Courtesy Call: Mr. Georges de Menil
Inl't Economic Advisory Group, Romania

Friday, November 14, 1997
3:00 - 3:20 p.m.
MC 12-755 Meeting Room
(Beside Mr. Sandstrom's Office)

Archive Management for the President's Office

Document Log

Reference # : Archive-01817

1R05

Edit Print

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: COURTESY CALL: MR. GEORGES DE MENIL, INTERNATIONAL ECONOMIC ADVISORY GROUP, ROMANIA (B) (N) // VENUE: MC 12-755 (MEETING ROOM) // -12 // CONTACT: MR. DE MENIL @ 401-312-47-32 // IN ATTENDANCE: JDW, LINN, LAY, LUIGI // AGENDA: SITUATION OF THE COAL REGION AND THE BANK'S STRATEGIC ROLE IN ECA REGION // EXTERNAL ATTENDEE: GEORGES DE MENIL // NOTE: MR. DE MENIL WILL MEET WITH THE REGIONAL STAFF AT 2:00 P.M. PRIOR TO MEETING WITH JDW // (B) BY LINN // DUE MONDAY, NOV. 10 // EXC: MM (LP) // LFG (10/15)
Brief includes:
--- Briefing note to JDW from T. O'Brien, ECC05, Nov. 10
--- 11/12 Fax to JDW confirming meeting 11/14
--- Romania Basic Facts & Figures

DATE: 11/14/97

C. VPU

Corporate
- [ ] CTR
- [ ] EXT
- [ ] LEG
- [ ] MPS
- [ ] OED
- [ ] SEC/Board
- [ ] TRE

Regional
- [ ] AFR
- [ ] EAP
- [x] ECA
- [ ] LAC
- [ ] MNA
- [ ] SAS

Central
- [ ] CFS
- [ ] DEC
- [ ] ESD
- [ ] FPD
- [ ] FPR
- [ ] HRO

Affilliates
- [ ] GEF
- [ ] ICSID
- [ ] IFC
- [ ] Inspection Panel
- [ ] Kennedy Center
- [ ] MIGA

D. EXTERNAL PARTNER

- [ ] IMF
- [ ] UN
- [ ] MDB/Other IO
- [ ] NGO
- [ ] Private Sector
- [ ] Part I
- [x] Part II
- [ ] Other

E. COMMENTS:

File Location	Cleared By	Date:
☒ EXC ☐ IISC ☒ Archives	Marisela Montoliu Munoz	12/08/97

View Update History

Romania
Briefing for Mr. Wolfensohn
Meeting with Mr. Georges de Menil, Foundation Pro Democratia

Location/Date/Time:	World Bank; Friday, November 14, 1997; 3.00pm-3.20pm	
Other attendees:	(Pro Democratia)	Professor Georges de Menil
	(Bank)	Messrs: Johannes Linn; Kenneth Lay

Principal Objectives of the Meeting

This meeting is a courtesy reception for Mr. de Menil who is visiting Washington and has asked to see Mr. Wolfensohn. It can also could be used to explore Mr. de Menil's perspectives on developments in Romania, and in particular his views on the workings of the Ciorbea administration with which he has been involved.

We have not been informed whether Mr. de Menil intends to raise any detailed issues or proposals, although he may make reference to the pressing problem of mining sector restructuring and regional redevelopment in Romania *(for which we include specific briefing below)*. Please note that this topic, and others including pensions reform and macroeconomic developments, will have been discussed fully with Mr. de Menil in technical meetings with Bank operations staff, held earlier in the day.

