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THE WORLD BANK

Washington, D.C.

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R1997-299 Other #: 2 Box #: 125679B

Michael Bruno - Internal Chronological - June to December 1996

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MB

**INTERNAL
CHRON**

**1996
June
July
Aug**

SEPTEMBER
through
DECEMBER

1996

(Interim)

Internal Chron

INTERIM/ACTING:

Nov. 7-Dec. 31/96

Vinod Thomas
④ pgs. ✓

January 7, 1997

Mr Joseph E. Stiglitz

Agenda for tomorrow's meeting: Wednesday, January 8 N6-007, 8:30am

Joe,

Lyn has proposed the following agenda:

1. Recent events:
 - a) EXC (JDW) meeting of January 6; (Lyn)
 - b) Outcome of the review meeting on the *Private Capital Flows to Developing Countries*; (Masood)
 - c) Outcome of the review meeting on the *WDR-1997*; (Lyn)
 - d) Your meeting with Messrs Koch-Weser and Kaji; (JS)
2. WDR-1998: Update and options for task-manager; (Lyn)
3. Your calendar and usual meetings (see note attached); (Kate)
4. Your recent proposals (ref. your meeting with Lyn on 01/03 and note attached); (JS, Lyn)
5. Comments, queries you may have on the material given to you at our meeting on Dec. 24, concerning the research budget, questions for research and policy; (Lesley, on the budget; Lyn, Ananda and Masood on the proposals).

At tomorrow's meeting we will also give you the notes you had requested on (a) World Bank Research; (b) DEC Front Office. Mark has informed us that, regrettably, he will not be able to attend tomorrow's meeting.

Thank you,



Paulo

Enclosures

cc: Messrs. Squire, Baird, Ingram, Ray, Thomas; Mss. Davis, Oram.

SCHEDULE OF MEETINGS FOR THE SVP&CE

I. Unscheduled but required and/or strongly desirable meetings:

1. *Personnel:* Briefings from Benefits, Pension etc. (EM already sent to John Waterston before Christmas; this should happen ASAP after your arrival.)
2. *Introductions:*
 - Front office staff.
 - DEC directors individually.
 - Managing Directors (5).
 - Mr. Gerber, Dean of Board. *
 - Regional vice-presidents (7).
 - SVP & General Counsel, Mr. Shihata
 - VP External Affairs, Mark Malloch-Brown
 - Meetings with Heads of Networks (3).
 - Meetings with Chief Economists (7, including IFC); (Chief Economist lunch already arranged for Feb. 13th; agenda to be decided.)
 - DEC personnel management: A Birara (Manager Human Resource Team) requested an apt. Kate has this on hold.
3. *DEC & CE work program:*
 - Meetings with DEC departments and EDI (1/2 day for each)
 - Briefing on operational and policy review procedures.

II. Meetings that the SVP&CE regularly attends and/or convenes:

1. *In DEC:*
 - Weekly meetings with DEC directors and your economic advisor individually.
DEC "Senior. Mgrs." Meetings (approx. once a month).
 - "Consultations" with DEC "main" directors (EDI, IEC, PRD, Director-Development Policy) collectively (once a week or as needed.)
2. *At the Executive Office of the President (EXC) or other Regular Bank-wide Meetings:*
 - Mondays: 11-12.30: President/Vice Presidents (VPs).
 - Wednesdays: 9.30-11.00: Executive Management Committee (President, MDs, SVPs, VP-Personnel, VP-External Relations, Senior Advisors to the President).
 - Wednesdays (first & third, 2.30-4.00): S Sandstrom/VPs (mainly personnel issues). Feb. 2/5 and 2/19.
 - Wednesdays (every other): Senior. Managers. Luncheon: 1.00 p.m.
3. *Various Other EXC Meetings not on regular basis:*
 - Vice Presidents & Managing Directors Operations (OVP). Chaired by either Koch Weser or Kaji. Used to be regular meetings. We understand the frequency of these meetings will be reduced in 1997.
 - Operational Committee (from time to time)
 - Operational Policy Committee (from time to time)

* Once a year DEC hosts the ED-Colloquium which is the only occasion in the year when the Executive Directors meet intensively with the SVP&CE, informally and outside the context of day-to-day operations of the Bank. The meeting has been tentatively scheduled for April 4-5, 1997.

L - I N - 1 N O T E

DATE: 05-Jan-1997 03:47pm

TO: See Distribution Below

FROM: Lyn Squire, PRDDR (LYN SQUIRE)

EXT.: 36099

SUBJECT: Meeting with Joe

At a meeting last week, Joe set out some of his ideas. They are very exciting. We need to be as responsive as possible. I'll run through the main ideas and suggest who might take responsibility for follow up.

WDR 99. Joe wants to use this as a vehicle for laying out the main development issue for 2000 and beyond. To that end he wants to organise a series of events -- workshops, discussion groups, etc. -- to feed into the WDR. Vinod would you start thinking through what might be done along these lines? Which hosting institutions? How would it be financed? Who should be invited? etc. You might want to get the benefit of Ajay's experience this year.

MDBs. Joe wants to tighten our intellectual links with the other MDBs. Could we all give to Paulo a list of current and planned interactions? Paulo could you coordinate and start thinking about future interactions?

Regional research/policy fora. Joe would like to build up research and policy analysis in regional fora -- like AERC, ERF, Tokyo Research Fair, etc. I will put something together on this. Please, especially Vinod and Greg, send me any activities that you have underway.

Advocacy research. Joe wants to undertake some research on issues that will have obvious benefits for LCDs -- for example, research on drug pricing to shame the drug companies into reducing prices. He also mentioned dumping and developed country tax rules. Why don't we all think about this and perhaps submit suggestions to Paulo.

Networking. Joe suggested a summer workshop -- for example, 10 more senior economists and 10 younger ones. The workshop could focus on WDR99 and/or other issues. Greg would you see to what extent this could be financed through the Visiting Research Fellows Program?

Speeches. Joe would like to do a series of speeches along the lines of Larry's speech on female education. He mentioned several ideas -- women's education (again), telecommunications policy, private provision of infrastructure, market-based

government, theories of distribution and growth, fiscal discipline, etc. Masood, would you coordinate suggestions? We could all provide inputs based on existing work but also on big issues that may require some special effort on our part.

Our next meeting with Joe is on Wednesday. It would be nice if we could each report that something was underway, although I am sure that we won't have completed these tasks for some time.

See you Monday.

Lyn

DISTRIBUTION:

TO: Masood Ahmed - IECDR	(MASOOD AHMED)
TO: Mark Baird	(MARK BAIRD)
TO: Vinod Thomas	(VINOD THOMAS)
TO: Gregory Ingram	(GREGORY INGRAM)
TO: Anandarup Ray	(ANANDARUP RAY)
TO: Paulo Vieira Da Cunha	(PAULO VIEIRA DA CUNHA)
CC: Carol Best	(CAROL BEST)

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TO: Anandarup Ray	(ANANDARUP RAY)
TO: Paulo Vieira Da Cunha	(PAULO VIEIRA DA CUNHA)
CC: Carol Best	(CAROL BEST)

Paulo

December 23, 1996

Mr Joseph E. Stiglitz

Answers to your questions

Joe,

You had asked us three questions, questions:

- i. What are the resource implications of the Departmental work programs and, in particular, what flexibility is there in the budgets?
- ii. What do DEC researchers think are the most important under-researched areas in economic development? What are the areas of controversy which should be examined, i.e., whose resolution could matter for development outcomes?
- iii. What do DEC policy-analysts think are the critical policy areas for Bank work, and which of those demand further research for a satisfactory resolution?

Attached are the answers we have prepared. There was no attempt to be comprehensive or definitive, and I am sure the answers will raise new questions. We hope so!

I understand that you have already received copies of the drafts for the WDR-1997 and for the study on *Private Capital Flows to Developing Countries*. Please let me know if I can be of assistance in your review of these studies.

Finally, Lyn asked me to include copies of the summaries I have done of earlier meetings.

Thank you,



Paulo

Enclosures

cc: Messrs. Squire (o/r), Ahmed, Baird, Ingram, Ray, Thomas (o/r); Ms. Davis.

DEC FY97 RESOURCE USE

Table 1

When looking at the “full” costs of FY97 tasks (including pro-rated indirect and overhead costs):

- EDI accounts for almost 50% of DEC’s budget.
- Research accounts for 27%.

If indirect and overhead costs are treated separately:

- Indirect costs (support staff, overtime, temporaries, computer usage, telephone calls, space, translations, etc.) account for one-third of DEC’s budget.
- Overheads account for 16%.

IEC AND PRD MAJOR RESEARCH PRIORITIES

Table 2

These are very broad groupings, which could be disaggregated further if needed - especially in the case of PRD research.

IEC AND PRD RESOURCE USE

Tables 3 and 4

IEC:

- Data work accounts for the largest share of IEC resources (37%), followed by research (32%).
- IEC devotes about 46% of its non-data resources on finance topics.
- Almost 80% of research resources are devoted to trade and finance.

- ***PRD:***

- Research accounts for 82% of resources (including indirect and overhead costs; excluding support to Operations)
- An additional \$3 million comes from external sources and RSB.

IEC AND PRD BUDGETS BY TYPE OF EXPENDITURE

Table 5

Since the bulk of DEC's resources is spent on staff (regular and fixed-term staff and long-term consultants), flexibility depends either on the fungibility of existing staff across new priorities, or on being able to replace existing staff with new skills.

- Staff costs account for over 70% of budgets.
- Truly discretionary resources amount to less than 10%.
- (Some indirect costs may also be discretionary.)

RESOURCE FLEXIBILITY

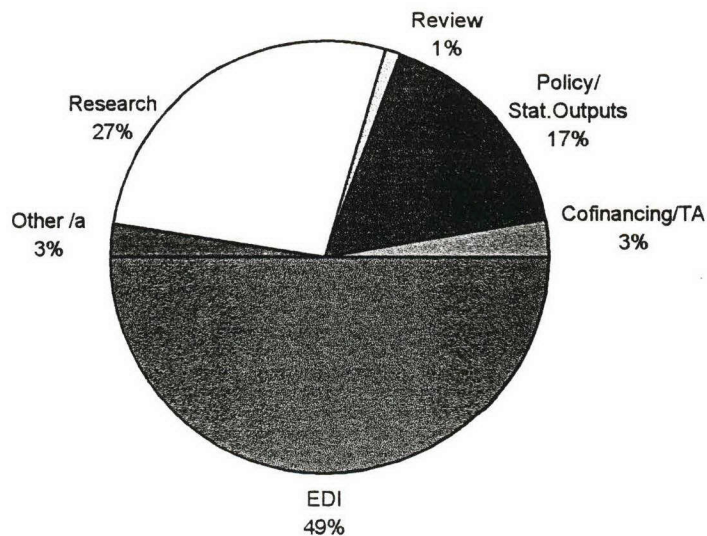
Table 6

- We can identify close to \$1 million in FY97 and almost \$3 million in FY98 from *tasks nearing completion* or in which very little investment has yet been made. This also includes the flexibility of choosing a new WDR topic in FY98.
- **HOWEVER**, even if these activities were indeed halted to make room for new priorities, savings would not be realized unless staff could be redeployed or let go. The only immediate flexibility, therefore, is from *fixed-term staff and long-term consultants* whose appointments are coming to an end. In IEC and PRD, this amounts to close to \$1 million in FY97/98.
- There will be some flexibility in the use of *incremental resources* expected for DEC's response to the priorities in the strategic compact and for the PREM network anchor activities.

DEC - FY97 RESOURCE USE

Table 1

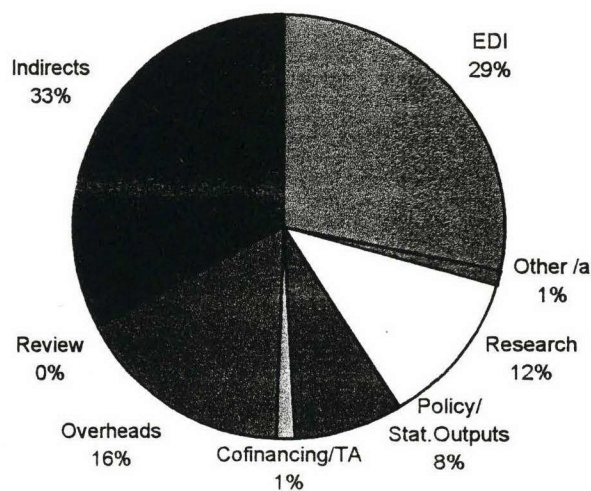
**DISTRIBUTION OF TOTAL COSTS BY TASK, INCLUDING OVERHEADS AND
INDIRECT COSTS /a
(excluding cross support)**



	\$m
EDI	38.7
Research	20.8
Policy/Data	13.0
Cofin/TA	2.1
Review	0.9
Other	2.1
Total	77.6

Excludes RSB and Trust Funds; includes overheads and indirect costs.

**DISTRIBUTION OF TOTAL COSTS BY TASKS, ISOLATING OVERHEADS AND
INDIRECT COSTS
(excluding cross support)**

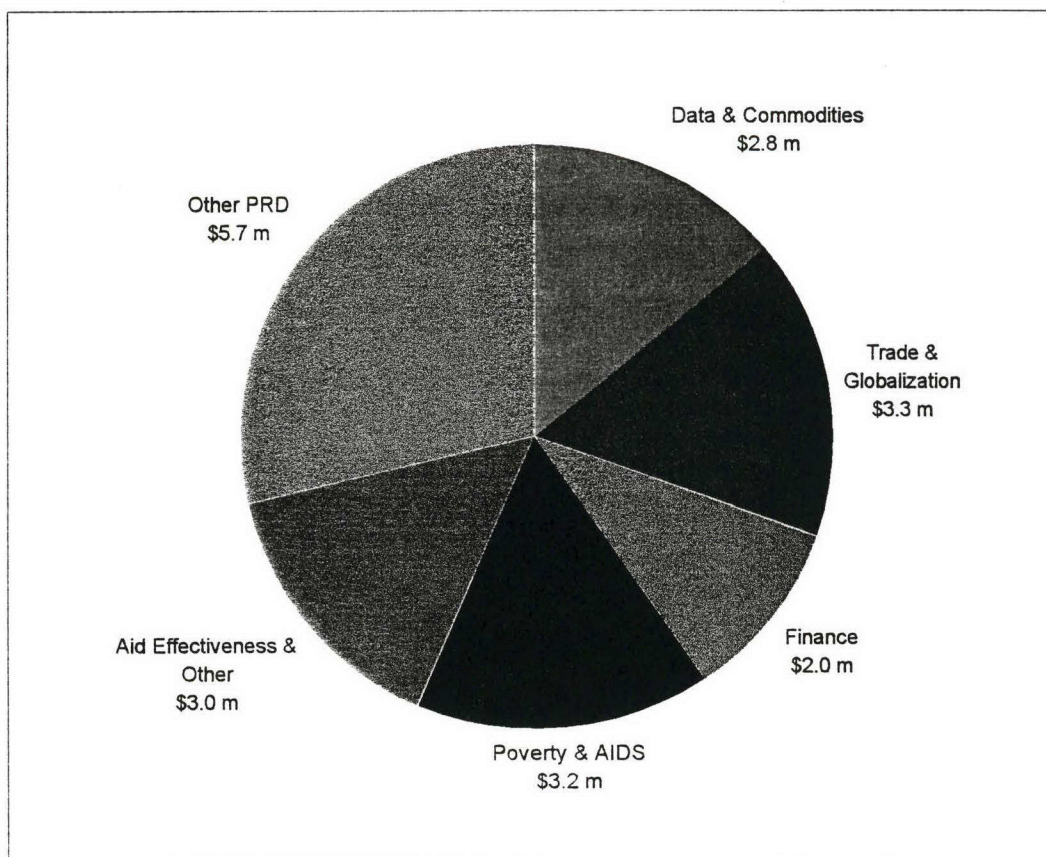


	\$m
EDI	22.0
Research	9.2
Policy/Data	6.2
Cofin/TA	1.1
Review	0.3
Other	0.9
Overheads	12.8
Indirects	25.1
Total	77.6

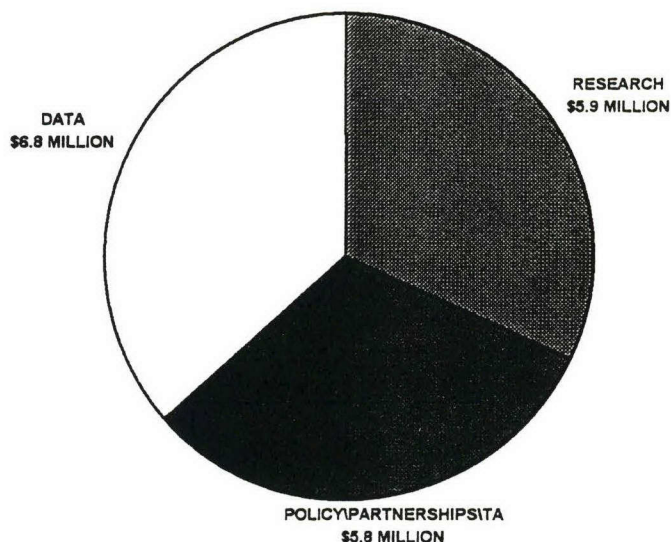
Excludes RSB and Trust Funds.

/a Indirect costs include: support staff, overtime, temporaries, computer usage, telephone calls, space, translations, etc.

Overhead costs include management, leave, holidays, budget and IT work, office management, etc.

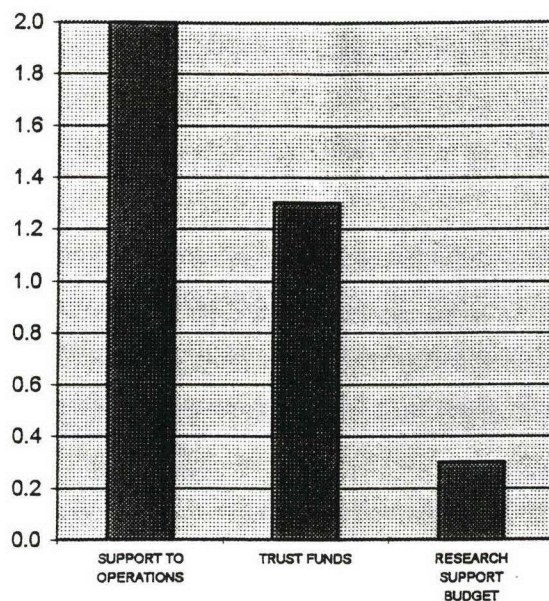
IEC & PRD - MAJOR RESEARCH PRIORITIES, FY97

FY97 - IEC OWN-MANAGED BUDGET \$18.5 MILLION

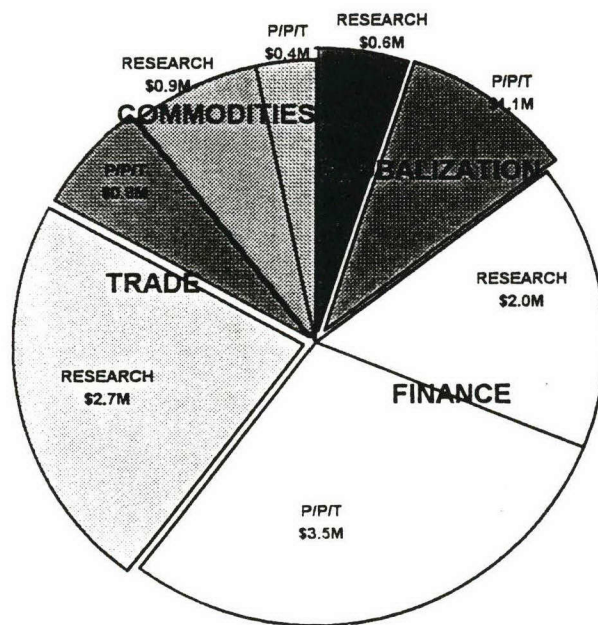


APPROXIMATELY \$1.9 MILLION OF RESEARCH WORK IN IECDD IS NOT INCLUDED IN THE RESEARCH SEGMENT ABOVE.
O'HEAD AND INDIRECT COSTS INCLUDED IN ABOVE.

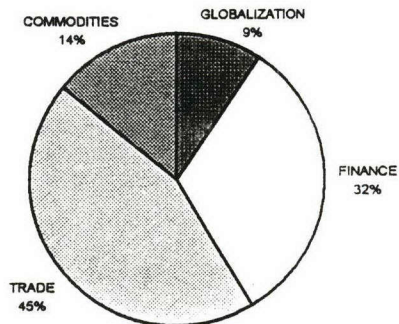
FY97 - IEC - FUNDS RECEIVED FROM OTHERS \$3.6 MILLION



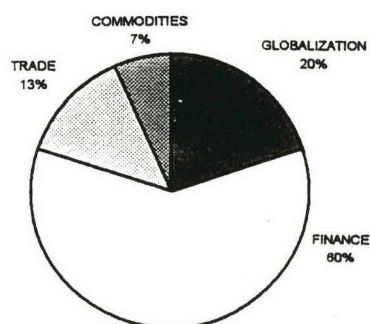
FY97 - RESEARCH, POLICY/PARTNERSHIPS/TA SHARE OF IEC AND RSB BUDGETS \$12.0 MILLION



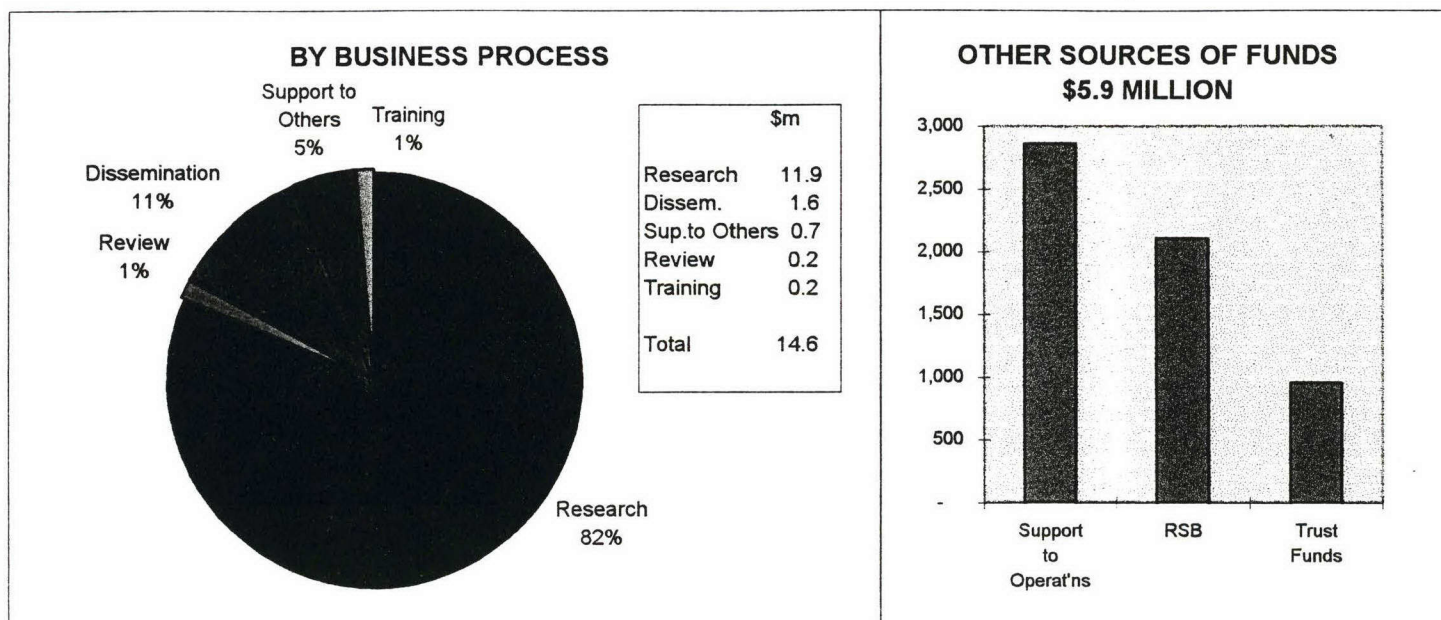
RESEARCH



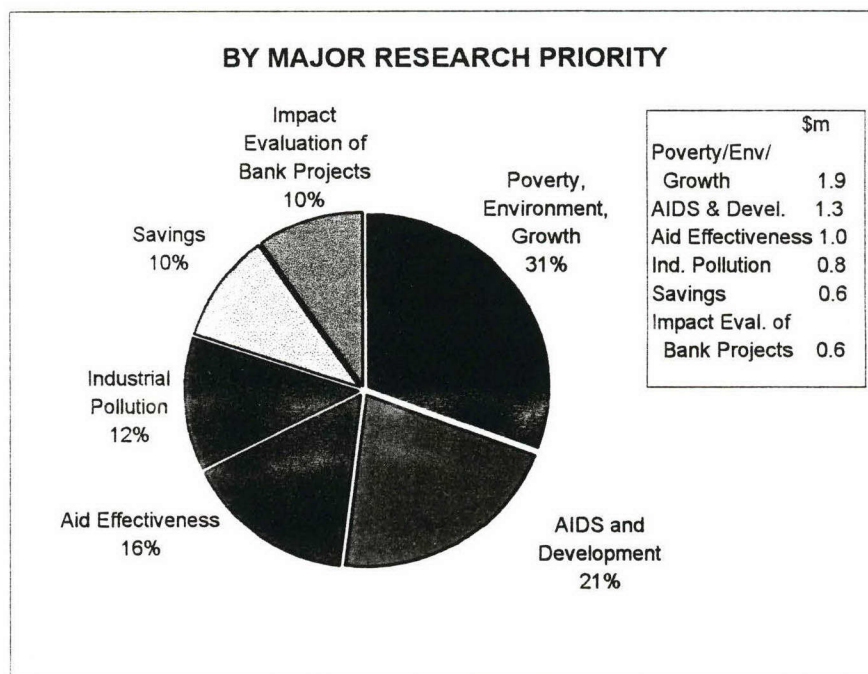
POLICY/PARTNERSHIPS/TA



PRD - FY97 RESOURCE USE

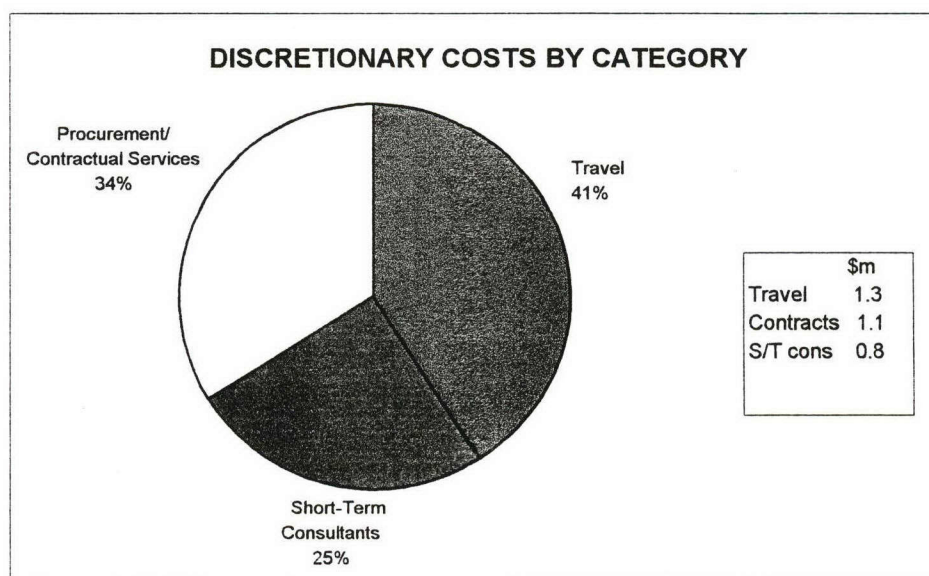
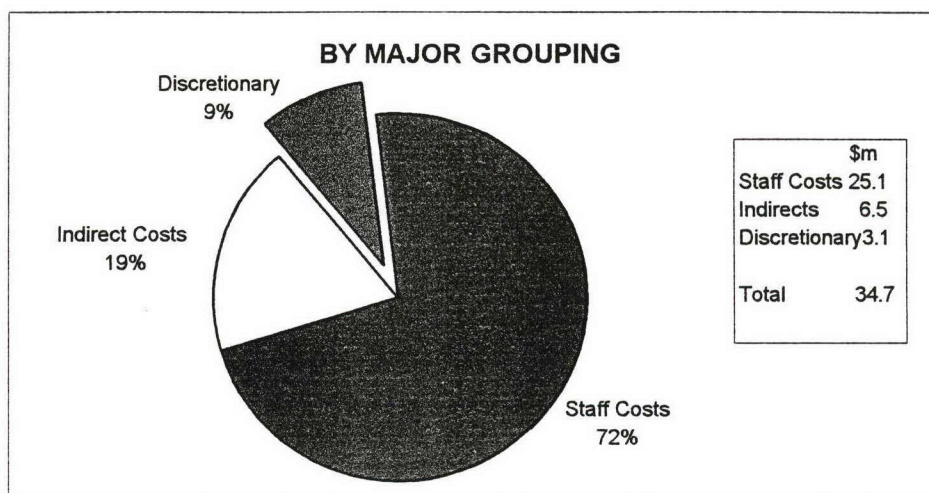


Includes RSB and Trust Funds, overheads and indirect costs.



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IEC AND PRD BUDGETS BY TYPE OF EXPENDITURE



Staff costs include all staff salaries/benefits, and L/T consultant fees.

Indirect costs include temporary staff, office space, telephone usage, translations, computer usage, overtime, etc.

Discretionary costs include travel, short-term consultants, procurement, and contractual services.

DEC BUDGET, FY97 AND FY98

RESOURCE FLEXIBILITY

	FY97	FY98
	----- \$'000 -----	
<i>Shifting Resources</i>	935	2,940
Completion of Private Capital Flows (IEC)		400
Completion of AIDS and Development (PRD)		400
Small trade projects (IEC)		100
Decentralization (PRD)		200
Consolidation of global monitoring (IEC)		140
WDR		1,700
Dropping tasks with little/no investment /a	935	N/A
<i>Costs of Fixed-Term Staff and Long-Term Consultants whose Contracts</i>		
<i>Expire before the end of FY98</i>	468	520
IEC	293	246
PRD	175	274
<i>Incremental Resources</i>	1,200	7,200
Strategic Compact - knowledge	500	700
- other		3,000
PREM	700	3,500
Total	4,271	18,380

/a List attached.

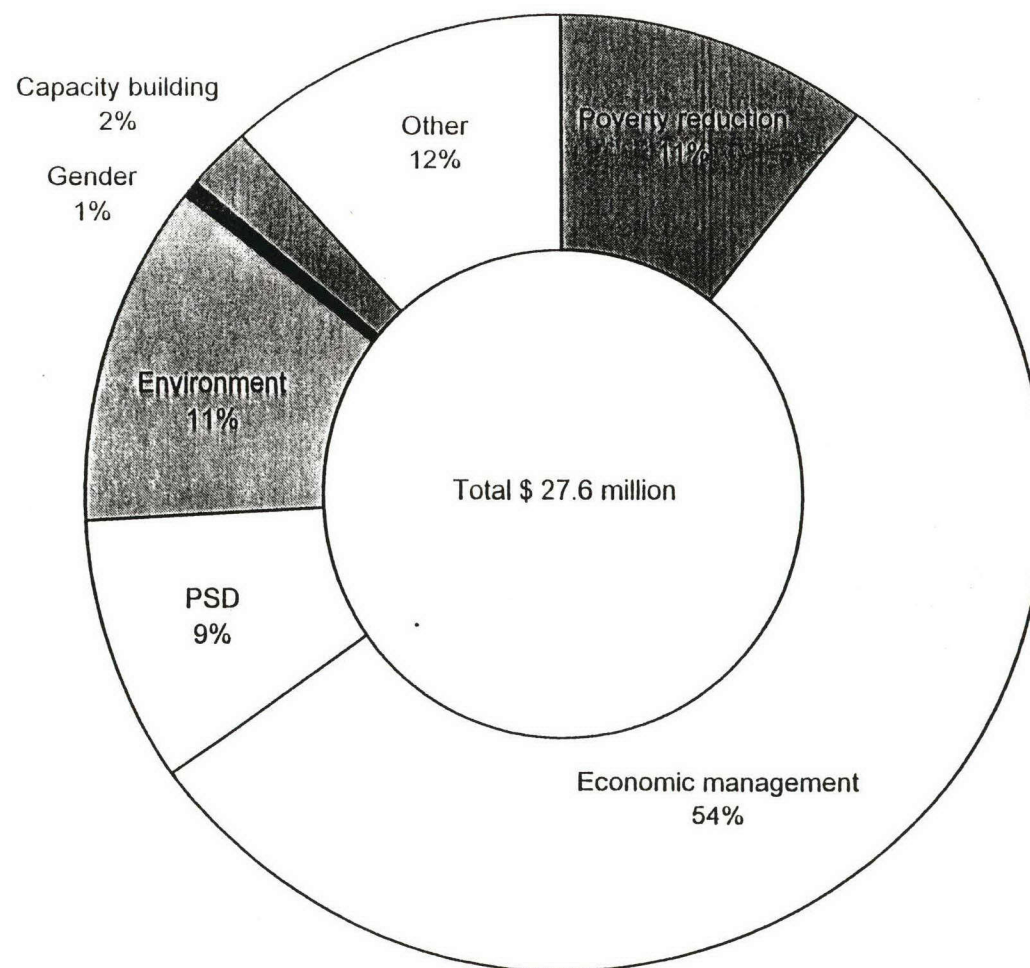
DEC BUDGET, FY97 AND FY98

RESOURCE FLEXIBILITY

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	-----\$'000-----	
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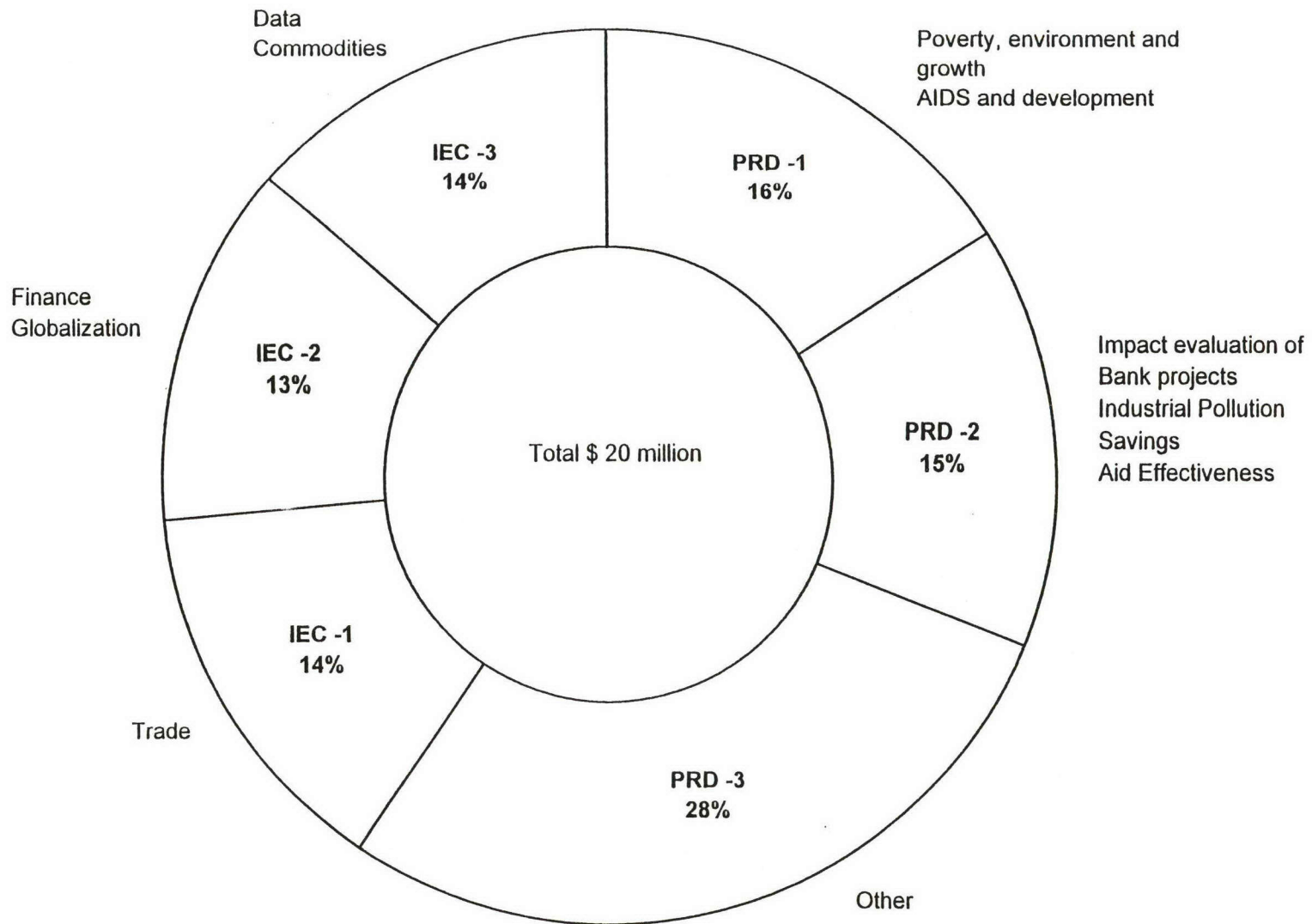
/a List attached.

