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THE WORLD BANK

Washington, D.C.

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The World Bank

1818 H Street NW

Washington DC 20433

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Cocktails/Dinner: IFC Resident
Representatives
(JDW Remarks)

Tuesday, July 8, 1997
6:30 - 9:00 p.m.
Airlie Conference Center
Airlie, Virginia

Archives



30488206

R2002-036 Other #: 40 Box #: 186490B

President Wolfensohn - Briefings Books for Presidents Meetings - Meeting Materials
Speeches - International Finance Corporation [IFC] Resident Representatives - July

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WBG Archives

Archive Management for the President's Office

Document Log

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1 RAS

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: COCKTAILS/DINNER: IFC RESIDENT REPRESENTATIVES //
JDW TO MAKE REMARKS // (B) (N)
VENUE: AIRLIE CONFERENCE CENTER, AIRLIE, VIRGINIA
TO ACCOMPANY: HANY ASSAAD
AGENDA:
6:30 - 7:00 P.M.: COCKTAILS
7:30 - 9:00 P.M.: DINNER (JEFFERSON ROOM)
9:00 P.M.: JDW TO SPEAK // NOTE: ALI SENT EMAIL ADVISING THAT JDW'S
SPEAKING TIME SHOULD BE MOVED UP, 9 P.M. IS TOO LATE
3/10 - ITEM REQUESTED BY HANY // 3/24 - ALI SENT EMAIL TO LAZARUS --
REQUESTING DETAILS // ADVISED HANY THAT JDW SHOULD BE
SCHEDULED TO SPEAK EARLIER
(B) IFC // DUE: THURSDAY, JULY 3
EXC: HA // ALI (3/22) (6/26)
Brief Includes retreat itinerary and tabs:
- Dinner Attendees
- JDW Remarks
- JDW Interlaken Remarks
- Co-Location of Field Offices
- Training Module for Medical Emergencies

DATE: 07/08/97

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 ID
☐	NGO
☐	Private Sector

☐	Part I
☐	Part II
☐	Other

E. COMMENTS:

File Location ☒ EXC ☐ ISC ☒ Archives	Cleared By Hany Assaad	Date: 07/09/97
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INTERNAL AUDITING
DEPARTMENT

The World Bank Group

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WBG ARCHIVES

Recurring Problems in the Operation of Resident Missions —An IAD Summary Report

Report No. FY97-73

June 27, 1997

This report has a restricted distribution and may be used by recipients only in the performance of their official duties.

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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Washington, D.C. 20433
U.S.A.

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Cable Address: INDEV

June 27, 1997

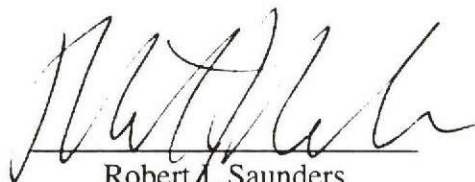
Regional Vice Presidents, IBRD

Mr. Jemal-ud-din Kassum, CIOVP

Recurring Problems in the Operation of Resident Missions - An IAD Summary Report

I enclose two copies of the above report dated June 27, 1997. The report presents an inventory of some of the most common findings resulting from financial and administrative audits of thirty Resident Missions in FY96 and FY97. We believe the audit findings should be of interest to all current and prospective Resident Representatives and recommend that you circulate the report to all interested parties.

If we can be of further assistance, please let me know.



Robert J. Saunders
Acting Auditor General
Internal Auditing Department

Attachments

Messrs. Wolfensohn, Kaji, Koch-Weser (EXC); Lindbaek (CEXVP);
Muis (CTRVP); Bam (CPAVP); Joscelyne (o/r), Fitzsimon,
Mallon, Ravat, Tumusiime, White (IADDR)

Price Waterhouse
Deloitte Touche, LLP

Recurring Problems in the Operation of Resident Missions —An IAD Summary Report

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Recurring Problems in the Operation of Resident Missions —An IAD Summary Report

Findings

In FY96 and FY97 the Internal Auditing Department carried out audits of the financial and administrative operations in thirty Bank and IFC Resident Missions. This report presents an inventory of some of the detailed audit findings. It should not, however, be assumed that the list is exhaustive nor that these are the only areas where weaknesses occur. We have prepared this report to alert ResReps of these common findings so that they can be addressed, if necessary, in missions which have not been audited recently.

Since a new Field and Headquarters Imprest System, to replace the current version of the Field Office Module, is under development, deficiencies in the current imprest accounting system—lack of user friendliness and limitations as a tool for the management of financial resources—are not discussed in this report. Also, we do not address issues of field office information technology connectivity, or institutional support to the field offices. These areas are proposed to be audited by IAD in FY98.

Introduction

*The report contains an
inventory of concerns for
Resident Representatives*

As more country operations are decentralized to the field it is important that the basic functions of administrative and financial management are well controlled to minimize both financial and reputational risks. More detailed findings are presented in Annex I. A list of Resident Missions audited is presented in Annex II. Generic Terms of Reference are in Annex III.

The points raised in the report should direct Resident Representatives (ResReps) to areas where audits typically detect weaknesses in controls.

Mandates

*Issues related to mandate
and scope needed to be
addressed*

In a significant number of the missions we found that:

- Establishment Agreements with the host country had not been formalized or were not current;
- The missions' role and functions were not clearly spelled out in a terms of reference which specified clear lines of responsibility and accountability; and
- There was scope for the Bank and IFC to cooperate more in the field. There were potential efficiency gains in integrating physical facilities and using common services, especially IT facilities.