Background

- Mr. de Menil has been actively involved since the turn of the year in Romania's new reform program, and appears to have established a warm working relationship with Prime Minister Ciorbea;
- He is working on behalf of (the Foundation) Pro Democratia, a Swiss-based NGO, headed by the banker, Mr. Mirabeau;
- We are led to believe (but have not had clear confirmation) that Mr. Soros is the ultimate source of financing for Pro Democratia's work in Romania;
- Pro Democratia's work started with a general advisory role in helping the new Cabinet and officials understand the challenges of mounting a reform program;
- Their work has since expanded to cover pensions reform, broad macroeconomic developments, and a growing interest in other issues including mining sector restructuring.
- Bank staff have cooperated closely with Mr. de Menil and his colleagues in Romania, including a joint pensions reform mission launched in August, and our participation in a pensions seminar in Bucharest planned for December.

Mining sector restructuring and regional development issues

- The majority of mining activity in Romania is now uneconomic, with virtually no prospect of recovery. Further, state-owned mining enterprises, even though regularly receiving huge budget subsidies, still run-up large losses - about 15 percent of economy-wide enterprise losses in 1996 - and arrears, undermining macroeconomic stabilization efforts.

- In August of this year, the Government announced a generous redundancy scheme for miners, and the results have been dramatic. As of last week, some 70,000 workers (from an initial labor force of around 175,000) had accepted redundancy terms, and more may follow in the coming months.
- The budgetary cost of this flow of redundancies is significant (US$260 million this year), but must be accommodated within an overall spending program and budget deficit target consistent with the IMF supported stabilization program.
- Naturally this restructuring will impact severely on the regional economies especially the Jiu valley, a relatively isolated location, where perhaps up to half of the economically active labor force rely directly or indirectly on the mines. The official unemployment rate in the valley could rise from around 5 percent (early 1997) perhaps to 30 percent in the first half of 1998.

The Bank's response

- Our Social Protection Adjustment Loan (US$50 million, June 1997) provided some funds to support social protection costs - including severance pay - during economic transition;
- Our Employment and Social Protection Project (US$50 million, 1994), has been restructured to speed-up disbursement and help put in place rapid-reaction teams to counsel and train displaced workers;
- We have hosted a focused seminar in Bucharest in late September to work with industry experts in designing an industry restructuring plan. The plan includes an approach to orderly mine closure, and a new legal framework to encourage privatization of those parts of the industry which may remain viable. We are now following-up this work;
- We have partnered with the European Union on ECU 2.1 million of technical assistance for the regional redevelopment aspects of the problem, and arranged an additional US$400,000 of Japanese resources for this effort;
- We are showcasing to international donors the investment needs of this area in the forthcoming Consultative Group for Romania next week (November 19, 1997).

Messages you may wish to convey

- **We welcome the work of Pro Democratia and others** to help our Romanian counterparts tackle the range of development problems they face.
- **We will continue our close cooperation with Pro Democratia**, as it fits with our Country Assistance Strategy considered by the Board last June;
- **We ask that Pro Democratia maintain an open relationship** with us and the Government, fully disclosing their programs and sources of financing so that relationships can continue on a sound footing.

Attachments: *Romania At-a-Glance; Bank Portfolio Tables*

11/12 Fax to JDW
confirming mtg 11/14

EXC-23609

Foundation Pro Democratia
The Program for Development of Private Pension Systems

45, Splaiul Unirii
B1.M15, #68-70
Bucharest

tel/fax: (40-1) 322 88 67
tel: (40-1) 621 49 56
e-mail: zaman@starnets.ro

Director: Georges de Menil
Manager: Constantin Zaman

by fax 202-522-3031

November 12, 1997

Mr. James Wolfensohn
President
World Bank
Washington, D.C.

Dear Jim,

I am looking forward to seeing you Friday at 3 p.m. I would like to talk about Romania in general, our pension reform project in Romania, and also pension reform in the region in general. I will be alone.

It will be a pleasure to see you.

