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THE WORLD BANK

Washington, D.C.

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The World Bank

1818 H Street NW

Washington DC 20433

Telephone: 202-473-1000

Internet: www.worldbank.org

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Meeting: Messrs. Praschak & Stephens
(Berne Union)

Tuesday, December 3, 1996
4:00-4:20 p.m.
E1227 (Conference Room)

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Archives



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R2002-036 Other #: 26 Box #: 186476B
President Wolfensohn - Briefings Books for Presidents Meetings - Meeting Material
Messrs Gerhard Praschak and Malcolm Stephens - Berne Union - December 3, 1996

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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: MEETING: MESSRS. PRASCHAK AND STEPHENS (BERNE UNION) (N) (B)
VENUE: E 1227 (CONF. ROOM)
CONTACT: KWANG JUN @ 36728
IN ATTENDANCE: JDW, KWANG JUN (FOR SQUIRE), CHOPRA (FOR FUKUI), IIDA, HANY, ATSUKO
BERNE UNION ATTENDEES:
MR. GERHARD PRASCHAK, BERNE UNION PRESIDENT
MR. MALCOLM STEPHENS, BERNE UNION
SECRETARY-GENERAL
(B) PREPARE BY DECVP, COORDINATING WITH RMC & MIGA // DUE WED., NOVEMBER 27
EXC: ATSUKO //LFG (11/12/96 4:42p)

DATE: 12/17/96

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

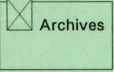
D. EXTERNAL PARTNER

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

- ☐ Part I
- ☐ Part II
- ☐ Other

E. COMMENTS: This brief contains the following:

- Confirmation and Briefing Note,
- List of Berne Union Members
- Background information
- Bio

File Location  EXC  IISC  Archives	Cleared By	Date: 12/17/96
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FILE COPY

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

DATE: December 1, 1996 03:04pm

TO: Hany Assaad (HANY ASSAAD)

FROM: Bernard Pasquier, EXC (BERNARD PASQUIER)

EXT.: 30736

SUBJECT: Mr. Wolfensohn Meeting with the Berne Union
Supplemental Brief

Hany,

Richard asked me to provide you with a supplemental brief regarding the visit of the Berne Union on December 3.

Three points are worth mentioning, in addition to the issues raised in the brief prepared by Messrs. Ahmed and Chopra.

1) Guarantees. The Berne Union has been one of our key interlocutors concerning guarantees. The Berne Union, as well as individual ECAs, has been supportive of the idea of a guarantee instrument not requiring a systematic sovereign counter-guarantee. The Berne Union has also been helpful in estimating the market for such guarantees: the ECAs are currently actively working on about 250 projects (for a total of \$250 billion), many of which are in the infrastructure area and are not closing because of the political and contractual risks that a guarantee facility would help mitigate.

2) Voluntary Guidelines. The Berne Union has been following our attempts to create a forum of industries (on a sector by sector basis) and NGOs for the development of voluntary guidelines in the area of environment with great interest. It seems that there is a demand from the ECAs for a set of consistent and credible environment guidelines.

3) IFC. I'm not sure if Mr. Wolfensohn will get a separate brief from IFC on the Berne Union. Together with the commercial banks, the ECAs are key partners in the financing of IFC large infrastructure projects. The Berne Union has been following these deals closely, in particular with respect of the security packages and the inter-creditors agreements, which have been the subject of intense negotiations between IFC and the ECAs (in summary, the ECAs want a pari passu treatment and IFC wants to keep its premier position among the creditors).

I hope this is helpful,

Bernard

MASOOD AHMED
Director
International Economics Department

Fax cover sheet

Sent to: Ms. Atsuko Horiguchi, EXC
Mr. Hany Assad, EXC

Date: December 2, 1996

Fax No (202) 522-1677

No. of pages (incl. this): 1

Message: We have been trying to get this message to you via A1, but since it has been down for a while now, I resorted to fax.

Caio and Gautam have asked me to join the OVP retreat since they will be discussing Network issues. So I have asked Kwang Jun who is staff member responsible for dealing with the Berne Union to represent me at the courtesy call that Messrs. Praschak and Stephens will be making on Mr. Wolfensohn tomorrow afternoon. In addition, Messrs. Iida and Ram Chopra will also be at the meeting.