Financial and Administrative Controls

*In many instances, ResReps
were not giving adequate
attention to financial and
administrative matters*

We found a number of instances in which ResReps were giving inadequate attention to running their offices which raises the question of whether they are fully equipped for the office management task. The following were common:

- Segregation of duties is often absent;
- ResReps were not taking an active interest in ensuring that budget and imprest matters are well controlled;
- Cash management procedures needed improvement;

- Controls over local banking arrangements were not complete or in place;
 - Established policies for operational travel on the part of field office managers were inadequately enforced;
 - Basic asset management and inventory controls were not in place; and
 - Controls over the use and maintenance of vehicles, and over drivers' overtime, were weak.
-

Human Resource Management

*Human resource
management issues are
not given priority*

Focusing on the operational demands of the job sometimes results in ResReps relegating human resources issues to a relatively low priority. We found the following:

- Particularly for administrative and financial positions, assignments were not made with appropriate segregation of duties, and with provision for adequate back up staff;
- There were local staff grading anomalies which were not being addressed;
- ResReps did not exercise proper oversight of the hiring of local staff; and
- The administration of staff benefits were not reviewed regularly to ensure that they conform with current Bank policies.

*A greater commitment to
staff training is needed*

Improvements in addressing training needs were noted, but in many instances deficiencies remained. We found the need for additional training for a range of resident mission staff including ResReps, administrative and finance staff, various national officers, and support staff.

Also, generic training programs generally did not include participation of both Bank and IFC field staff.

Operational Controls

*Controls over several
operational activities
needed strengthening*

With the enhanced role of the field offices, ResReps must ensure adequate oversight of their mission's operational responsibilities. We found problems with controls concerning:

- Trust fund expenditures in the field;
- The hiring of consultants; and
- Monitoring compliance with project loan covenants.

The above problems which we found in the course of our audits were generally resolved either on the spot with the ResRep, or within a couple of months following the audit team's return to Washington.

Recurring Problems in the Operation of Resident Missions —An IAD Summary Report

Details of the Report

Mandates

Mission role and functions should be clarified, Establishment Agreements should be current, and the Bank and IFC should cooperate more in the field

We found that Resident Missions did not always have terms of reference (TOR) reflecting current understandings regarding the role and function of the mission. Such documentation minimizes conflicts and misunderstandings with headquarters, and provides the foundation for establishing clear lines of responsibility and accountability, and performance measurement. As a mission's role and functions change from time to time, and when a new ResRep is appointed, the TOR should be updated and disseminated widely to all concerned.

Establishment Agreements with host governments were occasionally not formalized or kept current.

There was not much cooperation between the Bank and IFC regarding potential efficiency improvements from shared facilities utilizing common financial and administrative services.

A greater commitment needs to be made in the area of training resident mission staff

While improvements in addressing training needs have been noted, deficiencies remain. IAD has endorsed and/or recommended additional financial and administrative training for a range of Resident Mission staff, including ResReps, administrative and finance staff, various national officers, as well as support staff. Regional training

programs should to the extent possible, include both Bank and IFC field staff.

Financial and Administrative Controls

ResReps should take an active interest in ensuring that budget and imprest matters are well controlled

We found a number of very similar problem areas concerning budget and imprest accounting. The following were common:

- ResReps did not ensure that where the Resident Mission cannot directly access headquarter's (HQ) systems, the HQ departments regularly provide current expense and budget reports affecting the mission;
- Annual budget requests were not comprehensive reflecting the needs of the mission, including anticipated uses of consultants and operational travel;
- Specific budget ceilings were not established, with additional allocations being properly documented;
- The Maintained Fund Balance was not adequately monitored to ensure that it is sufficient to meet current expenditure levels; and
- Basic controls over imprest transactions sent to the mission for processing by other units—such as IFC or EDI—which also use the mission imprest for processing their financial transactions, were inadequate.

*Controls over local banking
arrangements should be
established, taking into
account local conditions*

We found several problems regarding local banking arrangements. Among them were:

- The Cash Management Department (CSH) and Accounting Department (ACT) were not informed of modifications to the signatory arrangements;
- The local commercial banking situation was not regularly monitored to ensure adequate services were provided. The Mission's banking accounts were not consolidated into a single institution with the most advantageous terms being negotiated; and
- Where there are no local checking facilities the feasibility of having the local bank process large cash transactions directly to the payee upon proper authorization from the mission was not considered.

*Cash management
procedures were in need
of improvement*

Reviews of cash management procedures revealed distinct problems, often correlated to the size of the mission. Among them were:

- There was no segregation of cash management duties—often an issue in smaller resident missions—so different individuals have responsibilities for:
 - ⇒ custody of cash; and
 - ⇒ its accounting and replenishment.
- Security arrangements for the transportation of cash were not reviewed to ensure prudent procedures are in place;

Annex I

- A set ceiling for the cash float held at the mission was not established, with replenishment guidelines from ACT observed. ResReps did not arrange to have periodic, surprise cash counts carried out; and
- ResReps did not always have access to the office safe to ensure business continuity during times when the Finance Assistant was absent, or during emergencies.

*Established controls over
operational travel should
be set out as part of
normal business practice*

With regard to operational travel we found that:

- ResReps did not always have their Travel Requests and Statement of Expenses (SOEs) approved by their next in line manager;
- Staff did not always separate their personal travel affairs from operational travel;
- Applicable Bank Group policies and procedures were not always followed for reporting travel expenses;
- Administrative staff were not always trained and empowered to review and challenge any non-compliant SOE submitted by staff, and unresolved issues were not always brought to the attention of the ResRep;
- Some travel requests and SOEs were not properly authorized and documented in compliance with Bank procedures; and
- Charges from travel agencies were not checked against ticket stubs submitted by travelers with SOEs—discrepancies were not resolved.

