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Dates: 04/22/1997 – 04/23/1997

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THE WORLD BANK

Washington, D.C.

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PUBLIC DISCLOSURE AUTHORIZED

Dinner: World Bank Staff
Private Sector Development (PSD)

Wednesday, April 23, 1997
7:30 - 9:00 p.m.
Four Seasons Hotel
"Seneca" Private Room

DECLASSIFIED
WITH RESTRICTIONS
WBG Archives



30487610

R2002-036

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President Wolfensohn - Briefings Books for Presidents Meetings - Meeting Material
Dinner - World Bank Staff - Private Sector Development [PSD] - April 23, 1997

Archive Management for the President's Office

Document Log

Reference # : Archive-01331

Edit

Print

A. CLASSIFICATION

- ☒ Meeting Material
- ☐ Trips
- ☐ Speeches

- ☐ Annual Meetings
- ☐ Corporate Management
- ☐ Communications with Staff

- ☐ Phone Logs
- ☐ Calendar
- ☐ Press Clippings/Photos

- ☐ JDW Transcripts
- ☐ Social Events
- ☐ Other

B. SUBJECT: DINNER: WB STAFF (PSD) (N) (B) (Confirmed)

VENUE: <SENECA - PRIVATE ROOM AT SEASONS RESTAURANT> //
FOUR SEASONS HOTEL (TEL: 944-2000) / (4/16) RESERVATION MADE WITH
CARLOS FOR (9) / EVIE*

IN ATTENDANCE: JDW, R. FRANK, J. LINDBAEK, D. CONRAD, J.F.
RISCHARD, D. SCHOLEY, SANDSTROM (4/20), STIGLITZ & IIDA (4/22)
(4/3) REQUESTED BY JDW // (4/4) - R. FRANK COULD NOT DO APRIL 17 --
CHANGED TO APRIL 23 // (4/11) CFMD. BY EMAIL // SEPERATE EMAIL SENT
TO JH/DC TO FOLLOW-UP ON DINNER ARRANGEMENTS // (4/16) NOTICE
SENT TO ALL CONCERNED ON CHANGE OF VENUE
(B) RICHARD FRANK // DUE: MONDAY, APRIL 21
EXC: HA // ALI (4/3) (4/20)

Brief Includes Letter to JDW from Richard Frank - April 22, 1997, "Re: PSD
Group Initiatives and Next Steps" and tabs:

- WBG PSD Activities at-a-glance
- WBG Private Sector Staffing & Budgets
- Summary of Financial Statistics
- PSD Group Agenda

DATE: 04/23/97

C. VPU

Corporate

- ☐ CTR
- ☐ EXT
- ☐ LEG
- ☐ MPS
- ☐ OED
- ☐ SEC/Board
- ☐ TRE

Regional

- ☐ AFR
- ☐ EAP
- ☐ ECA
- ☐ LAC
- ☐ MNA
- ☐ SAS

Central

- ☐ CFS
- ☐ DEC
- ☐ ESD
- ☐ FPD
- ☐ FPR
- ☐ HRO

Affiliates

- ☐ GEF
- ☐ ICSID
- ☐ IFC
- ☐ Inspection Panel
- ☐ Kennedy Center
- ☐ MIGA

D. EXTERNAL PARTNER

- ☐ IMF
- ☐ UN
- ☐ MDB/Other IO
- ☐ NGO
- ☐ Private Sector

- ☐ Part I
- ☐ Part II
- ☐ Other

E. COMMENTS:

File Location ☒ EXC ☐ IISC ☒ Archives	Cleared By Hany Assaad	Date: 04/29/97
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DECLASSIFIED

April 22, 1997

APR 15 2025

Mr. James Wolfensohn

WBG ARCHIVES

Re: PSD Group Initiatives and Next Steps

Attached is a background note on PSD Group initiatives and the resources available (both staffing and budgetary) across the Bank Group for PSD activities. The background note has been shared with the participants joining tomorrow's meeting, but this note has only gone to you. As set out in the note, the PSD Group you established has been working hard to coordinate activities across the Bank Group institutions, with encouraging results over the past year and a half.

