Folder Title:	President Wolfensohn - Briefing Book for President's Meetings and Events - Luncheon Meeting - Dr Stephan Kinnemann - Deg-German Investment and Development Company - April 30, 1998
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Dates:	03/17/1998 – 04/30/1998
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Luncheon Meeting: Dr. Stephan Kinnemann,
Deg-German Investment and
Development Company

Thursday, April 30, 1998
1:00 - 2:00 p.m.
1st. Venue: JDW's Office
2nd. Venue: JDW's Private Dining Room

Archive Management for the President's Office

Document Log

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1P23

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A. CLASSIFICATION

- [x] Meeting Material
- [ ] Trips
- [ ] Speeches
- [ ] Annual Meetings
- [ ] Corporate Management
- [ ] Communications with Staff
- [ ] Phone Logs
- [ ] Calendar
- [ ] Press Clippings/Photos
- [ ] JDW Transcripts
- [ ] Social Events
- [ ] Other

B. SUBJECT: LUNCHEON MEETING: DR. STEPHAN KINNEMANN, DEG-GERMAN INVESTMENT AND DEVELOPMENT COMPANY (B) (N) // TIME: 1:00 - 2:00 P.M. // 1ST VENUE: MC-12-750 (OFFICE) // 2ND VENUE: JDW'S PRIVATE DINING ROOM // CONTACT: INGRID REYNOLDS (SCHAFFER'S OFFICE) @ 81183 // WB ATTENDEES: JDW, M. BAIRD*, S. SANDSTROM*, C. KOCH-WESER*, LUIGI* // EXTERNAL ATTENDEE: DR. STEPHAN KINNEMANN, MR. HELMUT SHAFFER, EXECUTIVE DIRECTOR (PER INGRID 3/19), NOTES: (2/12) FORMAL MTG. REQUEST RECV'D FROM INGRID REYNOLDS (ED'S OFFICE) // (3/1) JDW AGREED TO LUNCH DATE (SEE PRIOR CORRES. ON THIS ITEM AS WELL) // (3/9) ALI CONVEYED DATE/TIME TO HILDEGARD IN SCHAFFER'S OFFICE - PENDING FINAL CFM. -- (3/9) DATE & TIME CONFIRMED WITH ED'S OFFICE - EMAIL SENT TO LUIGI TO CONFIRM DETAILS / (3/11) ED'S OFFICE CFMD THAT DR. KINNEMANN WILL COME ALONE / DETAILS AS PROVIDED BY JDW (3/19) // (4/20) CIHAT (7), (B) M. BAIRD // DUE: FRIDAY, APRIL 24, EXC: JDW (LP) // ALI (2/11) (3/19)
Brief includes:
--- Note to JDW from L. Passamonti
--- Topics for Discussion
--- Strategic Compact: Progress and Challenges; Goals and Progress; Change and Renewal, by Mark Baird, Mar. 17
--- IFC Cooperation, prepared by D. Barry, Apr. 24
--- Policy Impact on the Poor
--- Fighting Corruption

DATE: 04/30/98

C. VPU

Corporate
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Affiliates
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- [ ] ICSID
- [ ] IFC
- [ ] Inspection Panel
- [ ] Kennedy Center
- [ ] MIGA

D. EXTERNAL PARTNER

TOPICS FOR DISCUSSION

Luncheon Meeting on April 30, 1998
1:00 - 2:00 p.m.

1. **Strategic Compact**
2. **IFC Cooperation**
3. **Policy Impact on the Poor**
4. **Fighting Corruption**

The World Bank

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

With the compliments of
Luigi Passamonti
Assistant to the President

Transparency International (TI)

If Kinnemann raises this topic, please be aware that:

(a) Guy Pfeffermann is very active with TI

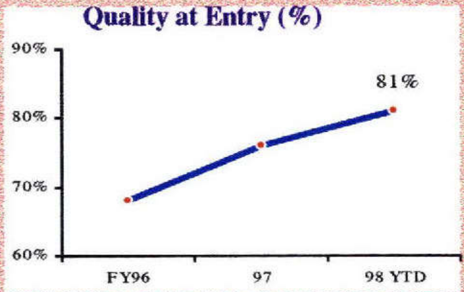
(b) Janik spoke about corruption in the mining sector at a TI seminar in Davos.