Regards.

cc: Kwang Jun

96458-RL

EXC 13704



The Berne Union

International Union of Credit and Investment Insurers

Secretary-General
Malcolm Stephens CB

35 OLD QUEEN STREET
LONDON SW1H 9JA
Tel: 44 (0) 171-799 2990
Fax: 44 (0) 171-799 2991

Mr. James D. Wolfensohn
President
World Bank
1818 H Street, N.W.
Washington DC 20433
USA

22 November 1996

Dear Mr. Wolfensohn,

I am writing to confirm that Mr. Gerhard Praschak and I are very much looking forward to our Meeting with you at 4:00 p.m. on Tuesday 3 December.

This will be a very good opportunity to introduce you to Mr. Gerhard Praschak who is the Head of Oesterreichische Kontrollbank Aktiengesellschaft (OeKB), the Austrian Export Credit Agency and who was elected at our Annual General Meeting in Kyoto in October to replace Mrs. Soledad Abad as President of the Berne Union.

For background information, I enclose a copy of a Curriculum Vitae for Mr. Praschak.

Our Meeting will provide a very useful opportunity for us to confirm the significant value which the Berne Union and its Members place on relations with the World Bank.

We are particularly grateful to Mr. Masood Ahmed who has directed Mr. Kwang Jun's active participation in our Export Credit Insurance Committee Meetings and Investment Insurance Committee Meetings and his excellent country Presentations at these Meetings. These, we believe, are of great mutual benefit. It is very helpful for Berne Union Members to have this information when setting and reviewing their underwriting policies towards individual countries but it is also helpful for the World Bank to have first hand knowledge of the country policies of the Export Credit Agencies and Investment Insurers and to have the opportunity to influence these.

Over the last year, we have also been grateful for the briefings which Mr. Jun has provided on the HIPC Multilateral Debt Initiative which you had launched. This, too, has been of mutual benefit since the Export Credit Agencies are of course key Participants' in the Paris Club. We look forward to continuing to keep closely in touch with developments in this important area.

We are very glad of the consultation which has been initiated with us by the World Bank Group on the possible extension of "Inspection" arrangements for facilities from the IFC and MIGA. I have already sent some detailed comments on this to the World Bank. I also had a useful Meeting on this yesterday with Carol Lee, the Vice President and General Counsel at the IFC and we shall be seeing her and some of her colleagues again during our visit in December. I also discussed today with Richard Frank.

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This year we have elected three new Observer Members to the Berne Union, EGAP from the Czech Republic, the People's Insurance Company (PICC) of China and the Taipei Export Import Bank of China, Chinese Taipei (TEBC). Thus we now have 43 Members and three Observer Members.

As you know, Members of the Berne Union play a very important role in world trade and investment flows. For example, exports of about \$400 billion are supported each year including, importantly, about \$100 billion in medium and long term credit facilities for non-OECD countries. In addition, the Investment Insurance Members of the Berne Union support about \$10 billion of foreign investment each year.

A new feature over the last year or so has been the significant increase in project financings and "privatised" projects. We held a specialist Seminar on this subject for the largest Members of the Berne Union. Some figures I collected for this Seminar showed that Berne Union Export Credit Agencies were currently actively working on about 250 project financings with a value of about \$250 billion.

In this and other contexts, the developments in the World Bank Guarantee Programme are of particular importance. We should certainly like to place on record our gratitude for the flexibility which you agreed following our Meeting last year and which has now been included in the recently published World Bank Guidelines to allow for the possibility of commercial banks receiving both an Export Credit Agency facility and a World Bank facility for the same tranche of financings if the circumstances of the particular case make this necessary.

I have also been grateful for the continuing discussions I have had with Mr. Richard Frank and Mr. Bernard Pasquier on this subject - most recently this week. This is an area of considerable importance and potential to all of us and to Host Countries, not to mention project sponsors and lenders in all countries, given the enormous increase in project financings, privatisations and, especially, the introduction of these into the vital area of infrastructure projects. We remain very willing to help in any way we can with the evolution of this important World Bank Programme.

For many project financings, the question of cofinancing with the IFC in particular can arise and it is obviously important that we are able to negotiate mutually satisfactory security packages and Inter-Creditor Agreements with them, with the maximum possible degree of *pari passu* between Berne Union Members and the IFC and other Members.

