee); yet the Bank will resort to close consultation with the Fund in its operations in the area. May also provide technical assistance, to be channeled through the Kuwait Fund, to the area when and if the Bank deems fit.

8) Agreed to implement the proposal for periodic joint meetings between the Bank and the Fund in addition to those held during the Annual Meetings. Suggested to hold these joint meetings in late winter or early spring but to hold at least two such meetings annually.

cc: Mr. McNamara
Mr. Shoaib
Mr. Lejeune (2)

ODajany:pa



Mr. McNamara:

to see
cc 4/20

OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: November 20, 1969

FROM: Maurice P. Bart

SUBJECT: Meeting with Kuwaiti Delegation during Annual Meeting

1. H. E. Ateeqi, Minister of Finance and Oil, Mr. Al Hamad, Director General of the Kuwait Fund and Mr. Abu Su'ud, called on Mr. McNamara on October 2, 1969, at the Sheraton Park Hotel. Mr. Shoaib, Mr. Lejeune and Mr. Bart were present.

2. Mr. McNamara welcomed the Kuwaiti delegates and opened the discussion by mentioning that the Bank had started work on Yemen, where a joint Bank and Kuwait Fund reconnaissance mission would meet shortly, and on the Gulf States where a Bank survey mission was scheduled for October; he knew that Kuwait had a special interest in both areas. Mr. Ateeqi expressed the hope that both Kuwait and the Bank could start something in Yemen despite the political situation. Other news which Mr. McNamara thought would give pleasure to Kuwait were that the Bank expected to increase its lending in the Arab world in the current fiscal year by three times over what it lent in the preceding year.

3. One particular project to which he wanted to draw the attention of Kuwait or of the Kuwait Fund was the Rahad project in Sudan; though the Bank had faced problems regarding Sudan's economic policies and regarding the rate of return of the project, it was prepared to put an amount of some \$25 million and would like to see other sources of capital joining in this effort. He suggested that the delegation should get in touch with Mr. El Emary since there was not much time for organizing joint or parallel financing if the Bank proceeded with the project. Mr. Al Hamad said that the Kuwait Fund was definitely interested in the Rahad which offered plenty of room for everybody as well as time to join in the financing of one of the successive stages. He would particularly like to be kept abreast of any evolution in the Bank's relations with Sudan.

4. Mr. McNamara said that the Bank was working hard towards negotiating new lending to the UAR, starting with an irrigation project. However, it was necessary that the UAR, which had already gone a long way towards settling its international disputes, should settle the remaining ones. If the UAR settled them, the Bank would go to the Board in a few weeks with the irrigation project and he hoped that lending for railways would follow. He hoped that, if the movement started by the Egyptians towards better economic relations with the West continued, and if the Bank was seen to be acting in

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President has seen

the UAR, new sources of capital could be interested. He added that the Bank's new departure in the UAR would be considered a big step forward ten years from now.

5. Mr. Ateeqi said that he was very glad of this evolution which was of great importance to Kuwait since, apart from the Kuwaiti loans to the UAR made from Government to Government, large amounts of Kuwaiti money was deposited there on which the UAR could not repay even interest. Kuwait was leaving the UAR authorities at ease for the time being and was not pressing them but nevertheless expected that they would settle one day. He wanted to congratulate Mr. McNamara on what he had achieved in the Arab world and in the UAR in particular. Mr. Al Hamad added that the negotiations with the Bank would open new alternatives in the UAR. Without wanting to be presumptuous, he would be happy to do something together with the Bank. Mr. McNamara suggested the Rahad project and Mr. Ateeqi an operation in Yemen.

6. Mr. Al Hamad mentioned that he would be attending the meetings of the Consultative Groups for Morocco and Tunisia and would maintain close coordination with the Bank in this regard. Mr. McNamara said that Morocco was becoming a very active country insofar as the Bank was concerned, but it still needed help from all the Consultative Group members.

7. Before leaving, Mr. Ateeqi said that he wanted to mention something personal, that is the way delegates to the Annual Meetings of the Bank, upon their arrival in the USA, were received, questioned and processed by the immigration and customs authorities. He thought that special arrangements should be made to treat delegates more according to the standing they should command. Mr. McNamara said that he was sorry to hear that the reception of the delegates was not what it should be and that he would ask Mr. Mendels to investigate this matter and to write to the American authorities.

cc.: Mr. El Emary
cc.: Mr. Hartwich

(this memo was drafted by Mr. Bart who, nevertheless, has not seen it in final form).



November 13, 1970

Meeting with Kuwait Delegation on Wednesday, September 23, 1970, at 2:15 p.m.

Present: Messrs. McNamara, Shoaib, Al Ateeqi, Minister of Finance, and Al Hamad, Head of Kuwait Arab Development Fund

The Minister opened the conversation by expressing his concern about the political uncertainties in the Arab world. With respect to IDA they were happy to participate, in spite of financial problems, in the Third Replenishment, since they did not wish to disappoint the World Bank Group. At the same time they would like to see more Bank Group activity in Arab countries.

Mr. McNamara pointed out that lending to these countries had already greatly increased since he came to the Bank. He was hopeful that past difficulties with respect to lending to Algeria might soon be overcome. It would also be interesting to explore the possibility of having more joint operations with the Arab Development Fund. Mr. Al Hamad said that the Fund had been very happy with past experience in this field. They were very willing to try a joint operation in North Yemen. He had been particularly pleased to see that the terms of reference for the team of advisors was very much operationally oriented.

The conversation then turned to the UAR. Mr. McNamara stated very emphatically that no further Bank Group lending was possible unless the UAR measured up to the undertakings which he had assumed they would live up to when he recommended the irrigation project to the Board last spring.

With respect to Syria, Mr. McNamara said there was nothing the Bank could do as long as present political uncertainties remained. The Minister said the Iraqi Government had recently become much more forthcoming in its willingness to cooperate with Kuwait, and he thought it was also becoming more interested in working with international agencies.

Mr. McNamara was then asked if the Bank would agree to provide technical assistance to Kuwait for their industrial development program. Such assistance was urgently needed and the Minister hoped the Bank would do its best to help them. Mr. McNamara pointed out that the Bank had severe staffing shortages, particularly in the field of development finance companies. However, he was willing to give Kuwait priority and asked Mr. Shoaib to arrange this matter with Mr. Diamond.

cc: Rickett
Shoaib
Benjenk

L.E. Christoffersen

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MEMORANDUM FOR THE RECORD

March 16 1971

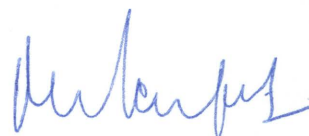
KUWAIT : Visit of Mr. Ablatif Al Hamad with Mr. McNamara

Mr. Al Hamad, Director General of the Kuwait Fund for Arab Economic Development, called on Mr. McNamara on December 14 at the end of his stay in the Bank for consultations on the two organizations' work in the Arab countries. Mr. Al Hamad also participated in the negotiations for the Tunisian gas pipeline project.

Mr. Al Hamad told Mr. McNamara that he was glad to see much activity in the Bank designed to increase the volume of lending in the Arab countries and he was hopeful that this activity would yield good results. He particularly hoped that lending to the UAR could soon take place. This was the reason why Kuwait had made a financial gesture in order to help the UAR pay its debts to the United States and thus remove the stumbling block to Bank lending to Egypt.

Mr. Al Hamad told Mr. McNamara about the Kuwait Fund activities in the Arab countries and expressed the hope that the Tunisian joint operation between the Bank and the Kuwait Fund would be the first of many. In particular he hoped that the Bank and IDA would become more active in Syria and Jordan.

Mr. McNamara said he hoped the UAR would now make a considered proposal to unblock the debt issue. Mr. McNamara said he would be quite happy to see joint projects between the Bank and the Kuwait Fund in both Syria and Jordan.



M.P. Benjenk

cc: Mr. McNamara's office.

President has seen



OFFICE MEMORANDUM

TO: Files

DATE: October 7, 1971

FROM: Adi J. Davar

SUBJECT: KUWAIT: Meeting With Mr. McNamara During the Annual Meeting

On September 30, Mr. McNamara met with Finance Minister Al-Ateeqy and Mr. Al-Hamad, Director of the Kuwait Fund. Messrs. Knapp, Shoaib, Benjenk, Dajany and I also attended.

Mr. McNamara expressed his great satisfaction with Kuwait's support to the recent bond issue, and thanked the Minister Al-Ateeqy for the personal help that he had extended in moving Egypt towards quickly resolving its debt rescheduling problem with the U.S. He believed that Egypt and the U.S. were very close to a settlement, and he therefore urged Minister Al-Ateeqy to persuade the Egyptians to finalize matters and sign an agreement with the U.S. before they left Washington. He indicated that he was most anxious to help in the development of such an important country like Egypt, with a population of nearly 35 million. The Bank Group could help not only with about \$40 million of IDA financing a year, but also with technical advice and assistance, and as soon as Egypt became Bank-worthy, with some Bank financing as well. Minister Al-Ateeqy stated that knowing Mr. McNamara's intentions, he had used his influence with Egypt to settle the debt question and open its doors for Bank Group lending which it needed, and that he would see what he could do to help further.

Mr. McNamara then expressed his appreciation at Kuwait agreeing to a floating of a Bank bond issue in Kuwait in early 1972. Minister Al-Ateeqy indicated that he was now in a position to suggest the floating of an issue much earlier, perhaps in the next month or two. Mr. Al-Hamad stated that on his return to Kuwait, he would communicate with Mr. Shoaib and Mr. Dajany, the most propitious timing for such an issue.

Mr. McNamara then indicated that he wanted to help Sudan with the Rahad project. It however seemed that the foreign exchange component was larger than what the Bank could itself provide to Sudan, and he inquired if the Kuwait Fund would be prepared to participate in the financing of the project. Minister Al-Ateeqy and Mr. Al-Hamad indicated their willingness, in principle, to do so.

Mr. McNamara thereafter briefly reviewed recent Bank activities in the Arab world and expressed his particular satisfaction at the resumption of lending activities in Iraq with a \$27.5 million telecommunications loan, and the commencement of lending to new member countries such as Yemen and Democratic Yemen. Minister Al-Ateeqy thanked Mr. McNamara for his interest in and help to Arab countries, and promised Kuwait's help with such countries in generating a fuller understanding of the Bank's intentions to help them in their development.

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cc: Messrs. Benjenk (o/r), Hartwich, Christoffersen, Dajany, Malone, Ritchie (o/r)

President has seen

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October 5, 1972

MEMORANDUM FOR THE RECORD

KUWAIT: Meeting of His Excellency Sheikh Abdul Rahman Salim Al-Ateeqy, Minister of Finance and Oil With Mr. McNamara During the Annual Meeting

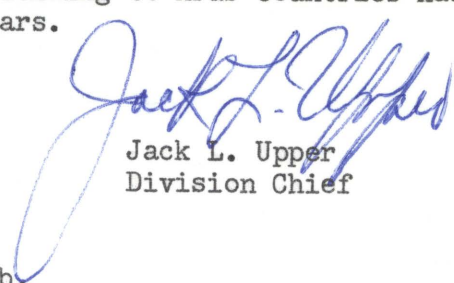
Mr. McNamara met with His Excellency Sheikh Abdul Rahman Salim Al-Ateeqy, Kuwait Minister of Finance and Oil, on Thursday afternoon, September 28 at 2:50 p.m. Messrs. Shoaib, Benjenk, Dajany and Upper attended.

Mr. McNamara greeted Sheikh Al-Ateeqy and said that in his view Kuwait had several alternatives for the use and development of her oil resources: leave them in the ground, diversify the economy, invest in productive enterprise abroad and invest in liquid securities. Among the last he hoped, of course, that Kuwait would continue to consider World Bank bonds.

Sheikh Al-Ateeqy responded that he was taking all factors into account in determining the level of oil production, including the interests of the companies involved, and that he was not in favor of accumulating liquid funds for their own sake. Taking Kuwait's expanding budget over the next 3-4 years into account, he did not foresee any great liquidity problem. He looked forward to future World Bank issues in Kuwaiti dinars as part of his investment program.

He then invited Mr. and Mrs. McNamara and Mr. and Mrs. Shoaib to Kuwait and inquired whether February or March would be convenient. Mr. McNamara said he would look at his schedule and confirm this.

Sheikh Al-Ateeqy commented on the good relations between the Bank and the Kuwait Fund, and Mr. McNamara noted with satisfaction the various joint projects which have been approved and the four which are under preparation. He also thanked Sheikh Al-Ateeqy for his help in improving relations with several countries, particularly Iraq, Yemen, Egypt and Sudan and reviewed briefly how lending to Arab countries had increased five-fold over the past five years.


Jack L. Upper
Division Chief

Cl. with and cc: Mr. Benjenk
cc: Mr. McNamara (2)
Mr. Knapp, Mr. Aldewereld, Mr. Shoaib,
Mr. Rotberg, Mr. Votaw, Mr. Dajany

Europe, Middle East and North Africa Region
Division 1D

President has seen

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OFFICE MEMORANDUM

TO: Files

DATE: March 13, 1973

FROM: Omar Dajany

SUBJECT: Mr. McNamara's Visit To Kuwait

Mr. McNamara visited Kuwait from February 9 to February 12th. He was accompanied by Mrs. McNamara, Mr. and Mrs. Mohamed Shoaib, Mr. Munir Benjenk, Mr. Anders Ljungh and Mr. Omar Dajany. During this visit, which was his second to Kuwait, Mr. McNamara met with H.H. The Amir, H.H. The Heir Apparent and Prime Minister, H.E. The Minister of Finance and Oil, and the President of the Arab Fund for Economic and Social Development. Throughout the visit and in all the above meetings, Mr. Abdlatif Al-Hamad, Director General of the Kuwait Fund for Arab Economic Development was with Mr. McNamara and his party.