Bank research in FY96



Source: Draft Research Report, Appendix Table 3

DEC Research in FY97



Source: Departmental submissions.

L - I N - 1 N O T E

DATE: 23-Dec-1996 03:32pm

TO: See Distribution Below

FROM: David Dollar, PRDMG

(DAVID DOLLAR)

EXT.: 37458

SUBJECT: Under-researched Issues of Development

Three areas that are high priority for additional research are:

1. Political economy of growth in Africa. There is widespread agreement that the critical policy issue in development is promoting more rapid growth in Africa. Recent literature sheds quite a bit of light on the policies and institutions that are important for growth. This literature clearly has some relevance for Africa. At the same time, African reformers such as Ghana have not gotten as much impact from their reform as had been expected. There is a need for additional research into sources of growth in the African context and for better data so that more African countries can be included in this analysis. Also important, in our view, is research into the political economy of reform in Africa. In many cases the research community has agreed on what constitutes good policy, and yet many African economies have yet to follow through on the basic reform agenda. There has been interesting recent work on the role of ethnic divisions in policy formation, and we need to follow this up with a more systematic investigation of policy formation. What are the roles of ethnicity, asset distribution, foreign aid, colonial legacy, initial human capital, neighborhood effects, and economic crisis in policy formation? Dani Rodrik's recent article in the JEL noted the growing number of hypotheses emerging from the theoretical literature on policy reform, but also argued that there had as yet been little systematic empirical study of these hypotheses. Clearly, having a better understanding of policy formation is necessary if we are to have a significant impact in Africa.

2. Improving the institutions of public service delivery. We have a growing amount of evidence of what public services are important for development. A key under-researched area concerns the institutions and incentives for service delivery in the public sector. In the absence of the profit motive, how can governments ensure that clients are well served? This is a broad topic that encompasses issues such as corruption, decentralization, and civil-service reform. We need to study which institutional arrangements and incentive schemes work best -- especially in poor, rural environments. We also need to learn more about how institutions change. When World Bank projects fail, they tend to fail because of weak institutional capacity. Furthermore, projects aimed directly at strengthening

institutional capacity have about the highest failure rate of any type of project. Our concern of course is not limited to the success or failure of Bank projects: but these outcomes are suggestive of the importance of institutional arrangements and of the difficulty of changing them.

3. Social consequences of growth. There used to be a concern that rapid growth in developing countries would lead to greater inequality. Recent evidence has shown this concern to be unfounded: there is in fact no systematic relationship between growth and changes in income inequality. Nevertheless, many non-economists (and some economists as well) argue that rapid growth brings with it a host of unwelcome social consequences: greater crime, urban congestion, decline of traditional values, and diminution of social capital. We think that we should take these issues seriously and expand our work in these areas, including collaborative work with other social science disciplines. This is the least well formulated of our three proposals, but we have some initial sense of the kinds of questions that can be investigated. How can we measure social capital and what is its relationship with growth? Are there systematic relationships among income level, growth, inequality, and crime (or other important social issues such as drug use or violence against women)? While there is no general tendency for inequality to rise with growth, there is also no tendency for it to decline: is there any way to overcome the vast income disparities that persist in some countries even as they approach OECD living standards?

DISTRIBUTION:

TO: Lyn Squire
TO: Masood Ahmed - IECDR
TO: Vinod Thomas
TO: Anandarup Ray
CC: Deborah Wetzel
CC: Paulo Vieira Da Cunha
CC: Mary Shirley
CC: Zmarak Shalizi
CC: Emmanuel Jimenez
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(LYN SQUIRE)
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(MARY SHIRLEY)
(ZMARAK SHALIZI)
(EMMANUEL JIMENEZ)
(SHANTA DEVARAJAN)

L - I N - 1 N O T E

DATE: 23-Dec-1996 10:17am EST

TO: See Distribution Below

FROM: Anandarup Ray, DECVP (ANANDARUP RAY)

EXT.: 31443

SUBJECT: Policy Reviews and Research

1. This is to respond to Joe Stiglitz's request for a note on research priorities from the perspective of the policy adviser and reviewer. I shall interpret the word "research" here rather broadly, to mean not just Committee-funded research projects, but also small-scale research efforts, synthesis and crystallization of existing literature, and the like. Indeed it is the latter type of work that often has the highest pay-offs for policy advice.

2. I shall like to highlight several areas in which the knowledge-constraint seems to bite hard and often when we design country assistance strategies and individual adjustment operations. These are: macroeconomic foundations, financial and banking systems, reforms of state enterprises and privatization, and social sector programs and policies. I comment briefly on each of these in turn.

Macroeconomic foundations

3. By way of background, let me first describe the "state of the art". Although our macro work is quite good in some cases, in the typical case Bank staff do not address issues related to the consistency of the monetary/fiscal/exchange rate framework, or if they do, the models they use are left implicit. Regarding the medium-term, various scenarios are created to illustrate the effects of different policy packages, but the model used is really just a national accounting framework without any behavioral content: it is rarely clear how different policy packages would impact on the model parameters.

4. Instead, we tend to rely on the Fund for the analyses of macroeconomic policies. The problem here is that the Fund prescriptions are frequently opaque. Without access to the working drafts of the Fund staff who prepare their reports, it is impossible to understand what their analyses mean. The assumptions are not made clear, nor are sensitivity tests presented. This is not just a

question of being unfamiliar with the "financial programming" approach: there are good general discussions of that approach in the literature (Khan/Montiel). But even the senior Fund reviewers of country programs cannot easily penetrate the opaque and unreadable reports that their country desks tend to produce. From the Bank's point of view, Fund programs come out of a "black box" on a "take it or leave it" basis.

5. Thus, even though we all recognize that the quality of macroeconomic policies are of fundamental importance to all that we do, and also that short-term and medium-term issues cannot be easily separated these days, we typically operate on superficial knowledge of what is going on, and what the relevant macro-micro linkages are for our policy advice and lending operations.

6. With this background, let me mention some of the prominent issues:

- we seldom see analyses of different ways of financing policy reforms and development programs: whether the government should increase domestic borrowing or reduce net international reserves instead of foreign borrowing, increase taxation or decrease expenditures, etc.
- as a result we do not have a good clue as to whether we are lending into "underfinanced" situations. Many critics outside, as well as our staff, think that Fund-led programs are often underfinanced (partly because their economic projections tend to be optimistic, and partly because financial programming models do not include such key "tolerance" parameters as real wages). Underfinanced programs mean that too much of the financing burden falls on the government, resulting in unsustainable adjustment because of excessive cuts in real wages and in important public expenditures, or increases in high-cost debt.
- we do not have good judgments on sustainable fiscal deficits, especially as they relate to the character of the revenue/expenditure/borrowing policies of the government. In a recent seminar, Alberto Alesina showed that in the OECD countries, the nature of adjustment (e.g. revenue versus expenditure) affects its sustainability. But we do not have similar knowledge for the developing countries, useful as that would really be.
- perhaps the chief lesson of the last decade and a half is that bad public expenditure policies have been the root cause of the big problems. Thus the Bank and the Fund have united to improve the quality and quantity of "public expenditure reviews (PERs)". And Devarajan's unit has made a very good start in building up knowledge in this rather diffuse and difficult area. Nonetheless, there is a long way to go before we feel comfortable about our assessments of overall public expenditure programs, and the interplay of institutions and

incentives.

- we need much more work on how to prevent, or predict the consequences of, short-term macroeconomic crises, especially those due to the volatility of private capital flows. We need to develop some independent analytical capacity and research knowledge, rather than relying entirely on the Fund. (Our analysis and intuition of the Mexican situation in 1994 was much better than that of the Fund, especially regarding the inadvisability of the quasi-fixed exchange rate).

Financial sector issues, and state enterprise reforms

7. Financial and banking sector issues feature prominently in our advice to countries, and in adjustment lending, often in conjunction with reforms of state enterprises and privatization programs. Interest in this area has grown considerably in recent years, especially in banking systems (macroeconomic instability and banking problems tend to be mutually reinforcing).

8. There is a great deal of interest in this area, and it is frequently cited as the area where additional research, or distillation of existing research, would be appreciated. Among topics of particular interest are:

- incentives governing the behavior of banks, particularly when they are under stress;
- corporate governance: what types of privatizations are desirable, and when;
- state enterprise reform programs. The Bank has been supporting many of these programs, of varying designs and time-frames. What are good practices? How should these reforms be sequenced in relation to banking reforms?

Social sector issues

9. Social sector issues arise everywhere, given that poverty reduction is the Bank's "overarching" goal. A lot of research has been going on in this area, but the growing wisdom has not yet been crystallized or put in a digestible form. Important as they are, social sector issues tend to be side-lined in discussions of country assistance policies. Some issues are:

- we do not feel too secure about what types of safety nets to recommend, what works and what does not, etc.;
- more broadly, the metric for measuring the value of social sector interventions (accept/reject criteria) is still not

commonly understood;

- what should be our recommendations on risk-reducing policies and programs? The costs of uninsured risk can be very high. Moreover, income stabilization is perhaps the principal motivation behind highly distortionally policies and price-stabilization schemes seen in developing countries. The Stiglitz-Newbery approach needs to be adapted, extended, and empirically applied, in order to gain greater credibility in our advice on incentive reforms.

10. Finally, while this is a personal list of issues, a quick poll of my colleagues suggest that they also think similarly. Of course there are other interesting items I could have mentioned, such as:

- fiscal federalism,
- the case of the missing supply response (why do seemingly successful reform programs sometimes produce little growth in their wake--Bolivia, Jamaica, for example, not to mention Africa where the question of how to get fast growth quickly is a major issue),
- pension reforms and social insurance,
- regionalism in international trade, and
- technology transfer and industrial policy.

DISTRIBUTION:

TO: Lyn Squire	(LYN SQUIRE)
TO: Masood Ahmed - IECDR	(MASOOD AHMED)
TO: Paulo Vieira Da Cunha	(PAULO VIEIRA DA CUNHA)
TO: Vinod Thomas	(VINOD THOMAS)
TO: Mark Baird	(MARK BAIRD)
CC: Joanne Lee	(JOANNE LEE)

L - I N - 1 N O T E

DATE: 23-Dec-1996 05:47pm

TO: Paulo Vieira Da Cunha

(PAULO VIEIRA DA CUNHA)

FROM: F. Desmond McCarthy, DECVP

(F. DESMOND MCCARTHY)

EXT.: 31362

SUBJECT: Stiglitz Request

Paulo,

I suggest the following

Environment: In most countries policy makers are concerned about the environment. The problems are

country level: how to address environmental concerns when policy makers are faced with many immediate problems, such as BOP, employment, poverty, in order to meet a) intergenerational b) intragenerational needs.

regional/global; how best to address issues with an extra country dimension. Who are the winners/losers and who should bear the burden . How to implement ?

Desmond

To: Lyn, Masood, Vinod.

Meeting with Joe Stiglitz, Wednesday, December 04, 1996.

A. WDR:

1997: Will wait for Dec. 18 version.

Proposed WDR topics:

- Education and development
- Technology transfer and development
- Regulations, post-privatization issues
- Finance
- Trade and development
- Social insurance & safety nets

=> Wants a list of the major research outputs over the next 3 years.

=> Will review the Private Capital Flows study (A.B.)

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OK: Town-hall meeting soon after Jan. 20th.

OK: Lunch with MDs in early January; Briefing either before Dec. 24 or after Jan 4.

=> Package of materials describing what the other networks are about; objectives, structure of "families," mode of operation (materials produced by the networks themselves).

C. Governance, Corruption & Finance.

Approach: Cannot separate the micro from the macro. Effort is best spent upstream in the design of regulations and procedures than in the fix-up plumbing after the crises.

Key issue: how government operations can increase transparency; use of auctions. The design of auctions, and not just their adoption, matters for the outcome.

Additional issue on finance: Coordination within the Bank, with IMF.

D. Budget.

No issues at this time.

D. Next meeting: Next week to come to closure on the WDR-1998.

To do:

1. Set up app. for next week. (Lyn)*
2. Prepare and send package of material on the non-PREM networks. (Masood)
3. Set up app. to discuss networks (before Dec. 24 or after Jan 4). (Lyn)
4. Begin to organize "town-hall" meeting on PREM for late January. (Caroline ?)
5. Undated: discussion of finance work in DEC and in the Bank. (Gerry ?)

* Please alert Joe to revised version of the Rural Development WDR98 proposal.

To: Lyn, Masood, Vinod, Ananda.

Meeting with Joe Stiglitz -- Tuesday, December 17, 1996

The meeting covered the following topics:

- a) WDR-1998
- b) DEC work program & resource flexibility in the short-run
- c) Next steps & requests

1. WDR-1998

Joe will meet with Mr Wolfensohn tomorrow morning to discuss the WDR. He will argue for a WDR on Knowledge and information, emphasizing the following messages:

To the aid community:

We used to think of capital as the scarce factor in production and of the transfer of capital as the instrument of growth. It is now clear that knowledge is more important than capital alone. The market for knowledge is complex, however. There is an important role for public action, in particular, for international public assistance (of all kinds) to complement the actions of the private sector.

To developing countries:

(i) Thirty years ago, practices and technology favored the close proximity between production and markets. The link is now much weaker. Advances in transport and communications have reduced dramatically the cost of transactions. The spread of disembodied technical knowledge and of general purpose machinery facilitates the breakup of design, managerial and production functions within the global corporation. Benetton clothes may be designed in France, managed in Italy, produced in Turkey for Switzerland or in Argentina for the specificity of the Argentinean markets.

(ii) The absorption of knowledge requires deliberate policy and investment. Countries have to design and implement mechanisms to (a) capture the knowledge that is generally available and to (b) benefit from the know-how that may be transferred through private channels. This requires more than general policies for human capital development; it requires a mix of private and public institutions, norms and procedures (e.g., research institutes, standards, testing, etc.).

(iii) The absorption of knowledge demands specific social investments to build attitudes and incentive systems which allow and foster the introduction of new technology. Hence, for example, the importance of rural extension services and of local information to allay the fears of change and the spread of Luddite positions within organized labor. The global information infrastructure allows greater diversity; it encourages more transparent forms of decision making that devolve choices to localized groups. It also tends to disrupt local traditions -- and, as Ravi has noted, introduces significant risks of increasing inequality

between nations and within nations. Finding the balance between private initiative and public intervention, to encourage innovation and manage attendant risks, will be the key to harnessing knowledge for development.

2. DEC's work program

Joe found the notes prepared by IEC and PRD useful. Upon arrival he will review each Department's program in detail. For now, however, he would like to concentrate on the "big picture." By next Tuesday he would like to have preliminary answers to following three questions:

- i. What are the resource implications of the Departmental work programs and, in particular, what flexibility is there in the budgets?
- ii. What do DEC researchers think are the most important under-researched areas in economic development? What are the areas of controversy which should be examined, i.e., whose resolution could matter for development outcomes?
- iii. What do DEC policy-analysts think are the critical policy areas for Bank work, and which of those demand further research for a satisfactory resolution?

3. Other requests

In addition to answers to the questions posed above, Joe would like to receive next Tuesday,

- i. The draft of the 1997-WDR
- ii. The draft of the IEC's study on Private Capital Flows.

II. NEXT STEPS

You have asked me to coordinate with Lesley the answer to 2.i and you will personally take the lead in answering 2.ii with inputs from Masood (who is collecting similar information through the network meetings). I would suggest we ask Ananda to coordinate the response to 2.iii. Given Vinod's absence, you have decided to postpone EDI's answers to the questions. I understand that we will meet again on Tuesday December 24, and that a brief for that meeting will be prepared by Masood by cob Friday December 20.

Thank you,

Paulo

L - I N - 1 N O T E

DATE: 16-Dec-1996 02:30pm

TO: WEEKLY BULLETIN

(WEEKLY BULLETIN @A1@WBWASH)

FROM: Maria Chona Fernandez, DECVF

(MARIA CHONA FERNANDEZ)

EXT.: 33766

SUBJECT: WKB--Sr. Management and Department Directors Travel Arrangement

Title : Acting, SVP & Chief Economist
Name : Lyn Squire
Destination 1 : A/L
2 :
3 :
4 :
5 :
Dep/Return : 12/23-01/3/97
Acting Assignment 1: 12/23-24; Greg Ingram
2: 12/26-31; Alan Winters
3: 01/2-3; Greg Ingram

World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: December 12, 1996 04:03pm

TO: SHENGMAN ZHANG

(SHENGMAN ZHANG @A1@EDSEL)

FROM: Lyn Squire, PRDDR

(LYN SQUIRE)

EXT.: 36099

Sent By: Carol Best

SUBJECT: Delegation of Authority

Shengman,

I would be grateful if you could send out in your name the attached revised delegation of authority. I understand that an acting SVP cannot delegate another acting SVP.

Many thanks.

Lyn

CC: Kate Oram
CC: Carol Best

(KATE ORAM)
(CAROL BEST)

World Bank/IFC/MIGA
I C E M E M O R A N D U M

DATE:

TO: See Distribution Below

FROM: Lyn Squire, PRDDR

(LYN SQUIRE)

EXT.: 36099

SUBJECT: Delegation of Authority: Acting SVP, DEC

During Mr. Lyn Squire's absence from December 23, 1996 through January 3, 1997, Mr. Gregory Ingram will be acting SVP DEC for December 23-24 and January 2-3, and Mr. Alan Winters will act for December 26 through December 31.

On his return to the office on January 6, 1997, Mr. Lyn Squire will continue to act as SVP DEC until the new SVP DEC, Mr. Joseph Stiglitz, comes on board on February 1, 1997.

Pursuant to paragraph 2 of Annex C to Administrative Manual Statement 1.30, they are hereby designated to sign in the name and on behalf of the Bank/Association during that time any written instrument which the Senior Vice President DEC and Chief Economist has been designated to sign.

(Signed original forwarded to Legal Office.)

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TO: Masood Ahmed - IECDR
TO: L. Alan Winters
TO: Mark Baird
TO: Ajay Chhibber
TO: Gregory Ingram
TO: Lyn Squire
TO: Vinod Thomas
TO: Lesley Davis
TO: Paulo Vieira Da Cunha
TO: Anandarup Ray
TO: Ken Avis
TO: Aklog Birara
TO: SEC ISC FILES

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(ALLISON TSATSAKIS)
(ORSALIA KALANTZOPOULOS @A1@WBWA)
(MASOOD AHMED)
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Chen

The World Bank
Washington, D.C. 20433
U.S.A.

→ Strategic Compact

Office of the
Senior Vice President
Development Economics
and Chief Economist

December 4, 1996

Sven:

Attached is our response to your request on the *Proposed Framework for a Strategic Compact*. Table 1 refers to the non-EDI, non-network part of DEC; Table 2 refers to EDI; and Table 3, to the PREM network central unit. We hope this information is clear and responds adequately to the questions posed in Mark Baird's note of November 14. We understand from the note that we are expected to cover the costs of this program through redeployment from other lower priority areas from FY99 and beyond, and that our budget base will return to the current FY97 level in FY99.

In considering the data, it will be important to keep two points in mind:

- * We believe that a strong case could be made for a significant increase in resources for research. We are concerned that a major imbalance is emerging in the resources to be devoted to the processing, synthesis and dissemination of knowledge and the resources to be devoted to research about issues in development. We must both increase our stock of knowledge and learn how to use it better.
- * The numbers attached are best estimates. They do not flow from a review of relevant options, an evaluation of which strategies DEC should pursue over the coming years, or even of how DEC should be organized and budgeted to reach the goals it sets for itself. This kind of strategy-setting and work program planning cannot take place until the arrival of the new Chief Economist and the establishment of the networks early next year. For this reason, we have not itemized any sunset areas from which resources may be redeployed. These decisions will have to be taken by the new Chief Economist, together with the network councils.

The estimates are based on the following assumptions:

- * In the case of EDI, the rate of growth shown in Table 3 for the period FY97 through FY99 is consistent with the three-year expansion program discussed with the President and presented to the Board. While continued expansion in the priority areas is shown through FY99, it is assumed that part of the additional cost will be covered by internal redeployment and cost sharing.
- * In the case of the Poverty Reduction and Economic Management (PREM) network, since most of the anchor functions are new to DEC (unlike other CVPUs), we are projecting a continued need for incremental funding from FY98 onwards (with a modest increment for start-up activities in FY97).
- * The numbers showing for skills mix activities are limited to training of DEC staff. New skills will clearly be required for us to be able to expand our work in the priority areas (including skills in such areas as rural infrastructure, agricultural economics, financial policy, banking, capital markets, political science, sociology, distance education, and knowledge

management), and their costs are included in the work program numbers. Since we cannot at present assume a base increase in our budget beyond FY98, however, we will have to develop a plan for reducing our skills in the lower priority areas before we can consider recruitment into new positions. Again, this planning will have to await the arrival of the Chief Economist and launching of the networks.

- * The numbers in Tables 2 and 3 for the social development, rural development, and financial sector initiatives are additional to what you will receive (or have received) from the primary sponsors for those initiatives. In the case of the anti-corruption initiative, Table 2 includes Mike Stevens' incremental funding proposal for research in FY98 and beyond (\$500,000 each year), and, since public sector reform is one of the proposed PREM families, Table 4 includes Mike's public sector management funding proposal in the PREM numbers. The numbers for the knowledge partnership initiative in all three tables are also included in Jean-Francois Rischard's paper.

Mark Baird's note asks what mechanisms will be used to assess client demand for and agreement with our efforts in support of the new initiatives. As you know, we made an attempt to identify such mechanisms in our FY97 compact, and we still think that the best approach is as outlined by Michael Bruno at that time:

You will note that many of our suggested impact measures rely on feedback from client surveys and independent panels. In a research, service, and learning organization such as DEC, we will have to rely on these kinds of qualitative measures to determine if we are having the impact we are aiming for. Undoubtedly other units in the Bank will also be using these kinds of feedback mechanisms to evaluate their services - the CVPs for their services to Operations, and the Regions for their economic and sector work, for example. We should therefore be looking for institutional approaches to these kinds of feedback mechanisms, rather than moving forward with large numbers of uncoordinated, independent efforts which would risk inundating our clients.

There is also the question of cost. Although we have yet to cost the impact measures being proposed ... they undoubtedly imply a considerable investment which is likely to be out of DEC's range in the current constrained budget environment. Their funding should also be considered from an institutional viewpoint.



Lyn Squire
Acting Senior Vice President
and
Chief Economist

Attachments.

cc (with attachments): Messrs./Mmes. Baird, McCalla, Davis, Fiechter, Okonjo-Iweala, Rischard, Stevens; M. Ahmed, Angeles, Caprio, Davis, Garcia-Thoumi, G. Ingram, Jimenez, Shalizi, Thomas, Vieira da Cunha, Schloss, K. Ahmed, Dewan

Table 1

DEVELOPMENT ECONOMICS (EXCLUDING EDI AND PREM) STRATEGIC COMPACT

(\$m)

	<i>FY97</i>	<i>FY98</i>	<i>FY99</i>	<i>FY00</i>
A. Work Program on New Initiatives				
Social Development	1.85	1.67	2.17	2.43
Rural Development	0.37	1.50	1.28	1.33
Financial Sector	1.85	1.86	1.98	2.17
Anti-Corruption	-	0.50	0.50	0.50
Knowledge Partnership	0.50	1.00	-	-
WDRs /a	-	3.82	3.83	-
Total - Work Program	4.57	10.35	9.76	6.43
<i>Of which: Funded from existing resources or redeployment</i>	4.10	6.70	7.76	6.43
<i>Requiring incremental funding</i>	0.47	3.65	2.00	-
B. Skills development	0.07	0.09	0.06	0.06
<i>Of which: Funded from existing resources or redeployment</i>	-	-	-	-
<i>Requiring incremental funding</i>	0.07	0.09	0.06	-
Total Cost A+B	4.57	10.35	9.76	6.43
<i>Of which: Funded from existing resources or redeployment</i>	4.10	6.70	7.76	6.43
<i>Requiring incremental funding</i>	0.54	3.74	2.06	-

/a Assumes that a WDR in one of the initiatives will be selected in FY98 and FY99. Funds for WDR already in DEC budget.

Note: Includes direct, indirect, and overhead costs.

ECONOMIC DEVELOPMENT INSTITUTE STRATEGIC COMPACT

(\$m)

	<i>FY97</i>	<i>FY98</i>	<i>FY99</i>	<i>FY00</i>
A. Work Program				
Knowledge Partnership	5.82	13.22	13.18	8.30
Distance Education		5.00	5.00	2.80
Capacity Building	5.82	6.90	6.90	4.50
School to School		1.30	1.30	1.00
Corruption	1.32	2.52	2.28	1.70
Financial Sector Courses	2.82	4.62	4.28	3.10
Social Development Learning Program	3.82	5.42	5.08	4.00
Rural Development Training Program	2.32	3.62	3.58	2.70
Total - Work Program	16.10	29.40	28.40	19.80
<i>Of which: Funded from existing resources or redeployment</i>	<i>14.60</i>	<i>14.70</i>	<i>18.20</i>	<i>19.80</i>
<i>Requiring incremental funding</i>	<i>1.50</i>	<i>14.70</i>	<i>10.20</i>	<i>-</i>
B. Skills development	-	0.20	0.20	-
<i>Of which: Funded from existing resources or redeployment</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Requiring incremental funding</i>	<i>-</i>	<i>0.20</i>	<i>0.20</i>	<i>-</i>
Total Cost A+B	16.10	29.60	28.60	19.80
<i>Of which: Funded from existing resources or redeployment</i>	<i>14.60</i>	<i>14.70</i>	<i>18.20</i>	<i>19.80</i>
<i>Requiring incremental funding /a</i>	<i>1.50</i>	<i>14.90</i>	<i>10.40</i>	<i>-</i>

/a As envisioned in the previous 3-year Business Plan, presented to Mr. Wolfensohn and the Board a year ago.

Note: Includes direct, indirect, and overhead costs.

**POVERTY REDUCTION AND ECONOMIC NETWORK (PREM)
(INCLUDING GLOBAL PRODUCT GROUPS)
STRATEGIC COMPACT**

(\$m)

	<i>FY97</i>	<i>FY98</i>	<i>FY99</i>	<i>FY00</i>
A. Work Program - Families				
Network Management	0.54	1.68	1.68	1.68
Knowledge Management	2.42	7.15	7.15	7.15
People Development	0.75	2.52	2.52	2.52
Strategy, Product Quality, Targeted Support	1.18	3.36	3.36	3.36
External Relations and Partnerships	0.72	1.68	1.68	1.68
Total Work Program - Families	5.62	16.40	16.40	16.40
<i>Of which: Funded from existing resources or redeployment</i>	<i>3.92</i>	<i>3.92</i>	<i>3.92</i>	<i>3.92</i>
<i>Requiring incremental funding</i>	<i>1.70</i>	<i>12.48</i>	<i>12.48</i>	<i>12.48</i>
B. Work Program - Global Product Groups (Poverty, Gender, Global Monitoring)				
Network Management	0.95	1.10	1.10	1.10
Knowledge Management	4.95	5.30	5.30	5.30
People Development	1.00	1.10	1.10	1.10
Strategy, Product Quality, Targeted Support	2.30	2.40	2.40	2.40
External Relations and Partnerships	1.20	1.70	1.70	1.70
Total Work Program - Global Product Groups	10.40	11.60	11.60	11.60
<i>Of which: Funded from existing resources or redeployment</i>	<i>9.70</i>	<i>9.70</i>	<i>9.70</i>	<i>9.70</i>
<i>Requiring incremental funding</i>	<i>0.70</i>	<i>1.90</i>	<i>1.90</i>	<i>1.90</i>
Total Cost A+B	16.02	28.00	28.00	28.00
<i>Of which: Funded from existing resources or redeployment</i>	<i>13.62</i>	<i>13.62</i>	<i>13.62</i>	<i>13.62</i>
<i>Requiring incremental funding</i>	<i>2.40</i>	<i>14.38</i>	<i>14.38</i>	<i>14.38</i>

Notes: One-third of the PREM anchor budget for FY97 and beyond will be used to buy services from the Regions.

Numbers include direct, indirect, and overhead costs.

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

Office of
Senior Vice President
Development Economics
and Chief Economist

Mr. James D. Wolfensohn
EXC

November 22, 1996

Dear Jim:

1998 World Development Report (WDR)

It is time for us to begin the consultations for the 1998 *World Development Report* and I want to make sure that you are involved in it as much as you see fit, and as much as your time allows. As you know, the WDR is the Bank's flagship publication with a distribution of 150,000 copies and even wider readership. The selection of the topic involves extensive consultations within the Bank and, informally, the advice of the Board and of a few prominent external advisors.

The Managing Directors have identified poverty as the theme for the year 2000. We have also discussed a WDR on social development either in 1998 or 1999. It seems clear therefore that we should look at the decision on the next topic together with the sequence of topics for 1999 and 2000.

We have requested brief synopses on five themes that reflect the priorities outlined in your speech at the Annual Meetings and that are part of the Strategic Compact:

- Social Development
- Rural Development
- Knowledge, Technology and Education
- Institutions and Development
- Gender and Development

We would welcome your views on these (or other) topics for 1998 and 1999. If you wish to see some of the outlines, we will send them as soon as they are ready (end of the month).

Work on the 1997 WDR, *The State in a Changing World*, is progressing on schedule and we look forward to receiving your comments on the draft we plan to send you by early March.

Sincerely,



Lyn Squire
Acting Senior Vice President
and Chief Economist

cc: Mme./Messrs. Conrad, Einhorn, Frank, Iida, Kaji, Koch-Weser, Lindbaek, Malloch-Brown, Naim, Sandstrom, Shihata, Strong, Zhang



Office of
Senior Vice President
Development Economics
and Chief Economist

November 21, 1996

Mr. Jean-Daniel Gerber
Dean of the Executive Board

1998 World Development Report

Dear Mr. Gerber,

Per your request, here is the list of topics we are currently considering as candidates for the 1998 *World Development Report*.

- Social Development
- Rural Development
- Knowledge, Technology and Education
- Institutions and Development
- Gender and Development

A number of topics have been around for several years and the choice of what to do is really more a decision of what to do today and what to wait for tomorrow. For example, as you noted, there seems to be a commitment to a WDR on Poverty in the year 2,000. This is an option we fully support and look forward to. Similarly, we also discussed a WDR on social development either in 1998 or 1999. It is clear therefore that we should look at the decision on the next topic together with the sequence of topics for 1999 and 2000. We look forward to your comments.

Thank you.



Lyn Squire
Acting Senior Vice President
and Chief Economist

cc: Mr. Shengman Zhang

Office of
Senior Vice President
Development Economics
and Chief Economist

November 21, 1996

Mr. Jean-Daniel Gerber
Dean of the Executive Board

1998 World Development Report

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Thank you.



Lyn Squire
Acting Senior Vice President
and Chief Economist

cc: Mr. Shengman Zhang

bcc: Messrs. Ahmed, Baird, Chhibber, Ingram, Thomas, Vieira da Cunha, Ms. Anstey

OFFICE MEMORANDUM

DATE: November 14, 1996

TO: Mr. James D. Wolfensohn

FROM: Lyn Squire, Acting Senior Vice President, DEC

EXTENSION: 36099

SUBJECT: **Inauguration of the Ninth Annual Conference on Development Economics**

96 NOV 15 AM 10:06
RECEIVED
DEVELOPMENT ECONOMICS
VP & CHIEF ECONOMIST

I would like to take this opportunity to invite you to inaugurate next year's Conference on Development Economics at 9:00 a.m. on Monday, May 5, 1997, and to stay for the keynote address. The conference will be held on May 5 and 6, 1997 in Washington D.C.; the themes are:

- ^ Corruption: Catalysts and Constraints
- ^ Incentives and Performance in Public Organizations
- ^ Poverty and Environment
- ^ Leaders in Growth: Can Others Follow?

Gregory Ingram or I would be happy to provide further details about the conference and work with your office to prepare your inaugural comments.

cc: Hany Assaad, Atsuko Horiguchi, Allison Tsatsakis, Geoffrey Bergen, EXC

THE WORLD BANK
OFFICE OF THE SENIOR VICE PRESIDENT DEVELOPMENT ECONOMICS
AND CHIEF ECONOMIST

(DECVP)

ROUTING SLIP		DATE December 2, 1996	
NAME		ROOM NO.	
Mrs. Maureen Miller, Bank/Fund Conf. Office		T9 111	
	APPROPRIATE DISPOSITION		NOTE AND RETURN
	APPROVAL		NOTE AND SEND ON
	CLEARANCE		PER OUR CONVERSATION
	COMMENT		PER YOUR REQUEST
	FOR ACTION		PREPARE REPLY
	INFORMATION		RECOMMENDATION
	INITIAL		SIGNATURE
	NOTE AND FILE		URGENT
RE: E Mail & Network Requirements for 97 Annual Meetings, Hong Kong			
REMARKS: Attached please find preliminary technology requirements for the DEC Vice Presidency. I understand that we will be given a chance later to revise these estimates.			
Thanks			
FROM: Kate Oram		ROOM NO. N6 045	EXTENSION: 31107

Your Name: KATE ORAM. Organization: Bank ☒ Fund ☐
Department: DEC Phone No. 473 3774

Annual Meetings
Survey of E-Mail and Network Requirements

During the 1996 Annual Meetings, at the Sheraton Washington Hotel, did you access:

- ☒ E-mail: Groupwise ☐ All-in-one ☒
☒ Documents on the headquarters servers: yes ☒ no ☐
☒ The Bank or Fund home page: yes ☒ no ☐
Applications on the headquarters servers: yes ☐ no ☐

If yes, which applications _____

Did you use PC Anywhere, Groupwise Remote or SLIP? yes ☐ no ☐

If yes, was it satisfactory? _____

1997 Annual Meetings - Hong Kong

1. If your department will require E-Mail access while participating in the 1997 Annual Meetings in Hong Kong, please answer the following questions.