Looking ahead, the key question is where do we take it from here? In an increasingly competitive and fast evolving external environment how do we bring together the Group to reap even more synergistic benefits and better use our fundamental comparative advantage of being able to deal directly with both the public and private sectors - and their intersect. The intersect is what we need to focus on to see how we can create real value added for our private sector clients.

How we can ensure that the optimal combination of our products and services is put forward to the benefit of our clients? How can we improve synergy in the areas of: (a) *expertise and knowledge*; (b) *transaction processing capability*; (c) *expert advisory services*; and (d) *corporate partnerships*.

(a) *Shared Expertise* - The concept behind the Private Sector Network and various Sectoral Boards created under Jean-Francois Rischard establishes a knowledge center for the Bank, but does not encompass IFC and MIGA activities. Co-location of FPD and IFC in the same building is a start but still quite far away from bringing together a centralized pool of expertise for all the institutions of the Bank Group. How can this be achieved? What are the organizational and resource implications of centralizing Bank Group expertise in key areas? Can Maurice Strong's suggestions for Group environmental coordination be extended to other areas? Which priority areas?

(b) *Centralized Transaction Processing* - With more multi-institutional projects coming on-stream (which need to utilize a mix of finance, advisory services and credit enhancement products, and involve the public/private sector intersect and associated sovereign backing/private risk) can we consolidate responsibilities for transactions and have a central team process on behalf of individual Group institutions? This would be an extension of the Bank-IDA model. (Bank staff process credits on behalf of IDA.) This

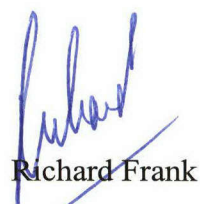
might make sense for certain key sectors (infrastructure and possibly certain financial sector activities, such as capital markets and municipal finance). This, by the way, is strongly advocated for infrastructure by the Japanese Working Group for Infrastructure. Another dimension would be to consolidate activities by instrument.

What would be the benefits? - For private sector clients greater efficiency and responsiveness through: (a) better project design, with a consolidated approach on the best mix of Bank Group instruments and better capability for bundling projects to make them more bankable (e.g. bundling power transmission lines and telecommunication networks) and unbundling projects to achieve an optimum mix of aid, financial and advisory support; (b) more streamlined internal processes and procedures at preparation and appraisal; and © more focused and coordinated supervision.

© *Consolidated Advisory Services* - A number of advisory services, especially relating to privatization and the promotion of foreign direct investment are provided by several units across the institutions of the Bank Group. How can these activities be better coordinated and linked with our transactions and country assistance strategies? Should they be consolidated to create a more credible critical mass? How do we decide which are to be fee-based activities and which not?

(d) *Group-based Partnerships* - Our Bank Group private sector partnership activities include specific strategic alliances with business groups through the BPC, the voluntary guidelines initiative, and NGO outreach activities. Internally, they include the development and management of the Corporate Relationship Information System (CRIS). These partnerships need to be grounded in a Group approach involving all the institutions of the Bank Group. How can we better centralize our corporate relationships to be more responsive to requests internally and more strategic in our approach and dialogue with corporate partners?

These are some initial thoughts to stimulate discussion at the meeting tomorrow evening.



Richard Frank

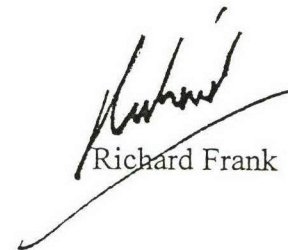
Note

April 22, 1997

To Distribution

re: World Bank Group Private Sector Activities at a Glance

Please find attached information regarding the private sector activities of the Bank Group as background for our meeting tomorrow evening.



