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 **Archives**
R1997-299 Other #: 2 Box #: 125679B
Michael Bruno - Internal Chronological - January to April 1996

30486497



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Office Memorandum

DATE: May 17, 1996

TO: Mr. Russell Cheetham, Vice President EAP

FROM: Michael Bruno, Senior Vice President and Chief Economist, DEC *MB*
MB Michael Walton Chief Economist, EAPVP

EXT.: 33774/38148

SUBJECT: Back-to-office report: Mission to China -- April 1996

1. We visited China for two weeks. In Beijing this involved meetings with senior economic leaders (including Vice Premier Zhu Rongji, Minister of Finance Liu Zhongli, State Councilor Li Tieying and Central Bank Governor Dai Xianglong), discussions with a range of other officials and academics. Pieter Bottelier organized two informal dinners to discuss economic issues--with Bank and IMF staff, and with a distinguished group of Chinese from government, academia and the financial sector. Michael Bruno participated in a high level conference organized by Business Week conference. He also gave an invited lecture in Beijing University to some 500 people comparing transition experiences in China and the formerly centrally planned economies of Europe and Central Asia.¹ While there, he visited the Economic Research Centre, headed by Justin Lin, and supported by the World Bank's research support budget; this is already a successful operation after about 18 months of operation. Finally, over a week of the visit was spent visiting four provinces--Shaanxi, Sichuan, Hubei and Zhejiang (including the cities of Xi'an, Chengdu, Chongqing, Yichang, Wuhan and Hangzhou). These represent a significant range of levels of economic development--from a relatively poor interior province around Indonesia's 1970 income level to a relatively well-off coastal economic area, with incomes comparable to Korea in 1980 and Indonesia in 1994.

2. China's short-run economic situation is undoubtedly impressive. The last bout of overheating has been managed with a soft landing, with both growth and inflation down to about 10 percent. Foreign investment continues to pour in, with a rising fraction of Japanese, US and European investment. (Only Taiwanese investment fell off in the past year or so, while Hong Kong continues to be the biggest single source). Reserves were \$81 billion at the end of the first quarter, fourth in the world after the US, Japan and Germany (they have probably recently overtaken those of Taiwan, China).

3. But China is decidedly in between plan and market. Four vignettes illustrate (three from the visit to the various provinces and one from secondary sources):

¹ This has since been translated into Chinese by the organizers of the conference.

- Wuhan is embarking on a range of experiments on enterprise reform--the provincial planner responsible for this advised us that they were planning to encourage all kinds of reforms of small enterprises, but that these would be subject to two constraints: "maintaining the value of state assets and stabilizing employment levels."
- the Wuhan Boiler company is one state enterprise--probably loss making, mainly domestically oriented to power, has selected exports, and, by the relevant Chinese Ministry's technical standards with about double the labor "needed". It is responding to this by a strategy of *expanding* into tertiary industries and relocating employees. It is considering listing the core company on one of the Chinese stock exchanges; and may offer shares in the *new* businesses to workers.
- the Wanxiang township and village enterprise, near Hangzhou, grew from a small township collective to a *de facto* privately controlled international conglomerate, that is now beginning to purchase other TVEs and small state-owned companies. The CEO did a canny deal with the township early on, offering a choice to convert equity into debt with a guaranteed good return. Now fully 75 percent of the equity is on the company's books under his *de facto* control.
- in Zhucheng an experiment to reform small enterprises by transferring ownership to workers has reportedly turned around large numbers of loss-making enterprises. This went largely unreported until Vice Premier Zhu Rongji visited it recently--it is now both famous and sanctioned.

4. Any views from such a short visit have to be highly impressionistic, but the overall impression is that the nexus of enterprise reform, financial sector development and macroeconomic management (i.e. the inflationary threat) is far from solved: despite enormous progress, the harder reforms lie ahead (a theme of the recent CEM). There is a wide range of reform action and experimentation ongoing. But it is possible to envisage two sharply different scenarios for the future. First, there could be a combination of phased reform meeting new challenges as they occur in a fashion that will underpin continued rapid growth. The past seventeen years would suggest the Chinese leadership will take action on the macroeconomic and structural front as new pressures rise. But, second, it is also plausible to envisage a scenario in which there is an unpleasant coincidence of the coming out of the implicit public sector debt and the redundant labor problem at a time when the inflation threat dictates a hardening of macro restrictions and enterprise budget constraints. This could be combined with continued difficulties on central control of resources, especially of taxes, to contribute to a deep macroeconomic crisis. Moreover, it could well coincide with heightened political uncertainty in the post-Deng era. While the prevailing view of observers is that the former, happy scenario is the most likely one, the second cannot be completely discounted, and the evidence we saw could be interpreted in both directions.

5. We give a few comments on the macro situation, enterprise reform, regional inequalities and some specific issues for the Bank.

The soft landing and semi-market macro management

6. The short-run "slowdown" was impressive--to land softly at about 10 percent growth would be the envy of any other country in the world. Behind this lies potentially major structural shifts associated with the recentralization of control, that anecdotal evidence suggests has been effective in the banking system, with a shift in the locus of *de facto* lending authority from local public bodies to the banks and the central bank.

7. However, there are a number of questions even over this successful episode:

- there was a significant, and uncertain, administrative component to the disinflation;
- while the tax reform has been implemented, formal revenues are not yet up and remain remarkably low by international standards (with much of the now "central" taxes, after the recent tax reform, being immediately returned to the provinces);
- the discussions with the central bank suggests a clear awareness of banking issues, but that officials are not yet swimming in market-based monetary management;
- it is not clear the monetary authorities have the instruments for short-run management. While open market operations have started, they will be inhibited by the government's lack of willingness to give the central bank public debt instruments; and
- the soft landing was, again to an uncertain extent, bought at the cost of a worsening future fiscal problem, i.e. it appeared to involved two forms of intertemporal shifts--via potentially rising enterprise losses (where prices were held down) and actual or potential quasi-fiscal deficits implicit in negative interest rate spreads. (The latter have now been closed, but government concern over this issue was emphasized in the vehement statements by the economic leadership of never indexing again, and referring to indexing as inflation "subsidies").

8. Despite the highly impressive results of recent economic management, it would be premature to declare victory over inflation. The structural causes of the overheating in the investment hunger, somewhat soft budget constraints and weak tax collection in large part remain. Both continued macroeconomic institutional development and structural reforms will continue to be critical to avoid future macroeconomic difficulties.

Enterprise reform, capital and labor

9. The comment of the Wuhan official is highly revealing. While it partly reflects the persistence of a control mentality (as does the fact that the Zhucheng experiment went along quietly until recently blessed), it reflects the two very genuine problems the government faces: of managing its financial asset-liability position, and of avoiding labor market pressures on social stability.

10. Changes in property rights have undoubtedly mattered greatly in the transition to date and will continue to matter. But the issue is by no means a simple public-private one. It is rather one of handling the inter-related objectives of: (a) how to get effective corporate governance in a complex transition; (b) how to avoid a wide range of asset stripping that could fuel a fiscal problem; and (c) how to get a socially and politically optimal shakeout of labor.

11. Enterprise asset-liability management will at the core of the performance of the financial system and the macroeconomy. There is a real threat of privatization of assets and socialization of losses, with explicit and implicit liabilities left with the state banking system and government. A process of legal or illegal stripping of good assets to the benefit of insiders, leaving debt-ridden shells, is reportedly well under way in many areas. Meanwhile a healthy process of acquisition of state enterprises by vibrant new enterprises (as in the Wanxiang case) is also likely to surge ahead, but this will also leave the worst cases for the state to pick up. Vice Premier Zhu Rongji reported that the bulk of lossmakers are in labor-intensive activities. This sharpens the link with the labor redundancy issue. But it may actually be more revealing of the structure of competition than the structure of performance. A recent paper by Barry Naughton², that draws on work done for the Bank, finds that capital-intensive state enterprises are concentrated in relatively non-competitive activities, and so *hidden* losses there may be much higher.

12. The position of the financial sector is unclear. The state banks are probably insolvent, but the extent is unknown. The most frequently reported number (that the Governor used) is that 21 percent of outstanding credit is late or bad debt--implying an only slightly lower share of such debt to GDP. But this both overstates the true value (since much of this debt is likely to be highly recoverable) and understates it (since it does not include either defensive lending or hidden losses). So it is unclear whether the present situation is better or worse than Japan's bad debt problem, that is at least 8 percent of GDP and perhaps well over double that. The capacity of the financial sector to change its relationship with the enterprise sector will be critical, both for debt workouts and corporate governance. Fan Gang and others have reported on localized debt write-downs by banks, but how this is being managed is still unclear. Professor Aoki, on his recent visit to the Bank, expressed the view that China will need to rely significantly on a relational-bank mode of corporate governance in the coming years,

² China Quarterly, December 1995

precisely because property rights will remain murky for significant parts of the sector, but this in turn requires the development of good banks.

13. With respect to managing the labor problem, there are clearly diverse regional strategies. However, there has been very little shakeout in the aggregate, and the core approaches are to minimize job loss by a combination of holding on to "surplus" workers and various institutional mechanisms for labor reallocation, notably, as in the Wuhan boiler company, to new state-owned tertiary activities. This is probably a high-risk strategy. While there *may* be a rationale for waiting, if there is time to wait until the non-state sector is really dominant, such a process could both reinforce the various existing tendencies for asset diversion/stripping and local protection, and could miss the present opportunity for strategic employment-shedding (while enterprises losses can still be carried) into a buoyant labor market.

14. Social liabilities of enterprises are now deeply intertwined with both asset and labor management, and there is now a consensus that they need to be sorted out. On social services and social security (especially pensions and health insurance) the government and bank is heading toward a sound strategy of linking security to "contributions" linked to individual gains. But there remain risks that contributions will be perceived as high labor taxes: the day we left a newspaper report outlined an approach that would include a total labor "contribution" of 30 percent of payroll. To the extent workers do not perceive these as individually linked to benefits (and consequentially reduce their supply price) this constitutes a powerful incentive for firms and workers to evade, potentially sharpening enterprise and labor market dualism. One study in Shenzhen, reported in the health finance study, found that non-stable firms indeed evaded.