Which E-mail package will your staff be using? ☒

Groupwise ☐ All-in-One ☒ Lotus Notes ☒

Will your staff need access to E-mail only locally in Hong Kong ☐ or locally and between Hong Kong and HQ ☒ ?

2. Will your department need to share files/documents? If yes, will documents be shared only locally in Hong Kong? ☐ or locally and between Hong Kong and HQ? ☒

3. If your department needs access to network applications, please specify which applications would be accessed

4. What do you think would be your department's frequency of usage of the network for E-mail, access of applications, document sharing, etc. (e.g. once a day, three times a day, etc.)?

FIVE TIMES A DAY +

5. Do you anticipate that staff in your department will need to access large documents (more than 20 pages) or image or large graphic files, at headquarters, from Hong Kong? yes ☐ no ☐
comments: _____

6. How many network connections would your department need in Hong Kong?.

The same as at the Sheraton Washington Hotel this year ☒

More (how many more)? _____ Less (how many less)? _____

7. Will your department need to access the Bank or Fund Intranet (Bank/Fund Home Pages)?

yes ☒ no ☐

If yes, for what purposes? Access to Dept. Web Server

8. Will your department need access to the Internet (World Wide Web)?

yes ☒ no ☐

If yes, would your department be willing to pay for this access? ☒

Thank you for your time. Please fold, tape and mail this survey to the BFCO T9-111, no later than November 26, 1996.

5

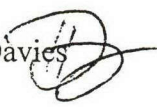
THE WORLD BANK GROUP
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
MULTILATERAL INVESTMENT GUARANTEE AGENCY

INTERNATIONAL MONETARY FUND

Boards of Governors • 1997 Annual Meetings • Hong Kong

November 18, 1996

TO: OT/IT Coordinators

FROM: Patricia Davies 

SUBJECT: E-Mail and Network Requirements for the 1997 Annual Meetings

In order to assist us with planning for the 1997 Annual Meetings of the Boards of Governors of the World Bank Group and the International Monetary Fund to be held in Hong Kong, September 23-25, 1997, we are requesting that each Bank and Fund department complete the attached survey on e-mail and network requirements for their department, and return the completed survey to the Bank/Fund Conferences Office, Room T9-111, by Tuesday, November 26, 1996.

Based upon the information provided by departments, the budgeted funds available, and the services that will be provided by the host authorities, we will shortly be making a determination of the network services that will be provided to staff during the Meetings in Hong Kong and departments will be advised accordingly in due course. Please be aware that it may not be possible to provide all services that are requested.

Requirements for the Joint Secretariat offices are being handled separately. A survey on hardware and software requirements for the 1997 Meetings will be sent to departments at a later date.

If you have any questions regarding this survey, please contact Mrs. Maureen Miller at 473-3588 or Mr. Patrick Hinderdael at 623-8546.

Thank you for your help.

Attachment

cc: Executive Assistants

The World Bank
Washington, D.C. 20433
U.S.A.



MICHAEL BRUNO
Senior Vice President
and Chief Economist

Ms. Dorothy Berry
HRSVP

October 31, 1996

Dorothy:

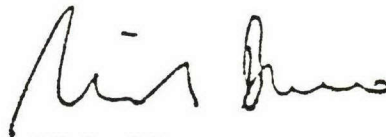
I have now had a chance to read the draft note you have prepared on Selection for Technical Positions at Level 25 and Higher. I am concerned that as currently worded, the note opens the way for the application of differential standards for economists serving in different networks with detrimental consequences for professional excellence and staff mobility.

I suggest that you change the sentence dealing with the Economists' Professional Association to read as follows: "When considering the promotion of economists to Level 25 and higher, the Sector Boards and Review Committees will request the opinion of the Economists' Professional Association. Should the Sector Board and the EPA Committee not agree, the heads of the two groups will meet to resolve the matter."

I believe that this is the best way to ensure professional expertise within the economists' community. I also believe that this is essential for the success of the Networks.

I would appreciate your reaction.

Regards,



Michael Bruno.

cc: Messrs. Wolfensohn, Kaji, Koch-Weser, Sandstrom

The World Bank
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Senior Vice President
and Chief Economist

Ms. Dorothy Berry
HRSVP

November 6, 1996

Dorothy:

Selection for Technical Positions at Level 25 and Higher

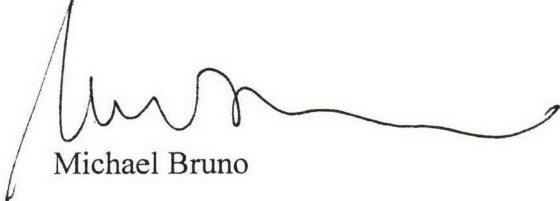
I didn't want to trouble you with this issue again but I had hoped to receive a reply to my previous note (attached) before my departure.

Since my last note, I have had a chance to discuss the matter with Jim. He seemed to be unaware that the Economists' Review Panel was being abolished and that as a result there would be no effective means of ensuring standards for economists across networks. He recognized the importance of this point and thought it worthy of further enquiry.

Let me assure you that I share fully your concern to improve professional standards throughout the Bank. And I think the Networks are well placed to deal with this for staff whose expertise is network-specific -- an education specialist for example or, Jim's own example, a silversmith. But for professional skills that are employed in all networks, one needs a cross-network mechanism. The proposed Economists' Professional Association, working through the networks, can help you achieve this.

Please let me know where you come out on this matter because I feel obliged to follow up and report back to Jim.

Thanks.



Michael Bruno

Attachment

The World Bank
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Senior Vice President
and Chief Economist

Ms. Dorothy Berry
HRSVP

October 31, 1996

Dorothy:

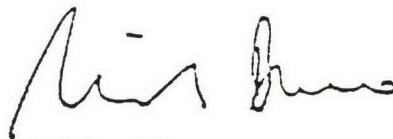
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I believe that this is the best way to ensure professional expertise within the economists' community. I also believe that this is essential for the success of the Networks.

I would appreciate your reaction.

Regards,

A handwritten signature in dark ink, appearing to read "Michael Bruno", with a stylized, cursive script.

Michael Bruno.

cc: Messrs. Wolfensohn, Kaji, Koch-Weser, Sandstrom

THE WORLD BANK GROUP

ROUTING SLIP		DATE: {Date Text}	
NAME			ROOM. NO.
Kate Oram			
	URGENT		PER YOUR REQUEST
	FOR COMMENT		PER OUR CONVERSATION
	FOR ACTION		NOTE AND FILE
	FOR APPROVAL/CLEARANCE		FOR INFORMATION
	FOR SIGNATURE		PREPARE REPLY
	NOTE AND CIRCULATE		NOTE AND RETURN
RE: Foreword - Statistical Handbook of the Former Soviet Union			
REMARKS: Kate, Would you please have Mr. Bruno sign both the English and Russian versions of the Foreword (which was cleared by Shaida Badiie and Sarwar Lateef). Thank you.			
FROM Premi (for Karen Adams)		ROOM NO. N3-017	EXTENSION 33738

Originals ref. to Bessie 11/4/96

Предисловие

Статистические данные, представленные в настоящем издании, дают информацию об экономическом и социальном развитии стран бывшего Советского Союза во время переходного периода от плановой к рыночной экономике. По мере преобразования экономик этих стран претерпевают изменения и их статистические системы. И в экономике, и в статистике эти реформы сопряжены с трудностями. Собранные в этом сборнике данные наглядно отражают как значительный прогресс, достигнутый в сборе и представлении статистической информации в рыночных условиях, так и те области, где предстоит еще много сделать.

Настоящая публикация является пятым ежегодным изданием статистического сборника по экономике стран бывшего Советского Союза. В ней представлены данные национальных статистических ведомств и других правительственных организаций, занимающихся сбором статистической информации. Следует отметить, что впервые данные для предлагаемого сборника были предоставлены центральными статистическими ведомствами всех без исключения пятнадцати государств бывшего Советского Союза. Это значительно повысило полноту представляемой информации..

Чтобы сделать представленную информацию более доступной для сотрудников государственного аппарата и ученых-аналитиков всех странах-членов, сборник издается параллельным текстом на русском и английском языках.



Майкл Бруно
Вице-президент и Главный экономист
Экономика развивающихся стран

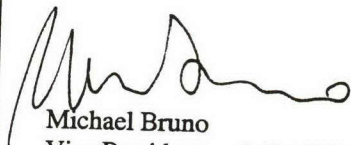
Йоханнес Линн
Вице-президент
Регион Европы и
Центральной Азии

Foreword

The statistics in this volume present information on the economic and social developments in the countries of the former Soviet Union during the period of transition from planned to market economies. As economies adjust to new conditions, so do their statistical systems. The path to reform is not easy nor smooth either for the economies or for the statistical systems. While this compilation of data reflects the considerable progress made by the statistical systems in compiling and presenting data for a market oriented economy, the areas where further efforts are needed are evident as well.

This is the Bank's fifth annual statistical handbook on the economies of the former Soviet Union. It presents data developed by national statistical offices, along with other government agencies involved in compiling statistics. The current edition is the first in which the statistical offices of all fifteen FSU states completed and submitted the set of tables. This has greatly enhanced the completeness of the data in the handbook.

As part of an ongoing effort to make the Bank's publications more accessible to policymakers and analysts in all member countries, the handbook is published as a bilingual English-Russian edition.



Michael Bruno
Vice President and Chief Economist
Development Economics

Johannes Linn
Vice President
Europe and Central Asia
Region

Chron.

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: October 30, 1996 06:00pm

TO: See Distribution Below

FROM: Shengman Zhang, SECVF

(SHENGMAN ZHANG@A1@EDSEL)

EXT.: 80242

Sent By: Mary Yang

SUBJECT: Delegation of Authority

Mr. Michael Bruno will be leaving the Bank on November 6.
Until further notice Mr. Lyn Squire will act.

During Mr. Squire's absence, November 25 through 29, Mr.
Masood Ahmed will act.

Pursuant to paragraph 2 of Annex C to Administrative
Manual Statement 1.30, they are hereby designated to sign in
the name and on behalf of the Bank/Association during that
time any written instrument which the Senior Vice President
DEC and Chief Economist has been designated to sign.

(Signed original forwarded to Legal Office.)

DISTRIBUTION:

TO: JANE HOLDEN (for Mr. Wolfensohn)	(JANE HOLDEN@A1@WBWASH)
TO: JESSICA EINHORN	(JESSICA EINHORN@A1@WBWASH)
TO: RICHARD FRANK	(RICHARD FRANK@A1@WBWASH)
TO: GAUTAM KAJI	(GAUTAM KAJI@A1@WBHQB)
TO: CAIO KOCH-WESER	(CAIO KOCH-WESER@A1@WBWASH)
TO: SVEN SANDSTROM	(SVEN SANDSTROM@A1@WBWASH)
TO: IBRAHIM SHIHATA	(IBRAHIM SHIHATA@A1@WBWASH)
TO: DOROTHY BERRY	(DOROTHY BERRY@A1@WBHQB)
TO: MARK MALLOCH BROWN	(MARK MALLOCH BROWN@A1@WBWASH)
TO: ARMEANE CHOKSI	(ARMEANE CHOKSI@A1@WBHQB)
TO: BRIAN WILSON	(BRIAN WILSON@A1@WBHQB)
TO: CALLISTO MADAVO	(CALLISTO MADAVO@A1@WBHQB)
TO: JEAN LOUIS SARBIB	(JEAN LOUIS SARBIB@A1@WBWASH)
TO: JOE WOOD	(JOE WOOD@A1@WBHQB)
TO: GARY PERLIN	(GARY PERLIN@A1@WBHQB)
TO: HIROO FUKUI	(HIROO FUKUI@A1@WBWASH)
TO: JOHANNES LINN	(JOHANNES LINN@A1@WBWASH)
TO: JULES MUIS	(JULES MUIS@A1@WBWASH)

TO: KEMAL DERVIS
TO: NICHOLAS HOPE
TO: ISMAIL SERAGELDIN
TO: ROBERT PICCIOTTO
TO: SHAHID JAVED BURKI
TO: JANE HOLDEN
TO: JOANNE SALOP
TO: ALLISON TSATSAKIS
TO: ATSUKO HORIGUCHI
TO: ORSALIA KALANTZOPOULOS
TO: MASOOD AHMED
TO: MARK BAIRD
TO: AJAY CHHIBBER
TO: GREGORY INGRAM
TO: LYN SQUIRE
TO: VINOD THOMAS
TO: LESLEY DAVIS
TO: PAULO VIEIRA DA CUNHA
TO: ANANDARUP RAY
TO: KEN AVIS
TO: AKLOG BIRARA
CC: SEC ISC FILES

(KEMAL DERVIS@A1@WBWASH)
(NICHOLAS HOPE@A1@WBHQB)
(ISMAIL SERAGELDIN@A1@WBHQB)
(ROBERT PICCIOTTO@A1@WBWASH)
(SHAHID JAVED BURKI@A1@WBHQB)
(JANE HOLDEN@A1@WBWASH)
(JOANNE SALOP@A1@WBWASH)
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(ATSUKO HORIGUCHI@A1@WBWASH)
(ORSALIA KALANTZOPOULOS@A1@WBWASH)
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(AJAY CHHIBBER@A1@WBHQB)
(GREGORY INGRAM@A1@WBHQB)
(LYN SQUIRE@A1@WBHQB)
(VINOD THOMAS@A1@WBHQB)
(LESLEY DAVIS@A1@WBHQB)
(PAULO VIEIRA DA CUNHA@A1@WBHQB)
(ANANDARUP RAY@A1@WBHQB)
(KEN AVIS@A1@WBHQB)
(AKLOG BIRARA@A1@WBHQB)
(SEC ISC FILES@A1@EDSEL)

THE WORLD BANK/IFC/M.I.G.A.

OFFICE MEMORANDUM

DATE: October 30, 1996

TO: Distribution

FROM: Michael Bruno *mb*

EXTENSION: 33774

SUBJECT: **1998 World Development Report**

*WDR
1998
Calling
for topic.*

It is time to decide about the topic of the 1998 WDR. Last year's list of suggested topics included Information and Development, Industrial Pollution, Aid Effectiveness, Economic Effects of Corruption, Public Expenditure, Regionalism, Poverty, Environment and Growth, in addition to the *Changing Role of the State* which was chosen as the topic for the 1997 WDR. We would appreciate receiving your suggestions for other topics along with a couple of paragraphs giving the rationale and scope by November 15, 1997. We will convene a meeting to explore a short list.

For reference, I attach a list of past WDRS and suggestions from last year's round-up.

Attachments

Distribution: Mme/Messrs: Einhorn, Frank, Kaji, Koch-Weser, Sandstrom, Conrad, MacArthur, Strong (EXC), Shihata (LEGSP), Burki (LACVP), Choksi (HROVP), Dervis (MNAV), Fukui (CFSVP), Hope (Acting EAPVP), Linn (ECAVP), Madavo (AFRVP), Malloch-Brown (EXTVP), Muis (CTRVP), Perlin (TREV), Picciotto (DGOVP), Sarbib (AFRVP), Wood (SASVP), Zhang (SECV), Regional Chief Economists, Regional Country Directors, Ahmed (IECDR), Baird (DECV), Chhibber (WDR), Ingram (RAD), Squire (PRDDR), Thomas (EDIDR), Vieira da Cunha (DECV), McCalla (AGRDR), Pouliquen (TWUDR), Petit (ESDAR), Cohen (ESDVP), Steer (ENVDR), El-Ashry (GEF), Fiechter (FSDDR), Stern (IENDR), Iskander (PSDDR), de Ferranti (HDDDR), Husain (PSPDR).

Name	SUGGESTED WDR '97 TOPICS
AHMED, Masood	Information and Development
ANDERSON, Dennis	1) Industrial Pollution 2) Public Expenditure 3) Rural Development 4) Technology and Development 5) Children
BINSWANGER, Hans	Poverty, Environment and Growth
DE FERRANTI, David	1) Aid Effectiveness 2) Income Distribution 3) Poverty, Environment and Growth 4) Savings 5) Public Expenditure 6) Industrial Pollution
DEVARAJAN, Shanta E. Jimenez, D. Dollar	The Changing Role of the State
GELB, Alan	Aid Effectiveness (not as a WDR, but as a special study)
HUSAIN, Ishrat	Poverty, Environment and Growth
IQBAL, Farrukh	Education
JOHNSON, Ian for: Mohamed El Ashry	Project Impact and Evaluation
KANBUR, Ravi	1) Public Expenditure 2) Gender and Development 3) Savings 4) Capacity Building 5) Laggards in Development
KLEYNHOFF, Catherine	1) Institutional Development 2) Legal and Institutional Basis for Development
LEIPZIGER, Danny	Delivering Social Services: Public Expenditures and Decentralization

Name	SUGGESTED WDR '97 TOPICS
MESSENGER, Harold	1) Civil Society: The Legal and Institutional Basis for Development 2) Private Capital Flows 3) Public Expenditure
MUIS, Jules	Economic Effects of Corruption Title: The Economics of Corruption and the Corruption of Economics
PICCIOTTO, Robert	Institutional Development
RISCHARD, Jean Francois	1) Institutional Development 2) Capital Flows
ROGERSON, Andrew	Savings
THOMAS, Vinod	Growth, Poverty and Environment
WALTON, Michael	1) Aid Effectiveness 2) Public Expenditure 3) Savings
WINTERS, Alan	Regionalism - Post Uruguay Round

Past WDR Topics

1995	Labor
1994	Economic Infrastructure
1993	Health
1992	The Environment
1991	The Challenge of Development
1990	Poverty
1989	Financial Systems and Development
1988	Public Finance in Development
1987	Industrialization and Foreign Trade
1986	Trade and Pricing Policies in World Agriculture
1985	International Capital and Economic Development
1984	Population Change and Development
1983	Management in Development
1982	Agriculture and Economic Development
1981	National and International Adjustment
1980	Economic Policy Choices and Human Development
1979	Development Prospects and International Policy Issues
1978	Development & Poverty Alleviation

November 3, 1995

Mr. Michael Bruno

Suggested Topics for the WDR 1997

Michael,

Per your request, please find below a list of suggestions we have received to date on possible topics for the WDR '97:

<u>Name</u>	<u>Topic</u>
Jules Muis	Economic Effects of Corruption Title: The Economics of Corruption and the Corruption of Economics
Alan Winters	Regionalism - Post Uruguay Round
Danny Leipziger	Delivering Social Services: Public Expenditures and Decentralization
Robert Picciotto	Institutional Development
Masood Ahmed	Information and Development

Thank you,



Paulo

cc: DECSM

The World Bank
Washington, D.C. 20433
U.S.A.

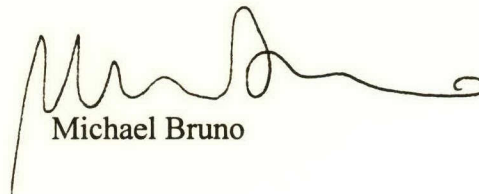
MICHAEL BRUNO
Senior Vice President
and Chief Economist

October 30, 1996

All DEC Staff

Research and Press Leaks

While I believe strongly that research must be independent and open, I also believe that we have a responsibility to the institution regarding what is put in the public domain and provided to the media. I am therefore attaching a set of guidelines on this matter that I would like you all to follow. This is an important issue which we all have to take seriously.



Michael Bruno

Attachment

cc. Messrs.: Burki, Dervis, Linn, Madavo, Sarbib, Shirazi, Wood,
de Ferranti, Rischard, Serageldin

SECURITY FOR SENSITIVE RESEARCH: A POSSIBLE APPROACH

Truth in Labeling

Research papers already carry a disclaimer that they are personal opinions and not Bank policy. We should institute as quickly as possible a standard format for the front page of Bank research reports -- even incomplete ones -- which states prominently that the work is: personal, not Bank policy, without formal clearance, and not for publication or citation.

Monitoring Sensitivity

Research departments should be responsible for monitoring the sensitivity of their work, perhaps identifying the classes highly sensitive (for example, the work on debt relief), sensitive (for example, severe comment on country policies) and not sensitive. In doing this they should seek advice from the regions, EXT and EXC. A quarterly summary to EXC and EXT may be useful both in identifying issues and in preparing EXT to respond if necessary. We would be surprised if more than five percent of research fell into the highly sensitive category.

Distribution Rules

These would formalize the current practice. Highly sensitive work would be subject to carefully controlled distribution lists. Sensitive work would be permitted distribution to people with a genuine interest in it within the Bank and to bone fide researchers outside who could contribute to its scientific rigor. Work identified as non-sensitive would be circulated widely for comment, but still subject to the disclaimer above.

The World Bank
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Senior Vice President
and Chief Economist

October 30, 1996

Fellow World Bank Economists:

The attached proposal for the creation of a World Bank Economists' Professional Association (EPA) will have important consequences for your professional development and for the role that economists play in helping the World Bank to achieve its objectives.

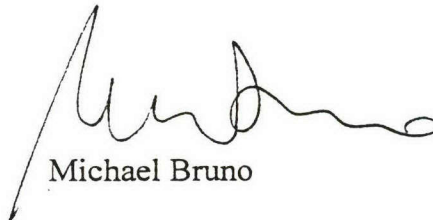
The EPA is expected to become the main institutional forum for the discussion and exchange of economic ideas, and for the development of the economist profession within the World Bank. As such, it will assist the networks by addressing such cross-network issues as staff development, recruitment and promotion, and product standards.

The proposal is the result of a series of meetings that Lyn Squire held at my request with members of two groups that the EPA may ultimately supersede, the Economist Staffing Group and the Economist Review Panel. While their input has shaped the proposal, the present draft has not been discussed in detail. Given the potentially broad impact of the EPA, I am instead sharing it at this stage with all World Bank economists as well as with other interested parties.

I expect that the next step will be to assemble as soon as possible an Executive Committee to define in greater detail the functions, responsibilities, and procedures of the EPA. I am therefore particularly interested in your views on that part of the proposal dealing with the governance of the association, especially the Executive Committee. Comments on other parts of the proposal are also welcome and will help to shape the Executive Committee's deliberations.

Please take the time to review this proposal and pass along your suggestions for the design and function of the EPA. This will be your association, so make your views known. Comments should be sent by November 11 via e-mail to: EPA Comments.

Thank you.



Michael Bruno

A PROPOSAL TO ESTABLISH AN ECONOMISTS PROFESSIONAL ASSOCIATION

This proposal describes the purpose, function, and governance of a proposed World Bank Economists' Professional Association (EPA).

Purpose

The purpose of the EPA is twofold:

- The EPA will provide a forum for the exchange of ideas among economists and for the development of the economists profession within the World Bank.
- The EPA will complement the Networks by fulfilling certain functions related to recruitment and promotion, staff development, and product standards which have a *cross-network* characteristic and are *discipline-specific*.

Functions

Professional Links

The EPA will function in all respects as a professional association. It will, therefore, pursue activities that go beyond those that are required of it by the institution and the networks. The key objectives of such activities would be to:

- develop and strengthen informal links and support systems among the Bank's professional economists;
- broaden and sustain interest in the subject beyond the narrow confines of the job; and
- create opportunities for developing and pursuing professional interests and excellence beyond those required by the Bank.

Such activities might include: a monthly Economists Forum to be addressed by a leading economist from outside the Bank; an Annual General Meeting (perhaps at the time of Economists' Week); and a seminar series on issues that cut across the networks (e.g., taking account of environmental issues in designing an adjustment program, informal guidance on training needs, and training opportunities outside the Bank).

Recruitment and Promotion

The EPA would be responsible for ensuring that uniformly high standards apply to all economists in the Bank, regardless of the sector or substantive area in which an individual works. This function is currently handled by two groups, the Economist Staffing Group, which reviews recruitment decisions; and the Economist Review Panel, which reviews promotions.

Since the networks have been assigned responsibility for staff development, mechanisms are needed to ensure that the professional standards for economists are uniformly high throughout the institution. The EPA will do this by evaluating -- and approving or rejecting -- all external candidates for recruitment as economists and all promotions of economists working for the Bank Group. Membership in the EPA (see Governance, below) will be required of all Bank staff applying for a professional economists' job in the Bank Group. In addition, the EPA will be responsible for clearing individuals for specific positions.

Two sets of procedures for the clearance process are described below. The first emerged from discussions with the Poverty Reduction and Economic Management Network (PREM); the second from discussions with the Human Development Network (HDN). As other networks are established, they are expected to follow one of these models.

PREM Approach:

- The PREM manager seeks the advice of the EPA on the desirability of recruiting or promoting a specific individual.
- The EPA reviews the candidate's qualifications and issues a decision; this decision is final.

HDN Approach:

- The HDN manager seeks approval to recruit or promote an individual from the appropriate sector board within the network.
- If the individual is an economist, the sector board seeks the opinion of the EPA (probably through an EPA sectoral committee delegated to act on the EPA's behalf).
- The EPA or its sector committee submits an opinion to the sector board within a specified time period.

In the rare instance where the sector board and the EPA committee do not agree, the heads of the two groups will meet to discuss the candidate. If there is still no consensus, the head of the network, the EPA and a third party (such as the VP for Human Resources) will decide the issue.

Staff Development

Although the networks will have the primary responsibility for staff development, the EPA will be active in at least five areas related to professional training and skills updating:

- Advising the Learning and Leadership Center (LLC) on training priorities among economic topics.
- Advising the LLC on the economic content of training programs proposed by the Networks.
- Designing policy-oriented courses to update Bank economists on key developments in micro and macro economics over the past decade, and how these can apply to work in the Bank.
- Designing special topic courses (for example, the economics of information, the new institutional economics) to ensure that Bank economists stay abreast of new developments in the profession.
- Managing Economists' Week events.

Completion of these and other EPA-endorsed training programs will be a factor in determining continued membership in the EPA, and thus in clearance for promotion as described above.

Product Standards

The EPA will advise OPR on standards for economic analysis in Bank products and activities undertaken in several networks. The objective is to ensure that the Bank maintains a consistent and high quality of economic analysis across networks. The standards will aim to provide consistent guidelines for staff in all networks who are preparing key Bank products, as well as a metric for those evaluating quality *ex ante* (network management, for example) and *ex post* (OED, QAG, managers as part of the PMP).

Initially, standards will be developed for the economic evaluation of projects in appraisal reports and public expenditure reviews. Standards may also be developed in the future at the request of EPA membership, network management, OED or the QAG, or as a result of reviews commissioned by the EPA for other Bank products, such as economic and sector reports. The training courses noted above will reflect and be consistent with the standards developed by the EPA.

Governance

Head of the EPA

The Chief Economist of the World Bank will head the EPA.

Executive Committee

The EPA will be managed by an Executive Committee. This Committee will provide leadership and oversee the general functioning of the EPA. The Committee will meet infrequently -- perhaps once a quarter -- and will be chaired by the Chief Economist. The Committee will establish subgroups to work on the key areas of the EPA's mandate -- professional links, recruitment and promotion, staff development, and product standards.

Committee membership will be kept small. Composition will be based on the distribution of economists across the networks. For example, current estimates would suggest a proportional allocation of six members from PREM and two each from the other three networks. The Networks will submit their nominations to the head of the EPA who will review the composition of the committee from various other perspectives -- regional balance and other institutional objectives. The head of the EPA can then request the networks to reconsider their nominations and/or appoint directly up to three additional members -- for a maximum total committee membership of 15 -- to arrive at a satisfactory composition. Members will serve for three years, with one third of the committee retiring annually.

EPA Membership

Membership in the Economists Professional Association will be open to all World Bank staff who have attained at least a Masters degree in economics or its equivalent and who either have held or are currently holding a position as professional economist in the Bank Group. An individual will belong for four years after which the membership may be renewed. Renewal will require that the economist has undertaken to remain current in the field, as evidenced by satisfactorily completing EPA-endorsed training courses. Those holding positions as economists who do not meet the requirements for membership may join as an affiliated member for a maximum of four years. During the period of affiliation, the EPA will help the individual qualify as a full member. Transfer to full membership can be made as soon as membership criteria are met.

Bank staff who wish to be considered for a professional economists position in the Bank Group must be full members of the EPA. Economists recruited from outside the institution will be cleared by the EPA and, upon being hired, will become members of the association.

The World Bank
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Senior Vice President
and Chief Economist

October 23, 1996

Mr. Jean-Francois Rischard
Vice-President, FPD
G8-099

Dear Jean-Francois,

We had occasion to discuss your *Interim Report* at yesterday's DEC senior management's meeting and I thought it would be good to share some of our reactions with you.

As you know, I fully share and support the strategic agenda which emerged from this year's Annual Meetings. In particular, I have strongly supported a view where the Bank will successfully deliver more and better ideas per dollar of lending thereby increasing the development impact of our actions. Indeed, we have now recognized that non-lending services are just as important as financial transfers—and we should move ahead quickly to operationalize this shift. The work of your task force is a critical part of this effort.

My main concern is that we fail to give equal weight to three components of the Knowledge Bank, as outlined in Jim's speech at the Annual Meetings. We face three interrelated but different challenges: (1) To better develop and manage knowledge; (2) to increase learning and dissemination of this knowledge; (3) to contribute to making our client countries better integrated into the global network.

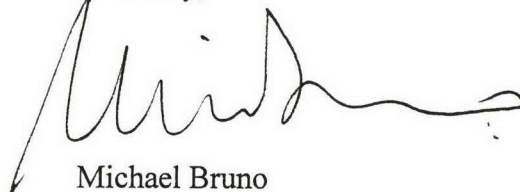
To deal with the first challenge—developing and managing knowledge—we are innovating with the network approach. More and better research is key to the networks: without the "R" in "R & D", we will soon be of little service to our clients. It is important to give time for the networks to produce management tools. DEC will manage one of the networks, and it would be important to include the early results of this work, in particular the contributions of my successor. The task force's work should go ahead, but we should strive for more give-and-take before finalizing a system which will have to be common to all, necessarily.

The second challenge—learning and dissemination—is one we are very much involved in, and you have rightly included the role of EDI. Learning is linked to much more systematic analysis and evaluation; i.e., research. Again, this is an area where DEC's and other networks' involvement is paramount.

The third challenge concerns how knowledge capability and access are integrated into our country work. The Bank can be a powerful catalyst; indeed, telecommunications and informatics are areas where the private sector is eager to help finance. We should think hard about the options we have to help countries gain access and financing, without making prior commitments on lending allocations. Similarly, the idea of conducting country knowledge assessments is appealing; but we should evaluate the initial results before recommending it as another part of the CAS process.

In sum, my main suggestion is that all the three abovementioned parts of Jim's strategy need to be given weight in the draft paper. In particular, the neglect of analysis and evaluation (or research) needs to be corrected in order for this approach to have lasting value.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Michael Bruno', with a long horizontal flourish extending to the right.

Michael Bruno

cc: Messrs/Mme: Sven Sandstrom, Stephen Denning, Lyn Squire, Mark Baird,
Vinod Thomas, Sarwar Lateef, Paulo Vieira da Cunha,
Caroline Anstey

Inf. Chm

A L L - I N - 1 N O T E

DATE: 23-Oct-1996 09:27am

TO: See Distribution Below

FROM: Michael Bruno, DECVF *MB* (MICHAEL BRUNO)

EXT.: 33774

SUBJECT: Delegation of Authority

While I am attending a meeting of the Canadian Institute for Advanced Research, October 24-25, Mr. Lyn Squire will act on my behalf.

Pursuant to paragraph 4 of the Annex D of the Administrative Manual Statement No. 1.30, he is hereby designated to sign in the name and on behalf of the Bank/Association during that time any written instruments which I have been designated to sign.

(Signed copy to Legal Files)

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TO: KENNETH AVIS	(KEN AVIS)
TO: AKLOG BIRARA	(AKLOG BIRARA)
CC: Sarwar Lateef	(SARWAR LATEEF)

THE WORLD BANK
Office of the Senior Vice President
and Chief Economist
Development Economics
1818 H Street, Room N6-043
Washington, D.C. 20433 U.S.A.
Tel. No. (202) 473-3774 • Fax (202) 522-1158•

DATE: Sept. 24., 1996

NO. OF PAGES:
(including cover sheet)

3

TO: Lyda Tanco

FAX: 477-6658

FROM: Kate ORAM

SUBJECT: B Letter to Richard Jolly

MESSAGE: attached.

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

MICHAEL BRUNO
Senior Vice President
and Chief Economist

July 9, 1996

Mr. Richard Jolly
Deputy Executive Director
UNICEF
3 UN Plaza
New York, NY 10017

Dear Richard,

I wanted to thank you and Sakiko Fukudo-Parr for presenting the Human Development Report 1996 here at the Bank last week. I hope that the frank discussion did not seem overly adversarial to you. My intention was simply to encourage an open exchange of ideas among professionals. I found the meeting refreshing and the frankness was an indication to me of the maturity of the collaborative relationship between our two institutions.

We discussed many issues last week and I don't want to write the minutes of the meeting but I would like to summarize the major points. (I will leave the details to more formal book reviews.) Most of my colleagues and I agree that growth should not be the ultimate objective of development -- raising welfare is. And, as far back as the 1990 World Development Report, the Bank stressed that, while getting growth started was the priority in some of the poorest countries, the pattern of growth was essential in ensuring that the poor share in the benefits. This is the same message outlined in p. 9 of the report.

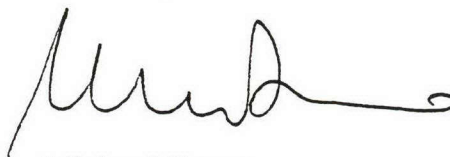
However, the rhetoric of the most prominent parts of the report can be misconstrued by the general reader as anti-growth. Some passages are clearly not so -- e.g., "...more economic growth, not less, will generally be needed as the world enters the 21st century" (p. 1). But the Report talks a lot about how bad growth often is -- it is variously described as "jobless", "ruthless", "voiceless", "rootless" and "futureless". We are told that "policy-makers are often mesmerized by the quantity of growth" (p.2). Would that more policy makers were "mesmerized by the quantity of growth" instead of seeking opportunities for rent seeking whether in the guise of populist or growth-oriented policies. The most catchy fodder for sound-bites seem to be negatively associated with growth.

Moreover, the use of the Report's own evidence seemed to be overly selective, contributing to the general perception of anti-growth. For example, the Report states that "Growth has failed for more than a quarter of the world's people" (p.3). One might guess from the text that these are countries where growth was low quality. On closer inspection they are instead those which did not grow over some period. A big difference. We felt that the Report needed to make this distinction clearer.