Administrative and financial tasks should be designed to address business needs while operating within an appropriate control structure

We found a number problems in the general finance and administration area. The following were common:

- Control of general financial transactions did not have adequate segregation of duties so separate individuals had distinct responsibilities within the process;
- As part of the overall financial duties, the administrative assistants were not always assigned appropriate budget monitoring responsibilities to assist the ResRep managing the mission's financial resources;
- There was not adequate back up for administrative and financial functions to ensure business continuity;
- Established administrative processes were not always followed—leave was not supported by an approved Leave Request, and the representation and staff hospitality form (Form No. 2100) was not used for all reimbursements of representation expenses with supporting documents attached; and
- ResReps did not have clear rules or guidelines on the level of support their missions should provide to visiting staff—including assessments for secretarial and logistical support and for office technology support.

Human Resource Management

Functions of human resource management warrant greater attention from many ResReps

The focus on the operational demands of the job sometimes results in ResReps giving human resources issues a relatively low priority. Our findings included:

Annex I

- There were local staff grading anomalies;
- The Performance Measurement Process (PMP) was not conducted in a timely manner;
- Training needs for staff were not addressed proactively; and
- ResReps did not ensure proper oversight of the terms and conditions of employment of local staff and consultants.

The administration of staff benefits should be reviewed regularly to ensure that they conform with current Bank policies

Findings concerning staff benefits included the following:

- Some termination grants were not calculated properly and were not checked by HRS;
- Headquarters-based staff entitlements were not always in compliance with the benefits, or their underlying objectives, as described in the Bank's Staff Rules and Field Managers' Guidelines;
- Outstanding staff loans were not monitored or reviewed to ensure that appropriate documentation, including properly executed promissory notes, proof of purchase/construction or other evidence of cost (for housing loans), and required approval of applied interest rates, are completed and kept on file;
- Current medical benefits did not always conform with Bank policy, and some local staff were not informed of the MEAP's stop loss provisions as stated in Paragraph 3.05 of the Local Staff Benefits Handbook;

Annex I

- Medical reimbursements were not recorded against the entitlements of each beneficiary, and properly monitored to ensure that established entitlements are not exceeded; and
- There was no annual independent verification of leave summaries.

**Asset
Management**

*Basic asset management
and inventory controls
should be implemented*

We found numerous problems relating to asset management. Among them were:

- A “team selection approach” was not followed to ensure that new ResRep residences are appropriate to the Bank’s needs and the occupant’s comfort and security—without being ostentatious;
- Headquarters staff did not verify and sign copies of residence inventory records before takeover and handover of the items to be kept on file at the Mission;
- There was no annual physical verification of office inventory carried out by, and a report signed by, a team of at least two staff members, who are independent of the record keeping function. This was also not done for residence furniture when there was a handover of residence;
- “Kablit” locks and cables were not used to secure office technology equipment;
- All items of office equipment and the relevant property tag numbers were not entered into the Field Office Module;

Annex I

- Security for all buildings was not adequate and the Field Security Coordinator was not kept informed of changes in the security situation;
- There was no comprehensive maintenance plan for Bank-owned buildings;
- Management oversight for the execution of the maintenance program, and subsequent payments to local contractors was not adequate;
- Appropriate headquarters approval was not obtained for property or building improvements; and
- Residence and office furniture were not properly tagged.

*Better control should be
exercised over the use and
maintenance of vehicles
and drivers' overtime*

Problems regarding vehicle use and maintenance included:

- The use, fuel, and maintenance costs of vehicles was not regularly monitored and spot checks were not carried out to ascertain the reasonableness of these costs—gasoline consumption records did not indicate average miles/kilometers per unit of gasoline;
- The local insurance policy was not reviewed in consultation with the Insurance Unit to ensure that coverage was appropriate; and
- Driver overtime was not monitored closely and the feasibility of having drivers work staggered hours was not usually considered.

Operational Controls

*Controls over several
operational activities
needed strengthening*

With the enhanced role of the field offices, the scope of IAD reviews for certain resident missions was expanded to include assessments of controls over operational functions. Areas of concern which we found included the need to strengthen the controls over:

- trust fund expenditures in the field;
- the hiring of consultants; and
- monitoring compliance with project covenants.