15. Housing still looks murkier, and in many areas--including in discussions at the center--the thinking is far from the market (Zhejiang and Guangdong are partial exceptions and appear to be well on the road to privatized markets). Li Tieying made an explicit request for Bank assistance on housing finance. It is certainly important to respond to this--as the department is doing--but equally important to link to this to overall capital market development

Regional differences, inequality and poverty

16. If we go with the Bank's latest estimates of purchasing power parity³, in 1994 Shaanxi and Sichuan were just above the income level of Indonesia in 1970. Guizhou, China's poorest province, was significantly poorer. Zhejiang, that is amongst China's richest provinces, was already better off than Indonesia in 1994 and at the level of

³ Any PPP for China is problematic. This uses the latest Bank estimate of \$2570 in 1994 prices, that is extrapolated from international numbers, as reported in the 1995 WDI. The old Penn World Tables was above this: the latest PWT5.6 is for \$1840 for 1992, that would be equivalent to \$2420 in 1994 after adjusting for China's growth and US inflation--a difference of 6 percent with the WDI estimate.

Thailand in 1985 and Korea in 1980 (see Figure 1 attached). Zhejiang is about two-and-a-half times richer than Shaanxi and four times richer than Guizhou. These are striking differences--in income and in comparative stage of development. While we did not engage in policy or analytical issues on such regional differentiation, here are a couple of comments.

17. First, there is evidence of rising absolute divergence between provinces--on average richer provinces have growth faster than poorer ones (see Figure 2 for the 1990s, for which we have regional GDP numbers). This has further been associated with rising rural-urban income differences, that have were only partially reversed in the early 1990s and, in some areas, rising within-rural inequality.⁴ These developments lie behind the stagnation of poverty declines in China between about 1985 and the early 1990s--something almost unprecedented for a rapidly growing economy in recent international experience (though stagnant poverty with steady growth was a feature of the UK and US early industrialization experience--and has been a feature of the US in the past couple of decades⁵). Recent evidence suggests the pace of poverty decline has picked up again, but the issue of rising inequality will be central to China in the coming years.

18. Second, as in explaining differences across countries, both initial conditions and policy matters. Zhejiang had an unusually small share of state enterprises and so a smaller inherited problem. It benefited from its geographic location next to Shanghai and close to international Chinese capital. But it also gained from the significant coastal and urban biases of central government policy in the post-1985 period, and of effective provincial policies to provide social and economic infrastructure and support relatively "flexible" modes of corporate governance, notably in the TVE sector. Similarly, it is probable that some of the apparent resumption of poverty decline in the early 1990s is attributable to policy shifts that raised relative prices of agricultural goods. The outlook is profoundly unclear: just as recent international work suggests that absolute divergence rules across nations⁶--despite evidence of conditional convergence--the same could apply to China. On the other hand, there could be an equalizing path of change via classical mechanisms of flows of goods, capital and labor. Inter-regional fiscal redistribution also has a role, but is likely to be limited by political factors.

19. Much of the inequality will not, of course, be of a geographic character. One issue is closely linked to the management of state assets. State enterprise and collectively owned assets are probably well over the value of GDP now. The coming years are likely to see a process of allocation of these assets that could be highly

⁴ See Shaohua Chen and Martin Ravallion "Data in Transition: Assessing Rural Living Standards in Southern China", Policy and Research Department, World Bank.

⁵ See Benjamin Polak and Jeffrey Williamson, "Poverty, Policy and Industrialization: Lessons from the Distant Past". Background paper to the 1990 World Development Report.

⁶ See Lant Pritchett, "Divergence, Big Time" background paper to 1995 WDR.

inequitable and lead to a once-off shift in the distribution of wealth, with potentially highly persistent effects on the distribution of income.

Some issues for the Bank

20. The pride and clarity of the Chinese counterparts was clear wherever we went. The Bank has obviously to be responsive and not directive, but a demand-driven strategy can also be proactive. While this visit and report is not the place to review country assistance strategy--whose priorities have been laid out in recent CAS documents--we have a few comments on strategy, research, the nature of relations with Chinese counterparts and the role of EDI.

Strategy

21. Three specific issues:

- The visit clearly underlined the importance of maintaining attention to finance and enterprise policy and institutional development in the next phase of reform, and watching the links to the macroeconomic situation.
- The Governor of Zhejiang made a plea for continued Bank involvement in Zhejiang. This is the central government's decision, but it is noteworthy that there is continued demand for Bank involvement in rich provinces. The Bank has traditionally been heavily involved in other East Asian economies at Zhejiang's income level (as noted, close to Indonesia now, and around Thailand a decade ago). To the extent the demand justifies this, regional diversification makes sense.
- The Bank is facing the issue of exposure limits and China. We don't get into the strategic question from the viewpoint of the Bank's portfolio, but have one comment on the question of whether prepayment is optimal from China's perspective. Beyond the issue of the relative financial cost of funds, the key question concerns assessing the tradeoff between the design and efficiency premium on new lending, which comes at the commitment stage, and the premium on tax revenues. The presumption is that *both* premia are high--on taxes because of the very low formal tax effort. Institutionally we were struck by the strong emphasis by the government on projects paying for themselves from user charges, and this is likely to heavily influence China's judgment on this tradeoff for individual projects.

Research

22. Two potential areas where important problems may be researchable:

- Corporate governance is going to be the center of enterprise and financial sector performance, yet much of what is going in is relatively ill-understood. There is relevant work in other areas on determinants of sound governance that could help structure work in this area.

- Poor areas and inter-regional income differences remain important puzzles, and planned research and policy work is of high priority. As noted in a previous BTO⁷, there are real question over whether a process of rising internal integration will drive future convergence via trade, capital and labor flows--or not.

Operational work with Chinese counterparts

23. Two reactions on modes of interaction:
- There is rising capacity to undertake policy work, and domestic ownership and interest is central. As emphasized by Pieter Bottelier, the Bank's role may increasingly be one of commenting on and supporting studies undertaken by the Chinese. We can explicitly account for this in our monitoring and reporting of non-lending services.
 - There may be a potential for a Bank role in increasing the science in "seeking truth from facts", through supporting the Chinese in evaluation of the economic and social effects of wide range of experiments under way, in the enterprise sector and elsewhere. Incorporating such evaluation support could be as important to project work as to free-standing non-lending services.

EDI and training

24. EDI had a major role in China in the 1980s, and has been somewhat scaled down since. The impression we received, from this and Michael Walton's previous visit in December, is that there is still high demand and potentially significant payoff. This comes from feedback from training courses, an explicit and well-articulated request for the Ministry of Foreign Trade and External Cooperation (MOFTEC) and anecdotal responses. One of our provincial counterparts in Hubei--who knows EDI--in answer to a direct question, said he judged the learning/training aspect of the relationship with the Bank to be more valuable than the financial one. As in any country-based training, this needs to be firmly linked to the China country strategy.

cc. Messrs/Mmes Baird, Ray, da Cunha, Gelb (DECVP); Thomas, Miovic (EDIDR); Ahmed (IEC); Squire (PRD); Ingram (RAD); Colaco, Kohli, Claessens, Wang (EAPVP); Hope, Newfarmer, Rohland (EA2); Bottelier, Plant, Ahmed, Agrawal, Barandiaran, Hwa, Zhou (RMC); EA2 CMT, Shivakumar, McCleary, Cox (EA1); Haug, Iqbal (EA3)

⁷ See Michael Walton's BTO of December 1995.

Figure 1

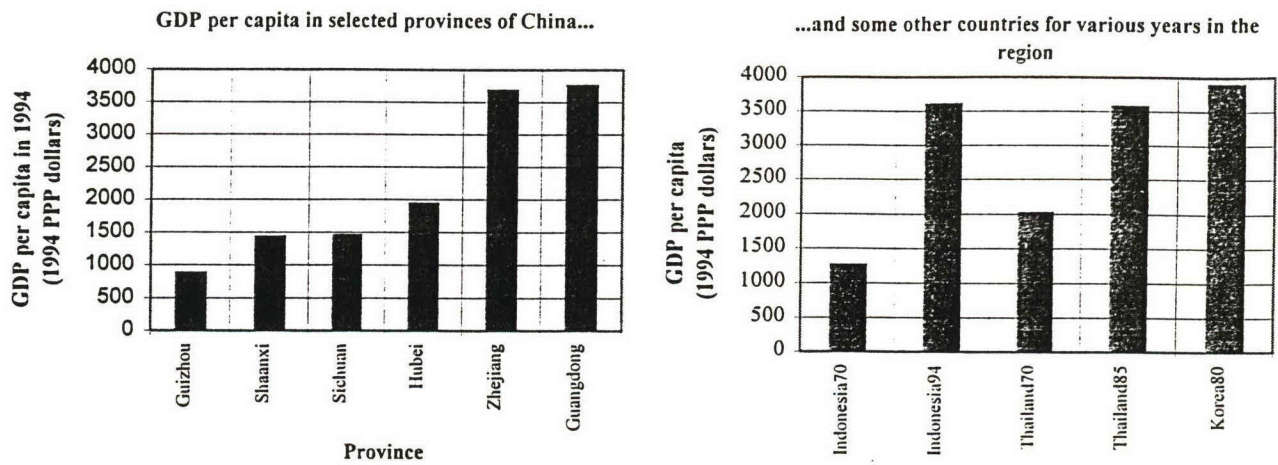
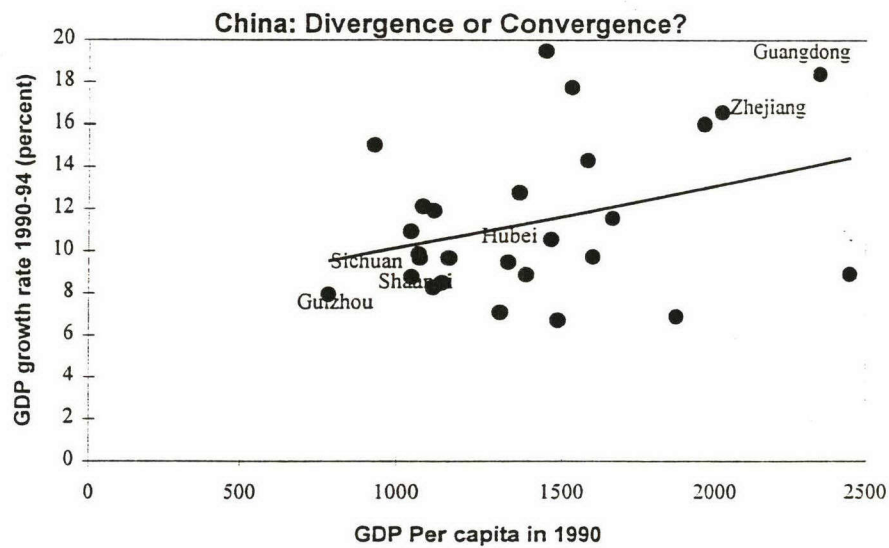