Finally, we continue to feel that there is important scope for the World Bank and Berne Union Members to be major cofinancing partners. Thus we will welcome continuing the new impetus which Mr. Fukui and his colleagues have given to this in the last year.

As background information for our Meeting, you may also like to have the enclosed Background Note on the Berne Union.

We look forward to seeing you again on 3 December.

With best wishes.

Yours sincerely,



MALCOLM STEPHENS
Secretary-General

List of
Berne Union Members

3896B-RL

NOVEMBER 1996



The Berne Union

International Union of Credit and Investment Insurers

THE BERNE UNION

1. MEMBERS

The Berne Union now has a total of forty-three Members and three Observer : forty-five Members and Observers from thirty-seven countries and locations and one 'multilateral' Institution (Multilateral Investment Guarantee Agency) :

ARGENTINA	(CASC)	MALAYSIA	(MECIB)
AUSTRALIA	(EFIC)	MEXICO	(BANCOMEXT)
AUSTRIA	(OeKB)	NETHERLANDS	(NCM)
BELGIUM	(OND)	NEW ZEALAND	(EXGO)
CANADA	(EDC)	NORWAY	(GIEK)
CYPRUS	(ECIS)	PORTUGAL	(COSEC)
DENMARK	(EKR)	SINGAPORE	(ECICS)
FINLAND	(FGB)	SOUTH AFRICA	(CGIC)
FRANCE	(COFACE)	SPAIN	(CESCE)
FRANCE	(SFAC)	SPAIN	(CESCC)
GERMANY	(HERMES)	SRI LANKA	(SLECIC)
GERMANY	(TREUARBEIT)	SWEDEN	(EKN)
HONG KONG	(HKEC)	SWITZERLAND	(ERG)
INDIA	(ECGC)	SWITZERLAND	(FEDERAL)
INDONESIA	(ASEI)	TURKEY	(TURK EXIMBANK)
ISRAEL	(IFTRIC)	UNITED KINGDOM	(ECGD)
ITALY	(SACE)	UNITED KINGDOM	(TI)
ITALY	(SIAC)	UNITED STATES	(EXIMBANK)
JAMAICA	(EXIMJ)	UNITED STATES	(FCIA)
JAPAN	(EID/MITI)	UNITED STATES	(OPIC)
REPUBLIC OF KOREA	(KEIC)	ZIMBABWE	(CREDSURE)

INTERNATIONAL ORGANISATION : MIGA (WORLD BANK GROUP :
WASHINGTON)

OBSERVER MEMBERS : CZECH REPUBLIC (EGAP)
CHINA (PICC)
CHINESE TAIPEI (TEBC)

The Berne Union Secretary-General has also established co-operation arrangements with the new Export Credit Agencies in the Slovak Republic, Hungary, Poland, Romania, Slovenia, Latvia, Russia and Uzbekistan.

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2. BASIC STATISTICS

TOTAL

Members of the Berne Union support a very substantial proportion of world trade as the following figures show.

In the years from 1982 to 1995, the Members of the Berne Union :

- (a) Supported exports world-wide with a total value of almost USD 4,500 billion (i.e. USD 320 billion a year).
- (b) Paid claims of USD 133 billion.
- (c) Supported investment of USD 50 billion.

Each year, Berne Union Members now support medium and long term credit to non-OECD countries of about \$90 billion.

But Berne Union Members are also heavily engaged in Short Term Trade Finance and each year Berne Union Members support about \$300 billion of exports to OECD countries where the major feature is obviously short term commercial risks.

The IMF estimate that the Export Credit Agencies account both for more than 20% of the total indebtedness of developing countries in transition and 37% of the debts to official creditors, thus exceeding the debt of multilateral creditors, including the IMF and World Bank, by a significant extent.

The IMF also estimate that, for the twenty major recipients of export credit which include all major debtor countries, export credits account for about half of the debts to official creditors.

The combined exposure of Berne Union Members as at 31 December 1995 was USD 553 billion of which about USD 350 billion was in respect of Medium and Long Term Export Credit.

The key role of the Berne Union Export Credit Agencies is shown by the fact that, for example, in 1995 Members supported exports of some USD 400 billion which the IMF estimated represented about 12.8% of exports from the countries of Berne Union Members which account for about 80% of world exports.

3. GENERAL

The Berne Union which was set up in 1934 with 4 Members (from France, Italy, Spain and the UK) now has 43 Members from 34 countries, including one 'multilateral' institution. 14 Members come from non-OECD countries.