Recurring Problems in the Operation of Resident Missions —An IAD Summary Report

Missions Audited

Mission	Date of Audit Report
IFC's Eastern Africa Regional Mission, Kenya	July 6, 1995
Bank's Resident Mission, Nepal	August 7, 1995
Bank's Resident Mission, Chad	August 29, 1995
Bank's Resident Mission, Congo	August 29, 1995
Bank's Resident Mission, Togo	September 25, 1995
IFC, Cote d'Ivoire	October 31, 1995
Bank's Resident Mission, Burkina Faso	November 17, 1995
Bank's Resident Mission, Cote d'Ivoire	November 30, 1995
Bank's Resident Mission, Costa Rica	December 12, 1995
Bank's Resident Mission, Jamaica	January 16, 1996
IFC, Moscow	February 8, 1996
Bank's Resident Mission, Uzbekistan	February 14, 1996
Bank's Resident Mission, Kazakhstan	February 15, 1996
Bank's Resident Mission, Kyrgyz Republic	February 15, 1996
IFC, London	May 9, 1996
IFC, South Africa	May 17, 1996
IFC, Nigeria	May 31, 1996
Bank's Resident Mission, Brasilia	June 14, 1996
Bank's Resident Mission, Nigeria	June 17, 1996
IFC, Hungary	June 28, 1996
Bank's Resident Mission, West Bank & Gaza	July 9, 1996
Bank's Resident Mission, South Africa	July 31, 1996
Bank's Resident Mission, Sri Lanka	August 1, 1996
IFC, Brazil	January 16, 1997
Bank's Resident Mission, Hungary	February 4, 1997
Bank's Resident Mission, Ukraine	February 7, 1997
Bank's Resident Mission, Romania	February 7, 1997
IFC, Mexico	February 14, 1997
IFC, Indonesia	February 20, 1997
IFC, Philippines	February 20, 1997

Recurring Problems in the Operation of Resident Missions —An IAD Summary Report

Generic Terms of Reference

Audit Objectives

Examine the adequacy of the control process for managing the financial and administrative activities of the Mission to ensure that:

- staff actions are in accordance with the Bank Group's guidelines;
- resources are adequately safeguarded;
- financial information on the Mission's activities is accurate and reliable;
- there is economical and efficient use of resources; and
- established objectives and goals for the Mission are being accomplished.

Scope of the Audit

The Mission will be visited to review the process for managing the operating expenses, bank accounts and liquid assets, administration of local staff benefits, the Mission's assets and leases, and procurement of materials and services.

Annex III

Discussions will be held with management and staff at headquarters to discuss how the role of the Mission is defined, how work is programmed, and how the achievement of the Mission's goals are assessed.

Other matters which may come to attention during the course of the audit may also be reviewed.

RESIDENT REPRESENTATIVES' RETREAT
Airlie Center, Airlie, Virginia
July 8-10, 1997

Tuesday, July 8

4:30 p.m. Board bus on 2121 Pennsylvania Avenue
4:45 p.m. Leave for Airlie Center

Check in: Tack Room on Airlie grounds
All meetings will take place in the Meadow Room unless otherwise noted.

6:30 p.m. Cocktails (East Room Balcony)

7:30 p.m. Dinner Buffet (East Room)

Speaker: *James D. Wolfensohn*

Open Bar (East Room Balcony)

Wednesday, July 9

8:00-9:00 am Breakfast (Airlie Room)

9:00-10:00 am Marketing IFC

- Client Survey
Roger Stubbs, MORI
- Panel Discussion
Michael Hooper
Mansour Kelada-Antoun
Vikas Thapar

Moderator: *Christopher Bam*

10:00 - 11:00 am PSD Coordination in the World Bank Group
PSD Group: *Jannik Lindbæk*
PSD Strategy: *Assaad Jabre, Nissim Ezekiel*
Guarantees: *Assaad Jabre, Francisco Turrelles*

11:00 - 11:30 am Coffee Break (Meadow Room)

- 11:30 am - 1:00 pm Field Office IT Issues
 (IFC Data Warehouse, Corporate Reporting, Data Access,
 LAN update, and Lotus Notes)
Birgitta Kantola
Tom Schipani
Deborah Sampson
- 1:00-2:30 pm Lunch Buffet (East Room)
- 2:30-3:45 pm Environment, Disclosure, Public Consultation, and Accountability
Carol Lee
Andreas Raczynski
Glen Armstrong
Mark Constantine

Comments from Resident Representatives
- 3:45-4:00 pm Coffee Break (Meadow Room)
- 4:00-5:00 pm Field Health Services
 Case Studies: Handling Medical Emergencies
 (Please refer to case studies in folder)
Mary Marguiles
- 7:00-7:30 pm Cocktails (East Room Balcony)
- 7:30 p.m. Dinner (East Room)
- Speaker: *Jannik Lindbæk*
 Topic: Highlights of FY97/Where do we go from here?
- Open Bar (East Room Balcony)

Thursday, July 10

8:00-9:00 am Breakfast (Airlie Room)

9:00-9:30 am IFC/World Bank Collaboration in the Field
 • Field Office Collaboration and Colocation
Jannik Lindbæk
Richard Moss

9:30-10:30 am
 • Panel Discussion: How to make it work?
Johannes Linn, Vice President World Bank, ECA
Khosrow Zamani
Michael Essex
Antonio David

Moderator: *Jannik Lindbæk*

10:30-11:00 am Coffee Break (Meadow Room)

****(KINDLY NOTE ROOM CHECK OUT IS BY 11:30 -- THANK YOU)****

11:00-12:30 pm Panel Discussion: Building Delivery Capacity in the Field
Rashad Kaldany
Cesare Calari
Declan Duff
S. Balasubramanian
Mwaghazi Mwachofi

Moderator: *Jamil Kassum*

12:30-2:00 pm Buffet Lunch (East Room)

2:00-2:30 pm Overview of Corporate Finance Services
Paul Hinchey
Scott Macleod

2:30-3:00 pm Reentry for Resident Representatives: Survey Results
Hugh Stevenson
Mansour Kelada Antoun

3:00-4:00 pm Human Resources Overview
Ann Rennie

4:00-4:30 pm

Wrap-up

Jannik Lindbæk

4:30 p.m.