Figure 2



L L - I N - 1 N O T E

DATE: 17-May-1996 10:05am

TO: Michael Bruno

TO ~~FROM:~~ Michael Walton, EAPVP

EXT.: 38418

SUBJECT: RE: BTO China

Michael--That was what was meant, but I realize it is ambiguous as drafted. I'm redoing, adding mention of Justin Lin's center, and will send over for re-signing. Michael

China

(Revised) 5/17

**Office of the Senior Vice President
and Chief Economist
Development Economics**

ROUTING SLIP		DATE: May 17, 1996	
NAME			ROOM. NO.
Mr. Michael Walton			E10-027
☒	PLEASE HANDLE	☐	PER YOUR REQUEST
☐	FOR COMMENT	☐	PER OUR CONVERSATION
☐	FOR ACTION	☐	NOTE AND FILE
☐	FOR APPROVAL/CLEARANCE	☐	FOR INFORMATION
☐	FOR SIGNATURE	☐	PREPARE REPLY
☐	NOTE AND CIRCULATE	☐	NOTE AND RETURN
☐		☐	
RE: Letter from Mr. Cheng Andong, Governor of Shaanxi, China			
Michael, Please see Mr. Bruno's scribble (attached). Thanks, Maria <i>Maria,</i> <i>W. ✓</i> <i>Please ask Michael to handle</i> <i>this so that the suitable response</i> <i>is given (mentioning that I acknowledge</i> <i>receipt of the letter)</i> <i>5/16/96</i> <i>Thanks M.</i>			
FROM Michael Bruno		ROOM NO. N6 043	EXTENSION 33774

Fax: (202) 5221158
To: Mr. Michael Bruno
Senior Vice President and Chief Economist
The World Bank, 1818H Street N.W.
Washington D.C. 20433, U.S.A.
Copied to Mr. Pieter Bottelier, Chief RMC, Beijing

2137
cc: Mark B.
M. Walton
96 MAY 16 AM 3:18
RECEIVED
DEVELOPMENT ECONOMICS
WORLD BANK

Shaanxi Provincial Government
Xincheng Yard, Xi'an 710004
P.R. China, Fax: (029) 7291310
May 7th, 1996

Dear Mr. Bruno:

Agricultural Development Project of Renewing Nine Big
Irrigation Areas in the Central of Shaanxi Province (ADP)

I am very pleased to have received you in Xi'an on April 10, 1996 during your visit in China and wish to see you in Xi'an again. I have ever mentioned ADP to you in Xi'an and asked the World Bank to loan it so as to solve the grain problem of Shaanxi Province. You were so kind to have promised to tell the World Bank to consider ADP. We also officially sent ADP to State Planning Commission (SPC) and Ministry of Finance (MOF) and asked them to put it into China's Loan Plan of World Bank from 1996 to 1998 fiscal year.

The biggest agricultural production base in Shaanxi for grains, cotton, oilseeds and vegetables consists of Nine Big Irrigation Areas (NBIA) of Baojixia and etc. in the Central Shaanxi with 7.86 million Mu of irrigation area (524 thousand ha), 40% of the total irrigated area and 15% of the total cultivated area in Shaanxi. The output of NBIA is about one-third of total grain production, over one half of total commercial grain, 80% of total cotton output in Shaanxi, 85% of vegetables for Xi'an and other four cities in the Central Shaanxi. Therefore, NBIA play a vital role in Shaanxi's agricultural production.

We have to renew NBIA because most of their irrigation facilities have operated for 50 to 60 years and were seriously damaged, or else it will affect Shaanxi's agricultural development. ADP will cost 1.66 billion RMB (\$200 million). We plan to get Loan \$100 million (830 million RMB) from World Bank and raise 830 million RMB in Shaanxi as local account-part fund. After the project implementation, it will totally adjust, store and save 365 million cubic meters of water, and increase 740 thousand Mu of irrigation area (about 49.3 thousand ha), 1.6 billion kg of grain, and a lot of cotton, oilseeds, vegetables and other agricultural products.

It is known that the mission of SPC & MOF will go to Washington recently to discuss China's Loan Plan of the World Bank from 1996 to 1998 fiscal year. We hope that you and World Bank can support SAD and put it into the Plan. If you need more information about SAD, please let me know and I will mail or facsimile the material to you. By the way, I hope that you can send the specialist who will visit China recently to come to Xi'an and investigate SAD.

I am looking forward to your letter.

Yours sincerely,



Cheng Andong
Governor of Shaanxi
Provincial Government

Fax : (202) 5221158

致: 世界银行高级副行长迈克尔·布鲁诺先生

世界银行·1818H 大街·华盛顿特区·20433·美国

抄送: 北京世界银行驻京代表处代表皮特·鲍特利先生

陕西省政府·新城院内·西安 710004

中国 Fax : (029) 7291310

1996 年 5 月 7 日

亲爱的布鲁诺先生:

陕西省关中九大灌区改造农业发展项目

我很高兴在您访问中国期间于 1996 年 4 月 10 日在西安接待了您, 并且希望您能有机会再次访问西安。在西安时我曾向您谈了“关中九大灌区改造农业发展项目”, 请世界银行给予支持, 以解决陕西省的粮食问题; 您表示世界银行可以考虑支持。目前, 陕西省已将该项目正式上报国家计委和财政部, 请求将该项目列入 1996 ~ 1998 财年世界银行中国贷款滚动计划。

关中宝鸡峡等九大灌区是陕西省最大的粮棉油菜等农产品生产基地, 有效灌溉面积 786 万亩, 占全省灌溉面积的 40 %、耕地面积的 15 %; 粮食产量占全省总产量的三分之一, 提供的商品粮占全省的一半以上; 生产的棉花占全省的 80 %; 蔬菜占关中西安等五市的 85 %。关中九大灌区在陕西省农业生产中具有举足轻重的作用。

由于关中九大灌区大部分灌溉工程已运行五、六十年，老化损坏严重，所以，必须尽快进行灌区改造，否则将严重影响陕西省的农业生产发展。关中九大灌区改造估算总投资 16.6 亿元，我们请求世界银行贷款 1 亿美元（折合人民币 8.3 亿元），国内配套资金 8.3 亿元由陕西省承担。项目实施后可调蓄节水 3.65 亿立方米，新增有效灌溉面积 74 万亩；年净增产粮食 16 亿公斤，棉花、油料、蔬菜等农产品产量也有大幅度提高。

据悉最近国家计委和财政部将组团到华盛顿商谈 1996 ~ 1998 财年世界银行中国贷款滚动计划，请您和世界银行关心和支持关中九大灌区改造项目，将该项目列入贷款计划。如果您需要该项目的更详细材料，请立即通知我，我将寄送或传真给您。另外，希望您能让最近到中国考察的专家来陕西看看这个项目。

盼望能很快收到您的来信。

A large, bold, handwritten signature in black ink, which appears to read 'Cheng Andong'.

Cheng Andong

陕西省省长

OFFICE MEMORANDUM

DATE: May 15, 1996

TO: Mr. Michael Bruno, DECVP

FROM: Vinod Thomas, EDIDR *Vinod Thomas*

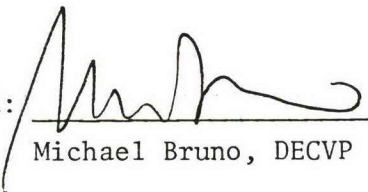
EXTENSION: 36300

SUBJECT: **EDI on the Bank's Web site**

You may recall our discussions at two of our EDI meetings with Mr. Wolfensohn, about making EDI's Web site more visible on the home page of the World Bank's external Web site and all our support for this idea. In the current home page, EDI is located under the **Research** button. In this scheme, finding EDI requires prior knowledge of the Bank's organizational structure. We agreed to create a separate identity for EDI by requesting the addition of an **EDI** "button" to the World Bank home page. This button will take the user directly to EDI's home page which will also remain accessible through the **Research** button. EDI's home page will indicate that EDI is part of DEC.

If you agree, I would like to contact Mark Malloch-Brown and request this change.

cc: Messrs. M. Baird (DECVP), M. Ahmed (IECDR), L. Squire (PRDDR)
G. Ingram (RAD), M. Malloch-Brown (EXTVP), J. Middleton (EDINP)

Agreed: 
Michael Bruno, DECVP

MB's chow

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

OFFICE MEMORANDUM

DATE: May 10, 1996

TO: Mr. Michael Bruno, DECVP

FROM: Vinod Thomas, EDIDR *Vinod Thomas*

EXTENSION: 36300

SUBJECT: **Structural Implications of EDI's Expansion**

Michael:

We spoke. Mark and I had a brief discussion, too. This note clarifies some of the points we discussed. As we discussed, we have identified the following crucial gaps that need to be filled in the short term for expanding EDI's impact. The positions emerged clearly from our recent reviews and discussions with the Board and management. They have been discussed with and have received the support of a team from OBP and Personnel which is working with us on our staffing issues.