The Union not only works for international acceptance of sound principles of export credit insurance and foreign investment insurance, it also provides a vital forum for the exchange of information, experience, and expertise between Members.

It has extensive International contacts and speaks for its Members both with the International Financial Institutions and with individual buying countries. Its Secretary-General and Secretariat are based in London.

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- 3 -

Export Credit - and thus the Berne Union - play a vital role in world trade, both as regards exports and foreign investment.

Export Credit should not be confused with aid.

The Members of the Berne Union have a vital role to play in supporting exports and foreign investment. Without the active involvement of Berne Union Members, it will normally not be possible to organise the financings and credits required for projects on any scale, especially in developing countries.

4. WHAT IS THE UNION'S ROLE IN INTERNATIONAL TRADE?

The Statutes of the Union provide that its purpose shall be to work for :

- (i) the international acceptance of sound principles of export credit insurance and the establishment and maintenance of discipline in terms of credit for international trade; and
- (ii) international co-operation in encouraging a favourable investment climate and in developing and maintaining sound principles of foreign investment insurance.
- (iii) to provide for the exchange of information, assistance, expertise and advice in relation to the commercial and political risks involved in export credit insurance, to the political risks involved in foreign investment insurance and to the range of associated matters relating thereto.

To achieve these aims, Members agree that they will :

- (i) exchange information and furnish the Union with the information necessary for the accomplishment of its tasks;
- (ii) maintain and adhere to the maximum credit terms and starting points of credit etc. set out in a series of Agreements and Understandings;
- (iii) consult together on a continuing basis, carry out studies and participate in agreed projects;
- (iv) co-operate closely and, where appropriate, take co-ordinated action; and
- (v) co-operate with other international institutions concerned with these matters.

Members of the Berne Union meet together at least twice a year and there are also at least one Workshop (sometimes attended by non-Members as Observers) and one specialist Workshop each year.

5. MAJOR ACTIVITIES

For most Berne Union Members, their major activities are :-

- (a) Supporting the sale of raw materials, spares and consumer goods on cash or short credit terms. This means underwriting the repayment risks on individual buyers and, often, their banks as well as a whole range of political risks.

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- (b) Supporting, either by guarantees or by direct lending, the supply of project and capital goods on medium and long term credit. This often includes underwriting the risks on the viability of the projects themselves, as well as a wide range of other commercial and political risks.
- (c) Supporting outward investment in various forms, (e.g. equity, loans), made in other countries. This is a very important area, but one which is frequently overlooked. The risks covered by the ECAs in this area embrace a wide range of political factors and, here again, it is vital that information on current legislation, etc., on onward investment in the host country is readily accessible to the ECAs.

The ECAs do not provide access to untied finance. Their facilities relate primarily to exports and investments from their own countries, subject to taking in certain limited "non national" goods and services to enable projects, etc., to be completed.

Berne Union Members do not provide AID. All Export Credit Agencies (ECAs) are required both by the rules of GATT and by their own Ministries of Finance to operate on a break even basis. In other words, the ECAs are in business, but not in the business of giving money away or of encouraging their customers to become involved in unviable projects, etc.

6. MEMBERS AND STATUS

There is no such thing as a typical Export Credit Agency or Investment Insurer. They come in all shapes and sizes. Their status varies. Some are Government Departments and some are private companies. Some are Government or Quasi-Government Corporations and some are Eximbanks.

There is a specialist Export Credit Insurance Committee (with a Technical Sub Committee) and also an Investment Insurance Committee (with a Technical Panel).

Both of the Specialist Committees thus meet at least twice a year.

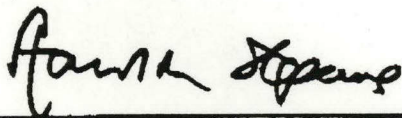
Some Members write part of their business on their own Account (e.g. Short Term Commercial Risk business) using Private Sector reinsurance. Many Members write much of their business on Government Account.

7. SECRETARIAT

The Berne Union is located in London :

35 Old Queen Street
London SW1H 9JA
Tel : (0171) 799 2990: Fax : (0171) 799 2991.

The Berne Union Secretary-General is Mr. Malcolm Stephens CB, formerly Chief Executive of the UK's ECGD.



MALCOLM STEPHENS
Secretary-General



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