Departure

Bus will leave for IFC Headquarters from the Tack Room

RESIDENT REPRESENTATIVES' RETREAT

Dinner, July 8, 1997

Jannik Lindbæk

Jemal-ud-din Kassum

Birgitta Kantola

Suellen Lazarus

S. Balasubramanian, Res. Rep.
Field Office, Istanbul/Turkey

Luciano Borin, Regional Representative
Field Office, Abidjan/Côte d'Ivoire

Antonio David, Regional Representative
Field Office, Jakarta/Indonesia

Michael Essex, Regional Representative
Field Office, Islamabad/Pakistan

Kalada Harry, Regional Manager
Africa Project Development Facility,
Harare/Zimbabwe

Morinobu Iritani, Special Representative
Field Office, Tokyo/Japan

Mansour Kelada-Antoun
Regional Representative
Field Office, Casablanca/Morocco

Bruce Leighton, Res. Rep.
Field Office, Sao Paulo/Brazil

Mwaghazi Mwachofi, Regional Representative
Field Office, Harare/Zimbabwe

Chris Bam

Assaad Jabre

Carol Lee

Pedro Batalla, Res. Rep.
Field Office, Buenos Aires/Argentina

Tom Davenport, Manager
Mekong Project Development Facility,
Hanoi/Vietnam

Mohamadou Diop, Res. Rep.
Field Office, Douala/Cameroon

Doug Gustafson, Special Representative
Field Office, London/UK

Michael Hooper, Regional Representative
Field Office, Nairobi/Kenya

Rashad Kaldany, Resident Director
Regional Office, New Delhi/India

Alexander Keyserlingk
AMSCO, Amsterdam/Netherlands

Davin Mackenzie, Res. Rep.
Field Office, Beijing/China

Manuel Nuñez, Res. Rep.
Field Office, Cairo/Egypt

Macodou N'Daw, Regional Manager
Africa Project Development Facility,
Abidjan/Côte d'Ivoire

Vincent Rague, Res. Rep.
Field Office, Johannesburg/South Africa

Hugh Stevenson, Res. Rep.
Field Office, Warsaw/Poland

Jennifer Villalobos, Regional Manager
Business Advisory Service,
San Jose/Costa Rica

Vipul Prakash, Regional Representative
Field Office, Manila/Philippines

Jerome Sooklal, Managing Director
Business Advisory Service,
Port of Spain/Trinidad

Vikas Thapar, Special Representative
Field Office, Paris/France

Mohan Wikramanayake, Res. Rep.
Field Office, Lagos/Nigeria

Remarks to IFC Res. Reps

Mr. Wolfensohn:

Jannik suggested that you might want to talk about your vision for the Bank Group, the change initiative etc. He says you gave an excellent speech on this at Interlaken and a re-run would be appropriate for this group.

I attach a page of headings (I also attach the Interlaken speech because it has some IFC numbers which may be useful).

A handwritten signature in blue ink, appearing to be 'Caroline', with a stylized, cursive script.

Caroline

James D. Wolfensohn
Remarks to IFC Representatives
8th July 1997

Why we had to change

private capital v. official flows
multiplicity of actors
new demands

The objective of change

Improve development effectiveness - create a results culture
Get closer to clients
Build up the front line
Ensure professional excellence - training, professional exchanges.
Offer a broader range of services

IFC is playing a pivotal role in the new development paradigm

Central importance of private sector and financial sector development (more than 100 countries have suffered some kind of serious banking crisis since 1980 - 12 developing countries have had to spend more than 10% of GDP to fix the damage).

Importance of reaching new markets - Extending IFC's Reach Initiative

Overarching importance of forging partnerships with the private sector - both at the individual project level but also more broadly as a way of doing development business.

Next Steps

Compact's role was to create the right organization - now need to ensure that we *maximize our developmental impact*. (Leverage up from successful projects; country by country approach but one which also maximizes transferability and applicability across countries and across sectors).

Future of the PSD Group post Richard Frank

New management teams - need for innovation and risk taking.

IFC/Bank relations - co-operation and co-location.

Resident representatives central to our effectiveness - communications must be 2-way.

HR policy and local staff.

James D. Wolfensohn
Remarks to the International Monetary Conference
Interlaken, Switzerland, June 3rd 1997

DRAFT
5/29/97

Why a World Bank in a world of \$244 billion in private capital flows?

Over the last 7 years nothing has changed more dramatically than the way in which development is financed and the growing trend from public to private sources.

In 1990 private capital flows were half official flows; official aid was almost double private capital.

- Last year, private capital flows to emerging economies were nearly six times their level in 1990 - up from just \$44 billion then to \$244 billion last year - *almost 4 times the peak reached during the 1978-82 commercial bank lending boom..*
- Private capital flows now dwarf official flows, accounting for more than 86% of net long-term flows to developing countries.

Seeing those flows, there are those who have argued that the World Bank is increasingly irrelevant. I would like to spend some minutes today explaining why they are wrong.

Those of you gathered in this room today know better than anyone the enormous opportunities offered by emerging markets.

- Over the last 5 years, emerging markets have created 50% of the growth in the world's GDP, and 40% of the growth in world trade.
- The Bank expects that emerging economies will continue to grow at an average rate of 5-6% into the next decade, double that of the major industrial countries.
- And the emerging economies share of the world's GDP is forecast to reach 30% in the next decade - up from 20% last year.
- By the year 2030, 3 billion people will have been added to the world's population, with 90% of the increase coming in today's developing countries, forming immense markets.

The private sector is responding to those opportunities....

- Developing countries now a much more important destination for global private capital. Their share of global foreign direct investment flows is now almost 40 %

compared with 15% in 1990, and their share of global equity flows is now 30% compared with less than 2% at the start of the decade.