The Immediate Needs:

(a) Chief Evaluation Officer/Level 26 -- Essential to EDI's expansion is to design and institute a new evaluation system. The system needs to provide EDI management with information for decision making, and provide impact measures to Senior management and cofinanciers to facilitate budget allocations. Key to the system is a professional evaluation specialist able to lead our evaluation work and project credibility inside and outside the Bank. The grading of this position at Level 26 was done by HRGCB.

(b) Lead Economist/ECA/Level 26--Given the need to integrate EDI's work more closely with Operations, we need to establish six regional coordinator positions, one for each region. Two of these--for Africa and ECA--would be at the 25-26 level (70% of EDI's regional programs are in these two regions). One of these positions (Africa Lead Economist) at Level 26 has been justified, and it already exists (Peter Miovic). The other position (ECA Lead Economist) needs to be created.

(c) Two Divisional Lead Economists/Level 25-26 -- Also key to EDI's relaunching is to raise the quality of our work. Improved evaluation will help. EDI's substantive expertise also needs to be deepened. Two positions will need to be pitched at Level 25-26, either to attract expertise, or to provide the incentive for high flyers. Both of these positions would include among their duties regional coordinator functions for the regions other than ECA and Africa.

Ongoing Review

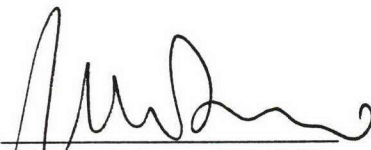
We are also assessing how to strengthen the Front Office and links among various crucial functions to ensure that our Front Office operates smoothly. In particular, strategic planning, information management, and conceiving and launching our partnership programs are functions not presently being performed. Jean Bradier with the help of an outside consultant is conducting a study of the organization and functions of our Front Office. When that study is completed, we will return to you with appropriate recommendations.

Request

As regards the four positions noted in (a), (b) and (c) above, EDI currently has eight complements of Level 26. Factoring in the redundancies already approved, there are seven incumbents at Level 26. Therefore, in the above scenario, we would need three additional 26 complements. If you agree, I will inform the Change Management Group and Personnel for the necessary support, and proceed to advertise the positions. I will come back to you shortly on the additional Front Office needs.

Many thanks.

Agreed:


Michael Bruno, DECVP

Date:

7.10.96

cc: Mr. Mark Baird, DECVP

The World Bank/IFC/MIGA

F I C E M E M O R A N D U M

DATE: April 30, 1996 02:01pm

TO: Ismail Serageldin

(ISMAIL SERAGELDIN)

FROM: Michael Bruno, DECVF

(MICHAEL BRUNO)

EXT.: 33774

SUBJECT: Habitat II Advisory Committee

Ismail,

Thank you very much for your note regarding Habitat-II. This is an important conference and I am glad that the Bank is responding appropriately. My only concern is that you may be missing some insights from past research and policy experience accumulated in DEC. May I suggest that you include Greg Ingram in your Advisory Group? This would have the added advantage of integrating more fully the work on Habitat-II with our current work in DEC.

With best regards,

Michael

CC: Michael Cohen

(MICHAEL COHEN)

The World Bank
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Senior Vice President
and Chief Economist

Mr. Ibrahim F.I. Shihata

April 29, 1996

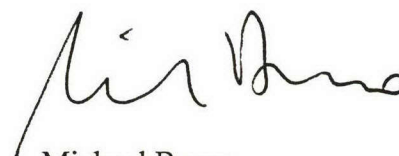
Ibrahim,

Letter by China ED

I enclose the letter sent by Mr. Li in connection with the planned Board discussion of the 1996 WDR tomorrow.

While most of the substance of the Mr. Li's comments can be taken care of, I would like to have your view of the validity of the legal claims made in the first two paragraphs of the letter. Any other comments you might have on the letter would of course also be most welcome.

With thanks,



Michael Bruno

cc: Alan Gelb

P.S. Thanks again for an interesting and extremely well chaired session at the ABCDE.

Would be grateful for a response by c.o.b. to-day.

MB



Record Removal Notice

File Title Michael Bruno - Internal Chronological - January to April 1996		Barcode No. 30486497
Document Date 04/26/1996	Document Type Memorandum	
Correspondents / Participants To: Shengman Zhang, Executive Director From: Yong Li, Executive Director		
Subject / Title WDR 1996		
Exception(s) Communications of Executive Directors' Offices		
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 Salma Berrada</td><td>Date April 29, 2025</td></tr></table>
Withdrawn by Salma Berrada	Date April 29, 2025	

OFFICE MEMORANDUM

DATE: April 25, 1996

TO: Ms. Lesley Davis, Program Coordinator, DEC

FROM: Michael Bruno, Senior Vice President, DEC 

EXTENSION: 33774

SUBJECT: **Authority to Sign Statements of Expenses**

1. Under Administrative Manual Statement 3.10, paragraph 19(b), dated March 1996, I am responsible for approving Statements of Expenses for DEC Directors. I hereby authorize you to approve such statements of expenses on my behalf.

cc: Messrs. Ahmed, Baird, Chhibber, Ingram, Squire, Thomas
Mss. Calleja, Chasseloup, Gibson, Dhmun, Sugui, Ponchamni,
Angeles, Best, Faria, Siveroni
Mr. F. Choudhury, Ms. A. Summers (ACT)

OFFICE MEMORANDUM

DATE: April 25, 1996

TO: Mr. Vinod Thomas

FROM: Michael Bruno *MB*

EXTENSION: 33774

SUBJECT: **Recruitment of Mr. Timothy T. Carrington**

1. I have now heard from DEC Directors, who have no objection to your proposal to hire Timothy Carrington as Communications Strategy/Civic Outreach Specialist in EDINP. I therefore authorize his recruitment.

cc: Messrs. Baird, Bradier, ter Weele, Middleton, Ms. Foster

April 25, 1996

Note to: Michael Bruno

From: Lesley Davis



Recruitment of Timothy Carrington, US National, to EDI

Michael:

Vinod asks, in the attached, that you approve the recruitment of Tim Carrington, a US national. DEC Directors have been polled, and none has any objection. A note from you to Vinod, authorizing this recruitment is attached for your signature.

Tim Carrington will be the second US national hired in DEC this year. The first was Phil Keefer, into PRDFP. It looks, therefore, as though we will not have any difficulty staying within our "quota" for FY96.

Attachments

Michael Bump
Zytemal Chron :
Jan-April 196



Record Removal Notice

File Title Michael Bruno - Internal Chronological - January to April 1996		Barcode No. 30486497		
Document Date 03/27/1996	Document Type Letter			
Correspondents / Participants To: Michael Bruno, DECSVP From: Vinod Thomas, Executive Director				
Subject / Title Extension of Appointment				
Exception(s) Personal Information				
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 Salma Berrada</td><td>Date April 29, 2025</td></tr></table>	Withdrawn by Salma Berrada	Date April 29, 2025
Withdrawn by Salma Berrada	Date April 29, 2025			

ROUTING SLIP		Date 4-12-96	
NAME		ROOM NO.	
Mr. Michael Bruno			
Mr. Mark Baird			
Mrs. L. Davis			
URGENT	For Action/Comment	Per Your Request	
Appropriate Disposition	Information/Discard	Returned	
Approval/Clearance	Note And Return	See My E-Mail	
File	Per Our Conversation	Signature/Initial	
RE:			
REMARKS We discussed and agreed on this at the cancellation - V. Wood			
From	Room No.	Ext.	

OFFICE MEMORANDUM

DATE: April 12, 1996

TO: Michael Bruno, DECVP

FROM: Vinod Thomas, Director, EDIDR

EXTENSION: 36300

SUBJECT: **Recruitment of Mr. Timothy T. Carrington**

1. We propose to hire Mr. Timothy T. Carrington for a five-year, fixed-term appointment at grade 24, as a Communications Strategy/ Civic Outreach specialist in the New Products and Outreach division. EDINP has conducted internal and external searches for the position and found Mr. Carrington to be the best candidate. He has been cleared by all responsible, but as an American citizen, he requires your clearance as well.

2. Mr. Carrington has skills specifically useful to EDI. As a seasoned journalist and author, he can be of great help in making often complicated economic messages clear and digestible to a variety of EDI audiences. Also, having worked for twenty years as a newspaper writer and editor, fifteen of those with The Wall Street Journal, he is well positioned to help us shape a top-quality learning program for journalists in borrower countries, whose understanding of market economics and development issues is often limited.

3. Mr. Carrington is a graduate of the University of Virginia. His working experience as a journalist, specializing most recently in international economics, is particularly valuable. Following work at McGraw Hill Publications, where he oversaw several newsletters covering finance and energy, Mr. Carrington joined the Wall Street Journal, where he covered the securities business in New York, and later, defense and national security issues in Washington. In 1989, he moved to the Journal's London bureau, where he covered economic issues in Europe, including macroeconomic coordination in Western Europe and early economic reforms in Eastern Europe and the former Soviet Union. In mid-1992, Mr. Carrington returned to Washington, where he wrote a number of columns and feature articles on issues of development and reform, including extensive articles from Ghana, Uganda and the Dominican Republic.

4. Mr. Carrington has been a long-term consultant to EDINP for the last year. Since joining in April, 1995, he has reengineered the EDI Review into a much stronger, issue-oriented publication, "EDI Forum." Working closely with the country team, he has laid the groundwork for a communications strategy for Malawi's economic transition, a so-far successful effort that could serve as a model for similar programs in other countries attempting economic reforms amid a shift to democracy. He has helped EDI shape a

2/53

C. C. Wesley
File back, after
Feedback from Directors.

Sham w/ Squire per Carl Box
4/24/96

Sham w/ Mansoor 4/21/96

4/15

variety of presentations and papers for the board, the president and co-financing partners. He has supported other divisions in their outreach efforts, including assisting in seminar design and delivery for journalists, and working with two divisions in the production of videos for their training programs.