In addition, Mr. McNamara visited the Kuwait Investment Company where on February 9 he signed the Agreement for the latest KD 25 million bond issue. He also visited the offices of the Arab Fund, the new site of the Kuwait Fund, which is still under construction, a school for the handicapped children, and the oil installations at Al-Ahmadi.

1) Meeting with H.H. The Amir, Sheikh Sabah Al-Salem Al-Sabah
The Amir welcomed Mr. McNamara to Kuwait and said that he was glad Mr. McNamara could make a second visit to Kuwait accompanied this time by Mrs. McNamara. He asked if Mr. McNamara had noticed any change in Kuwait since his last visit.

Mr. McNamara said that he was happy to visit Kuwait another time and added that this was the first time he visits any country more than once in an official visit. He certainly noticed the development in Kuwait since his last visit but most of all he was impressed by Kuwait's financial policies and the progress the country has made in asserting itself as a leading money exporter. He referred to the KD 25 million bond issue which he was going to sign that afternoon and complimented and thanked Kuwait for its cooperation with the Bank which in turn has assisted the Bank in helping other peoples in the world. With particular reference to Arab countries, Mr. McNamara said that in the past five years the Bank Group had made commitments totaling approximately \$1 billion for sixty projects in eleven Arab countries. He also wanted to pay particular tribute to the cooperation the Bank receives from the Kuwait Fund without whom, some operations such as in Yemen, may have never come to being.

The Amir asked and was told about the amount of money raised by the Bank in Kuwait so far and then asked if the local banks make any profit out of selling IBRD bonds. This was explained to the Amir who said that he personally had bought some of the IBRD bonds. The Amir said that Kuwait's financial affairs and economic policies are in excellent hands

and highly complimented Mr. Ateeqy and Mr. Al-Hamad. The Amir hoped that this cooperation will also exist between the Arab Fund and the Bank and Mr. McNamara replied that he was looking forward to this cooperation and was planning to meet with Mr. Jaroudi during his visit to lay the ground work for future cooperation between the two institutions.

2) Meeting with The Heir Apparent and Prime Minister; Sheikh Jaber Al-Ahmed Al Sabah

Again, accompanied by Messrs. Ateeqy, Al-Hamad, Shoaib, Benjenk, Ljungh and Dajany; Mr. McNamara met with the Heir Apparent and Prime Minister in his office. Sheikh Jaber extended a warm welcome to Mr. McNamara and said that he was particularly pleased that his second visit came at a time when the Viet-Nam war was over. Mr. McNamara said he was glad to be in Kuwait again and pointed to the Bank's accelerated activity in the Arab countries during the past five years. He also mentioned that Kuwait has become an important source of support for the Bank not only in becoming one of its leading lenders during the past year but because of the cooperation between the Bank and the Kuwait Fund without which some projects in certain Arab countries would not have been possible; and indeed may not have come to the Bank's attention. Sheikh Jaber was contented with what the Bank was doing in the Arab countries and hoped that it would continue. He noted specifically that this activity had taken place only during Mr. McNamara's Presidency and wanted to thank him for his efforts to help the Arab countries and assured him of Kuwait's continued willingness to cooperate with the Bank. Mr. McNamara made reference to Kuwait's contribution in the third IDA replenishment and explained what that meant to the developing countries and specifically to the recipient Arab countries. He hoped that he can always count on Kuwait's participation in IDA's activities and was told that he could count on that whenever Kuwait was in a position to help.

Sheikh Jaber showed great enthusiasm for the Arab Fund and hoped that the same relationship that exists between the Kuwait Fund and the Bank would also be created and maintained with the Arab Fund. Again, Mr. McNamara assured Sheikh Jaber that the Bank would like nothing better and that he was meeting with Mr. Jaroudi to discuss this point specifically.

3) Meeting with the Minister of Finance and Oil; H.E. Abdul Rahman Salim Al-Ateeqy

Mr. McNamara and Mr. Ateeqy had discussed several matters off and on during the visit because they had been together on various occasions prior to the official meeting at the Ministry of Finance and Oil. In addition to the people mentioned above; the meeting at the Ministry included also Mr. Khaled Abul Suud, Undersecretary of Finance. Mr. Ateeqy repeated his welcome to Mr. McNamara and said that Kuwait was receiving a man they consider a friend and a man Kuwait highly esteems. Mr. McNamara did not wish to go into what

had already been discussed in the previous two meetings in the presence of Mr. Ateegy but wanted to lay the foundation of an understanding with regard to future borrowing by the Bank in Kuwait. He explained how the Bank sets a borrowing program as approved by its Board well ahead of time and could not easily exceed those limits. To avoid finding Kuwait in a situation where it desired to lend the Bank but the Bank was unable to borrow, he suggested that the Kuwaitis periodically review their income, obligations and surplus. All the Bank would require is an indication ahead of time that Kuwait was likely to have "X" amount available for lending and the Bank would then take this into account in planning its borrowing program. Mr. McNamara emphasized that the Bank could be very flexible in accomodating Kuwait with a borrowing program especially tailored to suit their situation as far as currency and term are concerned provided we have early indications of what the Kuwaiti requirements are. Mr. Abul Suud said that he would like to explore the possibility of direct lending by the government to the Bank. He has substantial sums, he said which he needed only on specific dates to meet obligations and these dates varied from six months to three years. These funds are mostly in Kuwaiti dinars but the government did have other sums in foreign currency which they would like to consider lending. He promised to review the portfolio and periodically discuss with Mr. Dajany the possibilities of future lending possibilities by the government directly. Some of these funds may in future encompass some of the "royalty payments" which since April 1, 1972 have been allocated to the State's general reserve.

Mr. McNamara was pleased to hear Mr. Abul Suud's statement and said that Mr. Dajany will remain in touch with them in order to work out possibilities of future borrowing well ahead of time.

Mr. Ateegy wanted to know what the Bank's lending policies to Somalia were? He said that a Somali delegation had visited Kuwait recently and discussed the possibility of Kuwaiti assistance in implementing a project involving the construction of a huge dam with multipurpose benefits. The cost of this project was estimated at \$60 million by Russian experts and at something like \$100 million by American and European experts. He was going himself to Somalia shortly but wanted to know what the Bank's attitude toward lending in Somalia was.

Mr. McNamara said that he had recently been in Somalia and that he had rarely been as impressed with any people as he had been with the Somalis. Despite their socialist regime, the government people from the President down to the junior officials were some of the most dedicated and hard-working people he had ever seen. He had not heard of this particular project and neither did the government mention it to him. However, the Bank would gladly look into this project if requested and would be willing to provide any assistance it can. He mentioned that this was a further demonstration of Bank/Kuwaiti joint venture possibilities and asked Mr. Benjenk to follow up on this matter upon his return to Washington.

4) Meeting with Mr. Saeb Jaroudi; President of the Arab Fund For Economic and Social Development

The meeting with Mr. Jaroudi took place at the temporary offices of the Arab Fund located at the KIC Building. Mr. Jaroudi welcomed Mr. McNamara to the Arab Fund and expressed the hope that this would be the beginning of a long and fruitful cooperation between the Bank and the Arab Fund. He expressed his gratitude to all the staff in the Bank and particularly Mr. Shoaib who was of great assistance to him during his get acquainted visit to the Bank during and after the Annual Meeting. He said he benefited from that visit a great deal and hoped to continue benefiting from the Bank and drawing on its experience for the benefit of the Arab countries.

Mr. McNamara said that he was very happy to meet with Mr. Jaroudi again and that he attached great importance to future cooperation between the two institutions. He said that one only has to look at the example set by the relationship between the Kuwait Fund and the Bank to realize that such cooperation is not only in the interest of both institutions but in the final analysis serves the Arab countries involved which after all is the mutual aim of all. He cited specific cases where the Bank would not have undertaken any activity were it not for the initiative of the Kuwait Fund and also cited other cases where there probably would not have been any assistance from the Bank if it were not undertaken as a joint operation. The Bank, he added, would be happy to provide any assistance it could to the Arab Fund and urged Mr. Jaroudi to draw our attention to specific projects and cases where he feels a joint approach would be more effective.

Mr. McNamara asked a number of questions relating to the establishment of the Arab Fund such as contemplated number of staff, size of operations, and types of projects he foresees. Mr. Jaroudi said that he was in the initial stage of organizing the Fund. It is difficult for him to answer any of the questions but felt that they would take the practical approach of some reconnaissance work at the beginning and then acting upon what they deem to have higher priorities. The staff will be increased as and when the work loads warrants and he hoped to continue drawing on the Bank's technical know how when they need it. He had discussed with Mr. Shoaib the possibility of providing one of his senior staff with training on administration and the Bank had agreed to do so. Mr. Adli Dajani, Director of Administration at the Arab Fund will therefore come to Washington in the latter part of April for a two to three week period of familiarization and training.

Mr. Jaroudi hoped that Mr. McNamara would agree to address the Board of Governors of the Arab Fund at one of its future Annual Meetings. The first meeting will be held around mid-April of this year

March 13, 1973

in Kuwait and thereafter in a different member Arab country each year. Mr. McNamara said that he would be happy to do so depending upon his commitments at that time and asked Mr. Jaroudi to keep in touch and to advise him as early as possible about the timing and place of the second Annual Meeting.

5) No specific meeting was held with Mr. Al-Hamad. He had attended all the official meetings with Mr. McNamara and had been with him throughout the visit. There was ample opportunity, therefore, for discussions which were actually held but cannot, obviously, be a subject of this memorandum.

cc: Mr. McNamara (2)
Mr. Aldewereld
Mr. Shoaib
Mr. Benjenk (2)
Mr. Rotberg

ODajany: dlh

OFFICE MEMORANDUM

TO: Mr. R. S. McNamara
DATE: April 3, 1974.
FROM: W. A. Wapenhans, Acting Regional Vice President, EMENA *PP-80*
SUBJECT: Lunch with Mr. Al-Hamad, Director General, Kuwait Fund (Wednesday, April 3)

1. Mr. Al-Hamad is here on what he calls an explanatory visit - showing his face to the Regions he has not dealt with before but expects to deal with in the future, and vice-versa. On this visit, he has only dealt very briefly with details of ongoing operations with the EMENA Region. At the time of writing this memorandum Mr. Al-Hamad had concluded his discussions with the EMENA, Eastern Africa and Western Africa Regions, with his Asia Region meeting scheduled for Wednesday morning. Mr. Al-Hamad has also seen, or will be seeing, Messrs. Knapp, Aldewereld and Shoaib. A copy of his program is attached.

2. Currently, the Kuwait Fund has capital of KD 200 million (US\$670 million) which is available only for lending within the Arab world (which includes Sudan, Somalia and Mauritania). There is a proposal before the Kuwait parliament to increase the Kuwait Fund's capital to KD 1,000 million (US\$3,380 million), to authorize borrowings up to 200% of capital and reserves and to extend the scope of operations to all developing countries (without diminishing its operations in the Arab world). Thus the Kuwait Fund could have available up to \$10,000 million for commitment. Mr. Al-Hamad is not prepared to discuss the rate at which the Kuwait Fund will commit these funds or specific projects outside the Arab world, until Parliament has given its final approval (expected by the summer). On the other hand, Mr. Al-Hamad has mentioned that he intends to expand the Kuwait Fund's operations through three devices:

- His idea - we have not promised anything.*
- a. by joint financing with institutions such as the Bank Group;
 - b. by borrowing staff from IBRD; and
 - c. by building up the Fund's own staff (which will be exclusively drawn from developing countries, not necessarily Arab).

The terms of expanded Kuwait Fund lending are expected to remain as flexible as at present, to meet the needs of individual situations. To date, the Fund has made grants (Yemen AR), loans on about IDA terms (Yemen AR) and "intermediate" loans with a maximum interest rate of 4%. A table showing the terms of recent and forthcoming fund operations in collaboration with the Bank Group is attached.

3. The Fund has jointly financed projects with the Bank Group in Tunisia, Sudan, Yemen AR and Jordan. The Fund is involved in the Syria Power and Oman Technical Assistance projects, both of which are scheduled for consideration by our Executive Directors on April 16. Active discussions are going on with regards to joint financing of the Egypt Talkha Fertilizer, Algeria Port of Bethioua, Tunisia Phosphates and Yemen PDR

President has seen

Highways project, and the EMENA Region has a continuous dialogue with the Kuwait Fund on additional possibilities for joint action. We are also coordinating our activities in respect of financing the re-opening the Suez Canal, lending to the Jordan Industrial Development Bank and the carrying out of a ports survey in Yemen AR.

4. Earlier this year, the Eastern Africa and Western Africa Regions supplied the Kuwait Fund with lists of potential projects, prior to Mr. Al-Hamad's recent and extensive tours of Africa. Those Regions are now supplying the Kuwait Fund with additional data on projects in Mauritania and Somalia, in which countries the Fund can presently operate. Providing the Kuwaiti Parliament approves the necessary legislation without delay this summer, Mr. Al-Hamad told the Africa Regions that the Kuwait Fund might find it possible to engage in "one or two" joint financing operations in each such Region, starting sometime in the fall of 1974 with a view to commitments in early 1975. At the time of writing this memorandum, Mr. Al-Hamad had not met with Mr. Cargill, but he had already given me an indication that the expanded Kuwait Fund will give its first attention to Africa, and only thereafter turn to Asia.