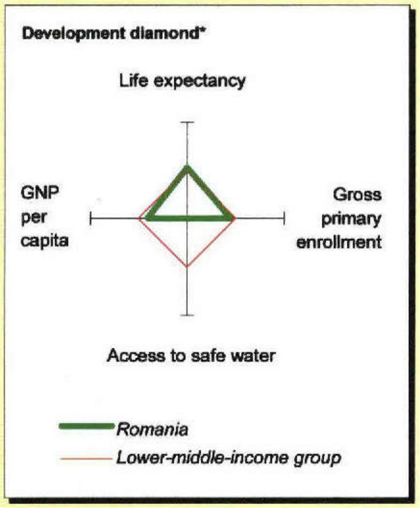
Very sincerely yours,

Georges de Menil

Romania at a glance

8/15/97

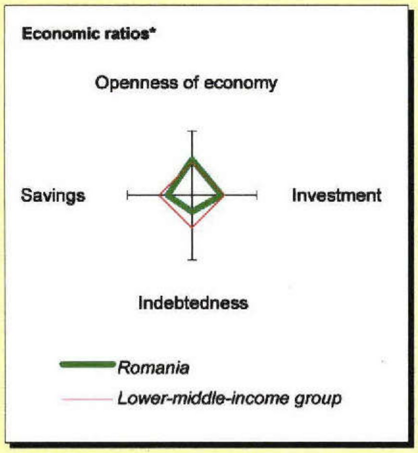
POVERTY and SOCIAL	Romania	Europe & Central Asia	Lower-middle-income
Population mid-1996 *(millions)*	22.7	479	1,125
GNP per capita 1996 *(US$)*	1,440	2,180	1,750
GNP 1996 *(billions US$)*	32.6	1,043	1,967
Average annual growth, 1990-96			
Population *(%)*	-0.4	0.3	1.4
Labor force *(%)*	0.1	0.5	1.8
Most recent estimate *(latest year available since 1989)*			
Poverty: headcount index *(% of population)*	22	..	..
Urban population *(% of total population)*	55	65	56
Life expectancy at birth *(years)*	70	68	67
Infant mortality *(per 1,000 live births)*	23	26	41
Child malnutrition *(% of children under 5)*	..	..	..
Access to safe water *(% of population)*	..	..	78
Illiteracy *(% of population age 15+)*	..	..	..
Gross primary enrollment *(% of school-age population)*	94	97	104
Male	94	97	105
Female	93	97	101



KEY ECONOMIC RATIOS and LONG-TERM TRENDS

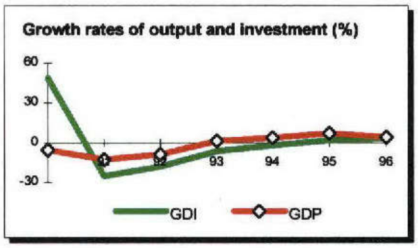
	1975	1985	1995	1996
GDP *(billions US$)*	..	47.6	35.5	35.5
Gross domestic investment/GDP	40.4	33.0	25.6	25.4
Exports of goods and services/GDP	..	22.9	27.4	26.9
Gross domestic savings/GDP	..	37.2	21.1	18.9
Gross national savings/GDP	..	35.9	21.4	18.8
Current account balance/GDP	..	2.9	-4.9	-6.6
Interest payments/GDP	..	1.1	0.8	1.4
Total debt/GDP	..	..	18.7	26.4
Total debt service/exports	0.0	18.7	11.5	13.4
Present value of debt/GDP	..	..	18.9	..
Present value of debt/exports	..	..	67.7	..

	1975-85	1986-96	1995	1996	1997-05
(average annual growth)					
GDP	4.8	-3.4	6.9	4.1	5.0
GNP per capita	4.0	-3.3	6.1	4.5	5.1
Exports of goods and services	..	*0.2*	11.8	0.8	5.9

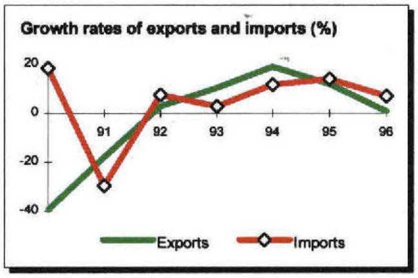


STRUCTURE of the ECONOMY

	1975	1985	1995	1996
(% of GDP)				
Agriculture	..	..	20.4	19.8
Industry	..	..	39.3	38.2
Manufacturing	..	..	..	..
Services	..	..	40.3	42.0
Private consumption	..	58.9	66.6	70.2
General government consumption	..	3.9	12.2	10.9
Imports of goods and services	..	18.7	31.9	33.4