5. Earlier this year, EDI's management committee reviewed Mr. Carrington's background and experience, and endorsed his appointment to a fixed term slot. Division chiefs realize that there are limitations in hiring American and UK nationals, and that this appointment would have the consequence of limiting their options during the fiscal year.

6. I strongly recommend that you clear Mr. Carrington for the position set out in this memorandum. As noted above, his experience and skills fit a changing EDI-- one that will be paying more attention to new audiences, such as journalists, and new services, such as communications for development in countries in transition. In the one year he has been at EDI, Mr. Carrington has demonstrated a keen ability to work with staff here and in operations, as well as with clients and partners.

7. May we have your approval to proceed?

cc: Messrs./Mss. M. Ahmed IECDR; M. Baird, DECVP; L. Squire, PRDDR; A.H. ter Weele, EDIDR; J. Middleton, EDINP

Timothy T. Carrington
2332 Nebraska Ave. NW
Washington, D.C. 20016

Job History:

Economic Development Institute of the World Bank: April 1995 -

Senior Communications Strategist: Responsible for various internal and external communications programs, including the development of media and civic outreach programs in certain borrower countries. Oversee the publication of "EDI Forum," a quarterly newsletter.

Wall Street Journal: June 1980 - March 1995

October, 1994 through March 1995: Washington. Correspondent covering the World Bank, International Monetary Fund and other international financial institutions. Responsible for covering news developments at the institutions, as well as carrying out long-term projects on the subjects of economic transition and development.

August, 1992 through September 1994: Washington. Editor overseeing coverage of economics and foreign policy. Coordinated reporting work of twelve writers in the Washington bureau, editing their feature stories and setting priorities for coverage. Regular columnist in the Wall Street Journal, usually writing on economic reform and poverty alleviation.

January, 1989 through July, 1992: London. Chief economic correspondent for the European Wall Street Journal. Covered economic trends in Europe—focusing on the integration of the West European nations, and the reforms in the former East Bloc.

November, 1985 through December, 1988: Washington. Pentagon correspondent, responsible for covering the Defense Department, its budget and business practices, its global strategies, and its military operations.

November, 1984 through October, 1985: Washington: Responsible for the Washington side of major business stories, including the AT&T breakup and the rescue of Continental Illinois Bank.

June, 1980 through October, 1984: New York, Securities industry reporter. Covered the brokerage firms and investment banks.

McGraw Hill Publications: March 1976 - May 1980

August, 1977 through May, 1980: New York. Editor of "Securities Week," a newsletter covering the financial business; part of a team that launched two newsletters covering the energy business.

June, 1976 through July, 1977: Washington. Washington editor of "Securities Week."

Insurance Information Institute: February 1974 - February 1976

February, 1974 through May, 1976: Washington. Covered Congress and the executive branch for this trade association's newsletters.

Publications:

Author of "The Year They Sold Wall Street" Houghton Mifflin, 1985.

Outside Activities:

Provide literacy training through the National Cathedral Literacy program; have focused on language skills for refugees sponsored by the International Rescue Committee.

Serve as a board member of the Washington Revels, a non-profit group dedicated to the preservation of traditional music, dance and seasonal ritual.

Personal Profile and Background:

Married, with two sons. Enjoy literature, music, and tennis. Have traveled in Europe, Africa, the former Soviet Union, Mexico and Central America, China, India and Pakistan. Have a working knowledge of French and Spanish.

Received a Bachelor of Arts degree from the University of Virginia in 1973.

Was raised in Richmond, Virginia.

Foreign languages: French

Final Chg

L - I N - 1 N O T E

DATE: 18-Apr-1996 06:17pm

TO: Lyn Squire (LYN SQUIRE)

FROM: Mark Baird, DECVF (MARK BAIRD)

EXT.: 31666

Sent By: Eunice Gibson

SUBJECT: Terms of Reference: Japan

You will depart Washington on Saturday, April 20. On Monday and Tuesday, April 22-23, with David Dollar you will collaborate with Japanese counterparts regarding

- (i) the upcoming policy research report on "Aid Effectiveness" and
- (ii) the Research Fair held last December.

Also, on Wednesday, April 24, you will present a seminar on your paper with Klaus Deininger on "Income Distribution."

On your return to Washington on April 25, you will prepare a short back-to-office report.

Mark Baird, Acting SVP

CC: Michael Bruno (o/r) (MICHAEL BRUNO)
CC: Carol Best (CAROL BEST)

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

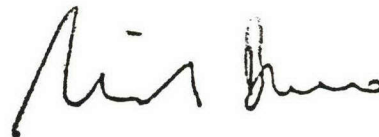
MICHAEL BRUNO
Senior Vice President
and Chief Economist

Internal Memo

DEC Informal Seminar Series

On Monday, March 18, DEC held its first informal research seminar for the Executive Directors and their staff. I felt it was quite successful and would like to continue with the series. Attached is a list of possible topics for future seminars. Please send your preferences to Lyn Squire, N11-051. In the meantime, I propose that the next seminar be on *The Economics of Industrial Pollution Management: Learning Through Pollution*.

The seminar will be held in the EDs' lounge, E1136, on **Wednesday, May 8, 1996** from 12:30-2:00 p.m. Please remember to bring your lunch.



Attachment

file copy

April 9, 1996

Messrs Ahmed, Baird, Gelb, Squire, Thomas

Michael Bruno's China Speech

Gentlemen,

Attached is a copy of the final version of the speech, which we are sending to Business Week for translation and distribution at the Congress on April 17-19. Thank you very much for your comments and assistance.

A handwritten signature in cursive script, appearing to read "Paulo".

Paulo

cc: Messrs Lateef, Winters.

THE CHINA CONGRESS
Beijing, P.R.C., April 17-19, 1996

Macro Stability and Openness in Development Policy

Michael Bruno
Senior Vice President & Chief Economist, The World Bank

1. China's development is remarkable: the average annual growth rate of per capita GDP over the past 17 years has been over 7.5%. China's export drive is likewise impressive, launching it from the 34th to the 10th place in world trade in less than two decades. While social gaps are widening, aggregate education indicators in China are still improving. This kind of performance is uncommon, indeed rare, in the record of development. What has caused countries like China and Korea to sustain growth?
2. The answer is good policy -- tenaciously pursued and pragmatically implemented. I have noted elsewhere that what is most striking about the comparative developments of the past twenty years is the diversity of regional experience in a common turbulent environment.¹ In searching for a summary correlation which may explain growth, a preferred one is between macroeconomic stability, openness and growth. The world may not be this simple -- but the links between stability, openness and growth are quite strong.²
3. There are two dimensions to successful reform: One is achievement of macroeconomic stability and the other is structural change centering on the supply side. During the last 17 years China has in fact followed a strategy of 'opening and reform'. It has improved incentives by relying increasingly on markets. It progressively liberalized prices, beginning with agriculture and spreading these to other sectors. The share of retail sales with market-determined prices rose from less than 10% in 1978 to almost 80% in 1994. Greater competition through new entry, especially nonstate enterprises and foreign firms, spurred productivity growth. The uniquely Chinese business innovation of the TVEs was especially important in creating jobs and new sources of competition. The scope for market allocation of savings has also widened as the credit plan has financed a declining share of total investment in recent years.
4. Central to this story of productivity gains was the role of increasing openness and integration with international markets:

foreign investment provided a steady stream of technology, trade links with foreign markets, and capital to finance new business activities. Last year, foreign direct investment flows into China reached a high of \$ 34 billion, the highest volume among developing countries.³

5. The message is that China has the foundations in place to maintain rapid growth. But there are provisos: like Korea and Japan in its period of very rapid growth, Malaysia and Singapore, the combination is feasible but exacting: Low inflation with a continual opening up of the economy to competition and trade. Experience shows that competition strains the fabric of the economy. The countries that endure competition and gain from it are those that shift public spending to those activities that will spur long-term gains in productivity, and not to those which demand concessions. The gains from competition come from restructuring and they are undermined by protection and subsidies. In China, opening up will affect most directly the state-enterprise sector and with it the financial system.

6. The developing world shows enormous divergence in saving rates. Over the last three decades they have more than doubled in East Asia, stagnated in Latin America, and collapsed in Sub-Saharan Africa. The fact is that, high savings have been linked to fast growth, at least recently, and China is one of the best examples. The question is: Will this continue?

7. A high rate of saving may be necessary for fast growth but it is not sufficient. The other part of the story is, of course, what happens to investment in human and physical capital and, in particular, to the productivity of this investment. In the FSU, beginning in the 1950's, the productivity of capital began to fall--and it fell continuously and rapidly thereafter.⁴ China has avoided this pitfall. Over the period 1985 to 1994, two-thirds of the growth of China's GDP was the result of capital and labor input accumulation. *But a full one-third of the growth was the result of productivity improvements in the use of inputs, due to structural change across sectors and efficiency improvements within production units.*⁵

8. This particular combination of factor accumulation and productivity growth might change over the next decade. The huge gains in manufacturing productivity which are achievable from "catching-up" with best practice technology could diminish as China's own industry moves to the frontier in world standards. And

the reliance on capital accumulation will have to shift toward productivity gains from structural change, more efficient business organization, and technological advances.

9. Cross country experience shows that there is a strong correlation between the pace of reforms and the rate of productivity growth. Maintaining the momentum of reforms is critical for sustained gains in productivity. It is a decisive factor for sustaining growth and confidence: achieving the highest possible productivity from the savings effort of the population, from raising the productivity in public and private investment; in the administration of pension funds; in the performance of the civil service.