5. Relations between the Bank and the Kuwait Fund are cordial, although Mr. Al-Hamad is openly critical of the time taken by some Bank procedures.

Attachments

cc: Mr. Knapp

P.S. Al Hamad has apparently said to BE staff
that he does not want to go into "social"
lending now (sites and services, education).

W.H.

PROPOSED PROGRAM FOR VISIT TO WORLD BANK

Mr. Abdlatif Y. Al-Hamad,
Director General, Kuwait Fund

(accompanied by Mr. Faisal Al-Khalid)

Monday, April 1

6.50 pm

Arrival at Dulles Airport on Air France flight 051.
(To be met by Mr. Asfour and taken to Madison Hotel.)

Tuesday, April 2

9.30 am

Mr. M.M. Ahmad, Executive Director

Room No.
E-1127

10.00 am

Mr. Wapenhans, EMENA Regional Vice President (Acting)

A-712

At about 10.30 am, this meeting will be joined by the
EMENA Country Programs Directors, Messrs. Votaw and
Asfour (Acting).

A-712

If time permits thereafter, meeting with Mr. Karaosmanoglu,
EMENA Chief Economist, in connection with the Bank's
energy task force work on producer country options.

E-723

12.30 pm

Mr. Shoaib, Vice President

F-1212

1.00 pm

Lunch hosted by Mr. Shoaib, Vice President

Executive Dining
Room - E Building

2.30 pm

Mr. Knapp, Senior Vice President, Operations

3.00 pm

Mr. Bell, Eastern Africa Regional Vice President
and the Eastern Africa Country Programs Directors,
Messrs. Lejeune and Husain.

A-1136

4.00 pm

Mr. Chaufournier, Western Africa Regional Vice
President, and the Western Africa Country Programs
Directors, Messrs. Dutt (Acting) and Steckhan (Acting).

A-313

6.00 pm

Cocktail party hosted by Mr. Ahmad, Executive
Director and Mr. Alsharekh, Alternate Executive
Director.

Executive Dining
Room - D Building

Wednesday, April 3

9.30 am

Mr. Cargill, Asia Regional Vice President, and the
Asia Country Programs Directors, Messrs. Goodman
and Melmoth (Acting)

A-513

10.30 am

Mr. Aldewereld, Vice President

E-1236

12.30 pm

Lunch with Mr. McNamara

E-1227

6.00 pm

Cocktail party hosted by Mr. Wapenhans, EMENA
Regional Vice President (Acting)

Watergate Terrace,
Watergate Hotel.

Thursday, April 4

Departure

NOTE: Messages for Mr. Al-Hamad may be relayed to Olivia Dyhouse - Extension 2169.

Program Coordinator's Office
EMENA Region
April 1 1974

KUWAIT FUND

Terms of loans made under co-financing with the Bank Group.

I. Loans already made (FY69-73)

| <u>Project</u> | <u>Bank/IDA</u> | <u>Kuwait Fund Loan</u> | | | | <u>Interest</u> (%) |
|---------------------------------|--|-------------------------|-------------|--------------|--|------------------------|
| | <u>Amount</u> -----US\$million----- | <u>Amount</u> | <u>Term</u> | <u>Grace</u> | | |
| * Tunisia Gas Pipeline (FY71) | 7.5 (IBRD) | 2.5 <u>a/</u> | 16 | 3 | | 3.5 |
| * Sudan Rahad Irrigation (FY73) | 40.0 (IDA) | 10.0 <u>a/</u> | 30 | 5 | | 2.5 |
| Yemen AR Tihama Agric. (FY73) | 10.9 (IDA) | 5.9 <u>b/</u> | 50 | 10 | | - |
| * Jordan First Power (FY73) | 10.2 (IDA) | 10.2 <u>a/</u> | 25 | 3 | | 4 |

(The Kuwait Fund has also joined us in the Technical Assistance Grant to Yemen AR)

II. Loans not yet made

| | | | | | |
|----------------------------------|--|------------------|---|---|---|
| * Syria Power (FY74) | 25.0 (IBRD) | 18.0 <u>a/</u> | 20 | 3 | 4 |
| Egypt Talkha Fertilizer (FY74) | 20.0 (IDA) | 25.0 <u>a/</u> | 20 | 5 | 4 |
| Oman Technical Assistance (FY74) | 3.0 (IBRD) | 0.45 <u>a/c/</u> | (Fund will send mission to Oman in mid-April) | | |
| Yemen PDR Highways (FY75) | 10.0 (IDA) | 10.0 <u>a/c/</u> | (Not yet firmed up) | | |
| Tunisia Phosphates (FY75) | 20.0 (IBRD) | 13.8 <u>a/c/</u> | (This is the "asked" amount -- see Asfour brief.) | | |
| Morocco Souss (FY75) | (Kuwait Fund involvement only a "possibility" at this stage - see Asfour brief.) | | | | |
| Morocco Oum er Rbia (FY76/77) | (Kuwait Fund Involvement only a "possibility" at this stage - see Asfour brief.) | | | | |

(NOTE: (i) The Kuwait Investment Company is underwriting \$60 million of Kuwait Bonds for the Algeria Port of Bethioua project. The Bonds have a term of 16 years, including 4 years of grace, and carry 7% interest.

(ii) The Kuwait Government is likely to participate in the financing of the proposed Yugoslav Adriatic Pipeline.)

EMENA Program Coordinator's Office
April 1 1974

-
- a/ Foreign exchange costs only
b/ Local cost financing
c/ Tentative only.
* Joint financing.

1. Aij
2. PS

Files

August 6, 1974

O. Maiss, EMENA CPD I

Kuwait Foreign Trading and Investment Company (KFTIC)

1. Mr. A. W. Al Tammar, the head of KFTIC, visited Mr. McNamara on August 1, 1974. He explained that his Company, which in the past has been mainly engaged in underwriting securities, is now trying to move into direct project investments, preferably in LDCs. He expressed confidence that profitable investment opportunities exist in these countries, especially in the fields of raw materials and their processing. All projects would be carried out in close cooperation with the host countries and foreign technical partners.

2. The Company has a capital of about \$80 million. However, the financial resources at its disposal are much larger as KFTIC is also acting as an investment agent for the Kuwait Government. This is underlined by the fact that in the first seven months of 1974, the Company has invested some \$300 million (still mostly through underwriting).

3. Mr. McNamara pointed out the difficulties of identifying, appraising and supervising investment projects in LDCs, and emphasized the high professional standard of staff required to carry out such operations. Mr. Al Tammar admitted that his Company was not yet geared up to the new task of investing in LDC projects, and requested the Bank Group's advice and support. In response to this request, Mr. McNamara offered assistance in recruiting qualified professional staff for KFTIC; he also mentioned the possibility of joint financing between the Company and the Bank Group. Mr. Al Tammar welcomed such assistance and indicated that he would pursue the matter further with senior staff in IFC and the Bank.

cc: Messrs. McNamara, Knapp, Benjenk, Cargill, von Hoffman, Wapenhans

OMaiss/sjw

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: August 1, 1974

FROM: L. von Hoffmann

SUBJECT: Your meeting with Mr. Al-Tammar, Chairman, Managing Director
of Kuwait Foreign Trading Contracting and Investment Company (KFTCIC)

KFTCIC's net worth is \$90 million. The Government of Kuwait owns 80% of the share capital of KFTCIC and the rest is owned by Kuwaiti investors.

KFTCIC has participated in a number of IFC investments in Africa and the Arab World. The Company has also established a number of developing companies in Africa and the Middle East.

The following are the names of the share capitals of each:

| | <u>Share capital</u> | <u>% of participation with local governments</u> |
|--|----------------------|--|
| Kuwaiti-Sudanese Investment Company | \$25 million | 50/50 |
| Kuwaiti-Egyptian Investment Company | \$25 million | 50/50 |
| Kuwaiti-Senegalese Investment Company | \$15 million | 50/50 |
| Afro-Arab Company for Investment and International Trade | \$7 million | 62% is owned by KFTCIC, 38% by the Arab-African Bank, Cairo, and the Misr-Lebanon Bank, Beirut. |

The KFTCIC is presently contemplating the establishment of a joint investment company in Syria.

In addition to Africa and Middle East, KFTCIC is interested in collaborating with IFC in financing projects in Indonesia, Malaysia, Yugoslavia and Turkey.

The Government of Kuwait, sometimes, uses KFTCIC as a vehicle to channel some development funds for other countries. The most recent

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example is the Yugoslavia Pipe-line project which is presently under consideration by the Bank.

It is expected, however, that KFTCIC will emphasize their efforts in financing development projects in Africa and for some Arab countries. (Examples: Sudan, Egypt, Yemen and Syria).

Mr. Al-Tammar enjoys the confidence and the support of the Minister of Finance and Petroleum of Kuwait, Mr. Atiqi.

Encl.: KFTCIC Accounts

CH/lr

KFTCIC Accounts

('000 KD)

(rounded figures)

| | <u>1973</u> | <u>1972</u> |
|------------------------------------|---------------|---------------|
| Cash and deposits | 5,300 | 10,300 |
| Marketable securities | 3,800 | 3,000 |
| Equities | 1,700 | 1,300 |
| Loans | 20,700 | 10,000 |
| Real estate | 1,500 | 800 |
| Subsidiaries | 1,000 | 500 |
| Trade investments | 600 | 400 |
| Other assets | <u>2,500</u> | <u>1,000</u> |
| Total assets | <u>37,100</u> | <u>27,300</u> |
| Deposits | 8,600 | 5,600 |
| Dividends | 800 | 500 |
| Equity | <u>27,800</u> | <u>21,200</u> |
| Total liabilities | <u>37,200</u> | <u>27,300</u> |
| Net profit: (before allocation) | 1.100 | 820 |
| % of equity | 4% | 4% |

8/1/1974

OFFICE MEMORANDUM

TO: For the Record

FROM: Saad S. El Fishawy *Saad El Fishawy*

SUBJECT: Meeting with Mr. Abdlatif Y. Al-Hamad 1/

DATE: October 10, 1974

Mr. Al-Hamad met with Mr. McNamara on the afternoon of October 3, 1974. Present were Messrs. Knapp, Benjenk, Cargill, Shoaib, Ljungh and El Fishawy. Mr. McNamara started by welcoming Mr. Al-Hamad to the Annual Meeting and asked Mr. Al-Hamad not to hesitate in bringing to his attention any matter of concern to him regarding the relationship between the Bank and its affiliates and Kuwait in general and the Kuwait Fund in particular. Mr. Al-Hamad said that he was quite satisfied with the full cooperation Kuwait and the Kuwait Fund received from the Bank and there was nothing that could not be solved at the working level. He said that he had in mind three topics he wanted to talk about:

10/10
(1) The Rahad Project in the Sudan which is jointly financed by IDA, the Kuwait Fund and the U.S. AID. Mr. Al-Hamad said that there is substantial overrun in costs and that he was not satisfied with the way project implementation was progressing. He added that in his view a meeting between representatives of Sudan, IDA and the Kuwait Fund at the highest possible level would be needed to go over the problems facing the Project and come to an agreement once and for all on appropriate solutions. He added that the Kuwait Fund would be prepared to extend additional financing to cover part of cost overruns.

Mr. McNamara expressed his strong feeling against financing cost overruns. The question in his view is not so much the availability of IDA funds, which is a major point in itself, but rather what the additional financing of cost overruns entails in undermining the discipline essential to appraisal process. The high standard of project appraisals to which the Bank as a development agency attaches the utmost importance would not be maintained if the people entrusted with such a process know beforehand that cost overruns could be met later by additional financing. Mr. Al-Hamad said that he is in full agreement with this position, but that the Rahad Project represented an exceptional case and that he hoped that a high-level meeting between representatives of all the parties concerned could agree on ways and means which would enable the project to move ahead. Mr. Knapp agreed that such a meeting would be useful and should be arranged.

(2) Mr. Al-Hamad said that he admired the role played by Mr. McNamara personally and the efforts made by the Bank to control the plague of riverblindness. He said that he plans to submit a proposal to the Board of Directors of the Kuwait Fund, and hoped that the Kuwait Fund would be in a position, to contribute to this very worthy cause. 2/ Mr. McNamara thanked Mr. Al-Hamad and said that the Kuwait Fund contribution in this field would be greatly appreciated.

- 1/ Alternate Governor for Kuwait and Director General of the Kuwait Fund for Economic Development.
- 2/ Mr. Al-Hamad later asked for a copy of the film on riverblindness and an English version is being sent to him.

(3) Mr. Al-Hamad said that the Kuwait Fund in its new role extending its activities beyond the Arab World to other developing countries is considering to join in the consortium for financing the Senegal River Irrigation Schemes. He is looking forward to cooperating with the Bank on this project and on other areas where the Kuwait Fund is going to extend its activities.

Mr. Al-Hamad said that Minister Al-Ateeqy wanted him to convey his warmest regards to Mr. McNamara and express the highest esteem in which he and the Bank are held in Kuwait. Mr. McNamara said that he was very sorry that Mr. Al-Ateeqy could not attend the Annual Meeting this year because of Ramadan and that he would try to work on alternative plans to avoid that the Annual Meeting next year coincide with Ramadan and that next year's Annual Meeting may possibly be held in early December. He asked Mr. Al-Hamad to convey to Minister Al-Ateeqy that he will make every effort to accommodate him.