- The importance of private flows has also increased markedly in the economies of developing countries - from 3.7% of domestic investment in 1990 to almost 17% last year.

And the nature of these flows has also changed in 2 important ways:

- Remarkable shift on the borrowing side away from governments to the private sector. Borrowing by the public sector now accounts for less than a fifth of total private flows.
- Notable broadening in the composition of private capital flows. Traditional commercial bank lending used to account for more than 65% of all private flows. Today, FDI, at \$109 billion has emerged as the most important component of private capital flows. FDI to emerging economies has grown from just 12 percent of GDP in 1990, to nearly 40% of GDP in 1995.
- And equity flows are expected to continue to rise - and to outpace the growth of FDI. In 1996, developing countries raised \$14.5 billion in equity issues, a 35% increase over 1995.

Last year, international bond issues were \$88 billion for developing countries. International banks loaned \$35 billion, up from \$3 billion in 1990. Clearly there is economic opportunity and private capital is responding.

But you also know the risks.

- more than 100 developing countries having suffered some kind of serious banking crisis since 1980 - often with disastrous and costly consequences (recent analysis suggests that a dozen developing countries have had to spend more than 10% of their GDP to fix the damage.)
- most of the major developing country recipients of private capital still have a limited macroeconomic track record, weak financial sectors, and ill-developed capital markets.
- And in many countries political and social commitment to economic reform is weak.

Challenge for developing countries is how to take advantage of the growing investor interest in these markets and so enter a virtuous cycle of productive financial integration rather than a vicious cycle of boom and bust. (volatility of capital flows and developing country vulnerability remains a serious concern - Venezuela and Turkey were the first to

experience major capital flow reversals in the 1990s. Venezuela lost \$5.4 billion, or 9% of GDP from 1992-94; Turkey lost \$19 billion, or 11% of GDP, 1993-94).

Broad consensus that the most important prerequisites for this productive financial integration are a sound macroeconomic policy framework, in particular:

- a strong fiscal position
- transparency in current account and external debt management
- the absence of large domestic price distortions
- a sound domestic banking system with an adequate supervisory and regulatory framework
- a well-functioning market infrastructure and regulatory framework for capital markets.

Where does the World Bank Group fit into this picture?

The Bank Group is devoting an increasing amount of its time to mitigating those risks through a 2 part strategy:

- improving the overall macroeconomic environment;
- building up the financial strength of local markets, so that they can withstand the shock of international flows of funds

In FY96, the Bank provided \$3.7 billion to support 20 new loans in its overall financial sector operations.

Between 1977 and 1996 about 15% of Bank lending, or about \$50 billion, supported almost 600 financial sector operations:

- developing well functioning capital markets - Bank and IFC began to build bond and equity markets in Hungary as far back as 1985. IFC developed the first global investment fund for emerging markets: the Emerging Markets Growth Fund, in 1986, which started at less than \$50 million and has now grown to \$9 billion - annual returns in excess of 26%.
- fixing banking systems. Russia, \$200 million technical assistance loan - to build the capacity of 25 core private commercial banks. Over past 2 years, Bank has committed nearly \$3 billion to help restructure banking systems in Mexico, Argentina and India.
- Since 1971 IFC has invested and made available some \$3.5 billion in the financial and capital markets sector, covering more than 560 separate transactions to clients in over 50 countries, in the process helping create some 551 successful financial institutions.

- And, under G10 leadership, the Bank, IMF and Basle Committee of Bank Supervisors, is working on a common set of prudential supervisory guidelines.

But let's be frank. When we are talking about emerging economies, we're in effect talking about the big 12:

- Argentina, Brazil, China, India, Indonesia, Mexico, Russian Federation, Thailand, Turkey, Malaysia, Chile, Hungary;
- In 1996 they received \$166 billion in private capital flows and \$69 billion in net foreign direct investment - 74% of total FDI to developing countries.

But a very large group of countries have not yet been able to hook up to the driving dynamics of expanded capital, trade and information flows. Some others are so laggard that they face potential marginalization.

- Of the \$244 billion in private capital going to developing countries, 75% is going to just 12 countries.
- 140 of the 166 developing countries receive less than 5% of total capital flows. Over the last three years Sub Saharan Africa (excluding South Africa) received only about 1% of total private capital flows.

Contrast East Asia and Sub Saharan Africa

- East Asia today accounts for 29% of the world's pop, but only 6% of world GDP and 6% of its exports.
- On current trends, by 2020, only one generation away, the proportion of the world's population that is in East Asia will be about the same, but the region will account for 21% of world GDP, and 35% of world exports.
- China and Indonesia will be respectively the world's largest and seventh largest economies. Average per capita incomes in these 2 giant countries will be about \$9000 (ppp in today's prices) roughly equal to 1/3 the level in the US today.
- East Asia will represent an enormous market for the sophisticated, high-tech products and services exported by the West. It will also be the world's main source for labor intensive manufactured products.
- By contrast, SSA which today accounts for only 1% of world output and world exports, but nearly 10% of the world's population, will, on current trends, see its population rise to exceed 1 billion, but its share of world GDP and trade become even less significant.

Or take infrastructure which is absolutely central to development and where there is an enormous role for the private sector...

- Developing countries will need to invest \$200 billion a year for the next 10 years - \$2 trillion by 2005 - in basic infrastructure. In the 1990s capital market finance for infrastructure has grown enormously - increasing some eightfold to around US \$22 billion in 1995.