	1975-85	1986-96	1995	1996
(average annual growth)				
Agriculture	..	*2.4*	4.8	1.4
Industry	..	*-6.5*	9.4	1.6
Manufacturing	..	..	..	..
Services	..	*-5.0*	5.7	10.0
Private consumption	..	*0.7*	12.3	9.2
General government consumption	..	*4.0*	-2.4	-8.7
Gross domestic investment	..	-3.2	1.5	3.3
Imports of goods and services	..	2.7	14.1	7.0
Gross national product	4.7	-3.5	5.9	4.0

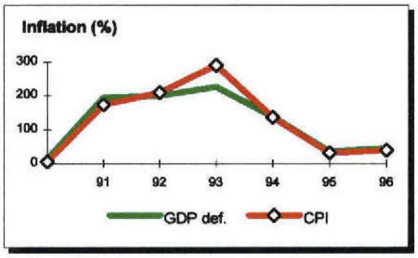


Note: 1996 data are preliminary estimates. Figures in italics are for years other than those specified.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

PRICES and GOVERNMENT FINANCE

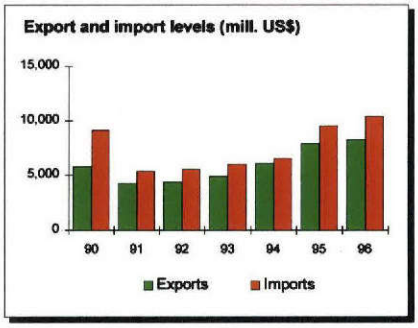
	1975	1985	1995	1996
Domestic prices				
(% change)				
Consumer prices	..	..	32.0	38.8
Implicit GDP deflator	..	0.4	35.7	45.6
Government finance				
(% of GDP)				
Current revenue	..	48.9	32.0	29.6
Current budget balance	..	29.7	2.7	1.4
Overall surplus/deficit	..	12.1	-2.6	-3.9



Inflation (%)

TRADE

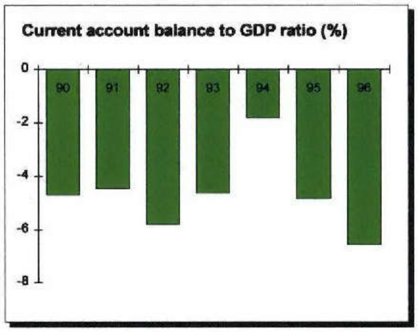
	1975	1985	1995	1996
(millions US$)				
Total exports (fob)	..	10,174	7,882	8,238
Textiles	..	..	2,065	1,985
Metals	..	..	1,513	1,310
Chemicals	..	..	1,001	1,145
Total imports (cif)	..	8,402	9,487	10,368
Food	..	160	818	892
Fuel and energy	..	4,753	1,160	1,265
Capital goods	..	3,489	7,509	8,211
Export price index *(1993=100)*	..	..	106	108
Import price index *(1993=100)*	..	..	105	104
Terms of trade *(1993=100)*	..	..	102	104



Export and import levels (mill. US$)