Another example is the reporting of the regression results in Appendix 4, "Links between economic growth and human development" which indicates that, in expectation, growth is "high quality", in the terms of this Report. It would have been entirely justified to have written in bold at the beginning of the overview that "Economic growth typically promotes human development; the exceptions are just that." Instead, the reader will come away with the impression that "good growth" is the exception not the rule, from the perspective of human development.

I do think that we agree on many issues but we will have different emphases -- that is simply in the nature of our institutions. However, in highly visible and influential documents such as the HDR and WDR, both agencies must be very careful to strike a balance which is well grounded in data and analysis, and will not risk distorting the policy dialogue towards our shared goals. One way to avoid this is to have ongoing critical dialogue in the preparation of such documents. I propose that we expand our dialogue beyond discussions of general outlines and embargoed printed versions of such reports.

Best regards,

A handwritten signature in black ink, appearing to read 'Michael Bruno', with a stylized, flowing script.

Michael Bruno

OFFICE MEMORANDUM

DATE: September 6, 1996

TO: Michael Bruno

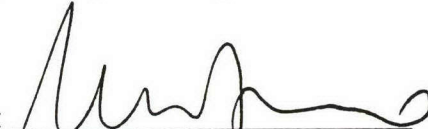
FROM: Gregory Ingram, Administrator, RAD
Moshe Syrquin, Editor, *WBER* and *WBRO* 

EXTENSION: 31052 and 31056

SUBJECT: **New Internal Editorial Board Member for *The World Bank Economic Review***

We would like to propose L. Alan Winters as a new internal member of the *World Bank Economic Review* Editorial Board.

We would be grateful if you could give your approval by initialling below.

Approved: 

Date: 9/9/96

World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: September 5, 1996 11:31am

TO: Katrina Cahill (KATRINA CAHILL)

FROM: Michael Bruno, DECVF (MICHAEL BRUNO)

EXT.: 33774

Sent By: Maria Chona Fernandez

SUBJECT: New home address

Effective immediately, my new home address and fax numbers are as follows:

c/o St. James, Suite 711
950 24th Street, N.W.
Washington, D.C. 20037

tel. 202/337-4840 fax: 202/466-6484 c/o Suite 711

Please make these changes in the Directory. Thank you.

Michael Bruno

The World Bank
Washington, D.C. 20433
U.S.A.

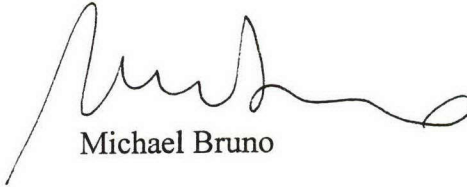
MICHAEL BRUNO
Senior Vice President
and Chief Economist

Mr. Caio Koch-Weser
EXC

September 4, 1996

Caio:

It is my understanding that clearance of *economists* for recruitment and promotion will remain the responsibility of the Economist Staffing Group and the Economist Review Panel. Obviously, the networks will have a major role in assessing staffing needs and in hiring and promoting staff including economists. But, the technical or professional qualifications of *economists* would still be subject to review by a professional body, which in the future should be the Economists Professional Association. Can you confirm that my understanding is correct and that the formation of the Human Development Network will be consistent with this principle? Thanks.



Michael Bruno

cc: Mrs. Dorothy Berry

The World Bank
Washington, D.C. 20433
U.S.A.

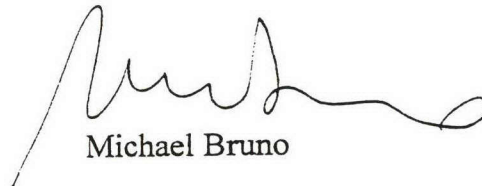
MICHAEL BRUNO
Senior Vice President
and Chief Economist

Mr. Caio Koch-Weser
EXC

September 4, 1996

Caio:

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Michael Bruno

cc: Mrs. Dorothy Berry

U L - I N - 1 N O T E

~ DATE: 26-Aug-1996 01:06pm

TO: Michael Bruno

(MICHAEL BRUNO)

FROM: Kate Oram, DECVP

(KATE ORAM)

EXT.: 31107

SUBJECT: Sick Leave

Michael, while I was talking to Debbie about the printer, she mentioned that if one is absent more than 4 days on sick leave, the Bank requires a medical certificate. Next time you see your doctor could you ask him to give you one and then give it to Debbie who is the leave person for the front office.

Thanks

Kate

1 L - I N - 1 N O T E

DATE: 26-Aug-1996 12:53pm

TO: Michael Bruno

(MICHAEL BRUNO)

FROM: Kate Oram, DECVF

(KATE ORAM)

EXT.: 31107

SUBJECT: A couple of things

Michael, I talked to Debbie Fischer about collecting the printer from your apartment and returning it to the office. She confirmed that, unfortunately, the Bank does not make provision for this sort of service; it is the responsibility of the staff member. Debbie said if you could arrange to get it to the N bldg., she could be downstairs with a trolley and would bring it up to the office. (Could the porter put it in the car for you?) I thought of asking Michael Lennon if he could possibly help you as a favor but Debbie said he has a broken (sprained) wrist. She mentioned she also discovered recently that should an injury occur to her/Michael while moving equipment in these circumstances, they would not be covered by the Bank's accident insurance. Let me know if you can get it to the Bank. If so, we can give you the paper at the same time.

Regarding Tokyo, Maria consulted with our travel office. There are two ways of dealing with your travel (i) OECF to make all travel arrangements for you including Israel and for you to reimburse them the Israel part or (ii) for American Express to make the bookings for you but charge everything to your personal account; and then for OECF to reimburse you. Maria will fax you the cost along with your itinerary. Please confirm back with her.

Thanks

Kate

CC: Maria Chona Fernandez

(MARIA CHONA FERNANDEZ)

World Bank/IFC/MIGA

OFFICE MEMORANDUM

DATE: August 21, 1996 04:51pm

TO: See Distribution Below

FROM: Michael Bruno, DECVP *m.p. MB*

(MICHAEL BRUNO)

EXT.: 33774

SUBJECT: ABSENCE FROM OFFICE

While I am absent from the office on sick leave Mr. Mark Baird will act on my behalf.

Pursuant to Paragraph 4 of Annex D of the Administrative Manual Statement No. 1.30, he is hereby designated to sign in the name and on behalf of the Bank/Association during that time any written instruments which I have been designated to sign.

(Signed copy to Legal Files)

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(KEN AVIS)

Int. Chm.

L - I N - 1 N O T E

DATE: 20-Aug-1996 11:31am

TO: Michael Walton

(MICHAEL WALTON)

FROM: Kate Oram, DECVF

(KATE ORAM)

EXT.: 31107

SUBJECT: **S. Africa Conference**

Mike,

Michael is at home these days. I sent him your fax. He would appreciate it if you could regret on his behalf. He sends you his best wishes.

Regards

Kate

2886

Michael Bruno

Michael,

96 AUG 20 AM 9:42

RECEIVED

I hope you're having a good summer; we've just got back from a trip to Rio (for the Latin American econometrics society meetings) and Santiago.

I got the attached letter from the South Africa from someone I knew in my days working there. I presume that I should just send regrets on your behalf.

Hope to see you soon



Mike Walton

19 August, 1996



Potchefstroomse Universiteit

vir Christelike Hoër Onderwys

Potchefstroom University
for Christian Higher Education

Private bag X6001 Potchefstroom 2520
Tel (0148) 299 1111 Fax (0148) 299 2799

Mr. Michael Walton
Economic Adviser
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433 U.S.A.

Vice Rector Development
Tel (0148) 2992805
Fax (0148) 2992603
E-Mail VRNJJS@puknet.puk.ac.za

5 Augustus 1996

Dear Mr. Walton

This letter serves to request your assistance in inviting Dr. Bruno, Vice President Development Economics of the World Bank to deliver the keynote address at the Conference of the Economic Society of South Africa at Potchefstroom University, Potchefstroom, South Africa, 8 - 9 September 1996.

The topic identified by the Council of the Economic Society is: Economics of Human Economic Welfare in a Global Context. The Conference will commence on the 8 September but the keynote address will be on the 9 September. If Dr. Bruno agrees to be the keynote speaker it would also be possible to convene a workshop on Regional Development prior to or after the Conference. Our University established a Centre for Regional Development in 1994 to support the process of economic liberalisation and development in South Africa and Africa.

I would very much appreciate if you could convey this request to Dr. Bruno and inform me as to his decision as soon as possible.

Personal regards

Prof. S.F. Coetzee
Vice Rector: Development on behalf of
the Economic Society of South Africa

VRNJJS e:\winword\stbnewel\walton.doc

THE WORLD BANK
OFFICE OF THE SENIOR VICE PRESIDENT AND CHIEF ECONOMIST
DEVELOPMENT ECONOMICS DEPARTMENT
1818 H Street, N.W.
Washington, D.C. 20433, U.S.A.
DECVP 622/05 -N6-043

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FAX NO.: 202 522-1158

NO. OF PAGES:7

PHONE NO: 202 473-5331

DATE: August 19, 1996

To: Mr. Michael Bruno

Fax no: (203) 337-0253

FROM: Paulo Vieira da Cunha

Tel. no: 473-5331

SUBJECT: Private Capital Flows to Developing Countries-Comments and Observations

MESSAGE:

Mr. Bruno,

Pls. see attached.

Thank you,

Nen

August 16, 1996

Mr Michael Bruno

Private capital flows to developing countries -- Comments and observations

Michael,

Below are my observations on Chapters 1-5 of the report. I glanced at Chapter 6 but will not comment on it as I am tired and should read it again. I have not yet read the summary. At this stage my overall assessment is mixed. There is the material for a PRR but the presentation is still far from that of an effective PRR. The arguments don't sum to a coherent total; instead, they are presented as individually interesting findings, which they are. Partly, the problem is with the topic not the rendition: As Chapters 2, 4 and 5 argue there's nothing like solid macro and a fiscal stance that is solid enough to be able to become flexible. But partly is a matter of presentation--finding a link that carries through the report enabling it to have (and appear to have) less description and more analysis; less facts and more opinions. One possible link is the story that emerges in Chapter 5: the macro-micro link through the banking system that is also the main conduit for the flows.

I am sorry I could not finish. I also owe you the outline for Tokyo--and I haven't touched the GEP! More debts (but some that I will be able to pay, hopefully, when I'm back in September). I hope this is useful and that all goes well with you. Best of luck,

Paulo

A handwritten signature in cursive script, appearing to read 'Paulo', written in dark ink.

cc: Messrs Baird, Bhattacharya, Lateef.

Chapter 1

As the first chapter in what promises to be a long investment of the reader's time, this writing is tough-going. The introduction has 7 pages and one doesn't know whether we are delving into the "meat" or skimming the surface in an overview (repetitive but perhaps necessarily so). The other sections have interesting material but it still is presented as a debate with the literature rather than as a "comprehensive and authoritative" synopsis.

Comments:

1. Figure 1: Date? Is it for a given period or for one single year? If for the latter, is it representative?
2. P 5: By the collapse of the B-W system you mean the collapse of the regime of fixed parities? If so, how did this help internationalization? (Some would argue that it diminished policy coordination--is that good or bad?)
3. P 6 is too sanguine on what should be hypotheses. Is it not possible that Germany, France, Sweden and even Japan will fail to resolve their macro-cum-pension impasse in the near-term? Is creditworthiness all that counts for developing countries? What about improvements in their supply capacities? What does it mean to be "more susceptible to fundamental economic shocks"?
4. P 7 and beyond: The reader will want to know your reasoned judgment, whether it is buttressed on econometrics or not. In fact, arguably, it is more important to argue your case well than to have one or two numbers in your favor.
5. Capital flows and the cycle. Too little is made of the main finding; namely, that "the decline in global interest rates was pushing private capital out from industrial countries, and that the allocation of these flows was then being determined on the strength of country fundamentals." This two-step decision process could have important implications (including for the econometrics you present).
6. Pp 11-13 are in "insider" lingo. Why should we care?
7. The section on "structural" factors could be shortened with more emphasis given to the interplay between improved "fundamentals" in the periphery and the capacity for technological absorption (and speed of diffusion). This plays a big role in Chapter 2.
8. Pp 24-41 seem to cover many distinct aspects, even though they obviously are inter-related. Would it be possible to meld the components into a single part?
9. The chapter asks why volatility matters (even though it doesn't give a clear answer). Shouldn't it ask also if risk diversification matters? What's the point of this discussion?
10. The discussion on volatility could be drastically reduced. There are two main points: (a) Yes, there is volatility and it has costs (which should be explained more clearly, especially as related to the discussion in Chapter 2; i.e.: is volatility linked to

"imperfections/distortions" or is it present in even in the best case scenario?); (b) Herding behavior is not significant.

Chapter 2

This is a well written chapter with a clear message. But is the message (that integration is good for growth and for consumption smoothing) important? The 2nd and 3rd paragraph argue that it is not. The first para of the conclusion argues otherwise. They could be exchanged w/o loss of "honesty" as this is but part of a study and not a self-standing paper. In fact, the whole chapter may be cast under the light that many misinterpret the gains from integration, as noted in pp 3-4.

Comments:

1. Why is it that only for "emerging markets" integration permits an acceleration of investment? (p 4) Is it because other countries can't get it? Or, alternatively, is it because they wouldn't make good use of it?
2. The gains from accession are "temporary," or more precisely, they are "once-and-for-all gains." But if they are large they can have important and lasting effects (especially if they push the country beyond the "take-off" threshold).
3. Table 2.1 is confusing. Is this simply the inverse of the average productivity of labor?
4. The last para in p 6 refers to the world rate as the riskier rate. Yet p 5 argues that foreign diversification reduces the portfolio risk. What's going on? Is "rate" the rate of return or the interest rate? If it is the former, the argument is wrong; if it is the latter, why is it that the world interest rate is riskier than a national rate, always? More importantly, the cost of capital depends also on the efficiency of intermediation (see Table 2.3). If the banks are bad they may even end up subtracting value added from the non-financial system (to cover their losses). The gain for Spain shown in Table 2.4 surely must be linked to, additionally, the restructuring of the banking system in the late 1980s.
5. The stimulus to investment (p 11) can be gleamed or gleaned? Since it is small, it must be the latter.
6. The summary on growth (p 12) is great! And the point on the 2nd para is too important to be mentioned only in passing in the summary. Where is the evidence?
7. The discussion on risk diversification should be cut down (especially since it turns out not to be important and given that most readers won't grasp intuitively the importance of consumption smoothing).
8. The nest-to-last para on p 13 is obtuse. And the important point that consumption is more volatile than income should be shown in a more straightforward (i.e.: eye-popping) way than through Figure 2.1. The question is, however: What's the

cost of diversification? (Though, admittedly, this may be immaterial given that the benefits are small anyway.)

9. Table 9 needs to be completed with proper headings, etc. Also, some intuition should be given as to how these estimates are derived.

Chapter 4

This Chapter is a primer on short-run macro with open capital accounts. It deals competently with all key aspects: the transmission mechanisms; monetary, fiscal and exchange rate policy. It reaches solid, well argued conclusions and presents a wealth of empirical information to buttress its arguments. It is, however, overly ambitious and, as such, it is too abstract at critical stages. Most disturbingly, in the core section on "macroeconomic performance during the inflow period" there is no link with the ex-ante macro stance. Worse, the implicit assumption is made that the only relevant disturbance is the inflow. There is then a disconnect with the assessment section which is almost entirely based on the pre-conditions to the inflow (see also Chapter 5). Moreover, there is a sense of fatality to the argument: If you were good you'll come out all-right; if you're bad you'll go to hell. The writing (for a PRR-style) is still too descriptive and argumentative. The findings are teased out of contrasts and comparisons and the Tables and Figures are analytical rather than illustrative.

Comments:

1.) Overheating 1. The section should have a definition upfront and a much clearer picture of what could happen and how, without repeating Chapter 1 (i.e., pp 4-6 should be moved into Chapter 1 where this kind of evidence is sorely missing).

2.) Overheating 2. The mode of (a) describing the instruments and the mechanics; (b) summarizing the practice; (c) showing the specific results, is very didactic but rather tough going for the reader. Could we start with the results (good and bad) and work them through with better graphs and tables? In general, in addition to the point made above (re: preconditions) I found that the discussion of the short run in terms of years is disturbing. For 3 situations I have somewhat followed (Argentina, Brazil and Mexico) the use of quarterly or monthly data would help a lot. I am also suspicious of Table 4.2. OK that we want to establish the correspondence with the Nat Accounts, but shouldn't we also look at the non-interest CAB to get a better sense of trade policy? And do reserves include the reserves of commercial banks? Policies regarding open positions and retention limits on foreign reserves were actively used in Brazil and Mexico. Do private inflows include borrowing by SOEs (i.e., Operation 63 in Brazil) and on-lending through BNDES and NAFIN?

3.) P 19: The conclusion that "the emergence of real appreciation ... does not reflect overheating, but rather the use of the exchange rate as a nominal anchor in the context of price-level stabilization," is a strong one. Is it clearly the case for Brazil in the period immediately following the stabilization (i.e., Aug-Dec 1994)?

4.) The section on vulnerability is a debate with the literature. Quite rightly, the emphasis is on avoidance and here, again, if you're OK you'll come out well. But is

there something we can say for those who have suffered? Is there a better way of getting out from the turbulence (contrast Argentina's response with that of Brazil; and, here again, to what effect, one year later?).

5.) P 34. The discussion of exchange rate regimes is hard to follow not the least because some sentences are incomplete (as in other parts of the text). Mainly, however, it is a question of language. What do we mean by: "The issue depends on the likelihood that actively-managed nominal exchange rates will actually succeed in tracking the fundamentals, so that fundamentals-driven speculative attacks can be avoided."?

6.) Pp 35+. Again, the "fundamentals." And how do we distinguish between permanent and transitory shocks; how did they do it "explicitly" in Chile?

7.) On crawling pegs. Are they a good option for all? Does it matter on the degree to which the "real" economy is indexed, and how?

8.) Sterilization (pp 37-38). The answer is a cop-out; can we identify ex-ante a transitory shock?

9.) The emphasis on public sector solvency is welcome and new. Could be expanded and used more extensively to link preconditions with receptivity to inflows and resistance to shocks. Is it the case that if a public sector is credibly solvent (but still moderately indebted) that it has the option of flexible domestic fiscal response by buying and selling its own paper?

Chapter 5

This chapter has the kernel of an appealing and newsworthy "center" to the report. Building on the obvious (but rarely noted) fact that banks are the main agents of financial integration the chapter argues, not surprisingly, that the impact of integration depends on the performance of banks--and that this performance, though conditional on the macro environment, is specific and may be large enough on its own to influence the macro. The chapter, however, instead of concluding with an integration of the macro and micro treats them in turn. The conclusions are solid but only when they refer to both aspects simultaneously (e.g., on the discussion of lending booms and their containment) are they really interesting. Much of the material overlaps with Chapter 4; and, once again, the writing often lapses into a discussion with the literature rather than with the reader.

Comments:

1.) The point that countries start liberalization (is it the same as integration?) from a weak initial position is important. Can it be documented? What happened in the big wave of the IXXth Century? It's nice to start the chapter with a summary of the position; but then, one must have clear positions and state them very briefly.

2.) The fact that booms in domestic credit precede booms in foreign inflows is critical. Better documentation would be good; it is there in Kaminsky-Reinhart and also

on Phil Brock's recent work on Chile. It is also crucial to establish the link that credit booms tend to cause self-inflicted damage as they tend to raise the value of collateral (assets) beyond its economic worth. Some would argue that this is possible only when there's a guarantor; i.e., some sort of public guarantee that reduces the risk of lending and fuels the optimistic expectations about the future. Note that this link with credit (implicitly an increase in the multiplier) is not discussed in Chapter 4.

3.) What Figure 3.2B tries to show is great. But does it show it? And Figure 3.4A repeats Figure should be moved to Chapter 4 as a better way of showing that capital inflows were not fully absorbed by expanding CA deficits. Also there's the overlap with Figures 3.3A&B, but in this case Chapter 4 is better since it's based on a bigger sample.

4.) The discussion on underinvestment and excess consumption is fascinating as are figures 3.4A&B. The problem is: can we believe simple deviations from a linear fit? If the country conditions matter, what would country-specific investment and consumption functions say? Even a simple consultation with one of the large models that are build on country-specific sub-models (e.g.: LINK) would be interesting.

5.) Is Figure 3.5 a demonstration of overheating (excessive aggregate spending) or, more specifically, of collapses in asset prices following credit booms? The discussion on pp 17-18 could be better integrated with these wealth effects.

6.) Country experiences (pp 19-22); could be summarized and made more synthetic--more closely linked to the lessons. And it would be good if the lessons could draw on the full sample rather than on Chile alone.

7.) P 24 speaks of "avoiding the difficulties that today affect Argentina, Brazil, or Mexico." What are the difficulties?

8.) Golden rules, etc. The discussion on pp 31-38 is undermined by what follows, when the world is less than ideal. Can you merge them--or at least give more emphasis to the latter which is clearly the more interesting case?

9.) Real interest rates (p 32). The assumption that integration reduces real rates overlooks two things; (a) that, as you recognize, many countries are "open" even under rather severe macro imbalance where interest rate policy may be used as the monetary (nominal) anchor (e.g., Brazil); (b) that, as discussed in Chapter 4, central banks may pursue sterilization, effectively.

10.) Incentive structure (pp 35-38 and 41-43). I missed three basic things: (a) Bankers should clearly have capital at risk; this means clear limits on liability insurance which, increasingly, has been the Achilles heel of regulatory reform; (b) Others should know; i.e., effective disclosure of the bank's financial position is an effective deterrent to mismanagement; (c) There are no good public banks. Moreover, the presence of interlocking corporate interests tends to be the rule rather than the exception; a reflection of the concentration of wealth. Can the incentives ever be right here? How? Would it make sense to limit access to the interbank market for public banks (as is done for failing banks)?

OFFICE MEMORANDUM

DATE: August 13, 1996
TO: Mr. Tariq Husain, Manager, LLC
FROM: Michael Bruno, Senior Vice President, DEC MB
EXTENSION: 33774
SUBJECT: **External Development Program**

1. Attached is a list of DEC nominees for the External Development Program excluding the Executive Development program (for which candidates are being considered separately).
2. When these programs were discussed by DEC's senior managers, it was pointed out that, because of the nature of their work, DEC's researchers would be less likely to be nominated for these kinds of programs than other staff. A better use of DEC's "share" of the EDP funds might be to bring into DEC eminent figures in the development economics business for extended periods of, say, up to three months to work on a specific topic and to conduct seminars and workshops for DEC and other Bank staff. This would be an economical way to reach a wide group of Bank staff.
3. Also, as you may know, PRD funded a "visiting fellows" program for some years, in which Operations staff were invited to join PRD for six months or so to conduct research into topics of their choice in an environment which was free from the day-to-day business of an operating unit. With the budget constraints of recent years, however, this program has had to be discontinued. A resurrected "visiting fellows" program in DEC for Operations staff might be another very worthwhile use of EDP funds.
4. I would be interested in your comments on the above suggestions. I would also appreciate your advice as to the process for reviewing the nominations in the attached list.

Attachment

cc: Messrs./Ms. Ahmed, Baird, Davis, Ingram, Squire, Thomas, Avis,
Birara, Cuadra



Record Removal Notice

File Title Michael Bruno - Internal Chronological - June to December 1996		Barcode No. 30486498		
Document Date 08/13/1996	Document Type Report			
Correspondents / Participants To: Tariq Husain, Manager LLC From: Michael Bruno, Senior VP DEC				
Subject / Title External Development Program				
Exception(s) Personal Information				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by Salma Berrada</td><td>Date April 29, 2025</td></tr></table>	Withdrawn by Salma Berrada	Date April 29, 2025
Withdrawn by Salma Berrada	Date April 29, 2025			

The World Bank
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Senior Vice President
and Chief Economist

Ms. Dorothy Berry
HRSVP

August 14, 1996

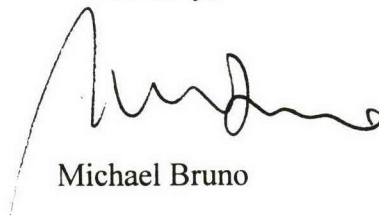
Dorothy:

As I mentioned in my letter of July 18, 1996, I would like to move forward with the establishment of a Professional Association for Economists (EPA). To that end, I am proposing that:

- i) The existing members of the Economists Staffing Group (responsible for recruitment) and the Economist Review Panel (responsible for promotion) be asked to form a task force under the chairmanship of Lyn Squire. The existing members of the two bodies are listed in Annex I.
- ii) The task force be mandated to produce a proposal covering both the governance and the responsibilities of the EPA by September 15. More detailed Terms of Reference are provided in Annex II.
- iii) The EPA be formally announced during Economists Week II (October 30 - November 1), at which time the Staffing Group and the Review Panel would be disbanded.

I would appreciate your advice on how this fits with your thinking on the future of the panels in general and what in particular we will do for those staff who have been submitted for clearance this year. I would also welcome your advice on how to ensure that the EPA complements and strengthens the work of the networks.

Sincerely,



Michael Bruno

cc. Mmes./Messrs: Kaji, Koch-Weser; Burki, Cheetham, Dervis, Linn, Madavo, Sarbib, Wood; Choksi, Rischard, Serageldin; Kanbur, McCleary, Page, Perry, Selowsky, Walton; Husain, Salop, Sood, Waterston; Ahmed, Baird, Thomas

Annex 1: Task Force Members

Economists Staffing Group

Chair: Lyn Squire

Secretary: Cyrus Talati

Members: Gerard Caprio, Tariq Husain, Charles Humphreys, Ravi Kanbur, Danny Leipziger, William McCleary, Oey Meesook, Pradeep Mitra, Manon Muller, Guillermo Perry, Martin Ravallion, Joanne Salop, Vinod Thomas, Gene Tidrick, Ulrich Thumm, John Underwood, Christine Wallich

Economists Review Panel

Subpanels:	<i><u>Sector</u></i> <i><u>Economists</u></i>	<i><u>Research</u></i> <i><u>Economists</u></i>	<i><u>Country</u></i> <i><u>Economists</u></i>
Subchairs:	Mieko Nishimizu	Marcelo Selowsky	Lyn Squire
Secretary:	Patricia O'Neil		
Members:	John Page	Guillermo Perry	Christine Walich
	N. Okonjo-Iweala		Joanne Salop
	Ishrat Husain		Michael Walton
			Mark Baird
			Ravi Kanbur

Annex II: Terms of Reference

Objective. The Task Force will produce a proposal for the establishment of an Economists Professional Association (EPA) by September 15, 1996. In preparing the proposal, the Task Force will keep in mind that the defining characteristic of the EPA is that it deals with issues that are *discipline-specific* and *cut across all networks*. The Task Force will also keep in mind the need to dovetail the functions and responsibilities of the EPA with those of the networks.

EPA Governance. The Task Force will make recommendations regarding the governance of the EPA in two areas:

- ◆ Executive committee. While the World Bank's Chief Economist will be the head of the EPA, an executive committee will be needed to manage the association. The Task Force will define the responsibilities, membership, and operating procedures of the executive committee.
- ◆ Membership. While all World Bank economists will be eligible to join the EPA, the Task Force will be expected to define criteria for initial membership and for periodic renewal of membership.

EPA Responsibilities. The Task Force will make recommendations regarding the responsibilities of the EPA in at least the following three areas and in others as required:

- ◆ Training. One of the concerns that has led to the need for networks and associations is the widespread view that skills of economists and other technical staff tend to erode over time in the Bank. Most of the product-related or issue-related needs for training will be identified through the networks but in some cases the need may best be identified by a professional body. This will be so whenever the training is discipline-specific and cuts across networks. The Task Force will be expected to define the role of the EPA in the provision of training in consultation with the LLC.
- ◆ Standards. Most professional standards will be established by the networks. But, as with training, some standards should be established for all networks. An obvious example is the economic analysis of projects. The Task Force will be expected to identify those standards that would be the responsibility of the EPA and propose procedures for how the setting of standards by the EPA would be coordinated with other bodies such as the Quality Assurance Group.
- ◆ Skill-mix. To ensure that technical standards are maintained at the time of recruitment and promotion, clearance procedures should be put in place for all economist positions. Some mechanism also needs to be established for assessing strengths and weaknesses in the current skill-mix of economists and for correcting deficiencies. In consultation with HRSVP the Task Force will be expected to define the role of the EPA in clearing staff and in monitoring the skill-mix.

The World Bank
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August 14, 1996

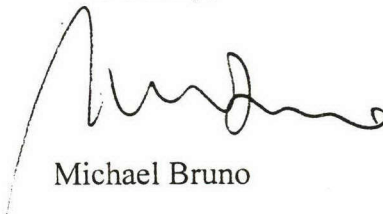
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Michael Bruno

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Economists Review Panel

Subpanels:	<i>Sector</i> <u>Economists</u>	<i>Research</i> <u>Economists</u>	<i>Country</i> <u>Economists</u>
Subchairs:	Mieko Nishimizu	Marcelo Selowsky	Lyn Squire
Secretary:	Patricia O'Neil		
Members:	John Page	Guillermo Perry	Christine Walich
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			Ravi Kanbur

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- ◆ Skill-mix. To ensure that technical standards are maintained at the time of recruitment and promotion, clearance procedures should be put in place for all economist positions. Some mechanism also needs to be established for assessing strengths and weaknesses in the current skill-mix of economists and for correcting deficiencies. In consultation with HRSVP the Task Force will be expected to define the role of the EPA in clearing staff and in monitoring the skill-mix.

OFFICE MEMORANDUM

DATE: August 13, 1996

TO: Regional Chief Economists and Country Directors

FROM: Michael P. Bruno, DECVP; ^{MB}Brian V. Wilson, FPIVP

EXTENSION: 33774, 87307

SUBJECT: **Revised Unified Survey Procedures**

The regional and the central vice-presidencies have a long established partnership in the collection and dissemination of information about our member countries. Data on the social and macroeconomic conditions of Bank borrowers are essential for planning and evaluating Bank operations, underlie FPI's work on creditworthiness and risk assessment, and are an important part of the Bank's external publications program (for example WDI, At A Glance tables, World Debt Tables, etc.) The principal mechanism for gathering quantitative information on borrowing countries has been the Unified Survey conducted by DEC for more than 10 years in collaboration with Operations and FPI. In recent years reduced attention has been directed towards the Unified Survey, adversely affecting its coverage and quality.

In preparation for this year's Unified Survey, we have undertaken a review of the procedures and timetable that were used last year in an attempt to reverse this trend. This review has involved interviews with a sample of country economists and a critical examination of the processing, review, and use of Unified Survey data in the Central VP units (including FPI and DEC). As a result of this review, we are proposing a number of changes this year that should make the process run more smoothly and improve the feedback between the Center and the Regions. In particular, we hope that the new approach will lower the compliance costs to the Regions, and increase the quality and scope of services you receive in return.

These changes will include:

1. **New Phasing** The collection and updating of historical data will be carried out during August-September, while the projections exercise will be carried out, as usual, during October-November. Breaking the survey into phases will allow the updated historical data to be incorporated into the At-a-Glance tables which the country departments will be preparing for the Annual Meetings. Any revisions you may wish to make to historical data after September can still be entered during the projections phase.

2. **Feedback to the Regions** Interviewees suggested that country economists value the feedback received and perspective provided by the Central departments. But they also noted that fewer resources appear to have been directed towards this task in the previous year. In an effort to raise the profile and utility of the Unified Survey exercise, we intend to:
 - Launch the Unified Survey exercise with a review of world economic conditions and consensus forecasts, regional outlooks, and risk and creditworthiness considerations;
 - Provide timely feedback on regional and individual country projections;
 - Return to the regions with a product and/or presentation that provides a regional or worldwide summary of the survey results.
3. **Country Performance Assessments** The Country Performance Assessment Exercise (just completed for IBRD borrowers and IDA recipients) uses a mix of quantitative benchmarks and general criteria. The reliance on quantitative benchmarks is likely to increase over time, especially for the macroeconomic performance categories. To the extent possible, we will use the Unified Survey data as a starting point for the next Assessment. This should streamline the ratings process and increase the inter-country comparability of the country ratings.
4. **Survey Format** Processing difficulties and inconsistencies, arising from the multiplicity of reporting formats in use, delay the survey and prevent timely feedback to the Regions. To enhance data handling and improve turnaround, we will require that all Unified Survey submissions this year use a standardized spreadsheet "shell" that will be provided by IEC. (Country economists can continue to use their country-specific models, but the Unified Survey submission should be generated with the standard reporting shell.) While adopting the standard shell may require some additional effort for a few countries, this change will eliminate a significant source of data error. To facilitate transition to this shell, increased training and technical support to the Regions will be available as needed.
5. **Country Coverage** It is important to have Unified Survey projections that are based on the "most likely scenario" at the same point in time for as many countries as possible. Therefore, all major Bank borrowers will be asked to submit projections as part of the survey this year. Where countries have recently prepared a CAS and have suitable projections in hand, the CAS projections may

be submitted for the Unified Survey. Similarly, Unified Survey projections may be used for forthcoming CASs. Because the full set of projections is required for many of the key tasks carried out by central departments (e.g. creditworthiness and country performance assessment and CAS reviews), some of last year's "B" countries (required to provide only summary tables) will be asked to submit full ("A" country) projections. However, our interviews with country economists suggest that most "B" submissions are based on a complete modeling framework, so that there should be no increase in workload. As in previous years, all projections should be accompanied by a brief statement of the underlying policy framework and external conditions on which the projections are based.

The changes in the Unified Survey outlined above represent an effort to improve the processes underlying this important task. We welcome your comments and suggestions. Other long-term issues must be dealt with as well, including efforts to enhance collaboration and cooperation with ongoing IMF data initiatives and proposals to rely more on external sources. You can anticipate that we will be seeking your inputs in these and other areas as we move ahead.

The Unified Survey launching memo will be sent to you in late September. It will contain the detailed timetable for the survey, a list of the 'A' and 'B' countries, and additional information on the common assumptions for the projection period.

cc: Messrs./Mmes. J. Salop (EXC), J. Shilling (OPRDR), M. Baird (DECVP), M. Ahmed (IECDR), J. Wilton (FPICR), L. Squire (PRDDR), S. Badiee (IECDD), IEC DMT

The World Bank
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Senior Vice President
and Chief Economist

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APR 29 2025

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Mr. Stanley Fischer

August 5, 1996

The Mexican Crisis

Stan,

Please find attached a numbered copy of our internal review of "The Mexican Crisis: Lessons for the World Bank". I would welcome your comments from the Fund perspective (if possible, by c.o.b. August 16). However, please note that this report is strictly confidential and should not be copied or distributed widely. Also note that it has not yet been reviewed by the Bank's Senior Management or the Mexican authorities.

We are now starting some follow-up work on the Bank's role in crisis situations. Mark Baird will be in touch with Jack Boorman's staff to get Fund input, especially on ways to strengthen Bank-Fund collaboration.


Michael Bruno

Attachment

COPY NO.