Mr. McNamara asked Mr. Al-Hamad what are his thoughts on recycling of oil-surplus funds. Mr. Al-Hamad said that on this subject he has the following two comments:

(a) the Bank and the IMF have ahead of them an enormous educational task in order that the people in key positions in the oil-surplus funds countries who will ultimately make the decisions become well aware of the full dimensions of the problem;

(b) it is unfortunate that the issue has been largely politicized in the West. Instead the West should have thought through acceptable alternative proposals and presented them to the oil-surplus funds countries. Mr. Al-Hamad said that in his opinion more of the recycling should go to developing countries through the Bank. Most of the recycling through IMF is tilted towards industrial countries. Mr. McNamara said that the Bank could serve both OPEC countries and the developing countries in channeling surplus funds for economic development. To him this is the most important issue. He would be prepared to visit Kuwait for this purpose. He mentioned that Mr. Cargill plans to visit Kuwait some time later this year. Mr. Al-Hamad said that Mr. McNamara is most welcome to visit Kuwait again and that as he has mentioned to Mr. Cargill in a previous meeting, his visit to Kuwait would be most welcome and that he is looking forward to it.

As to the timing of Mr. McNamara's visit, Mr. Al-Hamad said that in his view it could be most effective if it came after the National Assembly elections in January next year and the expected reshuffling of Cabinet portfolios that will follow. He said that he does not have a clue as to what the outcome of this reshuffling will be, but the only thing that is certain is that the Prime Minister will be the same. Mr. McNamara took the opportunity to express the very high esteem in which he holds the Prime Minister and Crown Prince, His Royal Highness Sheikh Jabir Al Ahmed.

cc: Messrs. McNamara ✓
Knapp
Benjenk
Cargill
Shoaib
Ljungh

SElFishawy/rh

OFFICE MEMORANDUM

TO: For the Record

FROM: Saad S. El Fishawy *Saad El Fishawy*

SUBJECT: KUWAIT: Mr. McNamara's Visit - March 8, 1975

DATE: April 1, 1975

Summary of the Meeting with H.H. Sheikh Jaber Al-Ahmad, Crown Prince and Prime Minister

Others present were Minister Al-Ateeqy of Finance, Messrs. Al-Hamad, El Fishawy and Burmester.

1 - Bank Group Operations in the Arab World:

Mr. McNamara started the meeting by mentioning that when he visited Kuwait and met with the Prime Minister for the first time six years ago, World Bank operations in the Arab world were rather limited. But since then with Kuwait's assistance the Bank has substantially increased its activities in this area. Said assistance took three forms: (a) lending to the Bank, (b) helping the Bank, through the Kuwait Fund, to gain more understanding of the area, and (c) financing jointly - again through the Kuwait Fund - several projects with the Bank Group in the Arab world. True to Mr. McNamara's word, the Bank's lending to the Arab countries has increased measurably. Actually the rate of lending is presently ten-fold what it was six years ago. From an annual lending of roughly 60 million dollars per year, the amount of loans and credits to the Arab countries reached last year about 600 million dollars. The Bank Group has presently under consideration 30-odd projects in 14 Arab countries.

2 - Increase in Voting Power of OPEC Countries:

Sheikh Jaber asked how is the Bank doing in these difficult times of world economic crisis. He added that it is unfortunate that people tend to forget that this crisis started long before the oil-price increase and that such an increase is only one of the factors and not the original cause. Mr. McNamara said that this is quite correct. Due to the increase in oil prices, however, a change in the world economic order has taken place and adjustments have to be made. At such times of ferment, historical opportunities lend themselves to countries which have to be alert to grasp these opportunities. In his view, there is presently a good opportunity for OPEC countries to increase their role in the World Bank. He is ready and prepared to try to seek an increase of the voting power of OPEC countries in the Bank to 15%. This is not going to be easy since other countries will have to consent to give up part of their relative voting power. However, he cannot even start unless he is assured that, if the proposed increase is offered to OPEC countries, they are going to subscribe to it. It is going to be a laborious and difficult process. There may be opposition in the way. Actually in the IMF, the OECD countries opposed an increase to 15%. They agreed only to the doubling of the present voting power of OPEC countries from about 4.9% to 10%. The increase to 15% is valuable. It is true that the OPEC countries are not going to vote the same way on every issue. But it is likely that on several

important issues they would. If to the 15% of the OPEC countries were added the about 28% voting power of the developing countries plus 8% or 9% of some of the OECD countries which tend to vote on several issues along the same lines as the developing countries, such as the Netherlands and the Nordic countries, then this could form a majority of the total votes. Mr. McNamara indicated to Sheikh Jaber that the payments involved in the capital and voting power increase are not substantial, since only 1% of the new subscription would be payable immediately and a further 9% would be payable over 2-3 years in the countries' own currency to be used by the Bank in its operations. The balance of 90% will be available for call by the Bank, if necessary, to meet its obligations to its bondholders.

Sheikh Jaber asked Minister Al-Ateeqy whether this issue was discussed during the Summit Meeting in Algiers of the OPEC countries. After investigating what happened, Minister Al-Ateeqy said that he understood that this issue came up during the meeting and that the principle of increasing the OPEC countries' role in international organizations was agreed to, but no specific figures were determined. 1/

Sheikh Jaber then asked what makes Mr. McNamara confident that he will succeed in achieving an increase of up to 15% of the voting power for OPEC countries in the Bank, while it was not accepted by the OECD countries in the IMF and only an increase of up to 10% was allowed. Mr. McNamara said that probably the issue was brought to a vote too soon in the IMF. He cannot guarantee that an increase of 15% will be reached in the Bank. But he is prepared to try hard for it. Before he could even start, however, he wanted to have firm assurances from the OPEC countries that they wanted such an increase and that they would subscribe to the additional shares if offered to them. He asked Sheikh Jaber whether this was Kuwait's wish and whether he could state this to other OPEC countries. Sheikh Jaber assured him that this is the case for Kuwait and that Mr. McNamara could state this position to other OPEC countries.

3 - "Third Window":

Mr. McNamara stated that the world economic problems had a devastating effect on the least developed and most seriously affected countries. These are about 45 countries which comprise about a billion people who are barely clinging to life and actually suffering chronic hunger. The proposed lending facility known as the "Third Window" would enable the Bank to extend loans at a subsidized interest rate and more lenient terms than the regular bank loans. In order to lend about one billion dollars at an interest rate lower by 4% than the Bank's current rate, the Bank would need a subsidy fund of about 200 million dollars. It is hoped that the OPEC countries would contribute about half this amount. The other half would come from OECD countries. This ratio

1/ "The Solemn Declaration of the Sovereigns and Heads of State of the Organisation of Petroleum Exporting Countries" that was issued at the end of the Algiers Summit Meeting does not include explicit reference to this point.

is not based on a burden-sharing formula between the donor countries as the Bank sees it. But it is an expeditious way for getting this scheme started on a voluntary basis. Unfortunately the mood in the West is not very generous at the moment, because of the increase in unemployment and of the economic crisis which the OECD countries are experiencing. Besides, they are also contributing to IDA at the rate of 1.5 billion dollars a year. Kuwait's strong endorsement of this scheme is commendable.

Sheikh Jaber said that Kuwait certainly supports the scheme. The amount of its contribution could be discussed later with Minister Al-Ateeqy. Kuwait, however, would not want to stand out as sole contributor but is ready to join with other OPEC and OECD countries in the scheme. He asked Mr. McNamara what other countries did he plan to visit on his trip. Mr. McNamara said that after Kuwait he was going to visit Saudi Arabia, Abu Dhabi and Qatar. He said that the Bank had already received indications of support of the "Third Window" scheme from the Netherlands and the United Kingdom and plans to enlist support from other OECD and OPEC countries. Mr. McNamara explained that the 200 million dollars subsidy fund would enable the Bank to lend to the poorer countries an additional billion dollars which they badly need. This will be over and above the Bank's lending program of about 4.5 billion dollars in FY1976. The Bank will borrow the additional billion dollars on the same terms on which it usually borrows and will lend them to assist in financing development projects according to its standard procedures. Mr. McNamara stated that it is scheduled to propose the scheme to the Executive Directors of the Bank for approval in principle on March 25. It is planned thereafter to hold a meeting of the prospective donors some time in April in order to obtain firm commitments from them and get their agreement on a working scheme. It is hoped that lending under the scheme will commence at the beginning of FY1976, which starts July 1, 1975. The Bank will not wait until specific new projects are processed from the outset specifically for the proposed lending facility, but will finance projects which have been prepared and are already in the pipeline of the Bank's lending program. Additional projects will be prepared later.

Sheikh Jaber said that in his view the Bank should probably not wait until the full amount of subsidy aimed at has been obtained but should start lending under this new scheme once adequate funds are contributed. This way time could be saved and the benefits of the scheme could start reaching the poor countries as soon as possible.

4 - Bank's Borrowing Program:

Mr. McNamara explained that the Bank borrows from surplus money markets on commercial terms. These generally are in line with U.S. Treasury bills. Probably, the interest rate is just a little higher than U.S. Treasury bills of the same maturity but almost exactly the same as U.S. Government Agencies' securities. Sheikh Jaber said that Kuwait supports lending to the Bank. This principle has been established a long time ago and Kuwait has lent to the Bank in the past and will continue to do so in the future. The specific amounts would be discussed between Mr. McNamara and Minister Al-Ateeqy.

cc: Messrs. McNamara
Knapp
Cargill
Benjenk
Kochman
Burmester

OFFICE MEMORANDUM

TO: For the Record

FROM: Saad S. El Fishawy *Saad El Fishawy*

SUBJECT: KUWAIT: Mr. McNamara's Visit - March 8, 1975

DATE: March 31, 1975

Meeting with Mr. Abdlatif Y. Al-Hamad, Director General of the Kuwait Fund

Present were Messrs. Al-Hamad, Nasser Al-Sayer, Deputy Director General of the Kuwait Fund, Feisal Al-Khaled, Director of Operations, McNamara, El Fishawy and Burmester.

Mr. McNamara stated that he wanted to discuss three topics: (1) "Third Window" financing facility, (2) increase of OPEC Countries' voting power and capital subscription and (3) the Bank's borrowing program.

(1) "Third Window"

Mr. McNamara said that pursuant to the support given to this lending facility at the meeting of the Development Committee by Kuwait and other countries, he is planning to ask the Executive Board to consider this intermediate financing facility on March 25 (copy of the paper circulated to the Board was handed to Al-Hamad). After approval by the Board in principle, and if there are indications of meaningful support by prospective contributors to the Interest Subsidy Fund, it is planned to hold a meeting in April of the prospective donors. It is hoped that in said meeting agreement would be reached on firm commitments by the donors and on a working scheme which would be presented to the Development Committee at its June meeting. Mr. McNamara said that the level of contributions sought from the OECD Countries and the OPEC Countries does not reflect any burden-sharing formula but merely an assessment of what the prospective contributors could participate in order to initiate as quickly as possible this additional lending facility which is acutely needed by the poorest and most seriously affected of the developing countries. These comprise about 45 countries with a population of about one billion, who are barely clinging to life and trying very hard to stay alive. They are actually suffering from hunger. The OECD Countries are unfortunately not in a mood to contribute substantially to economic aid. Setbacks and economic problems they are presently experiencing led to this psychological state which is not fully justified purely on the basis of economic strength. There is also the underlying feeling that they are contributing 1.5 billion dollars a year for IDA Replenishments. The "Third Window", however, has received support from the Netherlands, United Kingdom and Canada. The Bank is sounding out other OECD and OPEC Countries.

Mr. McNamara then asked Mr. Al-Hamad whether he had touched base with his constituents before the meeting of the Development Committee and thereafter. Mr. Al-Hamad said that he had discussed the scheme with the authorities in Saudi Arabia, Abu Dhabi and Qatar, and that they are in principle in support of the scheme. He had not, however, discussed it with them after the meeting. He knew that Mr. McNamara was going to pay visits to these

countries and he wanted to leave it to him to explain it to them and not to "steal the show". Mr. McNamara asked whether parliamentary approval would be required for Kuwait's contribution. Al-Hamad said that this point was studied within the Kuwait Fund and the conclusion reached was that such an approval would certainly be required. This, however, does not constitute any serious problem as long as the contribution has the government's support. Al-Hamad said that Kuwait strongly supports the "Third Window" lending facility. This, however, is based on the expectation that contributions by OPEC Countries would be matched by contributions from the OECD Countries.

(2) Increase in Voting Power

Mr. McNamara said that he is of the view that the change that took place in the economic strength of Bank members should be reflected in their relative voting power in the Bank. He is of the opinion that the voting power of OPEC Countries as a group should be increased in the Bank to 15%. In the Fund, OECD Countries have opposed any increase above 10%. But in the Bank he is personally convinced that the increase should go up to 15%. He is ready to try hard to steer his way to achieve such an increase for the OPEC Countries in the Bank. It is not going to be easy. He expects the process to be difficult and painful. Nevertheless he is prepared to try. He cannot even start, however, unless he is assured that OPEC Countries, if offered the additional shares, will subscribe to them. Therefore, he was seeking a firm indication that this is the position of OPEC Countries in general and of Kuwait in this particular instance. Mr. Al-Hamad said that this is in his belief Kuwait's position. He was certain that the Prime Minister will personally assure Mr. McNamara of this position in their meeting. He did not know whether this issue came up during the Summit Meeting in Algiers of OPEC Countries. His understanding, however, was that OPEC Countries support this position.

(3) Borrowing Program

Mr. McNamara said that the Bank's borrowing program in 1976 will be in the order of 4 billion dollars. The year before it was 3.6 billion dollars. He expects to be able to borrow from Kuwait 10% of the borrowing program for 1976, i.e. 400 million dollars. Mr. Al-Hamad said that Bank borrowing from the Government of Kuwait along the lines of Bank borrowing from Saudi Arabia would require parliamentary approval. This would be very difficult. The issue was left at that.