BALANCE of PAYMENTS

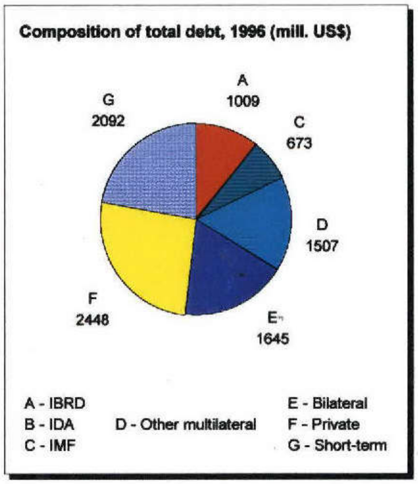
	1975	1985	1995	1996
(millions US$)				
Exports of goods and services	5,812	10,920	9,333	9,554
Imports of goods and services	5,858	8,926	11,172	11,868
Resource balance	-46	1,994	-1,839	-2,314
Net income	-89	-613	-262	-401
Net current transfers	0	0	369	379
Current account balance, before official capital transfers	-135	1,381	-1,732	-2,336
Financing items (net)	103	-1,698	1,541	3,216
Changes in net reserves	32	317	191	-880
Memo:				
Reserves including gold *(mill. US$)*	904	1,447	1,579	2,103
Conversion rate *(local/US$)*	..	..	2,033.4	3,085.4



Current account balance to GDP ratio (%)

EXTERNAL DEBT and RESOURCE FLOWS

	1975	1985	1995	1996
(millions US$)				
Total debt outstanding and disbursed	211	7,008	6,653	9,374
IBRD	19	1,633	844	1,009
IDA	0	0	0	0
Total debt service	1	2,064	967	1,349
IBRD	0	274	53	63
IDA	0	0	0	0
Composition of net resource flows				
Official grants	0	0	30	0
Official creditors	30	-61	698	737
Private creditors	0	-645	267	..
Foreign direct investment	0	0	419	410
Portfolio equity	0	0	1	..
World Bank program				
Commitments	160	0	340	475
Disbursements	19	49	129	227
Principal repayments	0	146	0	0
Net flows	19	-97	129	227
Interest payments	0	127	53	63
Net transfers	19	-225	76	164



Composition of total debt, 1996 (mill. US$)

Romania - Selected Indicators of Bank Portfolio Performance and Management

Indicator	1995	1996	1997	1998
Portfolio Assessment				
Number of Projects under implementation[a]	9	11	16	16
Average implementation period (years)[b]	2.22	2.43	2.48	2.44
Percent of problem projects[a, c]				
by number	11.11	27.27	6.25	12.50
by amount	10.67	30.38	2.59	11.34
Percent of projects at risk[a, d]				
by number	25.00	27.27	14.29	20.00
by amount	32.31	30.38	9.13	17.18
Disbursement ratio (%)[e]	19.55	17.25	13.06	2.25
Portfolio Management				
CPPR during the year (yes/no)				
Supervision resources (total US$ thousands)	1,225.65	1,338.52	1,379.75	448.92
Average Supervision (US$/project)	136.18	121.68	86.23	28.06

Memorandum item	Since FY80	Last five FYs
Projects evaluated by OED		
by number		
by amount (US$ millions)		
Percent rated U or HU		
by number		
by amount		

a. As shown in the Annual Report on Portfolio Performance (except for current FY)
b. Average age of projects in the Bank's country portfolio.
c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
d. As defined under the Portfolio Improvement Program.
e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: investment projects only.