11

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WBG ARCHIVES

**THE MEXICAN CRISIS:
LESSONS FOR THE WORLD BANK**

June 24, 1996

The World Bank
Office of the Senior Vice President
Development Economics

OFFICE MEMORANDUM

Chron

DATE: July 31, 1996

TO: Michael Bruno

FROM: Gregory Ingram, Administrator, RAD
Moshe Syrquin, Editor, *WBER* and *WBRO* MS

EXTENSION: 31052 and 31056

SUBJECT: **New External Editorial Board Members for *The World Bank Economic Review***

We would like to propose Professors Gerry K. Helleiner (University of Toronto), Francois Bourguignon (DELTA, France), and Willem H. Buiter (University of Cambridge) as new external members of the *World Bank Economic Review* Editorial Board.

We would be grateful if you could give your approval by initialling below.

Approved: _____

Michael Bruno

Date: _____

August 5, 1996

MICHAEL BRUNO
Senior Vice President
and Chief Economist

KO - CTV
(handcarried
to Sandstrom
7/31/96)

Mr. Sven Sandstrom

July 24, 1996

DEC Compact

Sven,

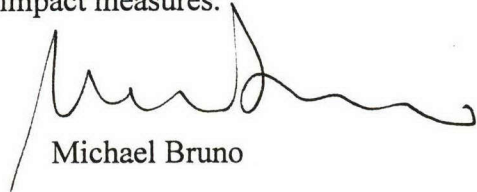
Attached is DEC's draft Compact for FY97. In it we have identified the key outcomes that will take us towards our vision, the deliverables that will help us move towards achieving those outcomes, and some preliminary and still tentative ways in which we can measure our impact.

While I believe that this draft Compact accurately reflects DEC's FY97 goals, given the time allowed for this exercise we have not yet thought through fully the impact measures that we're proposing. This draft should not, therefore, be taken as our final product.

You will note that many of our suggested impact measures rely on feedback from client surveys and independent panels. In a research, service, and learning organization such as DEC, we will have to rely on these kinds of qualitative measures to determine if we are having the impact we are aiming for. Undoubtedly other units in the Bank will also be using these kinds of feedback mechanisms to evaluate their services—the CVPs (networks) for their services to Operations, and the Regions for their economic and sector work, for example. We should therefore be looking for institutional approaches to these kinds of feedback mechanisms, rather than moving forward with large numbers of uncoordinated, independent efforts which would risk inundating our clients.

There is also the question of cost. Although we have yet to cost the impact measures being proposed in the attached draft, they undoubtedly imply a considerable investment which is likely to be out of DEC's range in the current constrained budget environment. Their funding should also be considered from an institutional viewpoint.

I look forward to hearing your views on the attached, and on my proposal for a coordinated institutional approach to the design and funding of impact measures.



Michael Bruno

cc: Messrs. Ahmed, Baird, Chhibber, Ingram, Squire, Thomas, Vieira da Cunha, Ms. Davis

DEVELOPMENT ECONOMICS FY97 COMPACT

VISION

The Bank is viewed as an intellectual leader in the development debate; its operational products are of a consistently high quality; and the exchange of development experience is facilitated by effective and expanded development learning.

STRATEGY

- * Focus DEC's research activities on specific work programs related to key development issues. Continue to develop networks with policy-makers, academics, and others to obtain feedback on the quality and relevance of research. Move to more systematic instruments to measure the quality and impact of DEC's work.
- * Move away from pure quality control in review work to identifying and disseminating best practices in CASSs, PFPs, ESW and adjustment operations. Increase ex-post evaluations of ESW and country programs; identify and disseminate the implications for Bank policies and operations of major research activities, and disseminate policy guidance identified through DEC's review activities.
- * Expand and deepen development learning by expanding EDI's core learning programs and technology-based outreach, including joint training for Bank and borrower staff; by establishing partnerships to leverage DEC's research work and to learn from others; and by designing and delivering training courses for Bank staff, based on DEC's research findings.

<i>DESIRED OUTCOMES</i>	<i>FY97 DELIVERABLES</i>	<i>IMPACT MEASURES</i>
<i>INTELLECTUAL LEADERSHIP</i> <i>Reaching Policy-Makers</i> Key issues selected by DEC address pressing unanswered questions important to development, and contribute to the public policy debate on development. DEC and DEC products are part of the debate; managers and staff are invited to discuss research findings with policy-makers	DEC's work program over the next three years will focus on seven key issues: poverty, growth, and the environment; politics and institutions; the role of the state; managing global integration; aid effectiveness; economic growth in Africa; and the financial sector, with the following FY97 deliverables/benchmarks: * <i>Aid effectiveness</i>: workshop to review initial 6-8 papers on the issue. * <i>Poverty, growth, and the environment</i>: workshop with the Advisory Committee to discuss initial drafts of 8-10 papers being completed during FY97 under the project "Social and Environmental Consequences of Growth-Oriented Policies". * <i>Economic growth in Africa</i>: work program for a multi-year initiative developed jointly with the Africa Region. * <i>Politics and institutions</i>: papers analyzing the effect of political institutions on policy outcomes and how bureaucratic structures affect economic performance. * <i>Financial Sector</i>: Major paper on "Term Finance". * <i>Global integration</i>: Major paper on Private Capital Flows and the annual Global Economic Prospects paper (GEP). * <i>Role of the State</i>: WDR 1997 on The Role of the State.	Influential intellectual leaders and policy-makers will review the impact of major DEC outputs every three years to five years. Feedback from the Council of External Advisers (DEC Friends) twice a year.
<i>Influencing the Policy Debate Outside the Bank</i> The Bank's research is of a recognized high quality and contributes to policy reform in developing countries. Other aid organizations use the Bank's research to underpin their lending and advice to developing countries.	DEC's research is cited in influential journals, used as references in major universities, and presented in conferences.	An annual review of influential publications and refereed journals will be undertaken, supplemented by periodic citation analyses commissioned by RAD.

DESIRED OUTCOMES	FY97 DELIVERABLES	IMPACT MEASURES
Influencing Bank Operations DEC cross support is increasingly complementary to research output, and leads to quicker and more effective dissemination of research findings, leading to improved quality of ESW and country programs.	Cross support for Africa and South Asia will focus on a few key countries and issues identified by the Regions; however, DEC will also remain responsive to <i>ad hoc</i> requests.	Following each cross support activity, we will ask clients to fill out a questionnaire including a rating system to be maintained in a database.
Improved design of projects involving social and economic experiments, and improved impact evaluation.	Preparation of baseline studies for the research project on "The Impact Evaluation of Education Decentralization Projects at the World Bank".	
IMPROVING THE BANK'S OPERATIONAL PRODUCTS An effectively functioning Country Policy Network Anchor within DEC will contribute to the following outcomes:	The definition of the role and agenda of the Country Policy Network Anchor by September 1996, with subsequent launching by end 1996.	
Institutional Priorities Demand-driven country strategies adequately reflect the Bank's institutional priorities and the contribution of the Bank to capacity and consensus-building.	The completion of CASs for two low-income countries in South Asia and Sub-Saharan Africa, highlighting a poverty-oriented strategy. A study on how to improve the integration of environmental concerns into the CAS, and its dissemination to regional staff. A focus on 5-10 countries to improve the treatment in CASs of the external environment and their vulnerability to external shocks.	Periodic assessment by DEC staff of DEC's impact on CASs every 2-3 years, to be reviewed by outsiders (OPN, OED) to assure our objectives.
Cross Fertilization and Quality Enhancement Lessons from the Bank's activities and information across countries and Regions are effectively disseminated to Bank staff., and lead to improvements in the design of individual operations and country assistance strategies.	The commissioning of DEC inputs to QAG-managed review work. The production, by end-FY97, of a catalogue of best practice for CASs. Notes on the operational implications of research work will accompany DEC's three major reports to be produced in FY97: the WDR, Private Capital Flows, and AIDS and Development. The dissemination of research findings and policy of cross-country comparable data through DECNotes, the Intranet, Economists' Week, institutional systems such as OIS, and data products such as WDI and AAGs.	Feedback from EXC. Periodic surveys of operational staff on the accessibility and usefulness of DEC's research findings and policy guidance. This could be done through a question in the ARPP.
Professional Excellence The Bank maintains and deepens the skills and professional expertise of its staff.	The provision of training courses for Bank staff on trade policy reform, country macroeconomic analysis, debt issues, public expenditure analysis, project appraisal, the economics of poverty, LSMS, and the political economy of the environment. The second annual Economists' Week in November 1996. EDI courses open to staff include: pension reform flagship course; institutional questions and options in water supply; girls' education.	Evaluation of courses by LLC, with periodic reports rating DEC courses relative to others in the Bank.
Other Services DEC's data, projections, and analysis of the global economy help countries in their move towards integration into the global economy, and provide a solid basis for Bank staff advice to member countries.	IEC's regular outputs, including GEP, World Debt Tables, World Development Indicators, Trends in Developing Economies, At-A-Glance Tables. PRD support for implementing household survey applications in the Regions.	Surveys of policy-makers in developing countries and operational staff.

<i>DESIRED OUTCOMES</i>	<i>FY97 DELIVERABLES</i>	<i>IMPACT MEASURES</i>
<i>Other Services</i> Developing countries are able to manage and analyze their own debt and environmental data, and their national accounts.	Technical assistance projects in developing countries: Eastern and Southern Africa Initiative in Debt and Reserve Management (ESAIDRM) and debt management and financial analysis in the FSU/Eastern Europe and the development of an audit mechanism to evaluate the results of these projects. Availability of cross-country comparable data, especially in connection with institutional systems.	Audit reports on completed technical assistance projects.
<i>DEVELOPMENT LEARNING AND DISSEMINATION</i> DEC research findings reach a wide audience of policy-makers, contributing to a broader participation in and understanding of the policy debate.	EDI and DEC departments establish regular work program review meetings and agree on topics for collaboration.	The extent of the use of DEC research in EDI programs.
The capacity of research and training institutes in developing countries is expanded and sustained.	DEC research grants to qualified partner institutions. EDI agreements with new partners. EDI technical support for partner capacity-building.	The quality of research produced, as measured by peer review. The quality of EDI services delivered through new partnerships, as measured by independent evaluations.
Improved Bank-Fund relationship leads to the avoidance of overlapping and/or conflicting work program activities.	A second workshop for Bank managers on Fund programs in FY97.	The extent to which the goals and priorities of both institutions are reflected in each others' programs, as assessed periodically by DECVP, its counterpart unit in the IMF, and an independent panel.
Improved design of Bank operations from the dissemination of research findings to Bank staff.	A comprehensive program of training courses for Bank staff.	A survey of training participants to be conducted in conjunction with each course.
Closer integration of EDI programs with regional operations.	Integrated EDI/regional work programs; learning in the CAS of six countries; EDI support for the project cycle in six countries.	Joint EDI/Operations annual review of program effectiveness..
Avoidance of policy mistakes and spread of good policy practice.	EDI policy education programs, both face-to-face and at a distance.	Impact evaluations of selected EDI policy education programs.
Improved borrower use of resources.	EDI skills training course linked with country strategies.	Improved project implementation as measured by the ARPP.
A more informed public debate on economic and sector policies helps sustain reforms.	EDI broadcast television. EDI civic education programs in Africa and FSU. EDI training for journalists.	Evaluation of programs.
DEC's research findings and policy guidance are readily accessible to policy-makers, intellectual leaders, academics, and Bank staff.	DEC's communications strategy, including: * continuing development of DEC's website; * Economists' Week in November 1996; * dissemination activities at the Annual Meetings * intellectual links with Japan.	

INDICATORS

<i>Efficiency</i>	<i>FY95</i>	<i>FY96 Plan</i>	<i>FY96 Act.</i>	<i>Quality</i>	<i>FY95</i>	<i>FY96 Plan</i>	<i>FY96 Act.</i>	<i>Financial/Outputs</i>	<i>FY95</i>	<i>FY96 Plan</i>	<i>FY96 Act.</i>
Staff/year unit costs to deliver work program Proportion of budget spent on overheads Costs of regular major outputs, including WDR, GEP, WDT, WBAtlas, TIDE				Citation analysis results Evaluation of country economists Research reviews Number of papers published in refereed journals and book manuscripts Number of research projects approved for RSB funding Ex-post ratings of RSB projects				Number of PRRs Cofinancing generated - EDI - Other Cross support volume Number of training courses delivered Number of Bank staff trained Revenue from publications and non-lending services; Speeches to outside audiences Number of EDI participants			

Learning, Innovation, and Change

- * DEC's role as anchor of the Country Policy Network.
- * New free-standing totally redesigned World Development Indicators (WDI along with a redesigned CD-ROM) to consolidate the Bank's statistical products and to replace the World Tables and Social Indicators of Development (SID).
- * Increasing and innovative use of technology in disseminating DEC's work and supporting EDI activities.
- * Contributions, through research and impact evaluation techniques, to the social and economic experiments being undertaken through projects.
- * Comprehensive support to the Regions on CASs, including working with the Regions on CASs for low-income countries to ensure coherence and poverty orientation; incorporating learning into strategies to complement lending and non-lending activities; and providing customized analyses of debt sustainability, prospects, etc..

Unit Budget

	<i>FY96 Actual</i>	<i>FY97 Plan</i>	<i>FY98 Plan</i>	<i>FY99 Plan</i>
DEC (excluding EDI) Total Unit-Managed Resources (\$m)	49.30	44.70	45.40	46.40
Of which: Regular Program	47.00	43.40	44.80	45.80
Reimbursable Program	0.03	0.01	0.00	0.00
Bank-Executed Trust Fund Principal	2.30	1.30	0.60	0.60
Memo: Cross Support (not included above)	5.80	4.40	5.50	5.60
EDI Total Unit-Managed Resources (\$m)	53.40	63.40	82.20	88.00
Of which: Regular Program	28.40	38.60	52.20	58.00
Reimbursable Program	0.80	0.80	1.00	1.00
Bank-Executed Trust Fund Principal	23.50	24.00	29.00	29.00
Memo: Cross Support (not included above)	0.70	0.40	0.80	1.00

2759

THE WORLD BANK GROUP

ROUTING SLIP		DATE: July 30, 1996	
NAME		ROOM. NO.	
Ms. Kate Oram		N-6045	
<i>Mr. Bruno For Sig. 7/31</i>		96 JUL 30 PM 5:17	
		RECEIVED DEVELOPMENT ECONOMICS VP & CHIEF ECONOMIST	
☐	URGENT	☐	PER YOUR REQUEST
☐	FOR COMMENT	☐	PER OUR CONVERSATION
☐	FOR ACTION	☐	NOTE AND FILE
☐	FOR APPROVAL/CLEARANCE	☐	FOR INFORMATION
☒	FOR SIGNATURE	☐	PREPARE REPLY
☐	NOTE AND CIRCULATE	☐	NOTE AND RETURN
☐		☐	
RE: REPUBLIC OF TAJIKISTAN: Agricultural Recovery and Social Protection Credit - Recommendation for Statutory Committee			
REMARKS:			
Dear Kate: Kindly have the enclosed document signed by Mr. Michael Bruno, or the Acting Senior Vice President, Development Economics and Chief Economist, and return the same to me immediately <u>via special messenger</u>. Please give me a call if you have any question. Many thanks...			
FROM Brenda Morata		ROOM NO. MC6-432	EXTENSION 81867

7/31/96 Returned by Special Del.

DECLASSIFIED

THE WORLD BANK GROUP
PROMPT DELIVERY SLIP
 (FOR OFFICIAL USE ONLY)

MAY 27 2025

TE - Delivery will be within two hours unless otherwise specified. Coordinate prompt deliveries to coincide with regular messenger pick-up. Misuse of this service for personal purposes is against Bank policy.		WBG ARCHIVES MESSAGE REQUESTED	
		Date	Time
To	Mrs. Kate Oram	Room No.	N-6045
From	Frederic Morata	Room No.	MC6-432
Contents/Remarks			

Instructions

Recipient - Sign/date white copy and return to delivery messenger. Keep yellow copy for your records.
 Messenger - Return signed receipt to Messenger Center, F1-142

☐ No recipient present at time of delivery; item left in room no. _____

Pick-up Messenger's Signature	PICK-UP	
	Date	Time
Delivery Messenger's Signature	DELIVERY	
	Date	Time
Recipient's Signature	RECEIPT	
	Date	Time

The World Bank
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Vice President Development Economics
and Chief Economist

Chon
(See Personnel file)

To: Masood Ahmed
Mark Baird
Lyn Squire
Vinod Thomas

Masood, Mark, Lyn, Vinod:

Nomination for Award for Excellence

The card that is attached confirms that all four of you were nominated for an Award for Excellence as a management team. I understand that the winners of the Awards for Excellence will be announced next week.

Michael Bruno

The World Bank
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Senior Vice President
and Chief Economist

July 24, 1996

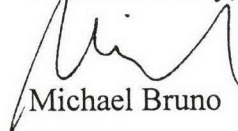
Dear Xiaobing,

There is no special reason for my writing after such a long break except that I note that Netta and I never thanked you for the nice pictures that you sent us. I like particularly the one where the two of us had to jump across the fateful entrance bridge. More generally, we carry fond memories of our trip with you.

Hope life has been treating you well in the meantime and that we get a chance to meet again in the not too distant future. I have extended my stay at the Bank for another three months and will now only be leaving to return to Jerusalem on December 1. Hope we can meet either here or there or, maybe, in China again.

All the best and warm regards from Netta.

Yours sincerely,



Michael Bruno

Ms. Zhou Xiaobing
The World Bank Resident Mission
Beijing, CHINA



The World Bank
Resident Mission in China

世界银行驻中国代表处

May 23, 1996

Dear Netta and Mr. Bruno :

It was an unforgettable experience to work and travel with you. I also appreciate very much the kindness of Mr. Bruno for inviting me to a dinner.

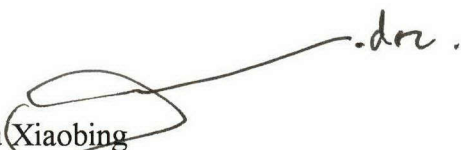
It is a pity that I did not meet Netta in Washington. Let us hope we can meet each other again in the future. You may as well let me know your telephone No. in Jerusalem.

Thank you Netta for the photos you sent to me. Here are some photos I took during our trip in China. I am not a good photographer though.

Wishing you all the best,

Sincerely yours

Xiaobing


Ms Zhou Xiaobing
The World Bank Resident Mission
Beijing, CHINA

Dear Xiaobing,

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Yours sincerely

Michael Bruno

MB mms

The World Bank
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Senior Vice President
and Chief Economist

Mr. Michael Cernea

July 24, 1996

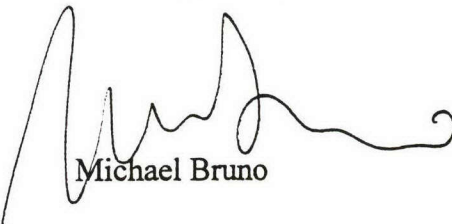
"The Linkage Between Bank Economic and Sociological Work:
Conceptual and Operational Issues"

Michael,

Attached is a revised transcript of my remarks at the workshop for Sociologists held on May 3 to which you kindly invited me.

Please accept my apologies for the delay.

Sincerely,



Michael Bruno

cc: Messrs. Van Wicklin, Ahmed, Baird (o/r), Chhibber, Ingram, Lateef, Squire,
Thomas, Vieira da Cunha

MICHAEL BRUNO, SENIOR VICE PRESIDENT AND CHIEF ECONOMIST
ADDRESS TO THE BANK SOCIOLOGICAL GROUP

***"THE LINKAGE BETWEEN BANK ECONOMIC AND SOCIOLOGICAL WORK:
CONCEPTUAL AND OPERATIONAL ISSUES"***

May 3, 1996

Thank you for inviting me to address you as a group. We have many issues to discuss and I would like to make eight loosely connected points.

1. Let me begin by saying what should be clear to you; development has to do with social outcomes which include but extend beyond economic calculus. Moreover, there is no single "economic calculus." Economic behavior is socially conditioned or, as we are apt to say, it responds to incentives and to the set of institutions that support transactions in and out of markets. I will not argue that economists deal with economics and sociologists with society. I am an economist and, therefore, by definition, a social scientist. It is useful and sometimes necessary to consider each discipline separately. But we work in the same context. Economics seeks to explain individual and social behavior and my interest in it is, in particular, about explanations which can be linked to policy thus to purposeful action toward given economic and social goals.

2. When we talk about development we are concerned with individual and social welfare. Welfare can be associated with economic outcomes (like income) or it can be associated more broadly with the quality of life (measured by such indicators as health, education, and the like). The production and distribution of goods and services that provide individual and social welfare is a central concern of economics. Production leads to specialization and is therefore a social process; its distribution is by definition a social outcome. Moreover, economic policy as an activity is the exercise of collective choice and collective action. Thus, from all angles, economics is and cannot be but a social science.

For the benefit of those of you who have not read a text on welfare economics recently, let me assure you that we continue to consume years and thousands of pages trying to define what social welfare is; we continue to search for measures of social welfare based on adding up individual preferences. Adding-up involves rules and rules reflect preferences, values and means of resolving conflict. Rules are not neutral—and yet the distinction

between individual wants and social needs is central to the problems we deal with. Economists insist further that needs can be ranked (by, for example, contrasting them with other needs, or with their opportunity cost) and thus be spelled out in terms of supply and demand. The construct rests on an ambiguous base and that is a weakness. But it's a weakness not only of economics. It cuts across all the social sciences.

Social outcomes have to do with the organization of production in households, the definition of the family and its responsibilities, the internal structures of firms, the institutions which affect these activities, the laws which govern (or attempt to govern) their behavior and, of course, political forces and events. Does development policy affect these outcomes? It definitely does. But can you transfer economic models from the outside to change these structures? Certainly it can be done by force and destruction, as the history of conquests and occupations show. Can it happen without force? Yes, to the extent that the family, community or nation trades with the outside, and some of these changes may also have negative social consequences. But can desirable social outcomes be affected unilaterally from the outside? Most likely not. Voluntary change is easiest from within—and it is also more effective when the desire for change is shared. We can try to help through learning and through dialogue, and we can help by supporting the (hopefully good) things that policy-makers want to do. I think we would all agree that we can only help those who want to help themselves.

3. If a picture can be seen from different perspectives does that mean that we should look at it from different angles? Are inter-disciplinary teams best? There used to be a saying in my youth "that the best interdisciplinary work goes on within the confines of one head." This is ideal but perhaps unrealistic. Unaccompanied, a single analyst may miss much of the learning already available. People steeped in different disciplines will see the same problem from different perspectives. The redundancy will help identify the core and the key qualifications. An explanation that is equally solid when seen from different views is generally a superior explanation. On the other hand, an argument that is built from bits and pieces may fail to have consistency. The tension between richness of detail and clearness of structure is present in all explanations. It must be resolved on a case-by-case basis; it is difficult to apply general rules.

The great insights in any field have been produced by the lone thinker who can synthesize a vast amount of knowledge into a powerful general explanation. Yet, increasingly, and

especially in dealing with the empirical reality, there is evidence that the new insights are coming from a more partitioned approach to knowledge, from work done by inter-disciplinary groups focusing singly on a problem. The issue here is developing a common language, without which misunderstandings will make the work cumbersome and ineffective. Without a common language it is hard to do work as a team.

4. Good economists overstep the boundaries of their training. This is especially the case in development economics. We read and discuss works in several disciplines. Does it work the other way? It seems so; consider, for example, the application of rational choice theory in political science; or the use of methods of econometrics in applied field work in anthropology. But do you who are not economists read economics and try to co-opt its insights into your discipline? It is a question I want to ask. It is not that I believe that that economic facts per se are crucial. But there are ways of thinking in economics that are generally useful.

I will single out two concepts. First, the concept of trade-off. What is the trade-off between two options? What's the cost of doing one thing in terms of another? There is no way of dealing with either economic or social matters without having a clear concept of what you give up when you choose one of several alternatives. Resources are limited. It's a basic notion of economics that all social scientists should use, and use well, in our thinking. Another significant economic concept is closer to politics and social behavior; namely, the importance of incentives in explaining the behavior of individuals and organizations. Understanding so-called "human nature" is as much a task of economics as it is for the other social sciences. Arguably, the main contribution of economists to this effort has been to develop tools that make this analysis, within limits, rigorous, measurable and replicable, hence predictable.

5. Economic thinking has opened up to new interests, many of them outside the traditional scope of the neoclassical paradigm which dominated economic theory in the 1950s and 1960s. The role of political factors is being measured and folded into our theoretical explanations. Institutions have become central to our thinking; they are part of our "best-practice" analysis. Dealing with institutions, once considered "soft science," now has the pride of place. This is change and change for the better – we are much closer to other social scientists and no longer have to fight yesterday's battles.

Consider for example the recent work of Bill Easterly and Ross Levine here in the Bank. In a recent paper they examine the role of ethnic diversity in economic growth. Do countries with greater ethnic diversity grow slower? Yes they do, even when the effect of other influences is explicitly accounted for. And which of the factors that we commonly think are influential for growth are themselves related to the extent of ethnic diversity. For example, is it the case that countries with greater ethnic diversity have a more disorganized financial sector or more disorganized public sector? Yes, they do. Moreover, ethnic strife and diversity affect the instruments of economic policy, thus the process of economic reform. You may say we knew that all along. But the interesting thing here is the specification of the transmission mechanism; which part of the economy is affected. The paper also looks at institutional capacity: Can a country build institutions to neutralize the bad effects of ethnic diversity on economic growth. Again, the answer is yes—it is possible to filter out the negative effects and live mainly with the good ones. Countries that are ethnically diverse and that have deep institutions do well in growth. But countries that are ethnically diverse and lack the institutional glue to hold them together have experienced significantly lower growth.

6. Consider now an example of the flow in the other direction: Social capital is a concept that has percolated into many types of thinking. Though it was around for some time, I think it was the work of Robert Putnam that triggered greater interest. Why? Because he has suggested some quantitative measures of social capital and he has produced evidence to show that there are causal links between social capital and development – links that are independent of economic growth. Of course, for operational purposes I don't find it helpful to be told that the reason why a certain region in Italy has done so well is because it did so well 800 years ago. There is more to be researched to make the concept operational; yet the contribution to analysis is there and it is important.

7. I mentioned the role of institutions and I want to use it to discuss, in closing, some normative aspects of what we do. If institutions play an important role in development, what can we do to improve institutions? Is it enough to make them function better, or do we have to change institutions to, for example, reduce poverty? I think that we agree that in most cases tinkering with forms and computers is not enough. Most development problems

involve failures of institutions in the sense that they are either wrong or dysfunctional and need to be replaced. But what institutions, and how?

Consider poverty. The cumulative evidence across continents, countries, and long periods of time shows that growth is a necessary condition for sustainable reduction in poverty. Clearly this is not sufficient, and the refrain does sound like "motherhood and apple pie." But it is true nevertheless. Does it negate the importance of institutions? Absolutely not! Some institutions are essential for growth—certainly those that work for fiscal prudence and that enable macroeconomic policy to be effective when shocks occur. It seems that educational institutions are also essential, and clearly the institutions which support transactions and, in a capitalist system, the exchange of property. We know that these institutions matter for economic growth. But we still need to develop a better understanding of the linkages; without a better understanding of cause and effect it is nearly impossible to design normative policy. To build this knowledge we must work together. Above all, we should stop to see the cause (deliberate policy, often economic policy) and the effect as compartments, one to be analyzed by economists the other by "social scientists." Institutional development is not what we should do when the only kind of economics we can do is bad economics. We must achieve good policies; policies which supported by an adequate institutional framework yield higher, sustainable and more equitable growth.

8. What can we do when institutions are bad and there is no wish to change them? My sense is that aid money leaks when you move it through a system. It leaks in two ways. It may leak into other programs than those proposed, and there is increasing evidence that this is the case throughout the developing world; i.e., money is fungible and, in particular, money from foreign assistance. Much of the money that we channel to the government does not go to the objective that is written on the piece of paper that we agree with the government. The second way that money leaks is that it leaks into private pockets. This kind of leakage (corruption) increases with institutional disarray, with policies that create incentives for fraud like, for example, dual exchange rates. Can we change these policies? Sometimes—but can we change the culture and the institutions which lie behind them? There is a kind of wish, a hope, that we can change institutions from the outside and quickly. I don't think that the evidence for this is convincing. I don't know if there are successful examples of an outside agency pressing a country to set up a basic institution it did not want and doing this without the use of force or of objectionable threat. We can help a country think about what institutions it would like to create or reform; we can do this simply by

providing the experience of other countries and by asking "is this relevant to you or is it not relevant to you." Effective institutions tend to be old and inborn, the fruit of local soil, labor and customs.

I want to give two examples, because institutions are born and die and sometimes they live longer than they should. First an example from my own country. The kibbutz is an Israeli invention; I was part of a kibbutz. I grew up to know that the ultimate aim in life would be to be a member of a kibbutz and to work as a farmer. And it was a wonderful chapter in my life and the kibbutz is a wonderful invention. And there has not been any Russian commune, or whatever you like, that has been so egalitarian as a kibbutz. And it made sense economically. It was an ideal institution in its time for a certain purpose. And once that purpose is no longer there the kibbutz in its old form can no longer fulfill its part. The kibbutz has been wonderful in adapting to changing conditions. They moved from agriculture to manufacturing. And they have some of the best industries. But they are losing their bite. They have changed their internal structures, they have moved into a more capitalist type of organization themselves, based on monetary incentives. Because you can't live on an island for a long period of time and the elite, the political and social elite which used to come from the kibbutz now don't. So they lost their prominence. Is that a bad thing? I'm sorry about it because it is a very nice institution. But it no longer fits. And then you adjust or die.

My other example is from China. The Chinese have a wonderful institution or invention which is the township and village enterprise (TVE). They employ the rural population and operate somewhere between the private and the public sector. It is a very murky organization in terms of ownership, yet they have been very successful. I visited one which started with six farmers fifteen years ago getting together to repair tractors. They moved from repairs to simple manufacture, to producing metal parts and accessories for cars. Now the conglomerate employs 30,000 people; it exports to some 10 countries and has subsidiaries all over, in other countries. How is it owned? That is still not so clear. To me it appeared that there was a major owner (who would be a billionaire) and that for all intents and purposes it was a capitalist venture. But it's not called that; in China, it is still in a murky border.

So where will TVEs end up? Will they look more like capitalist enterprises with some differences? Will they remain "Chinese socialist"? I'm not sure that they will even survive as TVEs more than the next 10 years. They are changing already. The point is that institutions are created for specific purposes and are best set up by people who live with them. I've not

seen something like this being either promoted or agreed upon by the World Bank or even to be part of our agenda. And it's very important. It's an important element. But it can't be conceived, designed much less imposed from outside.

To conclude, let me repeat and emphasize my main message to you: We should not work as compartments; work as if there is "the economic," "the social," "the political," "the cultural," etc. We must find ways to pull our knowledge together – and for this we must be much more successful in developing a common language. A language based on respect, trust and a real effort from all parts to understand and appreciate the insights that different fields can bring to a common problem.

Thank you very much.

OFFICE MEMORANDUM

DATE: July 24, 1996

TO: D. Joseph Wood

FROM: Michael Bruno MB

EXTENSION: 33774

SUBJECT: **Research Capacity-Building in Economics and the Special Grants Program**

Our experience shows that systematic economic research capacity-building is a means to directly improve the basis for policymaking in the Bank's client countries. It is an efficient way to improve the policy environment and thus the longer-term prospects for growth and development in these countries. Proven economic research capacity-building networks and institutes, several of which we have helped to develop, deserve priority as candidates for financing from the Special Grants Program.

The World Bank is in a singular position to assist in the initiation and support of cross-country research networks and national institutes that establish standards of scientific quality, help local economists to maintain and improve their analytic skills, and produce research and policy studies relevant to developing countries. The Bank's involvement increases the independence of such institutions from the political pressures present in many countries. The breadth of the Bank's lending, research and training programs enables it to provide advice to these networks and institutes across the range of issues that policy makers confront. Research networks and institutes provide tutelage and experience for junior researchers through research review, conference presentations, and discussions across the full range of policy issues. Support from and involvement by the World Bank provides vital initial validation, encouraging participation in and co-financing of these initiatives by other donors.

The Special Grants Program can take advantage of the Research Committee's commitment to play a catalytic role in the initiation of economic research capacity-building programs. The Research Committee has been instrumental in the establishment of the widely-acclaimed African Economic Research Consortium, providing vital advice and early funding. It has helped initiate and is co-financing the development of the Economic Research Forum of the Arab Countries and Iran and Turkey. The Research Committee is now participating in the development of economic research centers in China and the Former Soviet Union. At present the Research Committee can only allot for research capacity building a total of \$500,000 per year, which is taken out of the Bankwide Research Support Budget. It cannot provide the financing needed for all such networks on a longer-term basis. As these initiatives pass the earliest, high-risk stages, in which the greatest review and oversight is needed, they can be "graduated" from RSB support and should be strong candidates for Special Grant Program financing.

The World Bank
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Senior Vice President
and Chief Economist

Mr. Sven Sandstrom

July 24, 1996

DEC Compact

Sven,

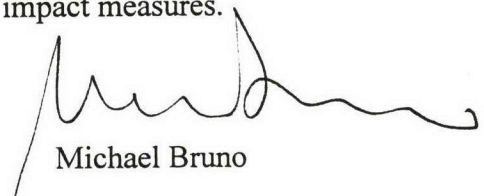
Attached is DEC's draft Compact for FY97. In it we have identified the key outcomes that will take us towards our vision, the deliverables that will help us move towards achieving those outcomes, and some preliminary and still tentative ways in which we can measure our impact.

While I believe that this draft Compact accurately reflects DEC's FY97 goals, given the time allowed for this exercise we have not yet thought through fully the impact measures that we're proposing. This draft should not, therefore, be taken as our final product.

You will note that many of our suggested impact measures rely on feedback from client surveys and independent panels. In a research, service, and learning organization such as DEC, we will have to rely on these kinds of qualitative measures to determine if we are having the impact we are aiming for. Undoubtedly other units in the Bank will also be using these kinds of feedback mechanisms to evaluate their services—the CVPs (networks) for their services to Operations, and the Regions for their economic and sector work, for example. We should therefore be looking for institutional approaches to these kinds of feedback mechanisms, rather than moving forward with large numbers of uncoordinated, independent efforts which would risk inundating our clients.

There is also the question of cost. Although we have yet to cost the impact measures being proposed in the attached draft, they undoubtedly imply a considerable investment which is likely to be out of DEC's range in the current constrained budget environment. Their funding should also be considered from an institutional viewpoint.

I look forward to hearing your views on the attached, and on my proposal for a coordinated institutional approach to the design and funding of impact measures.



Michael Bruno

cc: Messrs. Ahmed, Baird, Chhibber, Ingram, Squire, Thomas, Vieira da Cunha, Ms. Davis

OFFICE MEMORANDUM

DATE: July 18, 1996

TO: Michael Bruno

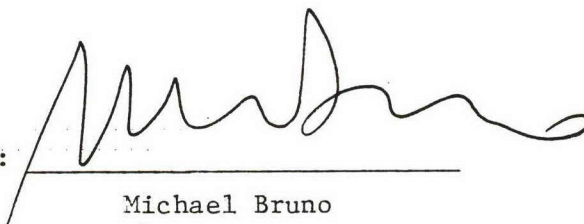
FROM: Gregory Ingram, Administrator, RAD
Moshe Syrquin, Editor, *WBRO* and *WBER* 

EXTENSION: 31052 and 31056

SUBJECT: **New External Editorial Board Member for *The World Bank Research Observer***

We would like to propose Professor Barry Eichengreen, University of California--Berkeley, as a new external member of the *World Bank Research Observer* Editorial Board.