SElFishawy/rh

cc: Messrs. McNamara ✓
Knapp
Cargill/Kochman
Benjenk
Burmester

OFFICE MEMORANDUM

TO: For the Record

FROM: Saad S. El Fishawy *Saad El Fishawy*

SUBJECT: KUWAIT: Mr. McNamara's Visit - March 8, 1975

DATE: April 3, 1975

Summary of the Meeting with Minister Abdul Rehman Salim Al-Ateeqy of Finance
Others present were Messrs. Al-Hamad, El Fishawy and Burmester.

1 - "Third Window":

Minister Al-Ateeqy stated that Kuwait strongly supports the Bank and its mission. He believes that nations should cooperate as partners in economic development. Pursuant to the religious tenets of Islam, human beings have common rights to water, fire (energy) and food. Nobody can take any of these exclusively for himself, but should share them with others. Kuwait did not in the past and does not intend in the future to withhold energy resources needed for industrial production and legitimate requirements. Wasteful consumption, however, should be abated and serious conservation efforts should be made. Kuwait is alert to its role as member of the world community and supports economic development aid. It strongly supports the "Third Window" financing facility, in cooperation with other OECD and OPEC countries. The amount of contribution by Kuwait for the subsidy fund would be between 15 and 20 million dollars. This does not preclude the possibility of considering a higher amount. Parliamentary approval will be required. Minister Al-Ateeqy asked Mr. McNamara to kindly keep him informed of the results of his trip in this regard in the other Gulf countries. If support for this scheme is mustered from other OECD and OPEC countries, the Council of Ministers of Kuwait can approve Kuwait's contribution and introduce a bill to the Parliament as early as April.

Mr. McNamara said that the target is to get contributions totalling about 200 million dollars. This would enable the Bank to lend about an additional 1 billion dollars. Economic development is the best way of assisting the developing countries because it increases their productivity and helps them to help themselves.

2 - Voting Power and Capital Increase:

Minister Al-Ateeqy asked Mr. McNamara how this increase will be achieved and what will its implications be on the distribution of relative voting power among groups of the Bank's member countries. Mr. McNamara said that it is proposed to achieve the 15% increase by: first allocating to the OPEC countries an additional 5% of the voting power, which would be taken proportionately from Part I countries, and then allocating another 5% of the voting power to OPEC countries from all other members of the Bank. At present, Part I countries have about 65% of the voting power and the developing countries other than OPEC have about 30%. The proposed increase of the voting power of OPEC countries to 15% would reduce the voting power of Part I member countries to about 57% and that of the developing countries to about 28%. The 15% would enable OPEC countries together with other developing

countries and some of the Part I countries which often vote along the same lines as the developing countries, such as the Netherlands and the Nordic countries, to achieve a majority of the total votes. To attain the proposed increase for the OPEC countries, it is necessary that other members of the Bank consent to give up their pre-emptive right which is provided to them in the charter of the Bank. The idea of incorporating this pre-emptive right in the charter being to enable every member of the Bank to preserve its relative voting power in the event of a capital increase. Mr. McNamara cannot guarantee that the proposed 15% increase will be achieved, but he is ready to try hard for it. This would reflect within the Bank the newly acquired economic strength of the OPEC countries and would enable them to assert their position in the new economic order. Minister Al-Ateeqy said that Kuwait is certainly for the increase in the voting power of OPEC countries to 15% and that this position could be relayed to other OPEC countries.

3 - Borrowing Program:

Minister Al-Ateeqy said that in principle he is in favor of lending to the Bank, but to start on specific lending transactions we should probably wait until the end of June. By that time important elements in their financial position for FY1975/76 would have become clear. He said that Kuwait's reserves did not start to build up substantially except since last year. At present there are several unknown factors. The production has been reduced by about one third. On the other hand, it is proving difficult to press expenditures. Wages and salaries have been increased by 25% during 1974. The government is also subsidizing the prices of many necessary commodities. Their commitments to friendly countries are substantial. As an order of magnitude, the revenues are expected to be about 2 billion K.D. (about 7 billion dollars). The internal budget is estimated to be about 1 billion K.D. Roughly one third of the other billion K.D. will go to the Kuwait Fund and another third to bilateral aid. It is only the remaining third of one billion K.D. (about 1.2 billion dollars) which will be free of any specific claim on it. He said that 400 million dollars out of this amount for lending to the Bank seems to him to be on the high side. But he would rather wait until next June, when the situation becomes clearer, before talking about specific amounts one way or the other.

Mr. McNamara said that this would fit well with our borrowing program, since our program for FY1975, which ends at the end of June 1975, has been fulfilled and what we are talking about is our borrowing program for FY1976, which starts July 1, 1975.

SElFishawy/rh

cc: Messrs. McNamara
Knapp
Cargill
Benjenk
Kochman
Burmester

MEMORANDUM FOR THE RECORD

Summary Notes from Kuwait, March 8 and 9, 1975

1. Kuwait Fund

Mr. Al Hamad said that Kuwait would support the Third Window but that Parliament had to approve, a process for which several weeks would be required. He had not contacted the Saudis to avoid outstaging Mr. McNamara. But he was convinced that, if the Saudi Arabians would support the Third Window, then there would be no problem with Qatar and Abu Dhabi. There was no opposition to the increase in subscribed capital but again it would have to be approved by Parliament and a legal study would be required. With respect to the future borrowing program, Kuwait would be willing but cautious and it would be preferable to denominate the loan in Kuwaiti dinars. He mentioned that the Fund just had very difficult and long discussions with the Bank on the Rahad project, but that the difficulties now had been solved. He commended Mr. Husain for his efforts. Mr. McNamara said that he was opposed to any financing of overruns and he was concerned about the financial management in Sudan.

Meeting with the Prime Minister

Mr. McNamara said that he was grateful for the support Kuwait had given to the Bank in the last six years. Kuwait had lent us considerable amounts. We had fruitful cooperation with the Kuwait Fund and Kuwait had helped us understand the Arabs. He mentioned we had 10 projects cofinanced with the Kuwait Fund and 15 under preparation. He then went on to explain the concepts of increased capital subscription, Third Window and borrowing program. The Prime Minister said that he would study the proposal for an increase in subscribed capital and inform the Bank. He said that Kuwait supported the Third Window but he did not wish Kuwait to be singled out as a leader. Mr. McNamara said that it takes a leader to accomplish anything in life but that, of course, Kuwait should not stand alone. The Prime Minister said that the possible borrowing of \$400 million from Kuwait in FY76 could be further discussed with the Minister of Finance.

Meeting with the Minister of Finance, Mr. Al-Atiqi

Mr. Al-Atiqi said that Kuwait would support the Third Window with between \$15 million-\$20 million and that he would use his best efforts to see that the amount would not be below \$20 million. The Emir would have to introduce a bill in Parliament for this purpose. Mr. Al-Atiqi said that Kuwait was now facing some financial stringencies. Revenues were estimated at 2 billion Kuwaiti dinars for 1975. The budget at 1 billion. The remaining 1 billion dinars would be distributed roughly 1/3 to the Arab and Kuwait Fund, 1/3 to bilateral aid, and the only flexibility was within the remaining 1/3. He felt that lending \$400 million equivalent to IBRD was too high but said that he was in principle in favor of lending to the Bank, but would like to wait until the end of June for final decision.

Kuwait Industrial Bank

Mr. Al-Sharekh said that the function of the Bank was to promote industry in Kuwait. The Bank faced certain problems since the Government is lending at 2-1/2% and the Bank would have to lend at 6%. It would try to establish a money and capital market in Kuwait. Loans would range from about 50,000 dinars to 5 million. He thanked Mr. McNamara for the support that the Bank had given in the form of technical assistance to the bank.

Meeting with the Emir

The visit was only a courtesy visit. The Emir said he hoped the Bank would not support mismanaged economies. He said that the Old World Order did not exist any longer. Kuwait would not accept any threats and would prefer to die with dignity rather than to live under foreign occupation.

Arab Economic Development Fund

Mr. Jaroudi said that he had just finished a trip to Saudi Arabia, Algeria, Libya, Iraq and Abu Dhabi. All had been interested in inter-Arab cooperation, such as highways, telecommunications, ports and socio-economic projects. He said that a rural development project in Sudan was under preparation. The subscribed capital of the Fund was \$350 million of which one-half had been paid in and the rest would be paid during 1975. The Fund had permission to borrow to the level of twice its reserves, but has not borrowed yet. The Fund would be Executing Agency for the UNDP Regional Program for which \$6 million had been allocated for the next five years. The staff of the Fund was 25 in 1975. The objective of the Fund was to have one loan per country per year. Mr. McNamara asked Mr. Jaroudi to contact him when he comes to Washington.

Kuwait Investment Company

The Director said that the Company invested in real estate and shipping. He mentioned an investment in New York which had been dropped because of Jewish interference. The capital of the company was 11 million Kuwaiti dinars and underwriting had taken place in 1974 for about \$360 million.

cc: Mr. El Fishawy

SB
March 20, 1975

OFFICE MEMORANDUM

TO: For the Record

FROM: Saad S. El Fishawy *Saad El Fishawy*

SUBJECT: KUWAIT: Meeting with Minister of Finance Alateeqy during the
Annual Meetings 1975

DATE: September 26, 1975

Minister Alateeqy met Mr. McNamara on Friday, August 29. Present were Ambassador K. M. Jaffar of Kuwait; Mr. Khaled Abou Al-Saoud, Director of Investments in the Ministry of Finance; and Messrs. Cargill, El Fishawy and Burmester.

1. A good deal of the discussions were about Egypt and the interest of Kuwait in assisting the economic development and rehabilitation of Egypt. Mr. McNamara referred to his second visit to Egypt early in 1974 and to the substantial expansion of Bank/IDA programs in Egypt. Minister Alateeqy said that a key role the Bank could play in Egypt was in the field of institution building and in breaking the cobweb of heavy bureaucracy that was holding back the policy of openness pursued by President Sadat.
2. Minister Alateeqy said that he would like to bring up the question of investing part of the government's reserves in Bank bonds before Mr. McNamara had to mention it. He added that he remembered clearly his promise to Mr. McNamara during his visit in March and that Kuwait would certainly make good its promise. He said that if the Bank felt that there was an imminent need for the money, a transaction could be worked out immediately; however, he would prefer to put this off until sometime around the end of calendar year 1975. Mr. McNamara said that as long as a transaction could be concluded before the end of December 1975 that would suit the Bank fine. In the meantime, alternative formulae of investing by the Kuwait government in Bank bonds could be explored. It was agreed that this would be done with Mr. Khaled Abou Al-Saoud.
3. Mr. McNamara thanked Mr. Alateeqy for the role played by Kuwait in establishing the "Third Window" intermediate lending facility. Minister Alateeqy said that it was because of Mr. McNamara's dedication to the cause of economic development that Kuwait had assisted in establishing the "Third Window".

SEF:rm

cc: Mr. McNamara's office (2) ✓

Messrs. Knapp
Cargill
Rotberg
Wapenhans
Paijmans
Asfour

KUWAIT

BIOGRAPHICAL INFORMATION

Abdul Rahman Salim Al-Ateegy
(Governor, IBRD and IMF)

Minister of Finance since February 1975, before which he was Minister of Finance and Oil since 1967. From 1963-1967 he was undersecretary in the Ministry of Foreign Affairs, prior to which he served in a number of diplomatic posts, including Ambassador to the United States (1962-63), and delegate to the World Health Organization (1961) and the United Nations (1960-61). He has been Governor of the Bank since 1967.

AbdLatif Y. Al-Hamad
(Alternate Governor, IBRD)

Managing Director, Kuwait Fund, since 1963, he is also a Director of the Kuwait Investment Company, the Arab Fund and other Arab institutions. He is 38 years old and was educated at Harvard, American University, Cairo and Claremont College, California.

CONFIDENTIAL

OFFICE MEMORANDUM

TO: Memorandum for the Record

FROM: Martijn J. W. M. Paijmans, Director, EMENA I

SUBJECT: EGYPT - Discussions by Mr. McNamara with Saudi Arabia
and Kuwait, May 22/24, 1976

DATE: May 28, 1976

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1. In Saudi Arabia there prevails great concern with respect to their aid effort for Egypt mainly based on the realization that this country's problem could constitute a bottomless pit. The Minister of Finance and the Governor of SAMA both would like to create a situation in which funds put at the disposal of Egypt would be used properly.
2. The same concern prevails in Kuwait but is colored by an overly critical approach, originated by Mr. Abdlatif Al-Hamad, Director General of the Kuwait Fund for Arab Economic Development. Although in Saudi Arabia the need for a common approach by the donors to the Egyptian situation was fully recognized, it was in Kuwait that this common approach was seen as a need for a common front.
3. In both countries the Egyptian problem was discussed at the highest political level (Saudi Arabia's King and Kuwait's Crown Prince/Prime Minister) as well as at the ministerial level. It is noteworthy that at the highest levels of both countries great sympathy was expressed for Egypt's "suffering", and that the obligation of the Arab world vis-à-vis Egypt was clearly stated. Both countries recognized and appreciated the Bank's support to Egypt. Although the same highest levels recognized the need for Egypt to "shape up" it was obvious that, for political reasons, the case for support would in the final analysis be tested against another criterion.
4. With respect to coordination between aid donors, Saudi Arabia's Minister of Finance and the Governor of the Central Bank asked for the fullest possible Bank cooperation in the proposed Special Fund for Egypt. Mr. McNamara promised the fullest possible cooperation by the Bank. In Kuwait, the thinking on the entire matter of aid to Egypt had a more activist character than Saudi Arabia's, and the Minister of Finance and the Director General of the Kuwait Fund reacted positively--in the presence of the Prime Minister who also agreed--to Mr. McNamara's specific proposals for the establishment of a consultative group of all aid donors. In both countries Mr. McNamara explained the type of service the Bank could provide in the area of aid coordination: economic reporting, project preparation-appraisal-supervision, end-use reporting, and general guidance within whatever framework was agreed upon.
5. As regards the Special Fund for Egypt there are still a great number of uncertainties and undefined areas:
 - i) Formal approval of the Special Fund still has to be given in the four Gulf countries; it is expected in the course of June.