Romania - IBRD/IDA Lending Program

	Past			*Current*	*Planned*[a]		
Category	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
Commitments (US$m)	55.4	510.0	625.0	185.0	725.0	420.0	675.0
Sector (%)[b]							
Agriculture	0.0	0.0	56.0	37.8	6.9	7.1	0.0
Education	0.0	0.0	8.0	37.8	0.0	0.0	0.0
Electric Pwr & Engy.	0.0	21.6	0.0	0.0	0.0	0.0	0.0
Environment	0.0	0.0	0.0	0.0	6.9	0.0	0.0
Finance	0.0	0.0	0.0	0.0	27.6	21.4	40.7
Industry	0.0	0.0	0.0	0.0	0.0	0.0	29.6
Multisector	0.0	54.9	0.0	0.0	41.4	0.0	0.0
Oil & Gas	0.0	0.0	0.0	0.0	0.0	0.0	29.6
Popultn, Hlth & Nutn	0.0	0.0	0.0	0.0	13.8	0.0	0.0
Social Sector	100.0	0.0	8.0	10.8	3.4	23.8	0.0
Telecommunications	0.0	0.0	0.0	13.5	0.0	0.0	0.0
Transportation	0.0	23.5	24.0	0.0	0.0	23.8	0.0
Water Supply & Santn	0.0	0.0	4.0	0.0	0.0	23.8	0.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Lending instrument (%)							
Adjustment loans[c]	0.0	54.9	64.0	0.0	41.4	0.0	0.0
Specific investment loans and others	100.0	45.1	36.0	100.0	58.6	100.0	100.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Disbursements (US$m)							
Adjustment loans[c]	79.6	100.0	80.0	250.0	110.0	0.0	0.0
Specific investment loans and others	148.2	114.7	101.9	20.3	165.2	58.8	11.6
Repayments (US$m)	0.0	0.0	14.2	8.6	0.0	0.0	0.0
Interest (US$m)	41.1	58.7	67.1	29.7	0.0	0.0	0.0

[a] Ranges that reflect the base-case (i.e., most likely) Scenario. for IDA countries, planned commitments are not presented by FY but as a three-year-total range; the figures are shown in brackets. A footnote indicates if the pattern of IDA lending has unusual characteristics (e.g., a high degree of frontloading, backloading, or lumpiness). For blend countries, planned IBRD and IDA commitments are presented for each year as a combined total.

[b] For future lending, rounded to the nearest 0 or 5%. To convey the thrust of country strategy more clearly, staff may aggregate sectors.

[c] Structural adjustment loans, sector adjustment loans, and debt service reduction loans.

Note:
Disbursement data is updated at the end of the first week of the month.

Romania - IFC and MIGA Program, FY95-98

	Past			
Category	1995	1996	1997	1998
IFC approvals (US$m) [a]	2.00	2.00	71.00	0.00
Sector (%)				
	0.00	0.00	0.00	0.00
Financial Services	100.00	100.00	0.00	0.00
Food & Agro-Business	0.00	0.00	24.00	0.00
Infrastructure	0.00	0.00	70.00	0.00
Timber, Pulp & Paper	0.00	0.00	6.00	0.00
TOTAL	100.00	100.00	100.00	100.00
Investment instrument (%)				
Loans	0.00	0.00	76.00	0.00
Equity	100.00	100.00	10.00	0.00
Quasi-Equity [b]	0.00	0.00	14.00	0.00
Other	0.00	0.00	0.00	0.00
TOTAL	100.00	100.00	100.00	100.00
MIGA guarantees (US$m)	0.00	0.00	15.77	15.77
MIGA commitments (US$m)	0.00	0.00	0.00	0.00

[a]Excludes AEF projects.
[b]Includes quasi-equity types of both loan and equity instruments.

Status of Bank Group Operations in Romania
IBRD Loans and IDA Credits in the Operations Portfolio