We would be grateful if you could give your approval by initialling below.

Approved: 

Michael Bruno

Date: 7/22/96

96 JUL 22 AM 10: 28

RECEIVED
MICHAEL BRUNO
SENIOR VICE PRESIDENT
DEVELOPMENT ECONOMICS
DEVELOPMENT ECONOMIST
Development Economics and Chief Economist

The World Bank
Washington, D.C. 20433
U.S.A.

for Mr. M. B. Ch. 2710
file

July 19, 1996

To Messrs. Shahid Javed Burki, Russell J. Cheetham, Kemal Dervis, Johannes F. Linn
Callisto Madavo, Jean-Louis Sarbib, D. Joseph Wood

Next year's World Development Report 1997 is on the topic of "The State in a Changing World". One of the areas we are trying to focus on is the question of quality and credibility of the state.

In this connection we would like to conduct a survey of local private entrepreneurs (see attachment) across 80-100 countries. A preliminary discussion of this approach was made to IFC's Business Advisory Group who showed considerable interest in it. Mr. Wolfensohn has also encouraged us to pursue this further.

In view of its importance and visibility and the need to get timely input, I am seeking your assistance for this effort for the WDR. I would be grateful if you could appoint someone in the region to help coordinate this effort and inform me and Ajay Chhibber, Staff Director for WDR 1997. The help of our country offices will most likely be needed for this work. Ajay Chhibber will follow-up with the person you designate to organize the effort.


Michael Bruno

Attachment

cc: Ajay Chhibber, WDR 1997

World Development Report 1997

"The State in a Changing World"

Questionnaire for Private Sector Survey

The purpose of this survey is to better understand constraints imposed by government action that hinder development of private businesses like yours. This study is conducted for a large number of countries by the World Bank World Development Report 1997 project team. The ultimate goal of this research is to assist advising governments on ways to change policies that impose a burden on private firms and may assist in developing new projects and programs that strengthen support for enterprise growth. Your answers should reflect your perception on doing business in this country.

The information obtained here will be treated strictly confidentially.

Please use the enclosed envelope to return the questionnaire by _____

General Information

Country	_____	
Company Size:	less than 50 employees	☐
	more than 50 and less than 200 employees	☐
	more than 200 employees	☐
Industry:	Manufacturing	☐
	Services	☐
	Agricultural	☐
Location of management:	Capital city	☐
	Large city	☐
	Small city or countryside	☐
Foreign participation:	yes	☐
	no	☐
Exports:	yes	☐
	no	☐

This questionnaire always presents multiple choice options on a range from 1 (best) to 6 (worst). Please mark the answer you think best reflects your opinion.

I. PREDICTABILITY OF LAWS AND POLICIES

1. Do you regularly have to cope with unexpected change in rules, laws or policies which materially affects your business?

Changes in laws and policies are

- | | |
|------------------------------|--------------------------|
| (1) completely predictable | ☐ |
| (2) highly predictable | ☐ |
| (3) fairly predictable | ☐ |
| (4) fairly unpredictable | ☐ |
| (5) highly unpredictable | ☐ |
| (6) completely unpredictable | ☐ |

2. Do you expect the government to stick to announced major policies?

- | | |
|----------------|--------------------------|
| (1) always | ☐ |
| (2) mostly | ☐ |
| (3) frequently | ☐ |
| (4) sometimes | ☐ |
| (5) seldom | ☐ |
| (6) never | ☐ |

3. "The process of developing new rules or policies is usually such that affected business are informed."

This is true

- | | |
|----------------|--------------------------|
| (1) always | ☐ |
| (2) mostly | ☐ |
| (3) frequently | ☐ |
| (4) sometimes | ☐ |
| (5) seldom | ☐ |
| (6) never | ☐ |

4. "In case of important changes in laws or policies affecting my business operation the government takes into account concerns voiced either by me or by my business association."

This is true

- | | |
|----------------|--------------------------|
| (1) always | ☐ |
| (2) mostly | ☐ |
| (3) frequently | ☐ |
| (4) sometimes | ☐ |

- | | |
|------------|--------------------------|
| (5) seldom | ☐ |
| (6) never | ☐ |

5. Do you fear retroactive changes of regulations that are important for your business operations?

- | | |
|----------------|--------------------------|
| (1) always | ☐ |
| (2) mostly | ☐ |
| (3) frequently | ☐ |
| (4) sometimes | ☐ |
| (5) seldom | ☐ |
| (6) never | ☐ |

6. In the last ten years predictability of laws and policies has

- | | |
|-------------------------|--------------------------|
| increased | ☐ |
| remained about the same | ☐ |
| decreased | ☐ |
| don't know | ☐ |

II. POLITICAL INSTABILITY AND SECURITY OF PROPERTY

7. "Constitutional changes of government (as a result of elections) are usually accompanied by large changes in rules and regulations that have an impact on my business."

To what degree do you agree with this statement?

- | | |
|----------------------------|--------------------------|
| (1) fully agree | ☐ |
| (2) agree in most cases | ☐ |
| (3) tend to agree | ☐ |
| (4) tend to disagree | ☐ |
| (5) disagree in most cases | ☐ |
| (6) strongly disagree | ☐ |

does not apply ☐

8. "I constantly fear *unconstitutional government changes* (i.e. coups) that are accompanied by far-reaching policy surprises with significant impact on my business."

To what degree do you agree with this statement?

- | | |
|-------------------------|--------------------------|
| (1) fully agree | ☐ |
| (2) agree in most cases | ☐ |
| (3) tend to agree | ☐ |

- (4) tend to disagree ☐
 (5) disagree in most cases ☐
 (6) strongly disagree ☐

does not apply ☐

9. „I am not confident that the state authorities protect my person and my property from criminal actions“

To what degree do you agree with this statement?

	Now	10 years ago
(1) fully agree	☐	☐
(2) agree in most cases	☐	☐
(3) tend to agree	☐	☐
(4) tend to disagree	☐	☐
(5) disagree in most cases	☐	☐
(6) strongly disagree	☐	☐

10. "Theft and crime are serious problems that can substantially increase the costs of doing business."

To what degree do you agree with this statement?

	Now	10 years ago
(1) fully agree	☐	☐
(2) agree in most cases	☐	☐
(3) tend to agree	☐	☐
(4) tend to disagree	☐	☐
(5) disagree in most cases	☐	☐
(6) strongly disagree	☐	☐

11. "Unpredictability of the judiciary presents a major problem for my business operations."

To what degree do you agree with this statement?

	Now	10 years ago
(1) fully agree	☐	☐
(2) agree in most cases	☐	☐
(3) tend to agree	☐	☐
(4) tend to disagree	☐	☐
(5) disagree in most cases	☐	☐
(6) strongly disagree	☐	☐

III. OVERALL GOVERNMENT - BUSINESS INTERFACE

12. Please judge on a six point scale how problematic different policy areas specified below are for doing business (Please do not select more than 5 obstacles as the very strong (6))

	Obstacles					
	No		Moderate		Very strong	
a. Regulations for starting business/new operation	1	2	3	4	5	6
b. Price controls	1	2	3	4	5	6
c. Regulations on foreign trade (exports, imports)	1	2	3	4	5	6
d. Financing	1	2	3	4	5	6
e. Labor regulations	1	2	3	4	5	6
f. Foreign currency regulations	1	2	3	4	5	6
g. Tax regulations and/or high taxes	1	2	3	4	5	6
h. Inadequate supply of infrastructure	1	2	3	4	5	6
i. Policy instability	1	2	3	4	5	6
j. Safety or environmental regulations	1	2	3	4	5	6
k. Inflation	1	2	3	4	5	6
l. General uncertainty on costs of regulations	1	2	3	4	5	6
m. Other	1	2	3	4	5	6

13. Please rate your general overall perception of the relation between government and/or bureaucracy and private firms on the following scale.

„All in all, for doing business I perceive the state as:

	Helping hand		Neutral agent		Opponent	
Now	1	2	3	4	5	6
10 years ago	1	2	3	4	5	6

IV. BUREAUCRATIC RED TAPE

14. „It is common for firms in my line of business to have to pay some irregular „additional payments,, to get things done.“

This is true

- (1) always ☐
 (2) mostly ☐
 (3) frequently ☐
 (4) sometimes ☐
 (5) seldom ☐
 (6) never ☐

15. „Firms in my line of business usually know in advance about how much this „additional payment” is.“

This is true

- (1) always ☐
 (2) mostly ☐
 (3) frequently ☐
 (4) sometimes ☐
 (5) seldom ☐
 (6) never ☐

16. „Even if a firm has to make an „additional payment” it always has to fear that it will be asked for more, e.g. by another official.“

This is true

- (1) always ☐
 (2) mostly ☐
 (3) frequently ☐
 (4) sometimes ☐
 (5) seldom ☐
 (6) never ☐

17. „If a firm pays the required „additional payment” the service is usually also delivered as agreed.“

This is true

- (1) always ☐
 (2) mostly ☐
 (3) frequently ☐
 (4) sometimes ☐
 (5) seldom ☐
 (6) never ☐

18. „If a government agent acts against the rules I can usually go to another official or to his superior and get the correct treatment.“

This is true

- (1) always ☐
 (2) mostly ☐
 (3) frequently ☐
 (4) sometimes ☐
 (5) seldom ☐
 (6) never ☐

19. In the last ten years, difficulties in dealing with government officials have

- increased ☐
 remained about the same ☐
 decreased ☐

don't know ☐

20. Have you ever decided not to make a major investment because of problems relating to complying with government regulations?

- yes ☐
 no ☐

If your answer was „yes”, could you please specify which of the following two options better describes the nature of these problems

Costs of compliance are *too high*, but clearly known ☐

Costs of compliance are *too uncertain* for investment planning ☐

Other ☐

V. EFFICIENCY OF GOVERNMENT IN PROVIDING SERVICES

21. Please rate your overall perception of::

	very good					very poor
a. The efficiency of customs	1	2	3	4	5	6
b. The general condition of roads you use	1	2	3	4	5	6
c. The efficiency of mail delivery	1	2	3	4	5	6
d. The quality of public health care provision	1	2	3	4	5	6

22. How frequent are power outages?

- | | |
|--------------------------------|--------------------------|
| (1) once in more than 3 months | ☐ |
| (2) once a month | ☐ |
| (3) once in two weeks | ☐ |
| (4) once a week | ☐ |
| (5) once a day | ☐ |
| (6) no power for long period | ☐ |
-

23. How long does it take to get a public
telephone line connected?

- | | |
|------------------------|--------------------------|
| (1) less than 1 month | ☐ |
| (2) 1 to 3 months | ☐ |
| (3) 3 to 6 months | ☐ |
| (4) 6 months to 1 year | ☐ |
| (5) more than 1 year | ☐ |
| (6) difficult to say | ☐ |
-

24. How would you generally rate the
efficiency of government in delivering
services?

	Now 10 years ago	
(1) very efficient	☐	☐
(2) efficient	☐	☐
(3) mostly efficient	☐	☐
(4) mostly inefficient	☐	☐
(5) inefficient	☐	☐
(6) very inefficient	☐	☐

Thank you very much for having taken the time to complete this questionnaire. The information on your perceptions are a very important input for the evaluation of the private sector-government relation and for the formulation of policy advise.

We would appreciate any thoughts you might like to add on the relationship between private sector and government, or comment on the questionnaire in general.

Chon

The World Bank
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Senior Vice President
and Chief Economist

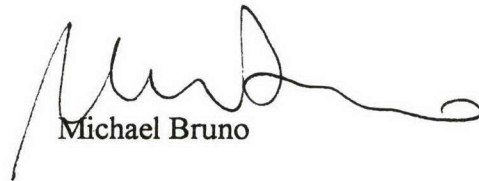
Messrs. Kaji, Koch-Weser, Frank

July 19, 1996

Gautam, Caio, Richard:

The Bank's Work in the Financial Sector

The attached memo by Jerry Caprio raises some serious concerns about the Bank's work in the financial sector and indicates that we are not delivering on Jim's commitment that this sector is a top priority. The recent experience with Mexico heightens my concerns in this area. I would suggest that we meet on this issue soon.



Michael Bruno

Attachment

OFFICE MEMORANDUM

DATE: July 17, 1996

TO: Michael Bruno, Senior Vice President and Chief Economist, DECVP

FROM: Jerry Caprio, Lead Economist, PRDFP 

EXTENSION: 3-7658

SUBJECT: **The Bank's, and DEC's, Work in the Financial Sector**

At Mark's suggestion, I asked Kate to put me on your calendar tomorrow regarding my views on how the work on the financial sector in the Bank -- and in DEC -- is malfunctioning and how it can be fixed. In short, the key issue is one of resources and how they are used. Between DEC and FSD, the total amount of staff available is grossly inadequate -- off by a factor of 100-200% -- and there is so little structure and continuity in how staff are employed that increasingly we are coming across as adding little, or certainly much less than is sorely needed. Our shortcomings are increasing, and becoming more visible.

An example. I participated in a CEM mission to the Philippines for the region, at the same time as an FSD mission. David Scott (FSD) put together the finest group of supervisors, bankers, bank restructuring pros, a lawyer with regulatory and restructuring expertise, and even an economist. In two weeks, the team did a better job diagnosing the strengths and weaknesses of the financial system than any that I have seen at the Bank. They did more preparation than I have seen, and the consultants were mostly among the best in their fields. They still should have done more preparation -- a week-long mission by 2 staff to gather more information before the main team arrived would have prevented a few misunderstandings -- and the team with the region did not concentrate on identifying in advance effective counterparts. These miscues helped those who did not want the mission there argue that it was not useful. More importantly, the mission never got to see the Finance Minister, who was the official most likely to carry on with the recommendations. [By the way, a banking crisis is quite likely in the Philippines over the next 2-3 years]. Most of the recommendations would have entailed non-lending services, but we have not made the case to the client as to why they are needed.

Given the scarcity of FSD staff, the two Bank employees on the team had to be pulled off to work on Brazil, Venezuela, etc. Meanwhile, the region has one excellent financial sector economist as a task manager, and they are spreading him the countries in their department, so he is not able to follow up adequately. Good work was done, and we could be organizing to help the client fend off a crisis, but the ball has been effectively dropped. There is no long term commitment on FSD's part to do so, and given the other crises or large financial sector loans, they cannot.

The points I take from this experience -- and I could offer other cases -- are that more resources are needed in the Bank for financial sector work, and within the present organizational framework, there needs to be multi-year contracting between the regions and FSD so that there is at least one FSD staff 'permanently' working on Mexico and who cannot move on to the country of his choice when the Mexican work is becoming frustrating. These staff members would be evaluated by FSD management and by the regions, a structure that works reasonably well at the IMF. Each FSD staff member would have a few countries assigned to him/her at any one point in time.

You know the problems about getting economists in FSD. Jonathan Fiechter, the new director as of Sept. 1, is an ABD economist from Treasury, worked in research in OCC, then in supervision, then turned around the supervisory unit in the Federal Home Loan Bank Board and subsequently headed the Office of Thrift Supervision. He is skilled I hear at turning around low morale units, and is favorably disposed towards economists. But if his resources are not at least doubled, in my view he is doomed to fail. As I understand it, the earlier planned expansion was derailed, as FSD was told to expand and pay for it by getting resources voluntarily from the RVPs. FSD morale may be the lowest in the institution at present.

Then there is DEC. In my view the mix of operations support and research that we offer is ideal, though we are increasingly spending more than one-third of our time on operations -- in my case, it is getting towards one half recently, and the quality of our work is suffering. The more we are pulled into fighting fires, the more difficult it will be to attract and maintain staff as talented as we would like to have. There are two issues: how do we adjust if FSD remains organized as it is, and how do we adjust if they add more economists and get involved in the type of contracting I suggested above. In the 'as is' situation, without cutting into our research time and yet still doing a good job on operations issues, I would say that we need 3 additional staff as a minimum. This would have enabled us to do a better, more continuous job on Mexico and meet other demands -- Pakistan, Venezuela, etc. -- in addition to our more regular operations support in the financial sector. It may not be sufficient.

If FSD adjusts with more economists and other specialists, then the issue is what role does DEC want to play. Especially because I have my doubts on the quality of economists they will be able to attract, but also because I think that DEC will want to be able to offer a view on the Philippines banking crisis and others in 1998, we should still recognize that we are understaffed to do that well and to carry on research. If we are to continue to work on both macro and micro finance issues, we will be hard pressed to cover more than 1-2 crises per year well unless we routinely break our contracts for programmed work when a crisis occurs. Other options are refusing all crisis work, at the expense of DEC having an impact and at the expense of the quality of work in the sector; have DEC (the Bank?) get out of macro finance completely and focus on credit allocation issues, SME and micro finance, rural finance, the role of guarantees, and the like; or cut our research on finance.

Segregating micro and macro finance loses some important synergies. Indeed, I view all these options as inferior to added resources for this work. If you agree, how can we make the case? If you do not agree, which option would you support, or do you see others? Lyn is quite concerned about these choices -- in particular about the tendency to squeeze research -- and would like to follow up with you.

I should note that last week Stan Fischer decided to add another division or division's worth of staff (10) to the Monetary Affairs and Exchange Department, bringing their total to 100 and their budget to 220 staff years (the balance being support staff and consultants on long-term secondment, often at central banks). Earlier this year, IMF research was revamped so that one division will work exclusively on financial sector issues in developing economies (both research and operations support), in addition to the capital markets division, which works on global financial economics, a total of 18-20 financial economists.

FSD at present has 30 professionals, and we have 3, with a micro-finance economist coming in August, Ross leaving at year end, and funds for one junior economist but great difficulty in finding those with a modicum of experience. Consequently you can understand my consternation when I hear that Mr. Wolfensohn states that financial sector work is a top priority at the Bank. I would argue that he needs to be told that it most certainly is not, quality is suffering, we are doing clients a disservice, and we risk losing the few good staff we have.

CC: Messrs./Mmes. Baird, Shirley, Squire

The World Bank
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Senior Vice President
Development Economics and Chief Economist

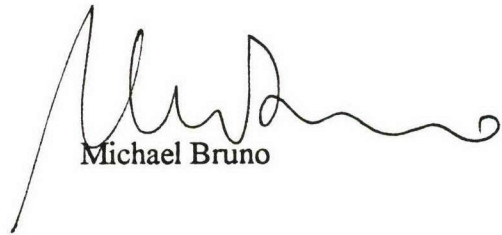
July 19, 1996

To Messrs. Shahid Javed Burki, Russell J. Cheetham, Kemal Dervis, Johannes F. Linn
Callisto Madavo, Jean-Louis Sarbib, D. Joseph Wood

Next year's World Development Report 1997 is on the topic of "The State in a Changing World". One of the areas we are trying to focus on is the question of quality and credibility of the state.

In this connection we would like to conduct a survey of local private entrepreneurs (see attachment) across 80-100 countries. A preliminary discussion of this approach was made to IFC's Business Advisory Group who showed considerable interest in it. Mr. Wolfensohn has also encouraged us to pursue this further.

In view of its importance and visibility and the need to get timely input, I am seeking your assistance for this effort for the WDR. I would be grateful if you could appoint someone in the region to help coordinate this effort and inform me and Ajay Chhibber, Staff Director for WDR 1997. The help of our country offices will most likely be needed for this work. Ajay Chhibber will follow-up with the person you designate to organize the effort.



Michael Bruno

Attachment

cc: Ajay Chhibber, WDR 1997

World Development Report 1997

"The State in a Changing World"

Questionnaire for Private Sector Survey

The purpose of this survey is to better understand constraints imposed by government action that hinder development of private businesses like yours. This study is conducted for a large number of countries by the World Bank World Development Report 1997 project team. The ultimate goal of this research is to assist advising governments on ways to change policies that impose a burden on private firms and may assist in developing new projects and programs that strengthen support for enterprise growth. Your answers should reflect your perception on doing business in this country.

The information obtained here will be treated strictly confidentially.

Please use the enclosed envelope to return the questionnaire by _____

General Information

Country	_____	
Company Size:	less than 50 employees	☐
	more than 50 and less than 200 employees	☐
	more than 200 employees	☐
Industry:	Manufacturing	☐
	Services	☐
	Agricultural	☐
Location of management:	Capital city	☐
	Large city	☐
	Small city or countryside	☐
Foreign participation:	yes	☐
	no	☐
Exports:	yes	☐
	no	☐

This questionnaire always presents multiple choice options on a range from 1 (best) to 6 (worst). Please mark the answer you think best reflects your opinion.

I. PREDICTABILITY OF LAWS AND POLICIES

1. Do you regularly have to cope with unexpected change in rules, laws or policies which materially affects your business?

Changes in laws and policies are

- | | |
|------------------------------|--------------------------|
| (1) completely predictable | ☐ |
| (2) highly predictable | ☐ |
| (3) fairly predictable | ☐ |
| (4) fairly unpredictable | ☐ |
| (5) highly unpredictable | ☐ |
| (6) completely unpredictable | ☐ |
-

2. Do you expect the government to stick to announced major policies?

- | | |
|----------------|--------------------------|
| (1) always | ☐ |
| (2) mostly | ☐ |
| (3) frequently | ☐ |
| (4) sometimes | ☐ |
| (5) seldom | ☐ |
| (6) never | ☐ |
-

3. "The process of developing new rules or policies is usually such that affected business are informed."

This is true

- | | |
|----------------|--------------------------|
| (1) always | ☐ |
| (2) mostly | ☐ |
| (3) frequently | ☐ |
| (4) sometimes | ☐ |
| (5) seldom | ☐ |
| (6) never | ☐ |
-

4. "In case of important changes in laws or policies affecting my business operation the government takes into account concerns voiced either by me or by my business association."

This is true

- | | |
|----------------|--------------------------|
| (1) always | ☐ |
| (2) mostly | ☐ |
| (3) frequently | ☐ |
| (4) sometimes | ☐ |

- | | |
|------------|--------------------------|
| (5) seldom | ☐ |
| (6) never | ☐ |
-

5. Do you fear retroactive changes of regulations that are important for your business operations?

- | | |
|----------------|--------------------------|
| (1) always | ☐ |
| (2) mostly | ☐ |
| (3) frequently | ☐ |
| (4) sometimes | ☐ |
| (5) seldom | ☐ |
| (6) never | ☐ |
-

6. In the last ten years predictability of laws and policies has

- | | |
|-------------------------|--------------------------|
| increased | ☐ |
| remained about the same | ☐ |
| decreased | ☐ |
| don't know | ☐ |
-

II. POLITICAL INSTABILITY AND SECURITY OF PROPERTY

7. "Constitutional changes of government (as a result of elections) are usually accompanied by large changes in rules and regulations that have an impact on my business."

To what degree do you agree with this statement?

- | | |
|----------------------------|--------------------------|
| (1) fully agree | ☐ |
| (2) agree in most cases | ☐ |
| (3) tend to agree | ☐ |
| (4) tend to disagree | ☐ |
| (5) disagree in most cases | ☐ |
| (6) strongly disagree | ☐ |

does not apply ☐

8. "I constantly fear *unconstitutional government changes* (i.e. coups) that are accompanied by far-reaching policy surprises with significant impact on my business."

To what degree do you agree with this statement?

- | | |
|-------------------------|--------------------------|
| (1) fully agree | ☐ |
| (2) agree in most cases | ☐ |
| (3) tend to agree | ☐ |

- (4) tend to disagree ☐
 (5) disagree in most cases ☐
 (6) strongly disagree ☐

does not apply ☐

9. „I am not confident that the state authorities protect my person and my property from criminal actions“

To what degree do you agree with this statement?

	Now	10 years ago
(1) fully agree	☐	☐
(2) agree in most cases	☐	☐
(3) tend to agree	☐	☐
(4) tend to disagree	☐	☐
(5) disagree in most cases	☐	☐
(6) strongly disagree	☐	☐

10. "Theft and crime are serious problems that can substantially increase the costs of doing business."

To what degree do you agree with this statement?

	Now	10 years ago
(1) fully agree	☐	☐
(2) agree in most cases	☐	☐
(3) tend to agree	☐	☐
(4) tend to disagree	☐	☐
(5) disagree in most cases	☐	☐
(6) strongly disagree	☐	☐

11. "Unpredictability of the judiciary presents a major problem for my business operations."

To what degree do you agree with this statement?

	Now	10 years ago
(1) fully agree	☐	☐
(2) agree in most cases	☐	☐
(3) tend to agree	☐	☐
(4) tend to disagree	☐	☐
(5) disagree in most cases	☐	☐
(6) strongly disagree	☐	☐

III. OVERALL GOVERNMENT - BUSINESS INTERFACE

12. Please judge on a six point scale how problematic different policy areas specified below are for doing business (Please do not select more than 5 obstacles as the very strong (6))

	Obstacles					
	No		Moderate		Very strong	
a. Regulations for starting business/new operation	1	2	3	4	5	6
b. Price controls	1	2	3	4	5	6
c. Regulations on foreign trade (exports, imports)	1	2	3	4	5	6
d. Financing	1	2	3	4	5	6
e. Labor regulations	1	2	3	4	5	6
f. Foreign currency regulations	1	2	3	4	5	6
g. Tax regulations and/or high taxes	1	2	3	4	5	6
h. Inadequate supply of infrastructure	1	2	3	4	5	6
i. Policy instability	1	2	3	4	5	6
j. Safety or environmental regulations	1	2	3	4	5	6
k. Inflation	1	2	3	4	5	6
l. General uncertainty on costs of regulations	1	2	3	4	5	6
m. Other	1	2	3	4	5	6

13. Please rate your general overall perception of the relation between government and/or bureaucracy and private firms on the following scale.

„All in all, for doing business I perceive the state as:

	Helping hand		Neutral agent		Opponent	
Now	1	2	3	4	5	6
10 years ago	1	2	3	4	5	6

IV. BUREAUCRATIC RED TAPE

14. „It is common for firms in my line of business to have to pay some irregular „additional payments„ to get things done.“

This is true

- (1) always ☐
 (2) mostly ☐
 (3) frequently ☐
 (4) sometimes ☐
 (5) seldom ☐
 (6) never ☐

15. „Firms in my line of business usually know in advance about how much this „additional payment“ is.“

This is true

- (1) always ☐
 (2) mostly ☐
 (3) frequently ☐
 (4) sometimes ☐
 (5) seldom ☐
 (6) never ☐

16. „Even if a firm has to make an „additional payment“ it always has to fear that it will be asked for more, e.g. by another official.“

This is true

- (1) always ☐
 (2) mostly ☐
 (3) frequently ☐
 (4) sometimes ☐
 (5) seldom ☐
 (6) never ☐

17. „If a firm pays the required „additional payment“ the service is usually also delivered as agreed.“

This is true

- (1) always ☐
 (2) mostly ☐
 (3) frequently ☐
 (4) sometimes ☐
 (5) seldom ☐
 (6) never ☐

18. „If a government agent acts against the rules I can usually go to another official or to his superior and get the correct treatment.“

This is true

- (1) always ☐
 (2) mostly ☐
 (3) frequently ☐
 (4) sometimes ☐
 (5) seldom ☐
 (6) never ☐

19. In the last ten years, difficulties in dealing with government officials have

- increased ☐
 remained about the same ☐
 decreased ☐
 don't know ☐

20. Have you ever decided not to make a major investment because of problems relating to complying with government regulations?

- yes ☐
 no ☐

If your answer was „yes“, could you please specify which of the following two options better describes the nature of these problems

Costs of compliance are *too high*, but clearly known ☐

Costs of compliance are *too uncertain* for investment planning ☐

Other ☐

V. EFFICIENCY OF GOVERNMENT IN PROVIDING SERVICES

21. Please rate your overall perception of::

	very good					very poor
a. The efficiency of customs	1	2	3	4	5	6
b. The general condition of roads you use	1	2	3	4	5	6
c. The efficiency of mail delivery	1	2	3	4	5	6
d. The quality of public health care provision	1	2	3	4	5	6

22. How frequent are power outages?

- | | |
|--------------------------------|--------------------------|
| (1) once in more than 3 months | ☐ |
| (2) once a month | ☐ |
| (3) once in two weeks | ☐ |
| (4) once a week | ☐ |
| (5) once a day | ☐ |
| (6) no power for long period | ☐ |
-

23. How long does it take to get a public telephone line connected?

- | | |
|------------------------|--------------------------|
| (1) less than 1 month | ☐ |
| (2) 1 to 3 months | ☐ |
| (3) 3 to 6 months | ☐ |
| (4) 6 months to 1 year | ☐ |
| (5) more than 1 year | ☐ |
| (6) difficult to say | ☐ |
-

24. How would you generally rate the efficiency of government in delivering services?

	Now 10 years ago	
(1) very efficient	☐	☐
(2) efficient	☐	☐
(3) mostly efficient	☐	☐
(4) mostly inefficient	☐	☐
(5) inefficient	☐	☐
(6) very inefficient	☐	☐

Thank you very much for having taken the time to complete this questionnaire. The information on your perceptions are a very important input for the evaluation of the private sector-government relation and for the formulation of policy advise.

We would appreciate any thoughts you might like to add on the relationship between private sector and government, or comment on the questionnaire in general.

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

MICHAEL BRUNO
Senior Vice President
and Chief Economist

Ms. Dorothy Berry
HRSVP

July 17, 1996

Dorothy:

I wanted to follow up on two issues that I raised at Monday's OVP meeting -- Professional Associations and Clearance Panels. On both, I want to make sure that we think through all the issues before we proceed down a path that locks us into a second-best solution. I know you are giving much thought to these matters, so I wanted to share my views with you also in writing.

PROFESSIONAL ASSOCIATIONS

Let me repeat at the outset that I believe the networks as currently conceived are an important initiative which I fully support. Indeed, we are moving within DEC to help with the design of the network dealing with the country-wide policy framework. That said, I also believe that there is a role for Professional Associations -- for example, for economists, financial analysts, sociologists, and so on. The defining characteristics for these associations are that they are discipline specific and they handle matters that cut across networks. If we do not set up such associations there will be a significant weakness in our structure in that each network will set standards or follow guidelines which are special to that network. The end result will be inconsistencies across the Bank and limits on fungibility across networks. Let me give you three examples to illustrate my concern:

- **Training.** We need to ensure that basic training courses for each profession are common to all networks. A professional association is much better placed to organize this than a network.
- **Recruitment, clearance, and evaluation.** We need to ensure that common standards are set and implemented across the institution when a candidate or a staff member is being assessed on professional merit. Again, an association with Bankwide responsibility can fulfill this function better than a network.
- **Guidelines.** Some guidelines governing operational practices are better handled by a professional association than a network. Two examples from my profession are project analysis and public expenditure reviews, both of which are basic tools used in all networks.

I would like to propose that we give serious consideration to setting up professional associations and that we start with the economics profession right away. There are two reasons for this. First, economists are a large professional group and will serve in all networks. Moreover, there is some concern among this group about the networks. The group will feel much more comfortable with the networks if we proceed in parallel with the associations. And second, the basic infrastructure for an economists association is already in place in the form of the Economists Staffing Group and the Economists Review Panel so that we are well placed to move quickly.

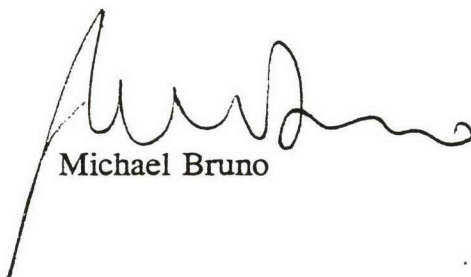
CLEARANCE PANELS

It is good that you are trying to bring more transparency to clearance procedures and I am sure that the networks can play an important role. At the same time, there is need to make sure that we do not lose some of the strengths of the panels. There are two sets of issues.

The first has to do with this year's review. As you know, staff have been submitted by their managers for clearance to various levels. In my view, we have an obligation to these staff which requires that we proceed with panel clearance this year. In fact, the process has already started for candidates for Level 28. If we are doing it for staff at this level, then I believe the obligation to do it for all staff is that much greater.

And second, we need to consider clearance procedures for subsequent years. Where clearance involves professional expertise as in the case of economists, the panel system had the merit of bringing consistent standards to bear across all Regions. But, it also had the consequence of clearing staff who then were not able to find a position at their new level, and this has been a problem. The suggested solution, as I understand it, is to move to a system in which staff are cleared for a position only when that position becomes open. This is fine, in principle, provided we can ensure that consistent standards of professional excellence are applied across all networks. I'm not sure that I see a feasible way of doing this without the use of the panels or something similar.

These are important issues and I know that they are high on your agenda.



Michael Bruno

cc: Messrs: Wolfensohn; Kaji, Koch-Weser, Sandstrom, Strong

MICHAEL BRUNO
Senior Vice President
and Chief Economist

July 15, 1996

To Caio Koch-Weser

Briefing for Meeting with Minister Ortiz

Caio:

As you know, DEC staff have been working closely with the Region over the past couple of weeks to try and improve our understanding of the macro aspects of Mexico's financial sector. I'm therefore disappointed to note that none of this work is reflected in either the briefing note prepared for the meeting with Minister Ortiz or in the Mexico Financial Sector Strategy Discussion Paper. The reference to DEC's input at the start of the latter paper is therefore incorrect and should be removed. I'm also disappointed to note that, despite several efforts on our part to arrange for discussions with the Region on the operational implications of our joint work, these have not taken place. Nor were we shown a draft of the briefing note until the weekend. This makes it very difficult for us to make a constructive input at this late stage.

On the substance of the briefing note, we disagree with the Region's assessment of the condition of the financial sector.

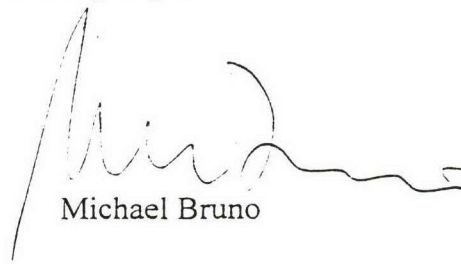
- Today's meeting with representatives from the *Comision Nacional Bancaria y de Valores* confirmed that 50-60% of the credit portfolio outstanding at end-1994 has been (or will shortly be) rescheduled, re-contracted and/or swapped for government bonds. This was achieved with a minimal impact on base money growth and with only a slight increase in the fiscal deficit. Based on reasonable assumptions by expert opinion, 80% of this "infected portfolio" (i.e., 40-48% of the original stock) is non-performing and most likely non-recoverable. This contrasts with the authorities' own assessment that the stock of non-performing loans is 18%, as reported by the Region.
- Most of the assets rescheduled or otherwise operated on were converted into zero coupon bonds with indexed principal and real interest rates of 11% per annum, well in excess of the likely rate of real growth of the economy. As a share of GDP, the volume of these newly created assets will increase over time. They may emerge as a future fiscal problem if borrowers will be as unable or

April 2, 1996

unwilling to pay them then as they are now. A conservative estimate is that the present value of this contingent liability is about a third of GDP. Nevertheless, because the public domestic debt is now very low, carrying the new debt is not in itself a major burden.