Richard Frank

Attachment

Distribution

Messrs. James D. Wolfensohn, Sven Sandström, Jannik Lindbaek, Akira Iida, Joseph Stiglitz, Jean-François Rischard, Sir David Scholey, Donald Conrad



World Bank Group Private Sector Activities at a Glance

April 23, 1997

WBG Private Sector Activities at a Glance

April 23, 1997

- All the institutions of the Bank Group share the objective of alleviating poverty in client countries and promoting development that is environmentally and socially responsible. The Bank's support for private sector development contributes to this goal in two ways:
 1. by accelerating growth. The unleashing and nurturing of the private sector is essential for growth, for producing jobs, and for raising the level of efficiency with which assets are used.
 2. by creating fiscal space. Private sector development creates the fiscal space necessary for macroeconomic stability and investment in people. The vast sums of money that Governments now allocate to public enterprises, or that are lost through special tax exemptions, could be used instead for education, community service, health programs, and other social programs. Inefficient and loss-making public enterprises are a significant drain on government budgets and divert scarce resources from social sectors and other important development needs.
- The Bank Group promotes private sector development through four principal ways:
 - Helping Create an Enabling Environment
 - Helping Strengthen Financial Sectors and Domestic Capital Markets
 - Funding Private Enterprises and Projects
 - Catalyzing Market Funds and Investment

FINANCING OPERATIONS

- The Bank Group provides *direct* finance to private sector activities in developing countries to the tune of \$5 billion a year; this compares with total Group financial commitments of \$25 billion per year.
- IFC provides \$3.2 billion in the form of direct loans and equity investments, the Bank provides \$1.2 billion to private firms through intermediary lending and guaranteeing long-term debt financing, and MIGA provides \$0.9 billion in political risk insurance to equity investors and associated debt financing. The Group's financial commitments leverage another \$25 billion through cofinanciers, commercial bank syndications, and market debt and equity finance catalyzed through political risk insurance and guarantee activities. The total value of private projects made possible by Group participation exceeds \$30 billion per year.

World Bank Group Private Sector Financing, FY96 (US\$million)

	IBRD/IDA	IFC	MIGA	Total
Direct Financing		3.2		3.2
Intermediary Loans	0.9			0.9
Guarantees	0.3	0.1	0.9	1.3
Total	1.2	3.3	0.9	5.4
Syndicated Loans		4.9		4.9
Total Funds Mobilized	1.2	8.2	0.9	10.3
Other Cofinancing	2.9	11.5	5.7	20.1
Total Project Cost	4.1	19.7	6.6	30.4

SYSTEMIC WORK

- The Bank Group supports private sector development not only by providing and improving access to finance, but also by, inter alia:
 - Establishing a legal, regulatory and business environment. Includes policy review, legal/judicial reform, regulatory reform, development of property rights, advising on legislation, measures to enhance competition, etc.
 - Reducing the role of government in the economy, and developing new private sector players to lead the growth. Includes privatization, restructuring, private provision of infrastructure, SME development, etc.
 - Building market-support institutions and developing human capital. Includes financial market development, export promotion, business centers, productivity centers, etc.
- The Bank Group's systemic work encompasses many activities, such as: FIAS promotes foreign direct investment; EDI contributes to skills building; the Bank provides extensive non-lending advisory services; IFC helps build capital markets; MIGA provides investment marketing and advisory services to assist developing countries attract foreign investment.

BANK GROUP PRIVATE SECTOR STAFFING AND ADMINISTRATIVE BUDGETS

Summary (details attached)

	Staffing	Budget (US\$million)
IBRD/IDA (PSD related)		
FPSI Network	1,160	263.7
CAPPF	15	2.2
IFC	644	197.8
MIGA	49	13.5
Total	1,868	477.2