Project ID	Loan or Credit No.	Fiscal Year	Borrower	Purpose	Original Amount in US$ Millions: IBRD	IDA	Cancellations	Undisbursed	Difference Between expected and actual disbursements a/: Orig	Frm Rev'd	Last ARPP Supervision Rating b/: Dev Obj	Imp Prog
Number of Closed Loans/credits: 36												
Active Loans												
	IBRD34860	1992	ROMANIA	PRIVATE FARMER & ENT	100.00	0.00	0.00	1.27	1.27	0.00	S	S
	IBRD34090	1992	MOF	HEALTH SERVICES REHA	150.00	0.00	0.00	51.83	51.83	53.88	S	S
	IBRD35930	1993	MOT	TRANSPORT	120.00	0.00	0.00	2.06	2.06	0.00	HS	HS
	IBRD37350	1994	GOVT. OF ROMANIA	INDUSTRIAL DEVELOPMENT	175.00	0.00	0.00	137.27	137.27	137.29	S	U
	IBRD37240	1994	REPUBLIC OF ROMANIA	EDUCATION	50.00	0.00	0.00	40.41	40.41	0.00	S	S
	IBRD37230	1994	Government of Romania	PETROLEUM SECTOR REH	175.60	0.00	0.00	146.09	146.09	0.00	S	S
	IBRD38490	1995		EMPLOY. & SOC. PROTE	55.40	0.00	0.00	54.73	54.73	0.00	U	U
	IBRD39760	1996	SNCFR	RAILWAY	120.00	0.00	0.00	118.16	118.16	0.00	S	S
	IBRD39752	1996	ROMANIA	FESAL	20.00	0.00	0.00	17.15	280.00	0.00	S	S
	IBRD39751	1996	ROMANIA	FESAL	90.00	0.00	0.00	47.74	250.00	0.00	S	S
	IBRD39750	1996	ROMANIA	FESAL	170.00	0.00	0.00	20.00	130.00	0.00	S	S
	IBRD39360	1996	RENEL	POWER SECTOR REHAB.	110.00	0.00	0.00	106.65	106.65	0.00	S	S
	IBRD41780	1997	GOVERNMENT OF ROMANIA	SECOND ROADS	150.00	0.00	0.00	150.00	0.00	0.00		
	IBRD41761	1997	GOVERNMENT OF ROMANIA	ASAL	70.00	0.00	0.00	67.51	350.00	0.00	S	S
	IBRD41760	1997	GOVERNMENT OF ROMANIA	ASAL	280.00	0.00	0.00	80.00	150.00	0.00	S	S
	IBRD40960	1997	ROMANIA	HIGHER EDUCATION	50.00	0.00	0.00	50.00	50.00	0.00	S	S
	IBRD40790	1997	ROMANIA	BUCHAREST WATER SUPP	25.00	0.00	0.00	23.74	23.74	0.00	S	S
	IBRD42130	1998	ROMANIA	SCHOOLS REHABILITATI	70.00	0.00	0.00	70.00	0.00	0.00		
Total					1,981.00	0.00	0.00	1,184.61	1,892.21	191.17		

	Active Loans	Closed Loans	Total
Total Disbursed (IBRD and IDA):	778.79	2,811.39	3,590.18
of which has been repaid:	6.25	2,200.22	2,206.47
Total now held by IBRD and IDA:	1,974.75	611.17	2,585.92
Amount sold :	0.00	19.78	19.78
Of which repaid :	0.00	19.78	19.78
Total Undisbursed :	1,184.61	0.00	1,184.61

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.
b. Following the FY94 Annual Review of Portfolio performance (ARPP), a letter based system was introduced (HS = highly Satisfactory, S = satisfactory, U = unsatisfactory, HU = highly unsatisfactory): see proposed Improvements in Project and Portfolio Performance Rating Methodology (SecM94-901), August 23, 1994.

Note:
Disbursement data is updated at the end of the first week of the month.

Romania
STATEMENT OF IFC's
Committed and Disbursed Portfolio
As of 30-Sep-97
(In US Dollar Millions)

		Committed				Disbursed			
		IFC				IFC			
FY Approval	Company	Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1992	Alcatel	0.00	0.00	.69	0.00	0.00	0.00	.69	0.00
1994	Romlease	5.00	.45	0.00	0.00	3.00	.45	0.00	0.00
1996	Danube Fund	0.00	2.00	0.00	0.00	0.00	.40	0.00	0.00
	Total Portfolio:	5.00	2.45	.69	0.00	3.00	.85	.69	0.00

Approvals Pending Commitment

		Loan	Equity	Quasi	Partic
1997	EFES BREWERY	12.00	5.00	0.00	8.00
1997	MOBIL ROM	40.00	0.00	10.00	120.00
1997	RAMBOX	2.00	2.00	0.00	0.00
	Total Pending Commitment:	54.00	7.00	10.00	128.00