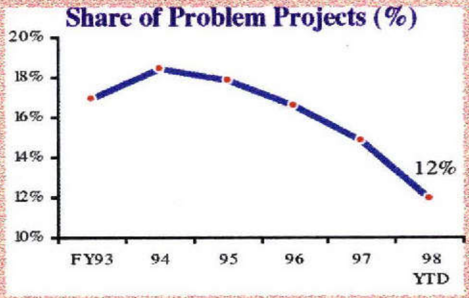
Luigi

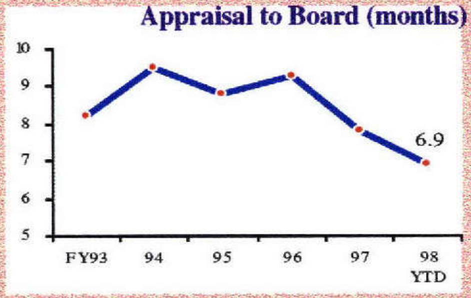
THE STRATEGIC COMPACT: Progress and Challenges

The second semi-annual progress report (April 1998) on the Strategic Compact -- the World Bank's ongoing effort to strengthen its development effectiveness through a comprehensive renewal program -- points to good headway being made in a number of key areas. One year after the Compact was approved by member countries, there is clear evidence of improved quality and timeliness, and lower costs -- along with an increase in demand for the Bank's products and services. These trends are underscored by emerging positive feedback from clients through, for example, client surveys. But a lot remains to be done. Internally, staff are still adjusting to matrix management and other new ways of working; there is also a need to strengthen trust and teamwork at all levels of the institution. Externally, it is imperative to sustain the emerging progress on quality, delivery, and results for clients. The Compact is a work in progress. The challenge of implementation remains.

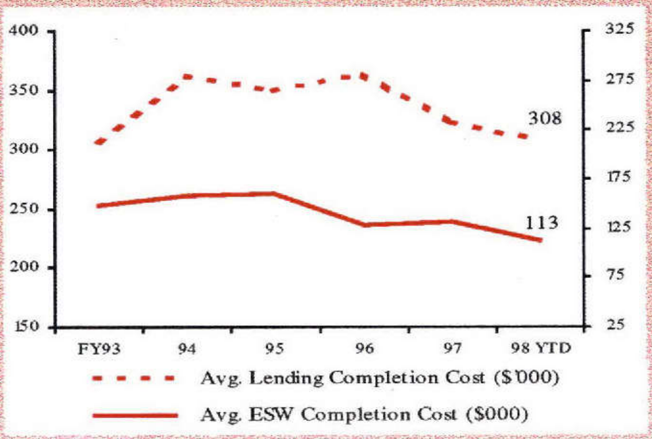
Quality and Timeliness have improved...



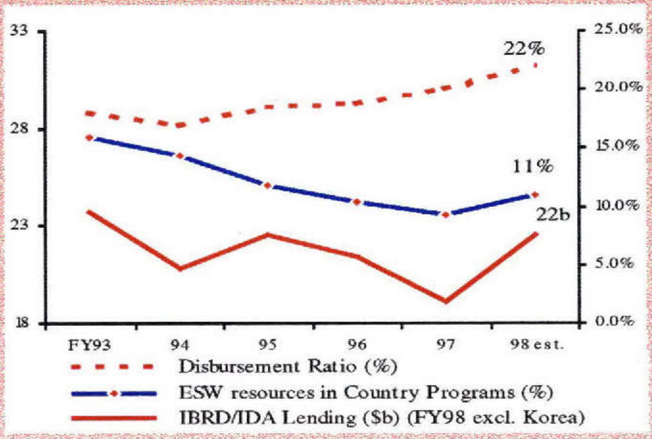




...Costs are lower



...and Quantity has increased.



THE STRATEGIC COMPACT: Goals and Progress

Goal	*Progress*	*Goal*	*Progress*
Improve Operational Quality:	• Reduction in problem projects in portfolio • Higher quality of projects entering portfolio • Lower completion costs/faster delivery of products	**Strengthen Partnerships:**	• Collaboration with all partners in East Asia • Stronger relationship with EC/EBRD in Eastern Europe • Cooperation with private sector and civil society
Increase Level of Services:	• More timely delivery of country assistance strategies • Rising share of resources to advisory services • Mid-FY98 lending figures at record levels (excl. Korea)	**Build Knowledge Management:**	• Knowledge systems in 15 major sectors • Websites/help desks for clients/partners • Distance Education Program
Enhance Responsive-ness:	• 22 Country Directors located in field (3 in FY97) • Response to East Asia crisis- additional $16b pledged • Response to El Nino effects in client countries	**Lower Costs/Increase Productivity:**	• Cost-Effectiveness Review being implemented • On track to return FY01 budget to FY97 level in real terms • On track to meet 60:40 frontline/backline target for FY99
Address Broader Development Agenda:	• HIPC: 6 countries at decision point ($5.7b total) • Mainstreaming social analysis/anti-corruption programs • Additional $25m per year to reinforce financial sector	**Revamp Internal Capacities:**	• HR policy reform approved April 2, 1998 • 400 managers in Executive Development Program • Systems renewal driving efficiency/teamwork/productivity
Introduce New Products:	• Adaptable/Innovation/Single Currency Loans • IDA guarantees approved • Work underway on Carbon Fund	**Focus on Results:**	• Scorecard to measure performance and results • Client surveys gauging Bank impact • Semi-annual reports to Board on progress