10. Further productivity increases can be reaped by removal of remaining internal restrictions. It would be a mistake, however, to look at this as only an *inward looking* challenge. China, like other reformers, can only make the productivity shift if it also increases its integration with international markets. Increased participation in the world economy continues to carry important benefits: exposure to new ideas, technologies and products, improved resource allocation, heightened competition as a spur to achieve world standards of efficiency, wider options for consumers, and the ability to tap international capital markets. As is well known, the advance of global economic integration accelerated over the past decade. China helped lead the process. And, to stay the course in the path of fast growth, *China will need to maintain and further its links to the world economy -- to reap in full the dissemination of technological advances and the progress in knowledge.*

11. The unilateral liberalizations of the 1980s achieved deeper reductions in trade barriers than have been achieved in the Uruguay Round and were accompanied by more domestic reform. But let me be clear: This finding in no way diminishes the achievements of the Uruguay Round.⁶ The Round produced a profound institutional reform in the world trading system; it extended agreements to new areas such as services and agriculture and it covered new aspects of trade such as trade-related property rights and investment measures. The fact remains that markets can operate only with established rules; contractual arrangements demand a level of trust without which the cost of enforcement is prohibitive. This requires institutional arrangements and, increasingly, more agile yet also more complex procedures to deal with new forms of trade. *An urgent order of business is ensuring that China is included in the World Trade Organization (WTO). China is working toward a WTO-consistent trade regime,*

and the WTO remains an incomplete framework for the global trading community unless all of the world's most dynamic trading nations are included.

12. But is the world large enough for China? Yes it is, most certainly so. China now accounts for close to 3% of world trade; even if it grows very rapidly there is plenty of head- room to fit her in. And that is not really the issue: trade and growth are not zero-sum games. As China's exports grow so do her imports, and it is this motion which lends dynamism to the world economy. China's export growth has been fueled in part by the inflow of foreign direct investment (FDI) from neighboring regions, strengthening the link between FDI, exports and import growth. Note further that the combined world share of China and the "4 East Asian tigers" in labor intensive exports has not risen despite rapid growth in China's exports. The "tigers" have move up the export ladder. There is lots of room for China.

13. It is also mistaken to think that export growth from Asia necessarily leads to lower wages in the older industrial countries. Recent research shows, again, that restricting exports from Asia is an ineffective response to real wage decline in older industrial countries. It would contract the world economy, reduce the real rewards of all types of labor and leave production and farm workers in the older industrial economies unemployed.⁷

14. A careful review of prospects for the world economy suggests that growth could continue at a moderate and sustainable pace for the next decade, without a threat to inflation. Moreover, the next ten years are likely to see an acceleration in the pace of international integration, even compared to the rapid pace of the last ten. The growth of world trade is likely to exceed 6 percent in volume terms, faster than any time since the 1960's. Forecasts are informed guesses and the global economy is risky. But, with progress in fiscal consolidation in the US and in the EC, and with a solid solution to the banking crisis in Japan, the world economy appears to be headed to a more stable path. This will also help countries that have embarked on outward-oriented reforms.⁸

15. Deeper integration does create new internal institutional demands in the countries bonding to the global economy. *But these are the same demands that move domestic reform:* A clear and consistent legal framework, free access to imports for local production, efficient infrastructure, freedom from red tape and transparent rules which empower firms and investors to respond

quickly to new opportunities. Moreover, greater domestic reliance on foreign private sources of finance places a larger premium on retaining the confidence of international capital markets. Has China met these internal institutional requirements? It has not, at least not fully. The recent crisis in Mexico provides an important lesson: Countries emerging into the global market place cannot afford to stand still. Serious distortions in the domestic financial system and policy inconsistencies can be punished swiftly and severely.

16. The *World Development Report* for 1996 focuses on the transition from plan to market and discusses China's experience in a comparative setting. An interesting finding is that China stands at about the half-way mark in its reforms to free domestic economic transactions and the entry of new firms.⁹ Half way is a long way and, as a swimming coach in my army days used to say: "If you're half way across the lake and feel tired, don't swim back." The same applies to reform. Reform fatigue sets in and the gains from further reform do not, at first, appear as significant as the earlier gains. Second-generation reforms can be more difficult, involving complex changes in institutions (for example, for changing the tax system and for regulating banks) and a massive effort in re-orienting the state and re-training the civil service while maintaining macroeconomic stability and social progress.

17. What are the reform challenges? Consider countries like China, that are deep into the process of integration into the global economy and are managing a demanding domestic policy agenda including the area of social policy in both its urban and rural aspects. A major challenge is to maintain a balanced progress in the interconnected nexus of (a) fiscal, (b) state enterprise and (c) financial sector reform.

18. Let me discuss each of these three reform areas, briefly, beginning with the macroeconomy. The root of most if not all macroeconomic problems is the fiscal position of the consolidated government accounts; that is, including *all* levels of central and local authority and *all* contingent liabilities through bad loans as well as the implicit interest rate subsidies to state owned enterprise from the banking system. In China, as everywhere else, large public sector deficits are bound to be inflationary. In fact, were it not for the thriftiness of the Chinese households and their willingness to hold cash, inflation would surely have been much higher. But we have seen similar developments elsewhere: What is going on is a race: A race between the government's capacity to

adjust its fiscal situation and the public's willingness to be taxed through inflation. People learn fast how to live with inflation--and the faster they learn the less they will contribute to finance a public sector deficit.

19. As is well known the Chinese authorities have adjusted, so far by financing the deficit increasingly through debt, not money. It is sensible--and given high rates of saving, there is a market for government paper. Yet, in the end, there will also be a limit to the government's sustainable level of indebtedness. The answer is to adjust the fiscal position. Inflation remains a threat to growth as long as the government has a large deficit, either directly through the budget and/or indirectly through the losses of state-owned enterprises. Indirect monetary instruments are now being developed to control monetary aggregates, while direct instruments--the credit and investment plans--are becoming less effective. During such a transition policy has to be vigilant to ensure that inflation, recently tamed, is not cut loose again.

20. *Enterprise reforms.* The other side of the fiscal story is the pattern of public sector activity. As in several other developing countries, in China, the biggest source of the deficit are the state enterprises. Many of these accumulate losses and remain in deficit despite subsidies. In China, for example, it has been estimated that in the period from January 1994 to September 1995, labor productivity in the loss-making enterprises increased by barely 2%. Wages, however, increased by more than 21 percent.

21. Experience from other countries shows that state enterprise reform includes three tasks which, unfortunately, cannot be strictly coordinated: One task is to increase competition by removing barriers to trade, both internal and external, while abolishing privileged contracts and subsidies. Another, is to increase the firm's capacity to respond to competition by developing better governance within the firm to improve productivity. Still another task is to tighten financial discipline which necessarily means clarifying ownership arrangements. Ownership diversification, including privatization, can contribute significantly to the reform process. The key is to create the right incentives through a well-understood and enforceable code of rights, responsibilities and retribution. With this, government--and markets--can enforce financial discipline. One of the strongest messages to emerge from transition to date is that governments that enforce financial discipline and foster competition will stimulate restructuring in enterprises, regardless of ownership. The accumulated reform

experience has shown, however, that clear and well enforced property rights are essential for both macroeconomic stability and good governance. Unless this is effectively done there is a risk that the state's assets will be effectively privatized while its liabilities will be socialized, thus creating inflation problems down the road.

22. *Financial sector reforms.* It is always the case that major enterprise reform affects the financial system--for even in centralized systems large firms are large borrowers, and when they stop paying their loans their problems spill over into the financial system. Building a stable, efficient, and safe financial system has been the most difficult aspect in the transition in Eastern Europe and in the reform of the highly distorted economies of Latin America. There are at least three reasons for this. First is the fact that without adjustment on the enterprise side the problem in finance is recurrent -- unless the government adopts clear rules to insulate the financial system from the losses of enterprises (which, if they need subsidies, should be assisted through the budget). A second reason is the close link between efficient finance and adequate regulations and prudential supervision. A third reason for the difficulty in financial reform is the tendency for bailouts to undermine credibility unless the capacity for debt workouts is developed. The crux is the development of adequate skills and institutions--and this, necessarily, takes time.

23. Finance is much more than the provision of liquidity. Recent research shows that greater external (to the firm) financial oversight and depth (measured, for example, by the shares of loans in good standing in GDP) is linked to faster growth and not only, or even primarily, through the channel of higher savings. China will need a modern financial system if its development is to be sustained, including banks that behave like banks rather than allocators of public money, and a capital market that provides long-run savings opportunities and sources of long-run investment finance. This will take years to build and can only be done in concert with deep enterprise reform. In a market economy the financial system is as close as one gets to the location of the "brain" in the system -- and if it doesn't function well the rest of the system is arrested.¹⁰

24. To sum up, my basic proposition is that while China has chosen new and successful pathways to reform its progress also confirms what we have learned from other examples of solid country economic performance: Though resources are obviously critical, good performance is in large measure a result of the consistent and pragmatic implementation of good economic policy.

Looking at cross-country evidence, China's performance has been outstanding. China's reforms are, however, incomplete and present some important challenges, especially in view of the social demands that increasingly accompany the reform process.

25. I noted that China's growth may be maturing; thus it may be increasingly dependent on productivity gains. Structural change, trade and FDI are powerful vehicles for the diffusion of best practice technology. The promotion of internal market integration is as important as the reduction of external trade restrictions. New initiatives in state enterprise reforms are critical to build competitiveness and strengthen the growth in productivity. A related challenge is reforming the financial system which is rapidly changing and could play a much greater role in the decentralized allocation of investment and in sustaining domestic and foreign savings.

26. In a comparative perspective China is already one of the poles of future world growth. It owes this position to hard effort but also, and more fundamentally, to good economic policy. The reality is that, across the world, effort has been easier to achieve than good policy -- and it is China's policy record that has created the favorable conditions for sustained solid performance. Presently, these conditions are reinforced by those of an expanding and increasingly open global economy. The challenge is to maintain this record of notable policy achievements as China proceeds with second generation reforms which tend to be more complex and less rewarding in the short-run *though they are bound to payoff in the longer run.*

¹ See: Michael Bruno: "Development Issues in a Changing World: New Lessons, Old Debates, Open Questions." *Proceedings of the World Bank Annual Conference on Development Economics 1994*. Washington, D.C.: The World Bank, 1995.