May 28, 1976

- ii) The concept of the fund does not seem to be clearly defined. The fund's total resources will stand at \$2 billion but in Saudi Arabia the Governor of SAMA mentioned that the fund's "capital" could form the basis on which more money could be raised.
- iii) The actual use of the fund's resources is not yet clearly defined. In Kuwait we were informed that the fund will be split up for (a) balance of payments assistance, (b) financing of food purchases, and (c) project aid, and that Bank assistance would be specifically asked for the third item. In Saudi Arabia where program and project aid were mentioned as the fund's objectives, the concept of Bank assistance to the fund took on a broader, yet less defined, character. Mr. McNamara made it clear that Bank assistance to the fund could be available in whatever form might be most useful.
- iv) Specific procedures for the fund have not yet been worked out and may as a matter of fact never be defined. The entire question of the management of the fund, according to the Minister of Finance of Saudi Arabia, has not yet been covered or discussed between the Gulf ministers. In Kuwait the intention is to make the fund a facility, not an institution.
- v) Complications may arise following the establishment of the fund as it is the intention to discuss with the Egyptians in July/August the fund's future operations and, according to Kuwait, the conditions that may be attached to its becoming available to Egypt. In Kuwait the Minister of Finance went so far as to say there might be a collision with the Egyptians on the subject. In Saudi Arabia, where the Minister of Finance also mentioned forthcoming discussions with Egypt, the attitude seemed to lack this degree of firmness.

6. In both countries the Ministers of Finance indicated that after the fund has been established and discussions with Egypt initiated, the Bank would be approached to define its cooperation with the Fund. In Kuwait this stage was further seen as the beginning of the decision-making process on the setting up of a formal aid group arrangement such as, for example, a consultative group.

7. Mr. McNamara explained in both countries the Bank's attitude vis-à-vis Egypt and the efforts we are making in many fields. He made it clear that the Egyptians were falling short of several commitments they had undertaken on a number of issues, but also that there had recently been some progress, albeit at a slow pace. Mr. McNamara stated he was willing to visit Egypt in the near future to stress the importance of our cooperation and to personally discuss the coordination of aid because such coordination, in whatever form, could

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ANNEX 2
p.1 of 2Annex to Memorandum for the Record
EGYPT - Discussions with KuwaitCONFIDENTIAL
May 28, 1976

1. During discussions in Kuwait on May 24, the Egyptian question was discussed in detail in a meeting which took place with the Crown Prince and Prime Minister Sheikh Al Jabir, the Minister of Finance Al Ateeqi and the Director General of the Kuwait Fund Abdlatif Al Hamad. In a discussion prior to that meeting, the general attitude of Mr. Abdlatif Al Hamad was one of extreme criticism about Egypt's inability to put its house in order and the need for all aid donors to stand together in order to obtain for Egypt's sake positive action. In the formal meeting the Prime Minister and Minister of Finance appeared in general agreement with this evaluation but were somewhat less critically outspoken. The great concern for Egypt's situation and readiness to help were also underlined by the Crown Prince who mentioned to have understood from President Sadat that Egypt was ready to listen to advice from the World Bank.
2. The Crown Prince stated that Egypt as the largest Arab country was important to Kuwait and the Arab World and that it had to be helped. He then wanted to know specifically what the Bank had done up till now in terms of general advice on the Egyptian economy touching specifically on the need for and relevance of exchange reform, action with respect to subsidization and heavily underlining the issue of the need for administrative reform. He expressed as his viewpoint that the special fund for Egypt and the Bank should cooperate very closely. He had told President Sadat that unless Egypt's administration would be willing to cooperate all aid funds for Egypt would be wasted.
3. The Minister of Finance said the fund would provide balance of payments assistance and financing for the purchase of food but would mainly be directed towards helping industry to achieve higher production and export targets. The Minister of Finance as well as Abdlatif Al Hamad both felt that the Special Fund should operate closely with the Bank particularly on the third item but did not indicate how this would exactly be done.
4. Mr. McNamara offered the Bank's cooperation for the fund. The Bank's effort - in particular on macro economic policy issues - was explained as well as on the progress - albeit too slow - made by Egypt in certain areas. Mr. McNamara supported the idea of coordination among aid donors to Egypt and mentioned a Consultative Group arrangement as a possibility. He explained that all aid donors should however participate to make such an arrangement effective and explained in detail the services which the Bank could render (reporting, project work, policy guidance, etc.). The Minister of Finance and Abdlatif Al Hamad both reacted most positively to this proposal in the presence of the Crown Prince who appeared also to support this approach.

May 28, 1976

only be put together with Egypt's agreement. He made it clear that such visit would not be possible until a medium term plan had been defined by the Egyptian Government and assessed by Bank staff. This puts the timing for a visit to Egypt somewhere in September at the earliest.

8. Details on the discussions are recorded in Annexes 1 and 2 to this memorandum.

Attach. Annexes 1 and 2

cc: Original and one carbon to Mr. McNamara's office
Messrs. Knapp
Wapenhans
Knox

MPaijmans:gg

OFFICE MEMORANDUM **CONFIDENTIAL**

TO: For the Record

DATE: June 16, 1976

FROM: Saad S. El Fishawy

*Saad El Fishawy*SUBJECT: KUWAIT: IDA V Replenishment - Mr. Cargill's Meeting with Mr. Al-Hamad

Before the Deputies' Meeting started in Helsinki on June 3, Mr. Al-Hamad expressed the wish to be the first speaker and met with Mr. Cargill. Present were Mr. Diamond and myself.

Mr. Al-Hamad said: "Before Mr. McNamara's visit to Kuwait, I was not at all convinced of the size of Kuwait's contribution as suggested. But after the visit and Mr. McNamara's presentation, I became convinced, and before leaving Kuwait I worked on the Minister of Finance and the Prime Minister. They were also convinced and the matter was put to the Council of Ministers in its meeting on Sunday, May 29. The Council of Ministers approved (1) Kuwait's contribution of 2-1/2% of the total Fifth Replenishment and (2) its support of the replenishment at the level of \$9 billion."

ElFishawy/rh

cc: Messrs. McNamara (2)
Knapp
Cargill
Diamond o/r/Vibert
Goodman/Hattori

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OFFICE MEMORANDUM **CONFIDENTIAL**

TO: For the Record

DATE: June 15, 1976

FROM: Saad S. El Fishawy

*Saad El Fishawy***DECLASSIFIED**SUBJECT: KUWAIT - Mr. McNamara's Meetings**MAY 06 2013****WBG ARCHIVES**

On the morning of May 24, 1976 Mr. McNamara met in Kuwait with H.H. the Crown Prince and Prime Minister Sheikh Jabir Al-Ahmad. Present were H.E. Minister Abdul Rahman Salim Al-Ateegy of Finance, Messrs. Al-Hamad and Paijmans and myself.

Thereafter Mr. McNamara met with Minister Al-Ateegy. During most of the day Mr. McNamara spent in Kuwait, Mr. Al-Hamad was with him and they met before and after these two meetings.

Sheikh Jabir started the meeting by warmly welcoming Mr. McNamara to Kuwait and saying that in Kuwait they followed closely Mr. McNamara's dedicated efforts in the field of economic development. They particularly welcomed the fact that he was not moved by political reasons but by humanitarian motives. 1/ He inquired about the "Third Window" Facility.

Mr. McNamara commented briefly on the "Third Window", stating that it had, since his previous visit to Kuwait, become operational. He added that he would like to discuss three topics: (1) Kuwait's investment in Bank bonds, (2) contribution to IDA V Replenishment and (3) cooperation between the Bank and the proposed Arab Aid-Egypt Fund.

Mr. Paijmans is keeping record of the discussions on item (3).

Mr. McNamara presented the case for investing in Bank bonds and contributing to IDA V along the same lines summarized in my memo of June 10 on his discussions in Saudi Arabia.

On the subject of borrowing, he pointed out that the Bank would need to have some indication from Kuwait of the amounts Kuwait would want to invest in Bank bonds in the coming two to three years. Such an indication would not be a firm commitment but would represent an order of magnitude which could be reviewed in case of changing circumstances. But it was needed by the Bank to plan its borrowing program for the next few years. In FY77 the Bank planned to borrow the equivalent of \$4 billion.

On the subject of IDA V Replenishment, Mr. McNamara emphasized the leading role of Kuwait as the only traditional OPEC donor.

Sheikh Jabir enquired about the basis for burden sharing. Mr. McNamara stated that a combination of several criteria was taken into account, such as GNP and liquidity position of contributors. In the final analysis the shares were determined on an ad hoc basis depending on the outcome of IDA

1/ Minister Al-Ateegy remembered the position that Mr. McNamara took in the case of the Iraqi loans at the time of the nationalization of I.P.C.

replenishment negotiations. Mr. McNamara took the opportunity to emphasize, however, that the share suggested for the OPEC countries of 10-12% of the total replenishment was quite in contrast with what OPEC countries were faced with when they were asked to contribute to some of the new funds. Their share there was 40-60% or 50-50% with OECD countries.

Mr. McNamara also pointed out that (1) Kuwait's suggested contribution for a three-year commitment authority of \$225 million (less than K.D. 65 million) represented only 2-1/2% of the total amount aimed at of \$9 billion and (2) said amount was not requested to be paid in three years but over a period of about 11 years. Payments were expected to range from less than K.D. 2 million in 1978 to not more than K.D. 11 million in 1980.

Mr. McNamara asked the Prime Minister and Minister Al-Ateegy to direct Kuwait's Deputy at the Helsinki meeting, Mr. Al-Hamad, to express Kuwait's support of the principle that the Fifth Replenishment should represent an increase in real terms over the Fourth, and furthermore to indicate that Kuwait would be prepared to consider favorably contributing the amount of \$225 million in the hope that its efforts would enable other countries to do likewise. Kuwait could make its pledge conditional on traditional donors fulfilling their responsibilities in full and that Kuwait's contribution would not be a substitute of any effort by these countries but rather complementary thereto.

Minister Al-Ateegy promised that Kuwait would continue to strongly support IDA and that Mr. Al-Hamad would repeat such support at Helsinki. He added, however, that it would not be possible to pledge any specific amount of contribution at Helsinki.

After the meeting Mr. Al-Hamad told Mr. McNamara that, as he had mentioned to him the night before, the amount proposed of \$75 million a year sounded at the beginning to be way high. Minister Al-Ateegy had also expressed to him the same view. Al-Hamad said nevertheless that after hearing Mr. McNamara's presentation, he was convinced that the amount was reasonable. He added that he would make every effort to convince his Government to agree to it. He made the remark that the annual payments projected were, however, lumpy and asked whether they could be smoothed out. Mr. McNamara said that, if Kuwait's contribution were to be significant, this could be worked out.

During the discussions Minister Al-Ateegy made the following points:

(1) On borrowing:

(a) Kuwait had full confidence in Bank bonds as a first-grade, safe and secure investment vehicle;

(b) Kuwait would like to continue its support to the Bank, particularly with Mr. McNamara as its head;

(c) it would be difficult, but they would try to indicate the amounts they planned to invest in Bank bonds during the next two years. This was particularly difficult since: (i) they did not like to make any promises

unless they were confident that they would be able to fulfill them and (ii) they felt squeezed between rapidly increasing costs of internal development (60% of it was for non-Kuwaitis) and endlessly multiplying demands of external assistance. Kuwait and other Arab countries would certainly be called upon to assist in the reconstruction of Lebanon after the civil war subsided there;

(d) they would want to go back to lending to the Bank in Kuwaiti Dinars;

To this Mr. McNamara said that the present position of the Bank was to limit its borrowings to internationally traded currencies. The Kuwaiti Dinar was not among those yet, although it may become such in two to three years. Al-Hamad had mentioned to Mr. McNamara that there were plans to create an off-shore financial market for the Gulf countries in Bahrain;

(e) the Minister enquired whether the Bank could arrange for issues with shorter maturities than in previous practice, say for three years. This would be coupled with a mutual understanding that, unless the need arose, the issue would be rolled over for a similar maturity. Mr. McNamara said that although the Bank needed long-term money since it extended long-term loans, its bonds offered the flexibility of a wide range of maturities to suit the preferences of potential investors and that the Minister's proposal could be considered;

(f) the Minister stated that the Kuwait Government surplus held in U.S. Treasury bills or notes was minimal.

(2) On IDA Replenishment

(a) The Minister mentioned that Kuwait was a staunch believer in economic development aid. Its record in the field dated back to the forties when it had initiated and maintained an assistance program of education and health clinics in the Trucial States and Yemen;

(b) since the increase in oil prices, however, there seemed to be a Western ploy to embarrass the oil-producing countries and particularly the Arabs by proposing an array of development funds in which they expected the OPEC countries to put up 50% of the resources. This was at a time when the GNP of all OPEC countries was less than 5% of the GNP of OECD countries. Furthermore, these funds dissipated efforts and wasted scarce human skills and material resources. The bulging bureaucracies of some of the international organizations were eating up all the resources available to them. Also aid should not encourage permanent dependence on foreign assistance, laziness and unnecessary procurement of arms.