Change and Renewal 1997

The World Bank
March 17, 1998
Mark Baird

Since you were here . . .

We made a new compact with the Board

- Agreed on strategic directions for the Bank
- Committed to specific operational targets, funding levels and time frames
- Vowed to change whatever needed to change to meet our commitment

We pushed ahead with our renewal program

- New managers appointed
- Cost effectiveness--under implementation
- Human resource reform--about to be approved

The Compact Commitment

A more effective development institution - -

quicker	reduced elapsed time of projects to Board
more responsive	historical high in commitments and disbursements (plus Korea)
stronger portfolio	projects-at-risk declined from 33% to 26%
stronger management	150 new managers, 450 managers trained at executive development program

which can meet a **changing development agenda**:

HIPC - debt relief for poor countries
Anti-corruption
Social development

Strengthening Client Focus

Decentralization:

- 22 country directors out of 52 now in the field
- 2,358 staff in the field (8,458 in headquarters)
- Moving basic operational capacity to field (procurement, disbursement)--in progress

Greater choices for our clients:

- We used to offer only standard currency pool loans--we now offer customized currency choice and matched maturity
- Adaptable lending allows us to put together smaller loans designed for learning and innovation without going to the Board
- Providing advisory services unlinked to lending--sometimes for a fee

Client Surveys: Piloting underway - - -
will mainstream them in coming year

Networks and Knowledge Management

Five professional networks created--with the goal of creating a world-class knowledge management system

- sharing knowledge across regions and with clients
- help desks and expertise directories created
- creating a community of professional experience

2 weeks of resources allocated for each staff member

- but needs greater involvement of networks to be effective

Information systems renewal underway

- Fragmented databases to be integrated and upgraded using SAP package

Budget Reform and Financial Management

New budget process:

- Driven by shared view of Bank strategy and corporate priorities
- Resource allocations tied to deliverables and quality/service standards
- Operational performance monitored regularly during the year and resources reallocated as needed

Shifting focus from administrative costs:

- To include cost of capital and expenses funded by trust funds
- Also starting to look at income generation and development results

Human Resource Reform

Getting the Right Mix:

- Eliminating non-regular staff, HQ-local office distinctions
- Experimenting with broadbanding
- Creating two new categories of regular staff--open-ended and fixed-term contracts

Facilitating Exit and Entry

- Eliminate penalties for retirement above age 50-- will affect 1,237 (20%) of our current regular staff
- Expand scope for local (vs international) recruitment

Compensation

- Exploring variable pay
- Monetizing expatriate benefits
- Recalibrating to market--higher level salaries up to 18% below market

Strains and Stresses: The Staff Survey (11/97)

General endorsement about direction for change

BUT

- –Low response rate
- –Weak trust in senior management
- –Little faith in career development structure
- –Old relationships destroyed, new ones not developed
- –Satisfaction significantly higher in the field than at headquarters

Issues for Discussion

- Our business is about development. How should we measure our bottom line? How should we define success?
- Continuing to generate a sense of crisis--as well as change overload--has sapped morale. Is this a price we had to pay? What can be done to re-energize staff?
- Physical decentralization is expensive. Have we done too much or too little? What do we need to do to make sure it ultimately pays off?
- Our core workforce needs to be one that can adapt to shifing priorities and market conditions--what should its profile be?
- Client surveys--are they relevant for our type of business? How independently do they have to conducted for them to be meaningful?
- How can we get massive culture change--from a corporate culture heavily driven by notions of individual analytical excellence to one which values getting things done as a team?

Record Removal Notice

File Title President Wolfensohn - Briefing Book for President's Meetings and Events - Luncheon Meeting - Dr Stephan Kinnemann - Deg-German Investment and Development Company - April 30, 1998	**Barcode No.** 30490695
Document Date April 24, 1998	**Document Type** Brief

Correspondents / Participants

Subject / Title
Syndications and International Securities Group
Financial Institution Brief
DEG

Exception(s)
Information Provided by Member Countries or Third Parties in Confidence

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.