GROUP APPROACH TO PSD

- The Private Sector Development (PSD) Group was established in January 1996 by Mr. James Wolfensohn, for a coordinated Bank Group approach to address the challenges of private sector development. The PSD Group is chaired by Richard Frank, and its principal members include Messrs. Jannik Lindbaek, Akira Iida, Ibrahim Shihata, Jean-François Rischard, Hiroo Fukui, and Shengman Zhang. This format was designed to facilitate coordination while respecting the legal and financial autonomy of the various institutions. The Group works on a consensus basis and meets approximately once a week.
- The PSD Group Chairman is supported by the PSD Team, a small staff seconded from the Bank, IFC and MIGA. The PSD Team discretionary budget is about \$1.0 million prorata shared by the Bank, IFC and MIGA.
- The following agenda items were established by the PSD Group. These aim to support the Group's main objective of positioning the Bank Group as a leading catalyst for private sector development by building on current strengths and creating a more effective synergy across the World Bank Group institutions:
 - (1) Reach consensus on the Bank Group role in promoting private sector investment;
 - (2) Develop strategies, improve synergy and share expertise in key areas;
 - (3) Facilitate policy coordination for private sector activities;
 - (4) Collaborate on Country Assistance Strategies;
 - (5) Support multi-institutional projects;
 - (6) Strengthen external partnerships; and
 - (7) Enhance external communications and outreach.
- A number of Bank Group-wide private sector initiatives are currently under development. Under the umbrella of the PSD Group, they are at various stages of consideration with the Board and within the Managements of the different institutions of the Group, and include:
 - (1) World Bank Group Guarantee Activities;
 - (2) Promotion of Private Sector Investments in Infrastructure;
 - (3) World Bank Group Financial Sector Activities;
 - (4) Review of the World Bank Group Activities related to Foreign Direct Investment; and
 - (5) World Bank Group Strategy for Private Sector Development in Africa.
- Results to date of the above PSD Group agenda items and initiatives are summarized in the attached matrix.



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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 Diego Hernández</td><td>Date April 30, 2025</td></tr></table>	Withdrawn by Diego Hernández	Date April 30, 2025
Withdrawn by Diego Hernández	Date April 30, 2025			

SUMMARY OF FINANCIAL STATEMENTS

IBRD Summary Balance Sheet	
(June 30, expressed in US\$ million)	
	1996
Assets	
Investments	16,170
Loans Outstanding	106,906
Other Assets	28,928
Total Assets	\$152,004
Liabilities	
Borrowings	96,719
Other Liabilities	26,985
Total Liabilities	123,704
Equity	
Paid-In Capital	10,994
Retained Earnings and Other	17,306
Total Equity	28,300
Total Liabilities and Equity	152,004
IBRD Summary Income Statement	
	1996
Income	8,720
Expenses	
Interest & Other Borr. Expenses	6,637
Operational & Other Exp.	896
Total Expenses	7,533
Net Income	1,187
Net Income/Average Earning Assets	0.91%
Total Equity/Outstanding Loans	26.47%

IFC Summary Balance Sheet	
(June 30, expressed in US\$ million)	
	1996
Assets	
Liquid Assets	6,581
Loan Investments	6,139
Equity Investments	1,678
Other Assets	8,241
Total Assets	\$22,640
Liabilities	
Borrowings	8,956
Other Liabilities	9,526
Total Liabilities	18,482
Equity	
Paid-in Capital	2,076
Retained Earnings and Other	2,082
Total Equity	4,158
Total Liabilities and Equity	22,640
IFC Summary Income Statement	
	1996
Income	
Interest	868
Dividends	87
Capital Gains	155
Other Income	65
Total Income	1,175
Expenses	
Charges on Borrowings	489
Operational & Other Expenses	340
Total Expenses	829
Net Income	346
Net Income/Average Total Assets	1.7%
Total Equity/Outstanding Portfolio	53.19%

MIGA Summary Balance Sheet	
(June 30, expressed in US\$ million)	
	1996
Assets	
Liquid Investments	172
Shareholder Promissory Notes	100
Other Assets	5
Total Assets	277
Liabilities	
Reserve for Claims	34
Other Liabilities	17
Total Liabilities	50
Equity	
Pain-In Capital	211
Retained Earnings	15
Other Equity	0
Total Equity	227
Total Liabilities and Equity	277
MIGA Summary Income Statement	
	1996
Income	31.3
Expenses	27.2
Net Income	3.6
Max Contingent Liability Outstanding	2,276

IDA Statement Development Resources	
(June 30, expressed in US\$ million)	
	1996
Applications or Resources	
Cash & Investments	6,146
Development Credits (Loans)	72,821
Other	21,467
Total Application of Resources	100,434
Sources of Resources	
Member Contributions	89,384
Transfers from IBRD	4,831
Other	6,219
Total Sources of Resources	100,434
IDA Statement of Changes in Accumulated Surplus	
	1996
Income from Investments	345
Income from Development Credits	512
Management Fee Charged by IBRD	(508)
Other	(9)
Changes from Operations	340
Exchange Rate Adjustment	(545)
Net Changes	(205)