² See, for example, Jeffrey Sachs and Andrew Warner, "Economic Reform and the Process of Global Integration." *Brookings Papers on Economic Activity*. No.1, 1995: 1-95. See also the comments by Stanley Fischer on pp. 100-105.

³ Foreign direct investment in developing countries is discussed in Appendix 6 of: *World Debt Tables 1996: Volume 1*. Washington, D.C.: The World Bank, 1996. See also Box A6.1, p 94 for issues in the measurement of capital flows into China.

⁴ See: William Easterly and Stanley Fischer: "The Soviet Economic Decline." *The World Bank Economic Review* 9(3): 341-71, 1995.

⁵ See: Vikram Nehru: "Background Paper For The 1996 China Country Economic Memorandum." Washington, D.C.: The World Bank, 1996 (unpublished).

⁶ See, for example, Will Martin and L. Alan Winters: *The Uruguay Round*. Washington, D.C.: The World Bank, Directions in Development, October 1995.

⁷ Rod Tyers and Yongzheng Yang, "Trade With Asia and Skill Upgrading: Effects on Factor Markets in Older Industrial Countries." Project Paper No. 3, Trade and Wage Dispersion Project, IECIT. Washington D.C.: The World Bank, 1996 (unpublished). See also: *World Development Report 1995: Workers in an Integrating World*. New York: Oxford University Press, 1995, especially Box 8.1, p 56.

⁸ See: International Economic Department: "Global Economic Prospects and the Developing Countries -- 1996." Washington, D.C.: The World Bank, March, 1996.

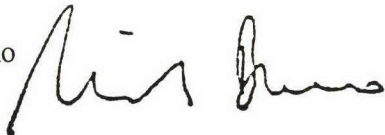
⁹ *World Development Report 1996: From Plan to Market*. Washington, D.C.: The World Bank, April 1996, Figure 1.3.

¹⁰ The analogy is drawn from: Joseph Stiglitz, "The Role of the State in Financial Markets." *Proceedings of the World Bank Annual Conference on Development Economics 1993*. Washington, D.C.: The World Bank, 1994.

OFFICE MEMORANDUM

DATE: April 5, 1996

TO: Ismail Serageldin

FROM: Michael Bruno 

EXTENSION: 33774

SUBJECT: **Annual Bank Conference on Development Economics (ABCDE), April 25-26, 1996**

1. I am writing to thank you for agreeing to participate in the Annual Bank Conference on Development Economics, and to chair the presentation and discussion of the paper, *Economic Development, Trade, and the Environment*, by Kym Anderson. This session will begin at 3:45 p.m. on Friday, April 26, as shown on the attached preliminary agenda.

2. The conference is run on a fairly tight schedule, and the responsibilities of chairpersons are critical to its smooth functioning. The enclosed note describes the specific duties of chairpersons. In mid-April we will send you the conference papers and background information on the authors and discussants in your session to enable you to introduce them.

3. Mani Jandu, extension 33103, will handle the logistics of the conference.

4. I hope you will be able to attend the cocktail party I will be hosting on Thursday, April 25 at 6:00 p.m. at the E Gallery, 12th floor.

5. Again, we appreciate your willingness to participate in the ABCDE. Please let me know if you have any questions.

Attachments(2)

OFFICE MEMORANDUM

DATE: April 5, 1996

TO: Michael Walton

FROM: Michael Bruno 

EXTENSION: 33774

SUBJECT: **Annual Bank Conference on Development Economics (ABCDE), April 25-26, 1996**

1. I am writing to thank you for agreeing to participate in the Annual Bank Conference on Development Economics, and to chair the presentation and discussion of the paper, *Labor Standards and International Trade*, by Alan Krueger. This session will begin at 2:00 p.m. on Friday, April 26, as shown on the attached preliminary agenda.
2. The conference is run on a fairly tight schedule, and the responsibilities of chairpersons are critical to its smooth functioning. The enclosed note describes the specific duties of chairpersons. In mid-April we will send you the conference papers and background information on the authors and discussants in your session to enable you to introduce them.
3. Mani Jandu, extension 33103, will handle the logistics of the conference.
4. I hope you will be able to attend the cocktail party I will be hosting on Thursday, April 25 at 6:00 p.m. at the E Gallery, 12th floor.
5. Again, we appreciate your willingness to participate in the ABCDE. Please let me know if you have any questions.

Attachments(2)

World Bank/IFC/MIGA

F I C E M E M O R A N D U M

DATE: March 29, 1996 02:26pm

TO: See Distribution Below

FROM: Michael Bruno, DECVF

(MICHAEL BRUNO)

EXT.: 33774

SUBJECT: DEC Work in Africa

1. As many of you know, we are initiating a DEC-wide effort to address the problem of achieving sustained economic growth in SubSaharan Africa. The work program will involve a mix of research, operational support, and dissemination, and will be collaborative with the Africa Region. A brown-bag lunch meeting of interested staff held in January generated several fruitful ideas for structuring the work program. I have asked Lyn Squire, together with Shanta Devarajan, Christine Jones, Peter Miovic, and Alan Winters to assume responsibility for this work program and they will be organizing another brown-bag lunch soon to discuss some concrete proposals.
2. Meanwhile, I would like to develop an inventory of existing DEC work on Africa, as well as identify other on-going activities which could take on an Africa dimension. The goal is to assess what work on Africa can be done within the existing budget envelope. We can then identify what additional work needs to be done, and make a bid for supplementary resources.
3. Could you therefore send to one of the above-mentioned coordinators answers to the following two questions:
 - i) What work currently underway in your division is directly related to Africa? For example, research projects which have an African country as one of the case studies; operational support to the Africa Region; training courses for Africans);
 - ii) Of the remaining activities in your division, which of them could take on an African dimension at low cost? For example, could one of your research projects take on an African country as a case study? Could a data exercise be shifted to focus on Africa? Could a training seminar be re-oriented towards an African audience?
4. I would be grateful if you could send your responses by April 5, 1996 to Lyn Squire. We will then compile an inventory of DEC's work on Africa, as well as of potential new work within the existing budget envelope, and circulate it at the next brown-bag lunch.
5. Many thanks in advance for your help. I look forward to

working with you on this all-important endeavor.

DISTRIBUTION:

TO: Takamasa Akiyama	(TAKAMASA AKIYAMA)
TO: Hatsuya Azumi	(HATSUYA AZUMI)
TO: Boris Blazic-Metzner	(BORIS BLAZIC-METZNER)
TO: Barbara Bruns	(BARBARA BRUNS)
TO: Punam Chuhan	(PUNAM CHUHAN)
TO: Uri Dadush	(URI DADUSH)
TO: Martha De Melo	(MARTHA DE MELO)
TO: David Dollar	(DAVID DOLLAR)
TO: Frank Farnier	(FRANK FARNER)
TO: ISABEL GUERRERO	(ISABEL GUERRERO @A1@WBWASH)
TO: Emmanuel Jimenez	(EMMANUEL JIMENEZ)
TO: Nawal Kamel	(NAWAL KAMEL)
TO: Sarwar Lateef	(SARWAR LATEEF)
TO: JOHN MIDDLETON	(JOHN MIDDLETON)
TO: Annie Seys	(ANNIE SEYS)
TO: Zmarak Shalizi	(ZMARAK SHALIZI)
TO: Mary Shirley	(MARY SHIRLEY)
TO: Xavier Simon	(XAVIER SIMON)
TO: Shaida Badiee	(SHAIDA BADIEE)
CC: Lyn Squire	(LYN SQUIRE)
CC: STEPHEN DENNING	(STEPHEN DENNING @A1@WBWASH)
CC: RAVI KANBUR	(RAVI KANBUR @A1@WBWASH)
CC: Callisto Madavo	(CALLISTO MADAVO)
CC: JEAN LOUIS SARBIB	(JEAN LOUIS SARBIB @A1@WBWASH)
CC: Masood Ahmed - IECDR	(MASOOD AHMED)
CC: Mark Baird	(MARK BAIRD)
CC: Alan Gelb	(ALAN GELB)
CC: Gregory Ingram	(GREGORY INGRAM)
CC: PETER MIOVIC	(PETER MIOVIC @A1@WBWASH)
CC: Vinod Thomas	(VINOD THOMAS)
CC: Rest of Distribution Suppressed	

A L L - I N - 1 N O T E

DATE: 04-Apr-1996 09:58am

TO: See Distribution Below

FROM: Shanta Devarajan, PRDPE (SHANTA DEVARAJAN)

EXT.: 37691

Sent By: Ophelia Paredes

SUBJECT: Second Meeting of African Development Group

Last week, you received a memo from Michael Bruno announcing the joint DEC-AFR initiative on African Development, and asking for an "inventory" of work in your division that either currently has an African dimension, or could incorporate one. We hope to have your responses by Friday, April 5.

With this inventory in hand, we would like to have a discussion on what are the most important questions about African development that are not being covered by the current work program. Our goal is to formulate a work program which we would undertake with additional resources that will have a significant impact on growth and poverty alleviation in Africa. Accordingly, you are invited to a meeting on Wednesday, April 10, 1996 from 2:00 - 5:00 p.m. in Room N-11-073. To keep the discussion manageable, we are requesting that no more than one person attend from each division.

We look forward to seeing you or your representative on April 10th.

