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THE WORLD BANK

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McNamara Papers

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Contacts with member countries: Organization of Petroleum Exporting Countries (OPEC)

Folder 155

**DECLASSIFIED**

**WBG Archives**

OPEC

OPEC

- 5/14/74 Abderrahman Khene, Secretary General of OPEC
- 5/25/76 Ibrahim Shehata, Secretary General of OPEC Fund  
(Kuwait)
1. 9/28/78 Ibrahim Shihata, Director General, OPEC Special Fund  
Annual Meeting
2. 10/4/79 Ibrahim Shihata, Director General  
Belgred

## OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: May 28, 1976

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

SUBJECT: OPEC Fund

1. Mr. McNamara met on May 25 in the Kuwait Fund with Mr. Ibrahim Shehata recently appointed as Secretary General of the OPEC Fund.
2. It has been decided that the Fund will be a facility, and not have a staff of its own. The Fund will function through the national agencies of the contributing countries and hopefully with the help of international institutions.
3. Of the \$800 million available for the Fund's first (and possibly only) year of operation, \$400 million will go to IFAD (inclusive of earlier commitments made by the Fund member countries) if OECD countries would contribute at least \$600 million (\$510 million has now been pledged with France still to come). Although it will be the individual countries that will contribute to IFAD, the OPEC Fund forum will serve to coordinate their actions.
4. Regulations of the Fund are now being worked out and its Governing Committee is expected to meet before end August. This stage will be followed by discussions with the national agencies and the World Bank.
5. The Fund's resources would be made available to the "most seriously affected" developing countries with probably \$200 million available for balance of payments support operations. No firm lending criteria were expected to be set up, policy guidelines now being worked out should suffice. Mr. Shehata is well aware of the fairly small volume of resources he will be able to dispose of in relation to the number of claims likely to surface.
6. Mr. McNamara indicated to be prepared to cooperate with the OPEC Fund which could select projects from the Bank pipeline to cofinance or to finance alone. He also stated that insofar as the share of the OPEC Fund resources is concerned that will not be channeled through IFAD, the Bank would work with the Fund on a no-charge basis.

cc: Mr. McNamara's Office

Messrs. Knapp

Wapenhans

Cargill

Chaufournier

Please

Votaw

Stern

Krieger

Bart

Adler

El-Fishawy

Asfour

de Lusignan

Biraben

MPaijmans:sap



## OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: September 28, 1978

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

DECLASSIFIED

CONFIDENTIALSUBJECT: OPEC Special Fund Meeting

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WBG ARCHIVES

1. On September 28, Mr. McNamara met with the Director General of the OPEC Special Fund, Mr. Ibrahim Shihata. Messrs. Benjenk, El-Fishawy, Koch-Weser and I were present.
2. Mr. McNamara enquired into the reason why Mr. Shihata felt that the Bank's procedures had to be thoroughly reviewed, an opinion he had given in a meeting with other financing institutions and which had been chaired by Mr. Stern.
3. Mr. Shihata said he felt that the basic Bank procedures were now thirty years old, that other public financial institutions followed the World Bank's lead and that therefore without the World Bank's leadership, outdated procedures could not possibly be revised. He felt that at least there was a case for reviewing without prejudice existing procedures.
4. Mr. McNamara observed that the Bank's procedures had been reviewed very frequently, at least three times over the last ten years and that criticism in general terms would not be helpful. He was willing to make procedures more responsive if needed and if feasible, but wanted to have specific points on which prevailing rules were subject to criticism. He requested Mr. Shihata to write him a personal letter to that effect, together with suggestions for change on the basis of which he would see what would have to be done. Mr. McNamara also felt that it was not desirable to have a rigid system to which all public financial institutions would adhere. There could be many reasons why there would have to be differences between institutions.
5. Mr. Shihata said that in any case he had not been critical of the Bank. There might have been some sort of misunderstanding but cooperation could not be better and his Fund would not have been able to go ahead as it has without the Bank's assistance.
6. On cofinancing, Mr. McNamara said that the tapping of commercial bank resources was only the beginning and that a greater standardization (and possibly simplification) in this field would be desirable in view of the need to attract more funds for the middle income countries.
7. In response to a series of questions, Mr. Shihata explained that OPEC's first tranche of \$800 million was fully committed and the second tranche of \$800 million would be committed in three years (by 1981) if the Common Fund on Commodities would not become operative. The decision that the Fund would not be a short-term facility but have a longer life, had been reached; repayments (as of 1981 of \$60-80 million per year) would be available for reinvestment. A third tranche could be voted for the Fund. Until now, Saudi Arabia, Kuwait, Iran and Venezuela (with