PSD GROUP AGENDA

INITIATIVES AND STATUS

I. Joint Bank Group Initiatives

1. Guarantees Overview
2. Infrastructure Initiative
3. Financial Sector Framework
4. Review of Foreign Direct Investment Activities
5. Strategy for Private Sector Development in Africa
6. Voluntary Guidelines Initiative

II. Ongoing Activities

1. Policy Coordination
2. Collaboration on CAS's (Joint Private Sector Strategies)
3. Multi-Institutional Private Sector Projects
4. Informational Sharing/Synergy
5. Communications/Marketing
 - Business Partnership Center - Focal Point of contact
 - External Outreach Efforts
6. Partnerships
 - BPC - Strategic Partnerships
 - NGOs

PSD GROUP AGENDA - PROGRESS UPDATES

I. JOINT BANK GROUP INITIATIVES	
agenda item	status report
1. Guarantees Overview - MIGA Capital Increase - IBRD Guarantees in IDA-only countries - Expanding IFC current guarantee activities - IFC Sub-Sovereign Guarantees - Take-Out Financing - IDA Guarantees - Risk Mitigation for Guarantees	Review of Group's various existing guarantee and risk mitigation products, including IBRD guarantees, MIGA insurance and IFC risk mitigation activities completed. Overall guarantee strategy and division of labor was endorsed among Group institutions by the EXCOM on January 29, 1997. Guarantee overview presented to the Board April '97. Working groups currently developing each of the activities.
2. Infrastructure Initiative - Policy and regulatory reform - Project development - Country intentions - Domestic capital markets - Guarantees - Access to knowledge	Presentation to Development Committee April 29. Complete Action Plan to be rolled out by Hong Kong Annual Meetings.
3. Financial Sector Framework	Completed. Board Seminar April 14, 1997.
4. Review of Foreign Direct Investment Activities	First round of data gathering complete. Mapping of Bank Group activities expected to be complete by end of FY97.
5. Strategy for Private Sector Development in Africa	Background thematic working papers complete. Strategic framework being formulated. Draft and consultations with client groups to be completed by end of fiscal year.
6. Voluntary Guidelines Initiative	Initial consultations already started with private sector and NGOs. Mining sector would be first pilot. Strategy and Proposal paper to be presented to EXCOM May/June '97.

II. ONGOING ACTIVITIES

agenda item	status report
1. <u>Policy Coordination</u>	- IFC/MIGA Inspection Panel proposal will be extended to Bank private sector projects. - Disclosure policy for private sector projects still being determined. - Bank, IFC and MIGA concurrence on OD 4.01 still being finalized. - Project Alert System submitted to EXCOM, March '97.
2. <u>Collaboration on CAS's</u>	- Joint CAS on Mexico presented to Board. - Joint CAS on Poland, Kazakstan, Cote d'Ivoire, Egypt and Brazil to be submitted and completed by end of fiscal year. - CAS's for India and Indonesia in progress - scheduled for FY98.
3. <u>Multi-Institutional Private Sector Projects</u>	- Three projects already approved this fiscal year. One additional project expected to be approved by end of fiscal year. - Thirteen projects expected to be approved FY98.
4. <u>Informational Sharing/Synergy</u>	- Corporate Relationship Information System (CRIS) in progress. Phase I complete. Phase II prototype complete. Launching in select units, plus IFC shortly. - Co-location of IFC/FPD ongoing. - LAIX initiative under discussion.
5. <u>Communications/Marketing</u>	- Business Partnership Center - Focal Point of contact. Launched during '96 Annual Meetings. - Mr. Frank delivered 55 speeches since PSD Group established. Other members of the Group also actively engaged in outreach.
6. <u>Partnerships</u>	- Business Partnership Center - 15 strategic partnerships under discussion. Three MOUs signed. - Ongoing dialogue with NGOs on PSD issues. Mr. Frank and other senior managers have met with NGO groups in Washington, UK, New Zealand and Belgium.