Yet when it comes to infrastructure financing, again the picture is very uneven

- In 1995, East Asia raised almost \$14 billion through international loans, bonds and equity issues; compared with \$370 million in the Middle East and North Africa and \$396 million in Sub Saharan Africa.

The bottom line is that without foreign assistance many of these developing countries have little hope of ever escaping from marginalization and becoming the emerging markets of tomorrow.

- Vital role of the Bank and IDA in helping governments create an enabling environment for private investment.
- This means not just education, roads, communications and policy reform but a whole new agenda for capacity building, governance, legal reform and regulatory reform, facilitating public-private partnerships.....and it's starting to pay off.
- In Africa there are clear signs that private capital flows are beginning to respond to the fact that countries are reforming their economies and creating a better climate for the private sector. In 1993, net private flows were still negative. Last year private capital flows reached 11.8 billion.
- And there have been some notable FDI success stories - Uganda where FDI rose by 38% in 1995 and an estimated 28% in 1996; Tanzania, where FDI rose by 200% in 1995 and an estimated 27% in 1996. Or take portfolio equity flows, where Cote d'Ivoire received \$30 million in 1996 up from \$3 million in 1995, and Kenya received \$15 in 1996 up from nothing the year before.

But it means more than IDA, or IBRD loans, it also means guarantees:

- MIGA, the newest member of the Bank Group issues foreign direct investment in developing member countries against political risks (currently \$2.3 billion of outstanding coverage). The investment activity of commercial banks represents approx. 32% of MIGA's portfolio.
- Many banks also purchase insurance from MIGA not only to mitigate political risk, but to benefit from the waiver list of provisioning requirements for political risks that have been granted MIGA from a number of banking supervisory authorities

around the world. MIGA has coverage outstanding to 19 commercial banks from 8 countries for investments in 24 developing countries.

And it means reaching out beyond the big 12 to try and bring in private investment to new markets

- The Bank Group (directly and through financial intermediaries) is the largest source of finance for private sector projects in developing countries.
- IFC has a long history of providing support to build new financial institutions in emerging markets. As of Dec 1996, IFC had 50 banking projects in its portfolio which it had either helped to establish or to support through equity investments (total net investment volume of \$171 million.) These banks exist in countries such as Guinea, India, Kazakhstan, Kyrgyz Republic, Madagascar, Zimbabwe.
- IFC has also played an important role in establishing the first market oriented banks in non-market economies (Czech Republic, India, Egypt, Nepal).
- IFC is also trying to break into new markets - **New Markets Initiative** in Albania, Azerbaijan, Chad, Congo, Gabon, El Salvador, Mongolia, Mali, Guinea- Bissau, Uzbekistan and the West Bank and Gaza among others.

And it means dealing with corruption:

Bank is working with half a dozen countries to develop overall anti-corruption programs; EDI training ; and looking at giving a sharper anti-corruption focus to economic reform, deregulation, governance (reform of civil service pay etc).
OECD countries need to address the issue of the tax deductibility of bribes.

It also means pioneering new agendas like **microfinance, corporate responsibility, knowledge.**

Why we all have a vested interest in making this work

- **Economics:** Developed countries are increasingly dependent on the developing world in terms of international trade. In 1995, 22% of OECD trade was with developing countries.
- By the year 2030, 3 billion people will have been added to the world's population, with 90% of the increase coming in today's developing countries, forming immense markets if economic and social stability prevails.
- **Social agenda:** 23 million people are now inflected with AIDS world wide; 2 million deaths from tuberculosis every year; 856,000 from malaria; carbon emissions have grown by nearly 200 million tons since 1990.
- **Stability and peace:** Over the last decade more than half of the world's low-income countries have experienced conflict with massive population displacements. Between 1985 and 1995 the number of refugees doubled, now reaching over 30 million - 40 million if you count internal displacements. Take Bosnia, a country of 4 million

people of whom 2 million are displaced, 350,000 living in Germany, a major drain on that country.

- **Morality:** Ultimately need to recognize, that we make up one humanity with all the collective responsibility that that entails.

We can bury our heads in the sand and avoid that recognition today. But our children won't be able to ignore it tomorrow.

C. Anstey
5/30/97



Record Removal Notice

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

OFFICE MEMORANDUM

DATE: June 12, 1997

TO: Suellen L. Lazarus, CEXVP

FROM: Mary Pim Margulies, HSDHS

EXTENSION: 8-5183

SUBJECT: **Training Module for Medical Emergencies**

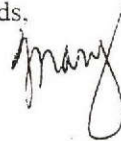
Suellen,

Attached is a copy of the Resident Representative training module which has been written for the management of medical problems which arise at the duty station. This explains the responsibilities of the Res. Rep. and the steps to take in accessing assistance. The case scenarios involve emergency and non-emergency situations for both HQ and local staff.

If I can answer additional questions please contact me. I will be on annual leave from June 16 through June 20. During that time Shoba Nayar would be happy to talk to you. Her extension is 81361.

Regards,

Mary



Attachment

Resident Representative Training Scenario #1

Emergency Medical Evacuations

Mr. M. is on mission at your duty station for a week of intense negotiations. The whole team has been invited to your house for dinner. Mr. M. looks tired, but you think nothing of it since you have all been keeping late hours. All of a sudden, Mr. M. crumples to the ground, hitting his head on the coffee table. After a few seconds, he regains consciousness but complains of weakness in his arms and legs and blurry vision. He is not able to sit up.