Mr. McNamara pointed out that IDA being an experienced and tested organization, dating back to 1960, whose aid effectively helped developing

countries to help themselves by increasing their productive capacity and the fact that the modest contribution proposed for the Fifth Replenishment of 2-1/2% from Kuwait and 6% from Saudi Arabia represented a contrast to all this;

(c) Arab OPEC countries were being accused that their aid was extended exclusively to Arab and Moslem countries. This was not true, since Kuwait and Saudi Arabia extended aid to non-Arab or Moslem countries in Africa and Asia. People should not think in these terms but rather along humanitarian and international lines.

The Minister concluded by promising continued support to the Bank and IDA and expressed full confidence in the Bank and IDA under Mr. McNamara's leadership.

ElFishawy/rh

cc: Messrs. McNamara (2)
Knapp
Cargill
Diamond o/r/Vibert
Goodman/Hattori
Paijmans
Rotberg/Hittmair

OFFICE MEMORANDUM

CONFIDENTIAL

DECLASSIFIED

MAY 06 2013

WBG ARCHIVES

DATE: October 8, 1976

(Drafted by Mr. Paijmans
in Manila; typed on
October 14, 1976)

TO: Memorandum for the Record

FROM: Martijn J.W.M. Paijmans

SUBJECT: Mr. McNamara's Meeting with Kuwait

1. H. E. Abdul Rahman Salim Al-Ateeqy, Minister of Finance, and Mr. Abdlatif Y. Al-Hamad, Director-General of the Kuwait Fund attended for Kuwait. Messrs. Benjenk, El Fishawy, Burmester and Paijmans were present for the Bank.

2. Mr. McNamara stressed the importance of the Kuwaiti initiative on the IDA-V replenishment stating that this has moved the replenishment forward substantially.

Egypt

3. Mr. McNamara explained that we had started making some progress on the organization of a number of internal Egyptian issues. He spoke about the C.G. and the Minister informed him that Kuwait had decided to join the Group. (The Government's decision had been communicated to Mr. Al-Hamad's office during the latter's absence.) Mr. Al-Hamad warned against creating false hopes by holding a first C.G. meeting if there was not sufficient progress in Egypt on a number of issues. Mr. McNamara explained to substantially agree with this position. He explained to attach great importance to the formulation of a medium term plan and a standby agreement with the IMF.

4. The Kuwaiti visitors generally took a very tough position on Egypt and provided a number of examples illustrating their country's almost total frustration with Egyptian matters. In particular the administrative inefficiency was stressed. Mr. Al-Ateeqy explained to have been frank with his Egyptian counterparts and even President Sadat, to the point of bitterness. In spite of very substantial financial support they felt nothing had been achieved.

5. Mr. McNamara and Mr. Al-Ateeqy both agreed that the Egyptian case could not and should not be given up but pursued with the greatest possible vigor, forcing the Egyptian Government to put its house in order by making assistance conditional upon adequate action.

Jordan

6. Mr. Al-Ateeqy pleaded strongly with the President that the Bank not be as "tough" as it now is on Jordan with respect to requiring security arrangements for its possible lending for a phosphate project. He stated that the Kuwait Fund which will invest in the project will actually advise the Government not to accept the -- what they consider to be -- unreasonable Bank conditions. The Minister explained that Jordan was among the most deserving Arab countries and particularly efficient in its economic management.

October 8, 1976

7. Mr. McNamara explained the rationale underlying our need for a security arrangement and said that the Bank could take itself out of the project or try to find another way of covering itself against exposure. The Minister reacted immediately that he did not want the Bank to pull out and that he would appreciate the Bank reviewing the matter again. He said that he would ask Mr. Al-Hamad to sit with the Bank staff to look for solutions. Mr. McNamara agreed to such a course of action. Mr. Al-Hamad indicated that he would be in touch with the Bank following his return to Kuwait.

cc: Mr. McNamara's Office (2)

Messrs. Benjenk
Burmester
Bart
El Fishawy
Humphrey

MPaijmans:gg/jm

19

OFFICE MEMORANDUM

TO: For the Record

DATE: May 17, 1977

FROM: Saad S. El Fishawy

Saad El Fishawy

SUBJECT: KUWAIT: Mr. McNamara's Meeting with Mr. Al-Hamad

The meeting took place on April 29, 1977 in Mr. McNamara's office.

Present were Messrs. Al-Sayer (Deputy Director of the Kuwait Fund), Al-Khoja (Kuwait Fund Operations), Benjenk, Burmester and myself.

Al-Hamad said that he wanted to discuss three subjects:

(1) Egypt

There was a consensus that the importance of solving the economic problems of Egypt could not be overemphasized. Sadat's political life almost literally depended on it. Although in the field of international foreign relations, the Egyptian Government was doing a very good job and taking courageous steps forward, the same unfortunately could not be said of the government performance in the economic field. In the past, Sadat had been lending attention to the former, but not to the latter. It was now hoped that he would concentrate on the economic problems and give them his personal attention. The economy was terribly mismanaged and the bureaucracies probably the worst the Bank had encountered in any country. As a result, the waste of talent and resources was prodigious.

Al-Hamad said that he would like to propose for the Bank's sympathetic consideration establishing a Bank office in Egypt along the same lines it did in Indonesia. McNamara said that there were three prerequisite conditions for such an office to be effective: (1) the Egyptian Government should realize the need for it and request it, (2) the Bank's man there should be ensured direct access to the highest levels responsible in Egypt for making decisions in the economic field, and (3) he should be of the highest caliber.

Al-Hamad agreed and said he did not expect a "yes" or "no" answer at this point, but he hoped that should the Egyptian Government make such a request, the Bank would consider it sympathetically.

(2) Lebanon

Al-Hamad said that he had the highest regard for the present team in the government, i.e. the President and the Prime Minister. Their presence represented a great opportunity for those who wished to help Lebanon. Kuwait was lending its financial support for the reconstruction efforts. McNamara said that the Bank shared the same views. One of the signs of financial responsibility of the present government was that Lebanon kept on paying its debts, even during its worst periods of fighting. In the coming six weeks, a loan for reconstruction of about \$45 million would be presented to the Executive Directors.

(3) Mauritania

Al-Hamad said that now that the iron-ore being presently mined was running out, there was a danger of substantial infrastructure lay-outs (railways and ports) becoming idle or underutilized. Also, an important part of the labor force would be laid off and become unemployed. The possibility of exploiting secondary mines of lesser ore content should be explored. The exploitation of such marginal mines would require huge capital investments (probably two phases of \$1/2 billion each), but these developments would be vital for the country. Mr. McNamara inquired about the economic rate of return on such a project and a figure of 11% was mentioned. This was considered too low. If it were to be more promising, it would have to be assessed in the context of its order of priority among other feasible projects in the country.

SElFishawy/rh

cc: Messrs. McNamara (2)
Knapp
Cargill
Benjenk

OFFICE MEMORANDUM

STRICTLY CONFIDENTIAL

TO: For the Record

DATE: October 6, 1977

FROM: Saad S. El Fishawy

*Saad El Fishawy*SUBJECT: Mr. McNamara's Meeting with the Minister of Finance of Kuwait,
Abdul Rahman Salim Al-Ateegy

The meeting took place on September 26, 1977. Present were Messrs. Al-Hamad, Cargill, Benjenk, Burmester and myself.

Minister Al-Ateegy started by congratulating Mr. McNamara on his speech to the Governors of the Bank and the Fund, which he had delivered in the morning. He said that Mr. McNamara was the real present-day champion of the needy people of the world. Al-Ateegy said that he endorsed and supported McNamara's policy in increasing aid to the poorer countries and devising methods and procedures to ensure that aid would benefit the poorest segments of the populations. He added that if there were a saint living in our age, that would be McNamara. McNamara said jokingly that a few people had already consigned him to hell.

Mr. McNamara said that the need for economic development was great and growing. To continue to respond effectively to such need, the Bank ought to increase its capital. The size of the increase, its type and timing would be discussed in the next few weeks. Mr. McNamara said that he would appreciate the Government of Kuwait instructing its Executive Director to support the increase of the Bank's capital. Minister Al-Ateegy said that Kuwait was all for an increase in the Bank's capital.

Mr. McNamara praised the role that was being played by Kuwait in the field of foreign aid. He cited particularly the key role played by Kuwait and Mr. Al-Hamad in the IDA V negotiations. In this context, it was not money alone that mattered (even though it was, of course, of indispensable importance), but the leading role played by Kuwait in the negotiations, particularly at the Helsinki meeting, which got the negotiations moving towards their successful conclusion. Mr. McNamara said that he would like to express again his appreciation and thanks to Minister Al-Ateegy, the Government of Kuwait and above all to Sheikh Jaber Al-Ahmad, the Crown Prince and Prime Minister, whose foresight gave Kuwait its eminent position in the global effort for economic development. McNamara said that he was confident that the task of economic development that lay ahead could be accomplished. This would need, however, mobilization of joint international efforts. He was optimistic that Chancellor Willy Brandt would accept to head the Brandt Commission. He asked the Minister to encourage Al-Hamad to accept membership of this Commission. Al-Ateegy said that he concurred with McNamara that the job could be done, if people were dedicated to it. Where there was a will, there was a way. He was wondering, however, whether equity investment in economic development projects could not be more emphasized parallel to lending. He said that there was a lot of wealth underground and above ground that could be exploited. Money was no problem. There was a

lot of money around seeking equity investment. It was the internal framework and attitudes of the host countries that needed to be restructured to promote the confidence of investors. There were residues of unfounded suspicions of foreign investment in recipient countries. He wondered whether the World Bank Group could not increase its efforts in this area. Mr. McNamara said that it was true that recipient countries feared the huge foreign influence of the multi-national companies. But there was no country where a government worth its name could not control undue growth of such influence. On the other hand, multi-national companies which were sensitive to political considerations could steer their course safely in the countries where they invested. For example, he was the President of the Ford Motor Company, and Ford had economic ventures world-wide. It was quite sensitive to the political environment in the countries in which it operated and thus did not run into trouble.

McNamara said that he would like to mention to Al-Ateegy that during a meeting with Mr. Fritz Leutwiler, the President of the Swiss National Bank, he said that he would do whatever was necessary to enable Kuwait and Saudi Arabia to lend to the Bank in Swiss Francs the amounts they wanted without limitation. Al-Ateegy said that he was very grateful for this expression of confidence in Kuwait and that they would plan to take advantage of this offer.

Minister Al-Ateegy said that he had three points which he wanted to raise with Mr. McNamara:

(1) Egypt

Al-Ateegy said that now that its short-term debt problems had been eased, thanks to the assistance of the Gulf Organization for the Development of Egypt, it gained some breathing space. Every advantage of this should be taken and concentrated economic-development efforts must continue to save the situation. The fall of Egypt would engulf the whole area, including the Gulf States. McNamara said that some progress had been made. Egypt had recently sent to the Bank its Five-Year Program, after more than two years' delay. It was a case of almost complete lack of economic management. They did not even know either their foreign-exchange needs or receipts. How could they think of balancing their balance of payments under these circumstances? The team presently responsible for the economic sector was more dependable. Dr. Al-Kaissouni was doing a good job and he had assured Mr. McNamara that he was succeeding in getting President Sadat to give his personal attention to the economic problems. Mr. McNamara said that President Sadat was showing great wisdom and statesmanship in handling the questions of foreign affairs. Previously, he was not applying himself to the economic issues, but McNamara had reason to believe that Sadat had recently started to do so. Another question: that of the phasing out of unjustified subsidies, had thorny political aspects and had to be dealt with very carefully. Some progress, however, had taken place in this area, too. Nevertheless, continued efforts had to be exerted to realize economic discipline in Egypt.

McNamara said that the Bank appreciated the joint efforts of the donor countries which assisted Egypt together with the Bank in this direction.

Minister Al-Ateegy said that it was hoped now after IDA V Replenishment had been completed, that Egypt's share of IDA funds would be increased. He added that he also hoped that the World Bank's close association with Egypt in its economic development efforts would continue. Al-Hamad said that it was also still hoped that the suggestion he had previously made to McNamara in their meeting last April to establish a Bank resident mission in Cairo could be implemented.

Mr. McNamara said that Egypt would be allocated its proper share of IDA funds. He also said that the Bank was keeping very close contact with the situation in Egypt. Bank missions visit Egypt once every 90 days. Mr. Benjenk went there three times during the last nine months and met with President Sadat.

(2) Iraq

Al-Ateegy said that it was very unfortunate that the relationship between Iraq and the Bank became so strained over the Silos Project. It was a pity that all the efforts that were made in 1972 and in which he personally participated */ to heal the rift in the relationship between the Bank and Iraq had now been dissipated. McNamara said that that was a case of a regrettable misunderstanding. Actually the Bank was trying to help Iraq out, with regard to said project for which the economic considerations had substantially changed between the time of its approval and its implementation. Its cost had increased more than threefold from about \$90 million estimated in 1973 to more than \$350 million at present estimates. Its economic rate of return had fallen to about 3%. The average rate of return of the projects we presented to our Board was 18%. We had never presented to the Board a project the rate of return of which was less than 9%. Mr. McNamara said that he was surprised that the Iraqis were not mindful of the efforts the Bank had made to help Iraq. In 1972, he presented the Iraqi projects to the Board and got them approved as a unique case, over the objection of the United States. He said that the misunderstanding may be due to some mistakes. Mistakes did occur. He hoped that the situation would be clarified in his meeting with Dr. Fawzi Al-Kaissi, the Minister of Finance of Iraq.