- The incentive regime has worsened. Two things are urgently needed to improve it: One, *owners* should have real and considerable money at risk, and, two, *large depositors and holders of bank debt* should bear a considerable risk when trusting their savings into banks. Thus the two most important actions are those concerning (a) the definition of capital and the strict enforcement of minimum capital requirements paid in full by the owners of banks, and (b) the reduction of deposit (liabilities) insurance. These are areas where Bank staff and Bank resources could make a contribution, if the authorities are interested and committed to reform.

Regarding the Contractual Savings Development Loan, we continue to have doubts about the effectiveness of the proposed measures "to insulate pension related investments from the problems of the banking system." The private administrators of mandatory pension funds (AFOREs) -- *many of which will be managed by financial groups* -- will have large incentives to use accumulated savings to capitalize banks and other related financial and nonfinancial corporations. These incentives may be particularly large during the initial stages of the new pension system because of the weak condition of Mexican banks and because bank securities dominate the Mexican debt market. Drafts of the Pension Systems Law and CONSAR regulations create a "firewall" between AFOREs run by a bank and the bank itself (or other affiliates of the bank's financial group). Nonetheless, two major concerns should be noted. First, there do not appear to be limits on informal agreements between financial groups: "I will use my AFORE resources to fund your group if you use your AFORE resources to fund my group." Second and more importantly, during the early stages of the new pension system the perverse incentives exacerbated by the weak state of the banking system will be high, while regulatory capacity will be low. Thus, there are serious questions about the ability of officials to supervise and impose the basic protections against improper AFORE activities defined in the draft Pension Systems Law and CONSAR regulations. Given these concerns, there are good reasons for moving very slowly on allowing AFOREs to move out of government securities and into the securities of financial groups or any entity with important investments in financial groups.



Michael Bruno

cc: Mr Javed Burki.

The World Bank
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Senior Vice President and Chief Economist

July 15, 1996

Mr. Jules Muis
Vice President and Controller

Dear Jules:

Re: Internal Control Structure

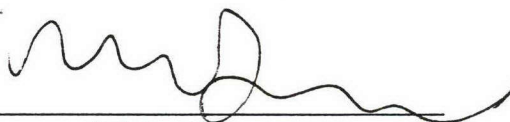
In connection with the preparation and audit of the financial statements of IBRD and IDA for the fiscal year ended June 30, 1996, we confirm, to the best of our knowledge and belief, that the BAS statements (financial reports) on the results of the business processes of the Development Economics Vice Presidency, as of June 30, 1996 are, in all material respects, fairly stated. We recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial reports and supporting schedules present fairly the financial position of IBRD and IDA. Accordingly, we make the following additional representations which are true to the best of our knowledge and belief.

1. We acknowledge the responsibility of the management of the Development Economics Vice Presidency for establishing and maintaining an effective internal control structure and procedures in its own and subordinate units.
2. We have maintained an effective internal control structure and procedures for proper authorization, recording and financial reporting in accordance with the Bank's Budget Management Manual, its operating policies, standards and procedures, applicable to our unit. We believe that as of June 30, 1996, the systems of internal control met the criteria for effective internal control as implied by such Bank regulations. However, some areas of weakness are listed in Exception 1 at the end of this letter.
3. We have disclosed to you all relevant, significant deficiencies in the design or operation of internal controls which could adversely affect the ability of the Development Economics Vice Presidency to record, process, summarize and report fairly all relevant data. We do not believe these deficiencies represent material weaknesses for purposes of IBRD and/or IDA financial reporting.
4. We are not aware of any adverse changes in internal controls since June 30, 1996 or other factors that might significantly affect effective functioning of internal controls.
5. We are not aware of any unreported matters or occurrences up to the date of this letter that could lead to material misstatement in the budget/financial reports of the Development Economics Vice Presidency and/or its sub-units since June 30, 1996.
6. We are not aware of any instances of fraud, corruption or violations of the law either committed by the staff of the Development Economics Vice Presidency where the Bank has a fiduciary oversight responsibility, or within the Development Economics Vice Presidency, related to resources entrusted to the Development Economics Vice Presidency from internal or external sources.

7. We certify to the best of our information, knowledge and belief that the funds and assets of units within our area of responsibility, direction or control, have not been used for any unlawful or improper purposes; and that in cases of doubt, on matters potentially embarrassing to the Bank, if any, proper consultation has taken place with the relevant authorities of the Bank for joint resolution.

EXCEPTIONS:

1. With regard to No. 2 above, I am aware of three areas in EDI in which there are inherent risks which arise from the nature of EDI's business: (a) the preparation and review of statements of expenses for seminars; (b) issuance of cash advances to meet EDI's unusual needs; and (c) monitoring of trust fund usage. DEC's Program Coordinator and EDI managers and budget staff have met with ACTCO to discuss these issues, and will be following up with them to design improved control measures, including a control self-assessment in FY97.
2. With regard to No. 5 above, we are aware of one instance of attempted fraud in which potential loss to the Bank was avoided and the involved staff member was separated from the Bank.
3. With regard to No. 6 above, we have deleted any reference to borrowers, since DEC does not have direct links with borrowers in connection with lending operations.
4. The Research Advisory Staff has a monitoring responsibility for Research Project Accounts (RPOs) funded by the Research Support Budget (RSB) and managed by units other than the Research Advisory Staff. A project supervisor and the supervising department are responsible for managing and reporting on the RSB-funded RPOs allocated to them. Under its monitoring responsibility, the Research Advisory Staff is current reviewing fiscal year 1996 expenditures of RSB funds.



Michael Bruno
Senior Vice President Development Economics
and Chief Economist

Lesley Davis
Program Coordinator
Development Economics

The World Bank

1818 H Street, N.W.
Washington, D.C. 20433, U.S.A.

July 15 1996



Mr. Gobind Nankani

With the compliments of
Michael Bruno
Senior Vice President
and Chief Economist

Gobind,

As promised.

Michael/-

Att.

DISTRIBUCIÓN Y POBREZA EN CHILE: ¿ESTAMOS MAL? ¿HA HABIDO PROGRESOS? ¿HEMOS RETROCEDIDO?¹

Kevin Cowan

José De Gregorio

Ministerio de Hacienda

Ministerio de Hacienda

Primer borrador: abril 1996

Esta revisión: julio 1996

Resumen

Tal vez, sí, definitivamente no.

¹ Agradecemos los valiosos comentarios de Héctor Casanueva, Rodrigo Vergara y Andrés Sanfuentes. Agradecemos además a Carmen Celedón y Mario Marcel de quienes hemos aprendido sobre los temas que discutimos en el trabajo. No obstante, el contenido de este documento es de nuestra exclusiva responsabilidad.

7/10/96

Maria -
Signed by MB
on M. Bruno's
behalf. Vanita

STATUTORY COMMITTEE REPORT

TO: The President, International Bank for Reconstruction and Development

Report of the Committee under Section 4 (iii) of Article III of the Articles of Agreement on the Proposed Loan (Rehabilitation Loan) to the Republic of Bulgaria

The undersigned Committee constituted under Section 7 of Article V of the Articles of Agreement of International Bank for Reconstruction and Development (the Bank) hereby submits its report pursuant to Section 4 (iii) of Article III of said Articles in respect of the proposal that the Bank grant to the Republic of Bulgaria (the Borrower) a loan in an amount equal to US\$30,000,000. The purpose of said loan is to support the Borrower's program of actions, objectives and policies designed to achieve economic stabilization and structural reforms in the Borrower's economy.

1. The Committee has carefully studied the merits of the proposal to grant such a loan, and of the purpose to which the proceeds of the loan are to be applied.

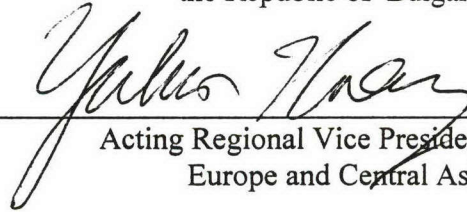
2. The Committee is of the opinion that the program toward the financing of which the proceeds of such loan are to be applied comes within the purposes of the Bank as set forth in Article I of said Articles of Agreement, and that said program is designed to promote the development of the productive facilities and resources of the Borrower and is in the interest of the Borrower and of the members of the Bank as a whole.

3. Accordingly, the Committee finds that said program merits financial assistance from the Bank, and hereby recommends said program for such assistance.

COMMITTEE

Senior Vice President and General Counsel

Expert Selected by Governor for
the Republic of Bulgaria



Acting Regional Vice President
Europe and Central Asia

Vice President, Financial Policy
and Institutional Strategy



Acting Senior Vice President, Development
Economics and Chief Economist

^{CSM}
Dated at Washington, D.C.



Record Removal Notice

File Title Michael Bruno - Internal Chronological - June to December 1996		Barcode No. 30486498		
Document Date 06/13/1996	Document Type Memorandum			
Correspondents / Participants To: Executive Directors From: Zhang Shengman				
Subject / Title Non-Motorized Transport Activities				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by Salma Berrada</td><td>Date April 29, 2025</td></tr></table>	Withdrawn by Salma Berrada	Date April 29, 2025
Withdrawn by Salma Berrada	Date April 29, 2025			

Chelon : Da Silva

A L L - I N - 1 N O T E

DATE: 23-Jun-1996 09:55am

TO: MICHAEL BRUNO

(MICHAEL BRUNO@A1@WBHQB)

FROM: Luiz Pereira da Silva - AF6CO, AF1MI (LUIZ PEREIRA DA SILVA@A1@WB

EXT.: 34261

SUBJECT: Farewell Note

Michael:

As you know, I am taking for 2 years an external assignment in Japan, at the Japanese Eximbank. I must say that I am sad to leave the Bank intellectual environment, particularly the one that you managed to create around DEC and the N-building. But I am also willing to invest a bit in my human capital and experience the diversity of human cultures.

My job in Japan will consist in undertaking country-risk analysis (of Jexim's major client countries) and providing a flavour of the World Bank's analytical methods to Jexim's junior economists. I will also keep in touch with DEC, since Lyn Squire's department will be using a bit of my time for their project on assessing the effectiveness of foreign aid.

It was a privilege for me to be able to meet you personally and work on South Africa under your guidance. My last mission there was an exceptionnal moment. President Mandela gave the green light for issuing the Gov's macroframework the day of my arrival. The Finance team with the Reserve Bank, Labor and Trade and Industry had then to sit down and draft the final document in three day for presentation to Parliament. I was honored to be enrolled in the team and to participate in the final stages of the announcement. As you know from your own experiences, these hectic hours are probably the best.

There's a lot to be done now, since the Gov macro framework is only a shell. Consultations with NEDLAC and Labor will have to be conducted systematically, since the accord obtained by both Alec Erwin and Trevor Manuel was concluded between them (using their own political capital) and only the top leadership of COSATU not all the workers. Now the devil is in the details.

There is no doubt in the minds of the participants of this process that it initiated with your visit and your warning of the impossibility of making living standards converge in that dual economy with output growing barely above population growth rate. Trevor Manuel and Maria Ramos insisted in getting your personal opinion throughout because they value your judgment and your approach. They told me to express their thanks and acknowledge

your efforts to involve the Fund (through Stan Fischer).

I hope to be able to tell this story in short and, your time permitting, to benefit from your views later on. Again, let me thank you for your guidance and say farewell with the hope that I will be able to see you soon, may be in one of your visits to Tokyo?

Luiz

OFFICE MEMORANDUM

DATE: May 24, 1996

TO: Chief and Lead Economists

FROM: Mark Baird, Acting Senior Vice President and Chief Economist

EXTENSION: 31666

SUBJECT: **PRDPE Course on Public Expenditures**

I would like to call to your attention the following course offered by the Learning and Leadership Center:

“New Directions in Public Expenditure Analysis”
Friday, June 13: 9:00 - 5:30
Four Seasons Hotel

This course was designed by the staff in the Public Economics Division of the Policy Research Department to present current thinking and directions for new research on analyses of public expenditures. It is intended for lead economists and others who need to oversee public expenditure reviews as well as for task managers.

Sessions include (with discussants from academia and Bank staff):

- “Assessing the distributional impacts of public expenditures” - *Dominique van de Walle*.
- “Public expenditures in a market context” - *Jeffrey Hammer*.
- “The impact of budgetary institutions on public expenditure outcomes” - *Ed Campos and Sanjay Pradhan*.
- “Fiscal decentralization and public expenditures” - *David Wildsain*.
- “Fiscal decentralization and economic growth” - *Heng-fu Zou*.
- Roundtable on New Directions in Operations and Research - *Timothy Besley, Ajay Chhibber and Michael Walton*.

I recommend this course to those who would like to use their training time on substantive economic issues. If interested please contact **Yahaya Doka**, ext. **82147**.

A L L - I N - 1 N O T E

DATE: 24-May-1996 03:54pm

TO: Michael Cernea (MICHAEL CERNEA)

FROM: Paulo Vieira Da Cunha, DECVP (PAULO VIEIRA DA CUNHA)

EXT.: 35331

SUBJECT: Michael Bruno's talk to the Sociologists Group

Mr Cernea,

I've sent Michael a revised summary and I have spoken to him about it. He agrees with you that it would be best to have available the summary and the main text of his presentation, simultaneously. I will work on the text as quickly as possible and send it to Michael; hopefully we'll be able to finish it soon after he returns to HQ on June 10.

Thank you,

Paulo

CC: Michael Bruno	(MICHAEL BRUNO)
CC: Masood Ahmed - IECDR	(MASOOD AHMED)
CC: Mark Baird	(MARK BAIRD)
CC: Lyn Squire	(LYN SQUIRE)
CC: Vinod Thomas	(VINOD THOMAS)
CC: Warren Van Wicklin	(WARREN VAN WICKLIN)
CC: Leonila Castillo	(LEONILA CASTILLO)

A L L - I N - 1 N O T E

DATE: 20-May-1996 05:12pm

TO: Warren Van Wicklin (WARREN VAN WICKLIN)

FROM: Paulo Vieira Da Cunha, DECVP (PAULO VIEIRA DA CUNHA)

EXT.: 35331

SUBJECT: **RE: Summary of Bruno's Bank Sociological Group Seminar**

Warren,

Nen kindly sent you the text. There are a couple of important revisions to add--so I am sending you an updated version which actually reflects Michael's latest (and last) round of comments. Please do not distribute the eralier version--and please keep me posted on what happens to this.

Thanks

Paulo

CC: Michael Cernea	(MICHAEL CERNEA)
CC: Michael Bruno (o/r)	(MICHAEL BRUNO)
CC: Mark Baird	(MARK BAIRD)
CC: Lyn Squire	(LYN SQUIRE)
CC: Leonila Castillo	(LEONILA CASTILLO)

Summary

separation between economics and social science is arbitrary and incorrect. Economics has its own discipline and so do the other social sciences; this is essential for the advancement of knowledge. But we all look at the same reality and attempt to build representations which will help us change it. To produce change is to engage in a normative action and, therefore, we should be concerned with its worth. Economists have spent a great deal of time and effort to understand and attempt to measure welfare. Other disciplines have different concepts and measures, and even in economics there are ongoing disputes about the concept and its measurement. There is, however, a workable consensus which is broadly shared and which gives purpose to our actions, especially our actions as part of the World Bank. Economists are aware that social and individual welfare go beyond money and market transactions, and we are keenly aware that the pursuit of welfare by some may come at the expense of the welfare of others. Notably in recent years, economists have reached outside our discipline to better understand the importance of institutions, politics, culture and even ethnicity. We recognize that this is necessary to build better representations of reality and we do our best to incorporate these into analysis. Often I wonder if other social scientists make the same effort to integrate the insights of economics into their own analyses. In the end, we must act on the basis of our knowledge--and being true to what we know should be one of the critical conditions for our action. For example, we know that to be able to reduce poverty a society should produce more. Moreover, the weight of empirical evidence overwhelmingly supports the link between growth and poverty reduction over the long haul. This doesn't mean that growth alone will suffice. But it does mean that focusing on measures and policies which enable growth is essential for sustained poverty reduction. And here economists and also the Bank can make important contributions. We have learned that social relations and economic incentives at the micro level are fundamental for implementing successfully a given process of change. We have also learned that adequate policies at the macro level are essential for social and economic development, for example policies aimed at maintaining low inflation and policies aimed at maintaining justice and the rule of law. Our task at the World Bank is to work with governments (our most immediate clients, for they sit at our Board) to increase welfare through consistent changes from the micro to the macro levels. This is a task where social knowledge is important, all of it.

Word count: 467

A L L - I N - 1 N O T E

DATE: 15-May-1996 09:10am

TO: Paulo Vieira Da Cunha

(PAULO VIEIRA DA CUNHA)

FROM: Gregory Ingram, RAD

(GREGORY INGRAM)

EXT.: 31052

SUBJECT: **RE: Michael Bruno's talk at the Sociological Group Seminar**
Summary

This is a nice summary. The observation I have is possibly material for the talk, not for the summary.

In terms of "looking at and trying to describe the same reality," I have always found that the economist's concept of permanent income and the sociologist's concept of class to be variations on the same theme. The variables that the economist uses to define permanent income are very similar to the variables that the sociologist uses to explain class, and the underlying purpose of the concepts are often similar.

CC: Masood Ahmed - IEC DR

(MASOOD AHMED)

CC: Mark Baird (o/r)

(MARK BAIRD)

CC: Ajay Chhibber

(AJAY CHHIBBER)

CC: Lyn Squire

(LYN SQUIRE)

CC: Vinod Thomas

(VINOD THOMAS)

CC: Alan Gelb

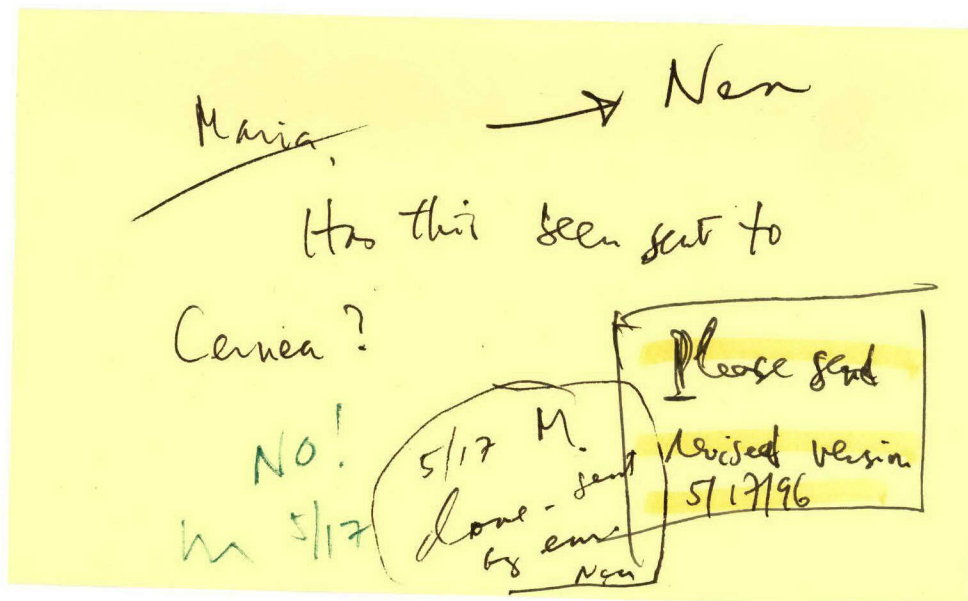
(ALAN GELB)

CC: Michael Bruno

(MICHAEL BRUNO)

CC: Leonila Castillo

(LEONILA CASTILLO)



A L L - I N - 1 N O T E

DATE: 14-May-1996 06:40pm

TO: See Distribution Below

FROM: Paulo Vieira Da Cunha, DECVP (PAULO VIEIRA DA CUNHA)

EXT.: 35331

SUBJECT: **Michael Bruno's talk at the Sociological Group Seminar**
Summary

Attached is a new version of the summary, as revised by Michael. He would like to send it to Mr Cernea by cob tomorrow. Could you please let me know if you have any comments and/or objections to the current version?
Thank you.

Paulo

DISTRIBUTION:

TO: Masood Ahmed - IECDR	(MASOOD AHMED)
TO: Mark Baird (o/r)	(MARK BAIRD)
TO: Ajay Chhibber	(AJAY CHHIBBER)
TO: Gregory Ingram	(GREGORY INGRAM)
TO: Lyn Squire	(LYN SQUIRE)
TO: Vinod Thomas	(VINOD THOMAS)
TO: Alan Gelb	(ALAN GELB)
CC: Michael Bruno	(MICHAEL BRUNO)
CC: Leonila Castillo	(LEONILA CASTILLO)

Summary

separation between economics and social science is arbitrary and incorrect. Economics has its own discipline and so do the other social sciences; this is essential for the advancement of knowledge. But we all look at the same reality and attempt to build representations which will help us change it. To produce change is to engage in a normative action and, therefore, we should be concerned with its worth. Economists have spent a great deal of time and effort to understand and attempt to measure welfare. Other disciplines have different concepts and measures, and even in economics there are ongoing disputes about the concept and its measurement. There is, however, a workable consensus which is broadly shared and which gives purpose to our actions, especially our actions as part of the World Bank. Economists are aware that social and individual welfare go beyond money and market transactions, and we are keenly aware that the pursuit of welfare by some may come at the expense of the welfare of others. Notably in recent years, economists have reached outside our discipline to better understand the importance of institutions, politics, culture and even ethnicity. We recognize that this is necessary to build better representations of reality and we do our best to incorporate these into analysis. Often I wonder if other social scientists make the same effort to integrate the insights of economics into their own analyses. In the end, we must act on the basis of our knowledge--and being true to what we know should be one of the critical conditions for our action. For example, we know that to be able to reduce poverty a society should produce more. Moreover, the weight of empirical evidence overwhelmingly supports the link between growth and poverty reduction over the long haul. This doesn't mean that growth alone will suffice. But it does mean that focusing on measures and policies which enable growth is essential for sustained poverty reduction. And here economists and also the Bank can make important contributions. We have learned that social relations and economic incentives at the micro level are fundamental for implementing successfully a given process of change. We have also learned that adequate policies at the macro level are essential for social and economic development, for example policies aimed at maintaining low inflation and policies aimed at maintaining justice and the rule of law. Our task at the World Bank is to work with governments (our most immediate clients, for they sit at our Board) to increase welfare through consistent changes from the micro to the macro levels. This is a task where social knowledge is important, all of it.

rd count: 467

May 14, 1996

Mr Michael Bruno

Summary of your talk at the Sociological Group Seminar
Friday, May 3 1996

Michael,

Attached is a first cut at the summary. It would be good to have it ready before you leave for Ghana. If you wish, you may access the file at F:\SOCIOGRO\SUM1.DOC.

Thank you,

A handwritten signature in black ink, appearing to read 'Paulo', with a long, sweeping diagonal stroke above the name.

Paulo

cc: Mesrrs Ahmed, Baird, Chibber, Gelb, Ingram, Squire, Thomas.

Summary

The separation between economics and social science is arbitrary and incorrect. Economics has its own discipline and so do the other social sciences; this is essential for the advancement of knowledge. But we all look at the same reality and attempt to build representations which will help us change it. To produce change is to engage in a normative action and, therefore, we should be concerned with its worth. Economists have spent a great deal of time and effort to understand and attempt to measure welfare. Other disciplines have different concepts and measures, and even in economics there are ongoing disputes about the concept and its measurement. There is, however, a workable consensus which is broadly shared and which gives purpose to our actions, especially our actions as part of the World Bank. Economists are aware that social and individual welfare go beyond money and market transactions, and we are keenly aware that the pursuit of welfare by some may come at the expense of the welfare of others. Notably in recent years, economists have reached outside our discipline to better understand the importance of institutions, politics, culture and even ethnicity. We recognize that this is necessary to build better representations of reality; but that does not imply that we don't value our own contribution. On the contrary, integration is not simple juxtaposition. And I often wonder if other social scientists make the same effort to integrate the insights of economics into their analyses. In the end, we must act on the basis of our knowledge--and being true to what we know should be one of the critical conditions for our action. For example, we know that to reduce poverty a society should produce more. In theory you could do otherwise but only in a totalitarian system and with the help of other restrictive assumptions. Moreover, the weight of empirical evidence overwhelmingly supports the link between growth and poverty reduction. This doesn't mean that growth alone will suffice. But it does mean that focusing on measures and policies which enable growth is essential for poverty reduction. And here economists and also the Bank can make important contributions. We have learned that social relations and economic incentives at the micro level are fundamental for implementing successfully a given process of change. We have also learned that adequate policies at the macro level are essential for social and economic development, for example policies aimed at maintaining low inflation and policies aimed at maintaining justice and the rule of law. Our task at the World Bank is to work with governments (our most immediate clients, for they sit at our Board) to increase welfare through consistent changes from the micro to the macro levels. This is a task where social knowledge is important, all of it.

plcg

A L L - I N - 1 N O T E

DATE: 15-May-1996 07:04pm

TO: Paulo Vieira Da Cunha

(PAULO VIEIRA DA CUNHA)

FROM: Masood Ahmed - IECDR, IECDR

(MASOOD AHMED)

EXT.: 33800

SUBJECT: RE: Michael Bruno's talk at the Sociological Group Seminar
Summary

Paulo:

I haven't got any of the background on this. But reading it I found it a bit defensive. It reads more like a reply to a printed question from the floor than to an opening statement. But perhaps that is implicitly what is intended?

Masood

CC: Mark Baird (o/r)
CC: Ajay Chhibber
CC: Gregory Ingram
CC: Lyn Squire
CC: Vinod Thomas
CC: Alan Gelb
CC: Michael Bruno
CC: Leonila Castillo

(MARK BAIRD)
(AJAY CHHIBBER)
(GREGORY INGRAM)
(LYN SQUIRE)
(VINOD THOMAS)
(ALAN GELB)
(MICHAEL BRUNO)
(LEONILA CASTILLO)

A L L - I N - 1 N O T E

DATE: 24-May-1996 08:29am

TO: Michael Bruno (MICHAEL BRUNO)

FROM: Paulo Vieira Da Cunha, DECVP (PAULO VIEIRA DA CUNHA)

EXT.: 35331

SUBJECT: References: Deep crises and reform: What have we learned

Michael,

The editors of Directions in Development asked me for specific page numbers for the citations you have on Bresser Pereira et al (on populism) and on Rodrik (on the link between trade and macro reforms). I found the Rodrik quote but not the one by Bresser Pereira (I skimmed the Intro, Conclusions and Bresser's own article--which, surprizingly, I found it better than I anticipated). On the latter, I took the liberty to change the text to:

Bresser Pereira (1993) concluded, after an examination of Latin American policies in the last forty years, that populist leaders adopted non-populist policies when the crisis was so deep that the cost of populist policies became higher than the costs of adjustment.

Paulo

CC: Leonila Castillo (LEONILA CASTILLO)

The World Bank/IFC/MIGA

OFFICE MEMORANDUM

DATE: May 22, 1996 04:35pm

TO: NANCY LEVINE (NANCY LEVINE @A1@WBWASH)

FROM: Paulo Vieira Da Cunha, DECV (PAULO VIEIRA DA CUNHA)

EXT.: 35331

SUBJECT: **Michael Bruno's monograph: "Deep crises and development: what have we learned?"**

Michael Bruno, on the advice of several people in and out of the Bank, would like to publish the address he delivered as the president of the International Economic Association in the Bank's series Directions in Development. A slightly different version of the paper will be published by Macmillan in a conference-volume to be edited by Mr Bruno and co-editors. Though we are still waiting for the formal approval from Macmillan, the publisher, we have received an informal go-ahead from Mr Butler who is preparing the book of conference papers for publication, sometime in 1997.

Meanwhile, we have gone ahead and started to format the text for publication in your series. I understand that you have already received a copy of the draft. Please let me know what are the next steps we should take.

Thank you.

CC: Michael Bruno	(MICHAEL BRUNO)
CC: Mark Baird	(MARK BAIRD)
CC: Meta de Coquereaumont	(META DE COQUEREAUMONT)
CC: CAROL ROSEN	(CAROL ROSEN @A1@WBWASH)
CC: Leonila Castillo	(LEONILA CASTILLO)
CC: Holger Wolff	(HOLGER WOLFF)

THE WORLD BANK/IFC/M.I.G.A.

OFFICE MEMORANDUM

Chen

DATE: May 17, 1996

TO: Mr. Ajay Chhibber, WDR 1997

FROM: Michael Bruno, DECV *MB*

EXTENSION: 33774

SUBJECT: **Terms of Reference**

On June 4 you will leave for Japan to meet with the Japanese Government officials and research scholars and discuss Outline on WDR 1997.

✓
A L L - I N - 1 N O T E

DATE: 16-May-1996 12:20pm

TO: Paulo Vieira Da Cunha

(PAULO VIEIRA DA CUNHA

FROM: Mark Baird, DECVF

(MARK BAIRD)

EXT.: 31666

SUBJECT: **DEC Note: Tunis Lecture**

Paulo:

I haven't looked at this carefully. But I was struck by one small point. In the second para. on page 7 it says: "Does foreign aid delay adjustment? It seems so." This sounds too defeatist for my liking. Why not say: "It seems to in some cases" or simply "It can"?

Mark

CC: Michael Bruno

(MICHAEL BRUNO)

THE WORLD BANK/IFC/M.I.G.A.

OFFICE MEMORANDUM

DATE: July 9, 1996

TO: Mr. Robert Picciotto, DGO

FROM: Michael Bruno 

EXTENSION: 33774

SUBJECT: **Evaluation Practice in the Economic Development Institute -- A Review**

Many thanks for sending me the OED review of EDI's evaluation practices. I very much appreciate the collaboration between OED and EDI, and the recommendations you were able to develop for strengthening EDI's evaluation process. We consider the use of evaluation as central to quality maintenance and improvement in EDI. I am happy to see the process advance with your timely assessment and suggestions which incorporate EDI's comments. EDI is following up on the findings of the report.

cc: Messrs. Kaji, Koch-Weser, V. Thomas

The World Bank

1818 H Street, N.W.
Washington, D.C. 20433, U.S.A.



June 14, 1996

With the compliments of
Michael Bruno
Senior Vice President
and Chief Economist

Cathy Cardona

Cathy, shouldn't this go to you first?

Thanks

Michael

Att./-

June 13, 1996

CONFIDENTIAL

DECLASSIFIED

To: Mr. Michael Bruno, DECVP

APR 29 2025

Michael,

WBG ARCHIVES

I would like to go ahead with proposing John to the panel for promotion to level 28. In terms of outside recognition, publications, policy work, I think he fully deserves it. The new procedure is that a special panel is called for.



Kemal Derviş

OFFICE MEMORANDUM

Chron -
AH, in E.D.I. file

DATE: June 17, 1996

TO: Ms. Ngozi Okonjo-Iweala

FROM: Michael Bruno *MB*

EXTENSION: 33774

SUBJECT: **Senior Complements**

1. In response to Vinod Thomas' recent request for additional Level 26+ complements to support EDI's expansion, you have suggested that DEC consider redeploying existing unused complements first. We have now taken a look at the deployment of complements within DEC, and would like to request two additional level 25 complements and one level 26+.
2. The attached tables show the current status of DEC's senior complements, indicating plans in hand for recruiting senior staff against current unused complements. Once current plans have been implemented, DEC will have a deficit of two level 25 complements, and one level 26+.
3. The two additional level 25 complements are needed for my Front Office. One is to accommodate the recently upgraded Program Coordinator function (previously graded at level 24); the second is to replace a level 26 complement, which I am redeploying to EDI.
4. EDI currently needs two additional level 26+ complements. One I am providing from my Front Office (see paragraph 3, above). The second cannot be provided from within DEC.
5. Not included in this request are possible additional level 25/26+ complements for EDI. A study has recently been concluded of EDI's management structure, which recommends two additional senior positions in the Front Office. EDI management is now considering these proposals. I will come back to you should it be agreed that further complements will be needed.

Attachments

cc: Messrs. Baird, Bradier, Thomas, ter Weele

THE WORLD BANK/IFC/M.I.G.A.

OFFICE MEMORANDUM

DATE: July 3, 1996

TO: Mr. Ram Chopra, Director, CAP

FROM: Michael Bruno MB

EXTENSION: 33774

SUBJECT: Japan: Inventory of Partnership Activities with OECF & JEXIM: DEC

In response to Mr. Fukui's memorandum of June 25, please find attached some additions from IEC to the DEC inventory of partnership activities with OECF and JEXIM.

Attachment/2

cc: Messrs. Fukui, RMC, M. Ahmed, M. Baird, G. Ingram, S. Lateef, L. Squire,
V. Thomas, D. Dollar, Ms. H. Bridi

DEVELOPMENT ECONOMICS (DEC)

FY96 Activities

IECIF (The International Finance Division) has regular contacts with JEXIM and its subsidiaries on official and private capital flows to developing countries including an annual visit to Tokyo. This includes:

- Meeting regularly with JEXIM staff in the context of the Paris Club meetings and the semi annual Berne Union meetings.

FY97 Projected Activities

Same as above.

- JEXIM and OECF staff will be invited to the seminars that IEC aims to organize with JCIF to disseminate the findings of the Private Capital Flows Study.

DEVELOPMENT ECONOMICS (DEC)

FY96 Activities

- IECIF staff hold annual consultations with OECF staff on official flows from Japan to developing countries.
- IEC staff met with staff of the Research Institute on Development Assistance (RIDA) and will be exploring with them opportunities for joint research on international aid flows.

FY97 Projected Activities

Same as above.

THE WORLD BANK GROUP
Senior Vice President and Chief Economist
Development Economics

ROUTING SLIP		DATE: June 4, 1996	
NAME		ROOM. NO.	
Messrs. Ahmed		N4-043	
Baird		N6-063	
Chhibber		N7-063	
Ingram		N7-043	
Squire		N11-051	
Thomas		M7-051	
☐	URGENT	☐	PER YOUR REQUEST
☐	FOR COMMENT	☐	PER OUR CONVERSATION
☒	FOR ACTION	☐	NOTE AND FILE
☐	FOR APPROVAL/CLEARANCE	☐	FOR INFORMATION
☐	FOR SIGNATURE	☐	PREPARE REPLY
☐	NOTE AND CIRCULATE	☐	NOTE AND RETURN
☐		☐	
RE: Japan: Inventory of Partnership Activities with OECF and JEXIM			
REMARKS: Could you please let me have any additions or provisions to the DEC inventory by noon, Tuesday, July 2. Thanks, Michael			
FROM Michael Bruno		ROOM NO. N6-043	EXTENSION 33774

OFFICE MEMORANDUM

2864 L.D.

DATE: June 25, 1996

96 JUN 27 AM 9:51

TO: See Distribution Below

RECEIVED
DEVELOPMENT ECONOMICS
VP & CHIEF ECONOMIST

FROM: Hiroo Fukui, Vice President, RMC



EXTENSION: 32707

SUBJECT: **Japan: Inventory of Partnership Activities with OECF and JEXIM**

1. Following his trip to Japan, Mr. Wolfensohn asked for an inventory of all partnership activities between each Vice Presidential Unit and OECF and JEXIM during FY96 and those projected in FY97. Based upon information confirmed by OECF and JEXIM, we have compiled the following list for your area.
2. I would be grateful if you would provide any additions or revisions to Mr. Ram K. Chopra, Director CAP, by Friday, July 5, 1996 so that we can forward it to Mr. Wolfensohn speedily.