Withdrawn by	Date
Diego Hernández	May 1, 2025

Policy Impact on
the Poor

POLICY IMPACT ON THE POOR

Economic Policy in *Industrialized* Countries and the Poor:

- Maintaining an overall policy stance conducive to aggregate global growth that is still a key driver for developing countries and the poor within them; specific issues of Japanese growth and the East Asian recovery; overall set of measures to reduce instability associated with capital movements.

- Continued progress on trade openness to the developing world; and to manage perceived or actual costs to developed country workers to help them directly, not protect inefficient industries.

- Aid policy that significantly increases the priority to the poor: in terms of *which* countries are supported, and *how* countries are supported in terms of policies, institutions and investments: increasing attention to Strategy 21 goals (of poverty reduction, mortality improvement etc. by 2015) is becoming a rallying point for this focus.

Policy in *Developing* Countries for the Poor:

- Macroeconomic, strategic, and financial policies that underpin overall growth are crucial to the poor: no country has had significant progress on income-poverty in the absence of rapid sustained overall growth.

- Support for equitable overall growth including: high priority for rural development--especially peasant agriculture and rural non-farm development; trade, regulatory and labor policies that foster labor intensive industrial development; and urban polices that include the poor without creating urban bias.

- Priority for social and economic services that reach the poor, including investments in health, education, basic infrastructure services including water and sanitation, with particular attention to women, rural areas and indigenous groups.

- Increasing access of the poor to credit and land markets - including elimination of legal and regulatory constraints that especially disadvantage the poor.

- Providing safety nets including transfers, pensions and social assistance for those unable to take advantage of income-earning opportunities such as the - -

- chronically poor, or those suffering as a result of natural disasters or economic shock.

- Involving and building the social capital of poor communities, institutions that are responsive to the poor, and special attention to engage, or re-engage groups excluded from a societies core functioning, whether by ethnicity, caste, disability, or social and personal history.

- Collecting poverty data and monitoring the impact of programs on the poor, including the use of participatory techniques to capture the poor's own point of view, and linking findings to policy formulation.

CORRUPTION

As well as being a prominent member of the Management Board of DEG, Mr. Kinnemann is a member of Transparency International (Germany). Hence, the interest in the World Bank's policies against corruption and the relationship between the Bank and TI.

World Bank's Policy on Corruption

You could recap to Mr. Kinnemann that the Bank approach, endorsed by the Board last September, involves fighting corruption at four levels:

- Bank projects (reputational risks)
- assisting countries with anti-corruption programs (now c.15)
- mainstraining in Bank operations (e.g., lending)
- supporting international efforts (e.g., OECD)

In our view, the awareness raising phase is largely over, the challenge now is to operationalize the policy. We are moving forward on all four levels.

Transparency International (TI)

We continue to view TI as a vital partner in the struggle against corruption:

- EDI continues to work closely with TI in mounting "integrity workshops" in countries.
- IFC is working with TI in Panama on an "integrity pact" for the privatization of IRHE, the electricity and water company.
- PREM is currently discussing with TI how we could work more effectively with civil society in developing sustainable approach to transparency and anti-corruption.
- PREM has worked with TI developing a grant application to the DGF which would enable to Bank to help sponsor the 9th International Anti-Corruption Conference, which South Africa will host in 1999.

Is there a complete coincidence of views between TI and the Bank? TI would like the Bank to move more aggressively with "no bribery pledges" in Bank procurement. We are more cautious on country pre-conditions. TI's forte is working with civil society. We emphasize, in addition, economic policy reform to reduce rents. Hundred percent overlap would make for a sterile relationship.

OECD Convention on Bribery in International Business Transaction

Germany was the only country to meet the April 1 deadline for laying the Convention, agreed by OECD minister in December, before parliaments (the rest are running slower, mostly for procedural reasons not lack of will - we are confident the Convention will come into force for a significant number of the main OECD trading countries by the end of 1998, as intended).

As well as approving the Convention, Germany has to incorporate its provisions into its criminal code. They say this will go forward in the coming months.

Germany also has to implement the 1996 OECD recommendation on ending tax deductibility. By criminalizing foreign bribery, the Convention should make this automatic. But we are getting mixed signals on how seriously Germany is proceeding. Economics Minister Rexrodt says tax deductibility is ending. Others (e.g.: TI) say they understand that the German tax authorities will challenge a tax deduction only if there has been a prior prosecution and conviction of the company.

You may want to (I) congratulate Kinnemann on his country's progress with the Convention, and (ii) ask him generally on whether business attitudes are changing, and how he reads the tax deductibility issue.