(3) Arab Personnel in the Bank

Minister Al-Ateegy said that recently there had been changes in the high positions of the Bank, and none of the Arab staff members was elevated to a decision-making position. Mr. McNamara said that the Bank was finding

*/ Al-Ateegy was referring to Kuwait's assistance when I visited Kuwait before proceeding to Baghdad immediately after the nationalization of IPC on June 1, 1972. I went there to negotiate obtaining the statement from the Iraqi Government declaring its intention to pay prompt and adequate compensation for the nationalized interests. Said statement was later circulated to our Board with the presentation of the Iraqi Lower Khalis and Telecommunication Projects.

it difficult to recruit Arabs. Actually several staff members of the Bank were on loan to Arab institutions. Minister Al-Ateegy said that he would leave this matter with Mr. McNamara and that Mr. Al-Hamad would be in touch with him on the subject.

cc: Messrs. McNamara (2)
Knapp
Cargill
Benjenk

SELFishawy/rh

MEMORANDUM FOR THE RECORD

Kuwait:

Meeting with Messrs. Al-Ateeqy and Al-Hamad, Kuwait Fund, January 25, 1978

Present: Messrs. McNamara, Al-Ateeqy (first part of meeting), Al-Hamad, El-Sayer, Al-Khaled, Al-Honeif (all of Kuwait Fund for Arab Economic Development), and Benjenk and El Fishawy

Egypt

Mr. Benjenk reported on the recent economic progress in Egypt, particularly in the areas of debt management, decontrol of prices and management of the economy. GODE aid could gradually be shifted from balance-of-payments to commodity to project support. Mr. McNamara said that GODE's financial support had saved Egypt. The country needed further support in 1978. The U.S. and the Bank planned for their high-levels of support to be continued.

Mr. Al-Ateeqy said that the recent progress in Egypt had a beneficial impact on private investment from Arab countries in Egypt and on regional cooperation through GODE. No decision had been taken yet on a GODE replenishment; such a replenishment would have to be agreed at the highest level, i.e., between President Sadat and the Emir. Kuwait's oil revenues were decreasing and the country was hit by the international inflation and the deterioration of the dollar. The return on GODE's first \$2 billion spent would be reinvested in Egypt. Since the April 1977 GODE meeting, the Government of Egypt had not submitted any lists of required financings or projects; \$300 million were left of the initial \$2 billion.

Mr. Al-Hamad said that the other friends of Egypt, e.g., Western Europe, were not as forthcoming with their aid as Kuwait or the Bank. The Government of Egypt dealt with GODE politically and not professionally as with the Bank; this endangered the continuity of the process. The relationship between Egypt and GODE had to be institutional. The technicians were getting tired of Heads of States' agreements which introduced political uncertainties into GODE operations. There was still no sufficient conviction in Kuwait that Egypt was really turning around. The improvements in economic management did not reach far enough; Dr. Kaissouni's one-man show was worrisome and the Government's management by crisis could not continue. Egypt's grave economic problems required the personal attention of President Sadat. Only the Bank could exert leverage in that direction without being insulted in the next Assembly meeting. President Sadat was proven wrong by the recent political developments and Egypt was not the "darling" of the man in the street any more.

Mr. McNamara suggested that the interest foregone on the first \$2 billion GODE funds could be invested in connection with Bank projects. For the \$1 billion required from GODE for 1978, Egypt would not be able to present a sufficient number of projects. The development plan, which was realistic only for 1978, had not yet been translated into projects. The Bank had asked the Government to prepare a projects list for the June Consultative Group meeting which would be circulated to the donors in April 1978. However, the 1978 emphasis would have to be on commodities and balance-of-payments assistance. For 1978 new GODE commitments, the type of commodity and balance-of-payments support could be specified. Mr. Al-Ateeqy replied that in April 1977 Kuwait committed itself to increased support for projects without specifying an amount. This agreement would have to be changed if Kuwait was asked to accept further commodities and balance-of-payment support for 1978. In his view, this might still be acceptable for 1978 but raised serious issues as to what would happen in 1979. There was too much of a piecemeal, step-by-step approach instead of comprehensive package design. Mr. McNamara replied that for 1979 the projects elements of GODE

support could be increased but that the country would still need substantial commodity support. Mr. Al-Hamad observed that there was basically no disagreement between the Bank and Kuwait on the use of funds. Kuwait's skepticism was caused by Egypt's step-by-step approach.

Mr. Al-Ateeqy pointed out that Kuwait had assisted Egypt not only financially but also psychologically in its dealings with the IMF and in setting up the Morgan Stanley debt management arrangements. GODE could borrow up to \$4 billion with its capital of \$2 billion but the cost of these funds to Egypt would be higher, i.e., an interest rate of 8.5% compared to the present terms of 5% interest and 7-10 years' maturity. The question was whether Egypt could afford such terms. Mr. McNamara suggested GODE to charge a 5% interest on the first GODE instead of debt forgiveness. For example, another \$2 billion could then be obtained on market terms and interest rates be averaged out. This would lead to an interest rate of about 6%-7% to be charged. Mr. Al-Ateeqy emphasized that there was no necessity for GODE donors to have their contribution repaid. Mr. McNamara replied that he believed in arms' length and sound dealings of which payment of interest was a part.

Mr. Al-Hamad said that GODE's establishment as a permanent institution would depend on a clear agreement on its future purpose. GODE should become part of an international package of aid to Egypt over the coming three years. Kuwait needed the Bank's support with its greater leverage. Mr. McNamara said that the Bank could assist GODE in formulating a three-year agreement with Egypt. The composition of the annual tranches could be specified. However, it would probably not be possible to formulate a comprehensive international package for three years. Mr. Al-Hamad replied that the amounts of financing of such a package would not need to be established for three years in advance but the longer-term objectives and conditions should be specified. Mr. McNamara agreed that this would be possible. Mr. Al-Hamad added that such a comprehensive international package, orchestrated by the Bank, would help in creating the required political willingness in Kuwait to provide larger amounts than originally expected. There could be an automatic roll-over of GODE's seven-year money. Mr. McNamara urged not to inform the Egyptians of such an intended automatic roll-over and rather to stop disbursing if the Government of Egypt did not meet its commitments. He thought that the Saudi Arabian Government would join in such an international package approach.

Mr. Al-Hamad concluded that, from GODE's point of view, the following mandate for the Bank would be desirable: (i) to help Egypt in developing a realistic plan; (ii) to convince President Sadat that a year-by-year "political" approach to its economic problems would not be further possible; (iii) to orchestrate an international package of continued assistance to Egypt; and (iv) to increase the Bank's involvement in Egypt through a resident office or intensified follow-up. Mr. McNamara concluded that the Bank was up-to-date on Egypt, and that it needed word from GODE whether the Bank should assist in working out a three-year or multiyear agreement between Egypt and GODE which could become part of an international package. It was agreed that Mr. Al-Hamad would follow-up on this.

Borrowing

Mr. McNamara handed Mr. Al-Hamad the Paine & Webber study on the Bank and said that he would send the Bank's Treasurer, Mr. Rotberg, for intensified discussions on an increased Bank borrowing program in Kuwait.

CKW
April 4, 1978

25

OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: September 24, 1978

FROM: Martijn J.W.M. Paijmans, Director, EMI

SUBJECT: KUWAIT: Visit by Mr. Al-Ateeqy, Minister of Finance

1. Minister Al-Ateeqy met with Mr. McNamara on September 24 at 6:30 p.m. He was accompanied by Mr. Al Sabah and Mr. Abdlatif Al-Hamad. Messrs. Benjenk, El-Fishawy, Koch-Weser and I attended.
2. Mr. McNamara wanted to express again his gratitude for Kuwait's and the Minister's support for the Bank and IDA. Kuwait's leading role in IDA had allowed him to state that it had been instrumental in increasing with \$1.8 billion the funds available for the poor under the fifth replenishment. Apart from its financial contribution, Kuwait's political initiative had been of the greatest importance and impact.
3. The Minister stated that Mr. McNamara's initiatives in prompting discussions on the issue were essential and that his country was grateful for this role. He then elaborated on the theme of "interdependence" in which he appeared a strong believer, adding that the industrialized world must support the international aid programs and go beyond that through bilateral and regional support routes, like Kuwait did.
4. Mr. McNamara firmly agreed with these views and felt that Kuwait's and KFD's decisions not to dole out money but to follow a hard headed approach and to insist on efficiency was exactly what is needed. He also assured the Minister that the Bank was ready to provide any assistance to Kuwait, if the country felt we could be of such assistance. The areas of cofinancing and planning were mentioned and the Minister appeared to be aware of the Ministry of Planning's desire to work with the Bank.
5. Mr. McNamara touched upon the aspect of Egypt. He felt there was some degree of progress but enormous political, economic and, in particular, bureaucratic problems remained. The Bank tried to be supportive but welcomes any suggestions. The Minister felt that it was difficult to deal with Egypt. He clearly is of the opinion that project aid is what is most needed. Up until now Kuwait's assistance had for a large part been in cash; the government was ready to increase its aid provided it would go into projects. Infrastructure projects could be financed, he felt, by the Bank and KFD but he put much weight on the need for commercially viable projects in which the private sector would be involved. Mr. McNamara foresaw only slow progress in this second area but said he was strongly in favor of pushing this field and that IFC (and the Bank) should try to find ways and means to work together with KFD in this area. Mr. Benjenk mentioned the Al Dikheila steel works in this context and Mr. McNamara mentioned that such cooperation should be given all possible support.

September 24, 1978

6. Mr. McNamara then briefly touched upon two matters of concern to him; the increase in Bank capital to be decided upon early next year and IDA VI, negotiations on which should start before year end. He knew he had Kuwait's support.

7. As a final point, the Minister mentioned that in addition to Egypt, Sudan was a subject of his Government's concern. Mr. McNamara commented upon the Sudan Government's weak financial management and mentioned his discussing this last week with the President of Sudan. The Minister mentioned that Kuwait had last year felt it had to break its generous aid flow in order not to encourage misspending. His Government was fully prepared to finance projects and also to reschedule the Government debt at market rates but only within a broad arrangement including the IMF.

cc: Mr. McNamara's office (2 oopies)

Messrs. Cargill
Benjenk
Qureshi
Wapenhans
El-Fishawy

MPaijmans:gbo

INTERNATIONAL MONETARY FUND
THE WORLD BANK

Boards of Governors · 1978 Annual Meetings · Washington, D.C.

TO: Records

FROM: Saad S. El-Fishawy *Saad S. El-Fishawy*

SUBJECT: Kuwait: Mr. McNamara's Meeting with Minister Al-Ateeqy
On September 24, 1978 at 18:30

Also present were Messrs. Al-Hamad, Fahd Al Sabah, Benjenk, Paijmans, Koch-Weser and myself.

9/29

Mr. McNamara started by again expressing his admiration of and gratitude for the leading role played by Kuwait in the negotiations of the IDA5 Replenishment. He said that two countries played an important role in the successful completion of these negotiations, notwithstanding the amount which they contributed. The Netherlands intervention was important in setting a high goal for the Fifth Replenishment. Kuwait's leadership in the crucial meeting at Helsinki was decisive in getting the negotiations to move ahead towards their successful completion. In his view, an increase of \$1.8 billion in the total contributions of IDA5 could be attributed to Kuwait's leading role, notwithstanding the amount that Kuwait contributed which was, of course, important in itself. Mr. McNamara said that he was also very impressed by the farsightedness and statesmanship displayed by the Kuwaiti Government, particularly in the field of foreign economic development aid. The Kuwait Fund dates back to 1961, long before the increase of oil prices. It was only much later than other Arab aid funds were fashioned after its example. The Kuwait Fund was not only a model in its function but also in the hard-nosed businesslike manner in which it was managed and run. The Bank as always welcomed any opportunity of cooperation with the Fund. Although probably the Kuwait Fund had now commanded such expertise that it did not need help from the Bank. We would also be happy to assist the government in any area in which the Bank has competence, as with regard to the request by the Ministry of Planning.

Minister Al-Ateeqy said that actually the praise which Mr. McNamara was so kind to bestow on Kuwait should go in the first place to Mr. McNamara himself. His zeal and passion to improve the lot of the poor and his leadership were the main factor in Kuwait's support to the Bank and IDA. Minister Al-Ateeqy said that Mr. McNamara knows how much Sheikh Jabir admires his efforts in the field of economic development and particularly in helping the poorer nations.

Address replies to:

JOINT SECRETARIAT — ANNUAL MEETINGS
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Minister Al-Ateeqy expressed his deep belief in the vital importance of interdependence among all nations. The developed countries for example need the markets of the developing countries as much as the latter need the assistance of the former.

Mr. McNamara then discussed with the Minister the on going cooperation between Kuwait and the Bank in their joint efforts in the field of economic development aid to Egypt and the Sudan.

Mr. McNamara concluded by saying that in the next year, the Bank will be dealing with two important issues: the Bank's General Capital Increase and IDA6 Replenishment. Mr. McNamara said that we are planning to hold the first IDA6 meeting before the end of this year. We hope that the negotiations will be concluded by next year's Annual Meeting. During this period, there will be ample time to consult with the Minister in due course. He added that he was quite confident that Kuwait would support the Bank efforts on both these issues.

cc: Mr. McNamara (2)
Mr. Cargill
Mr. Stern
Mr. Knapp
Mr. Benjenk/Paijmans
Mr. Vibert