Distribution: Mr. Michael Bruno, Senior Vice President, DEC
Mr. Armeane Choksi, Vice President, HCD
Mr. Jean-Francois Rischard, Vice President, FPD
Mr. Ismail Serageldin, Vice President, ESD
Mr. Russell Cheetham, Vice President, EAP
Mr. D. Joseph Wood, Vice President, SAS
Mr. Johannes Linn, Vice President, ECA
Mr. Kemal Dervis, Vice President, MNA
Mr. Shahid Burki, Vice President, LAC
Mr. Mark Malloch Brown, Vice President, EXT
Mr. Brian Wilson, Vice President, FPI
Mr. Callisto Madavo, Vice President, AFR
Mr. Jean-Louis Sarbib, Vice President, AFR
Mr. Gary Perlin, Vice President and Treasurer
Mr. Jules Muis, Vice President and Controller
Ms. Dorothy Berry, Vice President, HRS
Mr. Robert Picciotto, Director General, DGO
Ms. Myrna Alexander, Director OPR
Mr. Jannik Lindbaek, Executive Vice President, IFC
Mr. Akira Iida, Executive Vice President, MIGA
Mr. Mohamed El-Ashry, Chief Executive Officer, GEF

Attachment

DEVELOPMENT ECONOMICS (DEC)

FY96 Activities

- The Bank held a Research Fair in Tokyo in Dec. 1995 which was co-organized by JEXIM.
- IECIF (the International Finance Division) has periodically exchanged information with JEXIM's subsidiary - the Japan Institute of Overseas Investment (JOI).
- JEXIM staff have attended several Bank seminars including the annual seminar on the World Debt Tables conducted by IECIF in Tokyo.

FY97 Projected Activities

- The Research Department is organizing a workshop, jointly sponsored with JEXIM, to disseminate the output of major Japanese research on development.

DEVELOPMENT ECONOMICS (DEC)

FY96 Activities

- The Bank held a Research Fair in Tokyo in Dec. 1995 which was co-organized by OECF.
- The Bank and OECF staff have met to include OECF in preparing the 1997 WDR on the Role of the State in development.
- Mr. Lyn Squire of PRD visited OECF in 4/96 and proposed joint research on the theme of "aid effectiveness".
- OECF staff have attended several seminars including the Annual Bank Conference on Development Economics (ABCDE Conference) and the annual seminar on the World Debt Tables conducted by IECIF in Tokyo.

FY97 Projected Activities

- The Bank and OECF (mainly RIDA) will continue to discuss joint research on "aid effectiveness", leading to a joint symposium on the topic in September, 1997.
- The Bank and OECF staff will continue to meet to collaborate in preparing the 1997 WDR on the Role of the State in development.
- The Research Department (as part of the EDI Brain Trust Program) is organizing a workshop, jointly sponsored with OECF (RIDA), to disseminate the output of major Japanese research on development.
- OECF staff will attend the Bank's Annual Bank Conference on Development Economics (the ABCDE Conference) and its annual seminar in Tokyo on the World Debt Tables.

P. 100
C

The World Bank
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Senior Vice President
and Chief Economist

June 25, 1996

Mr. Caio Koch-Weser

Mexico Review

Caio,

Please find attached the final version of the Mexico Review prepared by Mark Baird and his team. This has benefited from the extensive comments received on the earlier draft. In addition, as earlier agreed, we would like to get comments from both the Mexicans and the IMF on the main findings of the report. We should discuss how best to do this.

We trust this report meets your requirements. We are looking forward to a productive discussion on the lessons for the Bank and how to move forward on the report's recommendations.



Michael Bruno

Attachment

cc: Messrs. Burki, Garg, Baird

CONFIDENTIAL

DECLASSIFIED

APR 29 2025

WBG ARCHIVES

**THE MEXICAN CRISIS:
LESSONS FOR THE WORLD BANK**

June 24, 1996

The World Bank
Office of the Senior Vice President
Development Economics

OFFICE MEMORANDUM

DATE: June 18, 1996

TO: Ms. Anette Pedersen

FROM: Michael Bruno 

EXTENSION: 33774

SUBJECT: **Local-Level Harassment Advisers**

1. You have asked that we advise you as to whether or not DEC plans to appoint Local Harassment Advisers.

2. As you know, we already have one departmental LHA in IEC (Paul Armington). While we cannot claim that business has been brisk for Mr. Armington, we believe that it is important to put as many support resources at the disposal of staff as possible. LHAs are a low-cost means of providing staff with a local, "safe", option for discussing sensitive problems. We propose therefore to establish LHAs in DEC Departments as follows:

IEC	Paul Armington/Punam Chuhan
PRD	Emmanuel Jimenez/Cheryl Gray
EDI	Haleh Bridi/Mariana Todorova
DECVP/RAD/WDR	Lesley Davis

These names will be circulated to staff, who will be free to choose which LHA they go to, rather than being limited to their departmental LHA.

3. I note that the Terms of Reference attached to your May 24 memorandum on this subject suggested a rather narrow sexual harassment focus for the LHAs. In DEC we plan to broaden the assignment to include other gender-related issues that interfere equally with the optimizing of our human resources, including, for example, career development.

4. Your note referred to training to be made available to LHAs. I would appreciate your advising the staff mentioned above of courses to be offered, and their timing.

cc: DECSM: Messrs. Ahmed, Baird, Chhibber, Ingram, Squire,
Thomas

DEC AGG: Mss/Messrs. Armington, Bridi, Chuhan, Davis, Gray,
Jimenez, Todorova

OFFICE MEMORANDUM

for
chron-file

DATE: June 18, 1996

TO: Ms. Anette Pedersen

FROM: Michael Bruno MB

EXTENSION: 33774

SUBJECT: **Local-Level Harassment Advisers**

1. You have asked that we advise you as to whether or not DEC plans to appoint Local Harassment Advisers.

2. As you know, we already have one departmental LHA in IEC (Paul Armington). While we cannot claim that business has been brisk for Mr. Armington, we believe that it is important to put as many support resources at the disposal of staff as possible. LHAs are a low-cost means of providing staff with a local, "safe", option for discussing sensitive problems. We propose therefore to establish LHAs in DEC Departments as follows:

IEC	Paul Armington/Punam Chuhan
PRD	Emmanuel Jimenez/Cheryl Gray
EDI	Haleh Bridi/Mariana Todorova
DECVP/RAD/WDR	Lesley Davis

These names will be circulated to staff, who will be free to choose which LHA they go to, rather than being limited to their departmental LHA.

3. I note that the Terms of Reference attached to your May 24 memorandum on this subject suggested a rather narrow sexual harassment focus for the LHAs. In DEC we plan to broaden the assignment to include other gender-related issues that interfere equally with the optimizing of our human resources, including, for example, career development.

4. Your note referred to training to be made available to LHAs. I would appreciate your advising the staff mentioned above of courses to be offered, and their timing.

cc: DECSM: Messrs. Ahmed, Baird, Chhibber, Ingram, Squire,
Thomas

DEC AGG: Mss/Messrs. Armington, Bridi, Chuhan, Davis, Gray,
Jimenez, Todorova

2311

THE WORLD BANK/IFC/M.I.G.A.

OFFICE MEMORANDUM

96 MAY 28 PM 2:38

DATE: May 24, 1996

TO: All Vice Presidents

FROM: Anette Pedersen, Sr. Adviser on Gender Equality, HRSGE

RECEIVED
DEVELOPMENT ECONOMICS
& POOR ECONOMIST

EXTENSION: 82865

SUBJECT: Local-level Harassment Advisers

Last year I was given oversight responsibility for the sexual harassment policy. To assist me in reviewing implementation experience, I convened a Working Group comprised of staff from institutional functions which address harassment. I also conducted a survey of the local-level harassment advisers (LHAs, appointed in about twelve VPUs during 1994-95 although this never became a Bank-wide initiative) to gather information on their experiences. The list of advisers and the survey are attached (Attachments 1 and 2).

I would like you to decide whether those of you who have appointed LHAs want to continue having them in your VPU; and whether those of you who do not would be interested in having them. According to the survey, the LHAs felt they were instrumental in increasing awareness of harassment issues and in deterring harassing behavior. However, some LHAs could not fully determine the usefulness of the program due to reasons such as lack of institutional follow-up and management support. The consensus of the Working Group is that the program should not be made mandatory in all VPUs.

In making your decision, please keep in mind that we have other resources that staff can go to for help and information. In particular, each Human Resource team has counselors whose responsibilities include providing confidential support and help to staff (list provided in Attachment 3). In the course of the review, we found that there is an overlap in some services provided by the LHAs and Human Resource Counselors with respect to sexual harassment.

Should you decide to have LHAs, the Working Group has drawn up terms of reference (Attachment 4) that can be used as a standard; we will make sure that they are offered the necessary training.

I would appreciate it if you could make your decision, and provide me with the names of your LHAs by June 14. Please call me if you need any more information.

cc. VPU Coordinators, HR Managers, HR Counselors, Mary Brady (LLC)

Encls.

OFFICE MEMORANDUM

DATE: June 17, 1996

TO: Mrs. Pauline Ramprasad, HRGTC

FROM: Michael Bruno, SVP DEC *mb*

EXTENSION: 33774

SUBJECT: Exception to Staff Rule 4.01 -- Category II Relative

1. On April 18, Mark Baird wrote to you in support of Lyn Squire's application for an exception to paragraphs 4.03 (b) and (c) of Staff Rule 4.01. In response, you granted permission for Ms. Swati Basu, cousin of Mr. Ramendra Basu, to be hired as a short-term consultant.

2. The need has arisen for a change in Ms. Basu's contractual arrangements. As a consequence, I am hereby seeking your permission to grant Ms. Basu a long-term contract over the six-month period August 1, 1996-January 31, 1997.

3. I confirm that the work proposed for Ms. Basu requires a solid background in economic theory and econometrics and precisely the experience which Ms. Basu brings to this assignment. Also, I confirm that during her assignment, the work to be performed by Ms. Basu neither directly nor indirectly relates to the work being done by her cousin, Ramendra Basu, in CAPOC.

4. I trust you will be able to give this request your favorable consideration and will await your response.

cc: Mmes./Messrs. Angeles, Deininger (o/r), Gordon, Squire (o/r)

L - I N - 1 N O T E

DATE: 17-Jun-1996 02:33pm

TO: TRINIDAD ANGELES@A1@WBHQB

FROM: Consultant Appointments, HRGTC (CONSULTANT APPOINTMENTS@A1@WBHQB)

EXT.: 32222

SUBJECT: Regarding Request: BASU, SWATI (UPI=000151112) (CASE=11212,2)

We regret to inform you that your BAS request for BASU, SWATI (commitment #A14403) cannot be accepted in its present form. The following item(s) require correction before your request can be processed by the Consultant Appointment Unit:

Ms. Basu is a Category II Relative - she has a cousin working in the Bank. You must obtain approval from Ms. P. Ramprasad, Sr. Human Resources Officer, to hire Ms. Basu. If and when the approval is given, you should note this on the BAS request, resubmit it, and at the same time forward a copy of the approval to Ms. Rose Gordon. Thanks.

CC: PERSONNEL IMAGE ARCHIVER@A1@WBHQB

The World Bank/IFC/MIGA

V I C E M E M O R A N D U M

DATE: June 18, 1996 09:48am

TO: Kate Oram *MB* (KATE ORAM)

FROM: Carol Best, PRDDR (CAROL BEST)

EXT.: 36549

SUBJECT: Memo for MBruno's Initials

Kate:

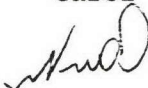
Julienne will bring down a memo for Mr. Bruno's signature. I thought I'd explain.

We've hired a consultant who has a cousin working at the Bank. Initially she was short term but we would now like to extend her for six months (she becomes a long-term consultant). Because her cousin still works here we require approval again. Hence the memo.

The memo has to be signed by the manager of the person hiring the consultant. Mark Baird did it last time as he was acting for Mr. Bruno.

Hope this helps and thanks for your support.

Carol



THE WORLD BANK/IFC/M.I.G.A.

OFFICE MEMORANDUM

DATE: June 13, 1996

TO: Mr. Ajay Chhibber, WDR 1997

FROM: Michael Bruno, DECVP MB

EXTENSION: 33774

SUBJECT: **Terms of Reference**

On June 15 you will leave for Europe to meet with the European Government officials and research scholars and discuss Outline on WDR 1997.

OFFICE MEMORANDUM

DATE: June 11, 1996

TO: Mr. Caio K. Koch-Weser, Managing Director

FROM: Michael Bruno MB

EXTENSION: 33774

SUBJECT: **Proposed Agreement Between the World Trade Organization and the World Bank**

Attached for your information and approval please find a draft President's Report transmitting the draft agreement between the Bank and the WTO to the Executive Directors. Following the format by which previous agreements between the Bank and other international organizations have been submitted for approval, the report contains the agreement, an explanatory text on how the agreement will be implemented, and the legal instruments through which the Executive Directors will send the agreement to the Board of Governors. The agreement is procedural in nature, and in my opinion would not require consideration by the Operations Policy Committee before it goes to the President.

These documents have been prepared in cooperation with the Legal Department and the procedures they describe agreed with the Secretary's Department and the Secretary of the Operations Committee. They have been discussed with the regional chief economists.

An element of the agreement on which Executive Directors have expressed different views is WTO observership at their meetings. The agreement accommodates the widely held view that the WTO Secretariat should be provided observership to discussions of general and regional trade issues by making automatic an invitation to observe such discussions. To accommodate divided opinion as to the usefulness of WTO Secretariat observership of country-specific discussions, the Executive Directors retain the right to be the final decision-maker as to when the WTO Secretariat will be invited to observe country-specific discussions, as well as to determine which discussions satisfy the criteria for automatic invitation.

The agreement with the WTO follows from an explicit mandate in the Marrakech Agreement that created the WTO for cooperation between the WTO and the Bank (and with the Fund). Because of this explicit mandate for cooperation between the Bank and the WTO, the agreement with the WTO does not create a precedent for other organizations to claim similar treatment by the Bank.

Attachments

cc: Managing Directors; RVPs; CVPs;
A. Vorkink, R. Hunja (LEGLR); W. Haddad (SECVF);
J. D. Shilling (OPRDR); J. Salop (EXC);
M. Baird, P. Viera da Cunha (DECVP);
M. Ahmed, L. A. Winters, J. M. Finger (IEC)

A L L - I N - 1 N O T E

DATE: 11-Jun-1996 10:53am

TO: Michael Bruno

(MICHAEL BRUNO)

FROM: Paulo Vieira Da Cunha, DECVP

(PAULO VIEIRA DA CUNHA)

EXT.: 35331

SUBJECT: WTO-Bank agreement

Michael,

You have received Masood's memo with a copy of the proposed agreement--and you may have noted his request for speed. I have discussed this with Michael Finger and I have glanced quickly at the agreement. I concur with Masood's view that the document is ready for distribution and that it does not require a meeting of the OPC prior to its distribution to the Board. The draft memo from you to Caio K-W indicates the one issue of potential conflict and the proposed resolution. It is clear enough.

If you want to understand the implications of this for DEC I'd suggest you look at pp. 13-16. There are two implications:

A) For policy issues: We would have to circulate regularly to someone in IECIT the ED's Work Program which we receive every 6-months from SEC's (Ken Choi). There's some talk among Eds to do away with the formal work-program as (i) they meet each month to discuss the relevant issues in the Steering Committee; (ii) the discussions in the Steering Committee invariably alter the Work Program--and also they give it real substance (e.g.: a discussion on forestry may involve substantive issues in trade).

B) For country issues: DECVP would have to be informed more regularly (and formally) of country trade issues which IECIT staff are interested in, with their advice regarding WTO involvement in possible Board discussions involving the country in question. Not to cross channels, it would be good that this informal WB-WTO mechanism be operationalized through DEC; this means that it would be you who would flag to SEC's (and EXC) potential WTO interest about a country discussion.

I hope this is helpful,
Paulo

CC: Masood Ahmed - IECDR
CC: Mark Baird
CC: Lyn Squire
CC: L. Alan Winters
CC: Michael Finger
CC: Leonila Castillo

(MASOOD AHMED)
(MARK BAIRD)
(LYN SQUIRE)
(L. ALAN WINTERS)
(MICHAEL FINGER)
(LEONILA CASTILLO)

2364

THE WORLD BANK/IFC/M.I.G.A.

OFFICE MEMORANDUM

DATE: June 10, 1996

TO: Mr. Michael Bruno, DECVP

FROM: Masood Ahmed, IECDR

96 JUN 11 AM 9:40

RECEIVED
DEVELOPMENT ECONOMICS
VP & CHIEF ECONOMIST

EXTENSION: 33800

SUBJECT: **WTO Agreement**

I attach a draft President's Report transmitting the WTO Agreement to the Board. It contains an explanatory text and a commentary on the agreement along with legal instruments through which the Board will send it on to the Board of Governors. The draft needs to go to Mr. Koch-Weser for clearance for distribution to the Board--a draft memo from you is attached. Since this is all procedural, it does not seem to need to go to the Operations Policy Committee.

The cover memo explains that the Legal and Secretary's Departments, the Regional Chief Economists and the Secretary of the Operations Committee have been involved in preparing the material. The commentary has also been agreed with the WTO Secretariat and has been circulated by them informally to national delegations. In view of the latter's circulation it is desirable that we reach the Board as soon as possible.

The hurry which we now face is unfortunate but seemed the less unattractive of two options. Having agreed their commentary with the WTO on about June 3, and the Fund wished to distribute it to their Directors, acting as a Committee on the World Trade Organization, on June 6. The WTO felt obliged to circulate it to delegations at the same time. They wished to keep the Bank and Fund processes in parallel--as do we--and so, having in the previous week said to us that there was no hurry, now sought an agreed Bank-WTO commentary within a few days. Had we not done so, the Bank-WTO agreement would have been delayed in Geneva, probably until after the summer.

We now need to clear the draft as soon as possible so that we can circulate it to Executive Directors before they fret about their authorities getting it from one source but not the other.

Attachments

cc: M. Baird, P. Vieira da Cunha (DECVP)
L. Alan Winters, J. M. Finger (IECIT)

The World Bank
Washington, D.C. 20433
U.S.A.

cc: Mark Baird ✓
Paulo Vieira ✓
da Cunha

MICHAEL BRUNO
Senior Vice President
and Chief Economist

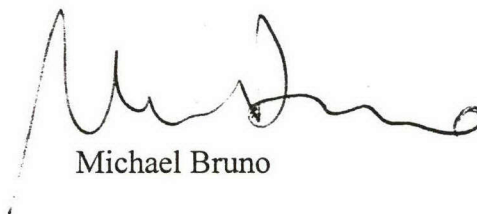
June 10, 1996

Mr. Gautam Kaji

Mexico Financial Sector

Gautam,

Thank you for your note of June 6. Since the OC meeting, we have been working with the Region to address the macro issues we raised at that time. We are satisfied with the joint work program as outlined in Javed's memo of May 31. That is what we signed off on. As you will see from our EM to the Region (attached), we were not signing off on the proposed operational strategy. As we indicated at the OC meeting, we believe this work should be completed before the Pension Loan goes ahead. That is still our view.



Michael Bruno

Attachment

cc: Messrs. Koch-Weser, Rischard

A L L - I N - 1 N O T E

DATE: 31-May-1996 08:50am

TO: Sri-ram Aiyer

(SRI-RAM AIYER)

FROM: Paulo Vieira Da Cunha, DECVF

(PAULO VIEIRA DA CUNHA)

EXT.: 35331

SUBJECT: Mexico Financial sector strategy

Mr Aiyer,

My apologies for not being able to reply to you sooner. Your note lays out clearly the strategy you propose to follow and the reasoning behind it. You may wish to add in Para 3 that an important component of the work to be done is to understand better the system of incentives and the possible fiscal implications of the various programs of assistance that have been and still are being set in motion (ref., Paras 16 and 17). Moreover, my understanding from an extensive conversation with Zia is that there is basically one strategy, adopted by the government--not competing strategies (ref. Para 21). It will be difficult (daring) enough to assess are the macroeconomic implications of this strategy, under varying macroeconomic perspectives. The interplay between macroeconomic developments, the fiscal position and the health of the financial system is at the core of the work to be done. (For this very reason I would be less sanguine about assertions like those in Para 7, based on trends that may easily be reverted.)

I agree entirely with the arguments you present in Para 4, and they are a central consideration for our further work. That being said, we all would have been in an easier position--and, arguably, the Mexican system in a healthier state, if a greater effort had been made initially to improve the quality and transparency of the information. In this regard, an important point which you choose not to mention is double-loop through nationalization and reprivatization involving the very same private groups and government officials. There is a strong presumption that the legacy of past deals and diminished credibility could compromise current actions. My understanding is this is one of the concerns regarding the approach to the assessment of financial soundness and guarantor risks in the system.

Not having been involved in the details of the discussions so far, it is difficult for me to judge on the adequacy of proceeding now with the single tranche CSDP. As you point out in para 6, the issue is whether the new pension funds can thrive and operate efficiently in this environment (including the major problem of IFONOVIT about which, as you know, there have been plans for "major" reforms with World Bank support at least since 1982). Can the new initiatives be separated from the insolvent banks and will this lead to the kind of outcomes that underpins the analysis done for the CSDP? Personally, I don't think you

have answered this question clearly enough. What the Mexican congress approved in April is a watereddown version of the government's proposals, admittedly a still significant political victory. But is it enough to support a program which, if it fails, would have been better not to have been launched prematurely?

I hope this is helpful.

Paulo

CC: Mark Baird

(MARK BAIRD)

CC: Leonila Castillo

(LEONILA CASTILLO)

OFFICE MEMORANDUM

DATE: June 1, 1994
TO: DISTRIBUTION
FROM: Michael Bruno 
EXTENSION: 33774
SUBJECT: A Vision for the Future from DEC

Attached for your information is DEC's contribution to the Bank's vision and agenda for the 50th Anniversary. I would welcome any comments or reactions.

DISTRIBUTION

Messrs./Ms. Preston, Karaosmanoglu, Sandstrom, Stern, Shihata, Thahane, Linn, Einhorn, Eccles, Jaycox, Kaji, Wood, Thalwitz, Koch-Weser, Burki, Kashiwaya, Serageldin, Rischard, Choksi, Husain, Lindbaek

The Bank's 50th Anniversary A Vision for the Future from DEC

The Bank's 50th Anniversary is an opportunity to reassess the role of the Bank in a rapidly changing world. Fifty years of development experience have provided valuable lessons for the future. These combined with changes in the Bank's external environment suggest that, in the future, the Bank's role in the development agenda will change. The economic rationale for Bank action continues to be valid, but increasingly the Bank will need to emphasize its comparative advantage as a knowledge-based institution to complement and supplement its traditional role as development financier. Building upon its unique reservoir of development experience, as well as its global scope, the Bank will need to deepen its knowledge and understanding of what works and what does not work in development. Indeed, the Bank's role as a generator, repository and disseminator of knowledge on development will be critical for meeting the existing as well as the emerging challenges in the development agenda, and for making a tangible contribution to its goal of facilitating sustainable economic growth and poverty alleviation.

The development record

Fifty years of development experience has resulted in tremendous achievements on a variety of fronts. Substantial economic growth has led to a significant increase in income and consumption per capita in the developing world as a whole. Broader measures of well-being as captured in key social indicators -- life expectancy, child mortality, and educational attainment -- have all improved markedly.

At the same time, daunting development challenges remain. Over a billion people in developing countries continue to live in poverty. More than 100 million children in the developing world lack access even to primary education. Absolute levels of mortality in developing countries remain unacceptably high, with child mortality rates about ten times higher and maternal mortality rates thirty times higher than high-income countries. Across developing countries, environmental problems are becoming increasingly apparent and pose formidable challenges for the future.

Moreover, the economic progress that has been achieved has been very uneven across regions and countries. While the East Asian countries have achieved impressive outcomes in terms of economic growth and poverty reduction, many low-income countries -- particularly in Sub-Saharan Africa -- have experienced negative growth and increasing poverty. At the same time, Eastern Europe and the FSU face unprecedented problems in their transition to market economies. Between these extremes, there is a broad range of countries who have had mixed results over the past decade.

Key changes in the global environment

The remaining and emerging development challenges need to be addressed in the context of a rapidly changing global environment. Of the many changes, a few features warrant special attention:

Surge in private capital flows. Recent years have seen a structural change in world wide financial markets consisting of increased globalization of capital markets and generally enhanced access to capital markets by developing countries. Over the last few years, there has been a surge in private capital flows to developing countries. Some 20 developing countries, mostly middle-income countries but also including some of the Bank's biggest low-income client countries with credible programs (e.g., China), get most of their inflows from private sources. While some of these flows may reflect temporary market conditions, there are good reasons to believe that a significant portion will be sustained over time (see attached note). Substantial private flows, however, are unlikely to spread across-the-board to all countries, even though increased financial innovations make it feasible to finance particular enclaves or packages in almost any country. Indeed, some forty countries are stagnating at low income levels with limited prospects for attracting private capital. These countries will continue to depend upon official aid.

Increased global integration. The world economy is characterized by increasing integration and interdependence, with the growth in trade outpacing the growth in GDP. Developing countries account for the fastest component of the growth in trade, which is likely to be enhanced even further by the successful completion of the Uruguay Round. In fact, even the establishment of regional trading blocs opens the opportunity for deepening integration in a trade-enhancing rather than trade-diverting manner. Global integration is extending beyond trade in goods to trade in services, regulatory frameworks and international labor mobility. Integration of international financial markets is one factor underlying the surge in private capital flows.

Changing aid priorities. A confluence of factors has led to changing aid priorities. Fiscal constraints in OECD countries have led to a tightening of aid budgets. Moreover, the end of the Cold War has taken away the national security rationale for much aid, and has introduced new, high priority aid recipients who may crowd out others. In addition,

the political support for multilateral aid has dwindled as bilateral donors increasingly attempt to link aid directly to their specific national interest and agenda. Finally, there is increased questioning of the effectiveness of aid in general and of multilateral institutions in particular. All of these imply that there will be an overall reduction in official development assistance, including through the World Bank, and at the same time, there will be a reallocation of aid among recipient countries.

Lessons of development experience and the emerging development agenda

Diverse outcomes and new challenges combine to underscore the complexity of the development agenda. There are some important lessons from experience: the demise of the Soviet Union and the successful performance of East Asian economies vindicate the benefits of a market-friendly approach to development. Early optimism about the role of the public sector, in regulating the economy and managing investments, was not borne out by results. Experience also confirms that macro stability and growth go hand in hand, and that growth and the provision of basic social services are essential to sustain poverty reduction. We have learned that policies matter more than projects and that the provision of project financing with technical input is insufficient for satisfactory outcomes. But we have also learned that the adjustment process involves deeper and more complex policy reforms, and that it takes longer than anticipated a decade ago. A broader policy framework is necessary for sustainable growth and poverty alleviation. Thus, the most critical component for successful outcomes is strong government commitment and broad-based "ownership" within the country. key

Though well known, these lessons are exacting. They have not been fully absorbed. Many countries are still tackling macroeconomic problems, have failed to redress the balance between the public and private sectors, and have yet to put in place adequate regulatory and legal structures. In those countries that have performed poorly (e.g., in Sub-Saharan Africa) or that are in the process of transition (e.g., in the FSU), experience suggests that improved performance will require a deeper understanding of the institutional and social setting and how they may constrain the implementation of policy and projects. Experience has shown that growth is path dependent, and institutions are a significant determinant of the path taken. Future policy reform will need to be based on a much richer understanding of the constraining institutional features in different countries. These encompass factors such as governance and the civil service that may impinge upon the performance of the public sector on the one hand, and factors such as the regulatory and legal environment that influence the success of privatization and private sector development on the other. Indeed, even in countries where adjustment has progressed there are a key

whole series of more complex, second generation issues (e.g., regulation, supporting private sector development, facing serious environmental problems such as pollution and natural resource degradation) which need to be addressed to secure sustainable growth and poverty reduction in the long-run.

The new challenges and the lessons of experience point to three critical elements in the emerging development agenda:

- *A more central and active role for the private sector.* Development strategies and assistance should facilitate and build upon this role. To sustain country competitiveness, the focus will need to shift to more sophisticated, second-generation policy packages that emphasize regulatory and legal reform, financial sector reforms, development of local capital markets, etc. Countries will need to address the transition from the public to the private sector not only in tradeables but also in sectors such as telecommunications and power and activities such as health care and old-age pensions which have long been in the hands of the state. There will be a premium on upgrading and adapting policies, skills and technologies in an increasingly competitive and rapidly changing international environment.
- *A more effective and efficient public sector.* Despite the growing importance of the private sector, the public sector will continue to play a critical role. It must ensure macroeconomic stability, foster human resource development and provide environmental protection. It will need to focus with greater attention and improved selectivity on the standard areas for public intervention: concern with income distribution, and recognition that markets work imperfectly and in some circumstances may not exist. Yet public sector performance has proven disappointing in many countries, and a deeper understanding of underlying problems and more comprehensive institutional reform will be required.
- *A more competitive and integrated global economy.* Increased global integration binds more closely the performance of developed and developing countries. Not only will trends and issues in the international economy have an increasingly important impact on developing countries, but also developing countries are going to be increasingly significant in the world economy through trade, capital flows and migration. Despite the success of the *Uruguay Round*, and the so far benign emergence of more deeply integrated regional trading blocs, new collaborative global policy strategies will have to be developed to avoid ever-more damaging barriers and/or distortions to trade and resource flows. This includes programs to encourage industrial countries to facilitate downsizing of sectors which will move progressively to developing countries.

Key implications for the World Bank

The rationale for Bank action rests on two conditions: one, in redistributing incomes between and within countries, and two, in addressing failures in international capital and information markets. This rationale continues to support Bank action in confronting the development agenda. The prevalence of poverty points to a continued role in transferring concessional resources from rich to poor countries, together with the necessary best-practice knowledge, in order to have an impact on poverty reduction. Though vibrant, international capital markets are selective and can be fickle. Many countries continue to lack sustained access to private capital flows and, for them, the Bank can be a critical catalyst. The Bank also has a vital role in disseminating information on what works and what does not work in order to meet the remaining and new development problems. By drawing on its cross-country experience and unparalleled, fifty-year association with development, the Bank can help countries with policy design, practice and implementation.

The rationale for the Bank also implies changes in its role over time. The Bank's traditional financial role diminishes in importance with the expansion and diversification of international flows of private capital. More importantly, the scope for efficient intervention diminishes with the expansion of competitive markets and of the private sector in the economies now in transition and throughout the developing world. Many of the arguments for Bank involvement are time bound. To the extent that there is progress, arguments for a continued role for the Bank based on failures in international capital or information markets will become weaker and weaker. The private sector will increasingly be able to fulfil the role currently played by the World Bank. Countries that eventually acquire access to markets for capital should graduate from World Bank financing. In such countries, the World Bank may continue to provide information, and undertake research and analysis to transfer their successful experience to other countries.

While the arguments for the Bank may grow weaker, they are likely to endure. The point, however, is that *even when applicable* (and they will be applicable for decades to come) these arguments delineate only a first set of criteria for justifiable action. The rationale is a necessary condition for having such an institution as the World Bank but not a sufficient one to guarantee developmental impact. Intervention should be effective or, better yet, the most effective possible. There are three important implications:

In order to maximize development impact, the Bank will need to be more selective in its country and sectoral focus. One of the Bank's great strengths is its global reach, bringing together a diverse range of country experience. By offering a

range of services and being responsive to country conditions and development outcomes, the Bank will continue to be a global institution. But in adhering to its rationale, there will be a natural shift in the country focus of the Bank, with a greater emphasis on low-income countries with poor outcomes and the transition countries. And these countries are precisely the ones where the plain transfer of money is likely to be least effective. Even within this set of countries, the Bank should be prepared to be more selective in where it puts its resources. To maximize development impact, the Bank (including IDA) should focus on countries with commitment to economic reform. And the nature of its interventions should follow from its rationale; i.e, they should be justified on redistributive grounds, increase the efficient supply of public goods, or help address market failures. This implies a sharper focus on human resource development, certain physical infrastructure such as roads, and the series of second generation issues concerning regulation, the environment and support for private sector development. In other sectors -- such as industry and telecommunications -- lending should diminish and then cease as the Bank moves to support rather than replace the private sector.

The Bank will also need to give more emphasis to the contribution of non-lending services (shifting the balance from money to ideas). Drawing on its global development experience, the Bank can play a critical role in disseminating the lessons of success, in working with clients to move from the *what* to the *how*, and in bridging the gap from policy formulation to institutional design. It can also help governments to "package" and "deliver" development services provided by others. By selecting and leveraging its own activities to "crowd in" other players, the Bank will indeed become a "knowledge-based" institution. Our non-lending services have a direct development impact which needs to be recognized and valued within the Bank. They also provide key ingredients -- in terms of building our country knowledge and helping governments with their policies and spending priorities -- for improving the quality of our own lending. Money and non-lending services often go together: the technical assistance inherent in projects and the policy advice in adjustment lending. But this need not always be the case. Flexibility will be needed to provide non-lending services in countries which want to draw on our knowledge but no longer need our money or cannot use it effectively. In some circumstances, the Bank might want to consider charging for its services, to avoid crowding out private information flows.

The Bank should take a more pro-active stance in analyzing and influencing international economic arrangements which affect developing country prospects. As developing countries become more integrated into the mainstream of the international economic system, they also acquire a greater stake in the rules and institutions governing the functioning of this system. Following the Uruguay Round, many

countries are turning to the Bank for information and advice on how best to take advantage of the more open but more competitive international trading environment. These prospects will be significantly affected by the manner and scope of future changes to the trading system, for example through the introduction of environmental, labor and competitiveness issues into the trading agenda. They will also be affected by the manner in which regional trading blocs develop, not only between developing and industrial countries but also amongst groups of developing countries. Similarly, the ability of developing countries to access the new private capital flows will depend on a better understanding both of the motivations and concerns of the investors behind these flows as well as of the movement of these flows. The Bank can play a role in responding to this demand for objective and credible analysis on key determinants of developing country prospects. Finally, a stronger analytical presence by the Bank is important to raise issues of market access in industrial countries and counter growing but fundamentally misplaced concern (especially in Europe) that greater integration of the developing countries into the international economy will exacerbate unemployment.

Conclusion

In sum, over the next decades, meeting the Bank's objective of raising incomes and reducing poverty will require selectivity in action and a commitment to provide competitive, best-practice advice. The Bank should welcome other players in the provision of development services and explore new ways of encouraging efficient private solutions to public sector problems. It should not try to compete in financial markets. Rather, it should be prepared to provide a broad range of services which rely heavily on information and technical advice, as well as financial transfer. The Bank's traditional financial role is likely to diminish as more with the expansion and diversification of private capital flows. Non-lending services (ideas) will become relatively more important. The Bank is the only institution with an enduring relationship with the gamut of developing countries, a wealth of cross-country development experience, and a product mix that combines finance, policy advice and in-depth research. The resulting operational experience of the Bank, combined with the accumulated information on developing economies it has acquired over the years, give it a substantial comparative advantage in determining "best practice" in different country contexts and disseminating this information to policy makers throughout the world. Unlike many institutions, however, the Bank not only determines what has worked, but tries to understand why some countries have had disappointing outcomes. The Bank is committed to resolving the key problems that remain in these countries, as well as the new challenges that may emerge.