You take Mr. M to the hospital as quickly as possible. After a few hours, the doctors tell you that he is stable, but that they do not have the necessary equipment and medications to treat him appropriately. They recommend medical evacuation.

1. *Who has the authority to approve an emergency medical evacuation?*
2. *How will a decision be made re. when Mr. M. should be evacuated, and whether he should go by commercial aircraft or air ambulance?*
3. *Which air ambulance company services your region?*
4. *To which country will he be evacuated?*
5. *At what point do you need to call the Health Services Department?*
6. *Whose department is responsible for travel and subsistence expenses associated with an emergency medical evacuation?*
7. *If this had happened to HQ or local staff assigned to your field office (rather than a mission traveler), would that have changed anything?*
8. *Does your field office have a medical emergency check list or plan? Do you know what the UNDP's security/medical plan is?*

Resident Representative Training Scenario #2

Headquarters Staff Non-Emergency Medical Evacuation Request

Ms. K. is on a three year assignment at your field office. Lately, you have noticed that she has been coughing a lot, and seems to be tired much of the time. She comes to you one morning, and tells you that she has been treated by the local physicians with a variety of medications but her health has not improved. Ms. K. is discouraged with her continued ill health and wants you to approve a medical evacuation to Washington so she can consult her family physician.

1. *Are you authorized to give this approval?*
2. *What is the first thing she should do?*
3. *What would you have advised her to do if she had not already been treated locally?*
4. *Under what circumstances is Washington used as an evacuation point?*
5. *What is the evacuation point for your duty station?*
6. *Whose department is responsible for the travel and subsistence expenses associated with HQ medical evacuations?*

Resident Representative Scenario #3

Local Staff Non-Emergency Medical Evacuation Request

Mr. D. has worked as a local higher level staff in your office for several years. He comes to you one morning to ask for your assistance. He reports that his wife's doctor has told her that she needs to have a hysterectomy. Both Mr. and Mrs. D. would prefer that she have the surgery done abroad - either Paris or the US - because they are concerned about local medical care. He wants you, as the Res. Rep., to approve a medical evacuation for his wife.

1. *Are you authorized to give this approval?*
2. *Are local staff eligible for non-emergency medical evacuations?*
3. *How will you respond to Mr. D's request?*
4. *You feel under pressure to say "yes" because of Mr. D's many years of good job performance. In addition, you work closely with Mr. D. and do not want to alienate him. What can you do to extricate yourself from this awkward situation?*
5. *Whose department is responsible for travel and subsistence expenses associated with local staff medical evacuations?*
6. *What is the evacuation point for your duty station?*
7. *What are the implications to the MEAP if Mrs. D were to have her surgery in Paris?*
8. *How familiar are you with the MEAP ceiling and stop loss features?*

Attending a Conference at Airlie Center

Directions

The Airlie Center is located near Warrenton, Virginia 50 miles southwest of Washington, D. C. Approximately 30 minutes from Dulles International Airport, and 1 hour from National Airport.

Washington / National Airport

Take Rt.66 West to exit 43A (Gainesville / Warrenton) and proceed South on Rt.29 for approximately 9.5 miles. Note the "Airlie" sign and turn right onto Rt. 605 (Airlie Road). Proceed 2.3 miles to the main Airlie Gate located on the left immediately after a stone bridge.

Dulles International

Exit Dulles Airport and take Exit 9 to Rt. 28 South, follow to Rt 66 West. Follow above directions.

Airport Van Service

Whites Airport Service	540-349-2928
Shaffer Sedan	703-594-3667
Fauquier Coach	540-347-2577
International Limousine DC (Bus Service)	202-388-6800
Capitol City Limousine NW (Bus Service)	202-396-0001
Diplomat Limousine	703-461-6800

Car Rentals

Enterprise Car Rental	540-341-2727
Hertz Car Rental	800-654-3131
Avis Car Rental	800-331-1212
Rick Hunt Car Rental (Local to Warrenton)	540-347-1234
Country Chevrolet (Local to Warrenton)	540-347-9000

Messages

Messages will be held for participants at the Front Desk. Participants can be reached in their rooms by dialing 540-347-1300, Fax 540-341-3207

Parking

Airlie provides ample parking at no charge. Spaces are provided at each of the sleeping buildings. Guests can park in front of the Airlie House for registration. Because there are no sleeping rooms in Airlie House, guests should leave luggage in their cars until they have been assigned a room. If arriving by taxi or van have the driver wait until check-in is complete to avoid having to walk to the sleeping quarters with your luggage.

Reservations

Airlie Center does not take individual reservations. Blocks of rooms are reserved for sponsoring organizations and allocated by them to their participants. Please contact the Conference Sponsor for registration. Check in time is 2:00, Check out 12:00.

Recreational Opportunities

Fifteen miles of paved internal roads make Airlie Center a joggers paradise. Our nature trails are perfect for afternoon walks. Our resident biologist would be pleased to conduct a tour of our wetland restoration project. We have eight lakes on our 3,000 acre campus, they are home to a variety of sport fish. Some other activities include:

- Tennis, 3 courts, 2 lighted
- Swimming, 3 outdoor pools
- Massage, by appointment
- Volleyball, Softball
- Fitness Center, Sauna
- Mountain Bikes \$5.00 per hour
- Bicycling, beach cruisers
- The Whistling Swan Pub
- Skeet Shooting, \$25.00 a round
- Golfing is available nearby

Computer Support

Airlie Center offers a variety of computer support services. Computers and printers are available for rent by the hour or by the day. We do request that you notify us of your requirements in advance.