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almost 15%) are the Funds main contributors. Also the Fund might be given the authority to borrow. It might therefore be possible that the Fund would be able to maintain its 1978 level of operations in the \$150-200 million range. Also there is a possibility now for the Fund to extend its operations into the category of middle income countries. Eventually, three categories of borrowing countries might exist (current terms for the poorer countries are 20 years, 5 years grace, no interest).

cc: Mr. McNamara's office  
Benjenk  
Bart  
El-Fishawy

MPaijmans:gbo





## OFFICE MEMORANDUM

TO: Memorandum for the Record

FROM: A. Karaosmanoglu, EMI *AK*

SUBJECT: 1979 Annual Meetings, Belgrade: Mr. McNamara's Meeting with the  
OPEC Special Fund

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DATE: October 5, 1979  
(Typed in Washington  
on October 9, 1979)

1. Mr. McNamara met with Mr. Ibrahim Shihata, Director-General of the OPEC Special Fund, on October 4, 1979 at 6:30 pm. Also present from the Bank were Messrs. Benjenk, El-Fishawy, Karaosmanoglu and Koch-Weser.
2. Mr. McNamara congratulated Mr. Shihata for the realization of their third replenishment of \$800 million. Mr. Shihata explained that in the past three years \$1.2 billion were committed, of which \$600 million were loans which benefitted 70 countries, putting the OPEC Special Fund second only to the World Bank in its coverage of countries. He also said that a significant portion of their commitments took the form of contributions to other international organizations (IFAD, IMF Trust Fund, UNDP and CGIAR). He said that there were still \$350 million that could be committed by the end of 1979 and he expected to commit \$300 million next year for loans and about \$100 million in the form of de facto grants to the poorer potential members of the Common Fund for membership and contribution to the second window of the Common Fund.
3. Mr. Shihata expressed his willingness to continue co-financing with the Bank; however, he felt that the process was still too slow and asked whether agreed procedures for co-financing could not be developed to speed it up. Mr. McNamara referred to the difficulties of developing agreed procedures in the light of different practices and rules followed by institutions and governments who participate in co-financing but he said in view of the huge current account deficits that will be in need of financing, more rapid process for agreed co-financing would become necessary. Mr. McNamara told Mr. Shihata that we were interested in increasing program lending in Africa and said that we might have one soon for Kenya and hoped the OPEC Special Fund could join. Mr. Shihata said that they were involved in a significant number of balance of payments loans and described the procedures in which these balance of payments loans were given. According to these procedures, an account is opened in the name of the OPEC Special Fund and half of the agreed loan is deposited in the Bank to be used for imports of raw materials and capital goods and the other half is deposited after the first part is utilized and counter-part funds established to be used later as grants for local cost financing. Mr. Shihata explained that all of these operations were being carried out with a staff of nine people. He said relying on other agencies for co-financing was the reason it was possible to carry out such a large operation with such a small staff. Their Board, he explained, was composed of people who were familiar with development financing such as the President of the Kuwait Fund and the Saudi Fund. They met three times a year and conducted their business very quickly and efficiently. In comparison, Mr. Shihata said that IFAD, of whose Board he is a member, was moving more slowly because they had a larger team of professional staff and that they wanted to develop their own projects despite Mr. Shihata's advice.

October 5, 1979

4. Mr. McNamara asked whether we can be of any help in their future activities. Mr. Shihata expressed his satisfaction with what he was receiving and he said that he would go to Washington the first week of November to discuss with the heads of concerned departments future possibilities of co-financing.

cc: Mr. McNamara's Office (2)  
Messrs. Cargill  
Benjenk  
El-Fishawy  
Knox  
Koch-Weser  
Maiss  
El-Rifai

AKaraosmanoglu:sap