Lyn Squire, Shanta Devarajan, Christine Jones,

Peter Miovic, Alan Winters

DISTRIBUTION:

TO: JOHN MIDDLETON	(JOHN MIDDLETON)
TO: Hatsuya Azumi	(HATSUYA AZUMI)
TO: Xavier Simon	(XAVIER SIMON)
TO: ISABEL GUERRERO	(ISABEL GUERRERO @A1@WBWASH)
TO: Barbara Bruns	(BARBARA BRUNS)
TO: Takamasa Akiyama	(TAKAMASA AKIYAMA)
TO: Uri Dadush	(URI DADUSH)
TO: Nawal Kamel	(NAWAL KAMEL)
TO: L. Alan Winters	(L. ALAN WINTERS)
TO: Shaida Badiie	(SHAIDA BADIEE)
TO: Zmarak Shalizi	(ZMARAK SHALIZI)
TO: Mary Shirley	(MARY SHIRLEY)
TO: David Dollar	(DAVID DOLLAR)
TO: Emmanuel Jimenez	(EMMANUEL JIMENEZ)

World Bank/IFC/MIGA

F I C E M E M O R A N D U M

DATE: March 27, 1996 11:50am

TO: RACHEL LOMAX

(RACHEL LOMAX @A1@WBWASH)

FROM: Michael Bruno, DECVF

(MICHAEL BRUNO)

EXT.: 33774

SUBJECT: WDR sensitivities again

Rachel,

Sorry. I enclosed the wrong letter. The relevant now is enclosed now, hopefully.

CC: Alan Gelb

(ALAN GELB)

CC: Kate Oram

(KATE ORAM)

World Bank/IFC/MIGA

F I C E M E M O R A N D U M

DATE: March 26, 1996 10:35am EST

TO: Michael Bruno

(MICHAEL BRUNO)

FROM: Alan Gelb, WDR

(ALAN GELB)

EXT.: 37667

SUBJECT: More on Figure

Michael:

One more set of points on the political-economic reform Figure to be discussed on Wednesday. As I noted before, we can live without it because the relationships are discussed in text. But that would be a pity.

The figure refers to, and is presented as, a particular political-economic conjuncture. It has been very widely shown and discussed, including in consultations in China and Vietnam (and in Croatia, where it is in the lead paper in a volume co-sponsored by the National Bank).

As it is graphically so powerful, it has indeed led some to speculate on whether the results hold more generally (they don't), but I don't recall that it has led to questions of whether the Bank is itself advocating one or other political system. The meeting with the two Regions that we held after Mr Shihata's note did not suggest problems in this respect. We could make the specificity of the relationship even clearer in the text if desired.

ECA does consider the figure to be of some importance, because it highlights one of the essential achievements of a reform process which has proven so painful economically. (This achievement is widely recognised in the countries concerned. The WDR does not take a normative stance but it does report citizen polls at various points).

Finally, one of our aims has been to respond to the Board's legitimate concerns that the WDR clearly recognise country differences and their implications for reforms. I think that we have been quite responsive here, and the Figure is a part of this. The Report discusses 3 big cross-country differences:

economic structures,
macro-imbalances, and
cultural/political factors.

The last is important in many dimensions (for example, the urgency and mode of privatization). Its not just East

Asia/Europe, but within CEE and the NIS the degree of past exposure to European political norms. This is shown off well in the Figure (Uzbekistan vs Czech Republic are very different, in part because of the political dimension).

I hope that these observations are helpful.

Alan.

CC: Kate Oram
CC: Rebecca Sugui

(KATE ORAM)
(REBECCA SUGUI)

The World Bank
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Senior Vice President
Development Economics and Chief Economist

March 28, 1996

To: Messrs. Zhang Shengman and Mark Malloch Brown

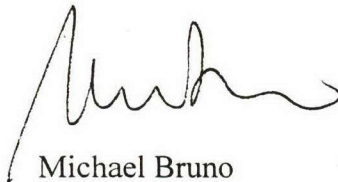
Zhang and Mark:

**1996 Annual Meetings
Program of Country and Thematic Seminars**

This refers to your memorandum of March 5 requesting that we submit proposals for the seminar program and exhibits at the 1996 Annual Meetings. This is to advise you that DEC proposes to sponsor the following events:

- A focus group of 20-25 people to discuss the forthcoming Private Capital Flows Study (IEC-Bhattacharya).
- A panel discussion targeted to the investor community on the trends and outlook of private capital flows. President Wolfensohn will be invited to make opening remarks and Richard Frank will be invited to chair (IEC - Bhattacharya).
- Knowledge Fair Displays (IEC - Crayford/PRD - Mac Donald) and a staffed DEC Information Kiosk.

If you have further questions, please contact Sarwar Lateef (x31760).



Michael Bruno

cc: DEC Senior Managers

April 1, 1996

To: Kate Oram

From: Michael Bruno

Hi,

I enclose copy of a fax sent to China re change in our flight (we were wait listed on it as it is much more convenient), implying earlier arrival. Please let MW and the China Department know.

Also enclosed - a note to Jalan. Please forward.
Hope everything is ok in the office. Regards to Mark and a soft landing.

Michael 

P.S. Guaranteed not an April fool's joke

Jerusalem,
April 1, 1996

To: Bimal Jalan
From: Michael Bruno
Subject: Thanks

Dear Bimal,

I was glad to get your letter about the book and to hear that you enjoyed it. Coming from you this makes me doubly happy, because I know your appreciation for both theory and policy practice.

Many thanks.

Michael

522 1553

WB DECVP 2024770549

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FILE	FILE TYPE	OPTION	TEL NO.	PAGE	RESULT
095	TRANSMISSION		95221553	01	OK

ERRORS

1) HANG UP OR LINE FAIL 2) BUSY 3) NO ANSWER 4) NO FACSIMILE CONNECTION

The World Bank
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Senior Vice President
Development Economics and Chief Economist

March 28, 1996

To: Messrs. Zhang Shengman and Mark Malloch Brown

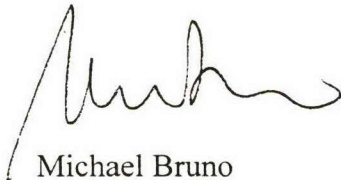
Zhang and Mark:

**1996 Annual Meetings
Program of Country and Thematic Seminars**

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- A focus group of 20-25 people to discuss the forthcoming Private Capital Flows Study (IEC-Bhattacharya).
- A panel discussion targeted to the investor community on the trends and outlook of private capital flows. President Wolfensohn will be invited to make opening remarks and Richard Frank will be invited to chair (IEC - Bhattacharya).
- Knowledge Fair Displays (IEC - Crayford/PRD - Mac Donald) and a staffed DEC Information Kiosk.

If you have further questions, please contact Sarwar Lateef (x31760).



Michael Bruno

cc: DEC Senior Managers

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

Chen

MICHAEL BRUNO
Senior Vice President
and Chief Economist

Ms. Barbara Travis

March 27, 1996

Barbara,

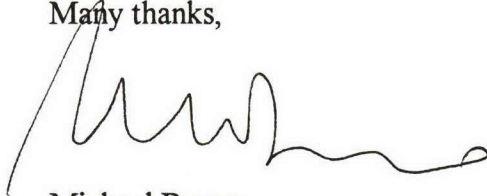
1995 Performance Review: DEC Directors

Enclosed please find the performance management forms for:

Masood Ahmed
Mark Baird
Alan Gelb
Gregory Ingram
Lyn Squire
Vinod Thomas

Unfortunately, I am away for most of the period set aside for review discussions, i.e. April 11-23. I return to the office on Monday April 22. As this is the week of the Spring Meetings, it probably is not a good week for the President and others involved. I am available the week of April 29 if that helps.

Many thanks,



Michael Bruno

green cover

DRAFT

(Not for Quotation)

February 29, 1996

WORLD DEVELOPMENT REPORT 1996 **TRANSITION**

INTRODUCTION: UNDERSTANDING TRANSITION

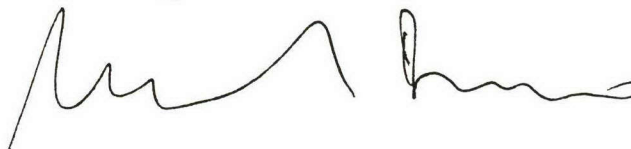
To: Don Conrad

With the compliments of Michael Bruno
Senior Vice President
and Chief Economist



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

March 27, 1996



THE WORLD BANK
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Senior Vice President
and Chief Economist

Mr. Bimal Jalan

March 27, 1996

Bimal:

Invitation to Dinner on Monday, April 22

Thank you so much for your dinner invitation on April 22. Unfortunately, as I have a previous commitment that evening, I must decline.

Kind regards,

A handwritten signature in black ink, appearing to be 'Michael Bruno', with a stylized, cursive script.

Michael Bruno



Record Removal Notice



File Title Michael Bruno - Internal Chronological - January to April 1996		Barcode No. 30486497		
Document Date March 25, 1996	Document Type Memorandum			
Correspondents / Participants To: Michael Bruno From: Bimal Jalan, Executive Director				
Subject / Title [Invitation to dinner with Indian delegation]				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		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 K. Brenner-Delp</td><td>Date June 24, 2025</td></tr></table>	Withdrawn by K. Brenner-Delp	Date June 24, 2025
Withdrawn by K. Brenner-Delp	Date June 24, 2025			

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Senior Vice President
and Chief Economist

Mr. Shengman Zhang

March 22, 1996

EDs' Colloquium: 1996

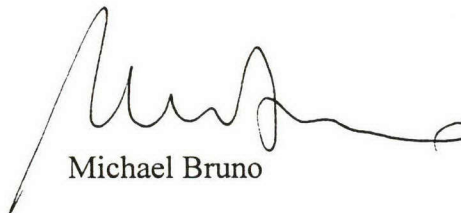
Dear Shengman,

As you know, we were disappointed with the attendance by Executive Directors at the colloquium. I realize that it was a week with a heavy work-load and that unforeseen events happen. However, in retrospect, it might have been better to have postponed the event. It was good to have the discussion with those who did come and I believe that the event was, on the whole, positive and productive. But we should think carefully about it.

Are there lessons for the future? First, I believe that the Directors should propose the topic themselves, rather than choosing from a list that we submit. This would have two advantages. One, it would increase the Directors' ownership and commitment to the colloquium; and, two, it would help us know better what are the key analytical-and-operational issues of concern to the Board. Second, I would propose that the event be held only with a quorum of two-thirds of Board members. In combination, these changes would give us more assurance that the full benefits of investments are reaped.

I also would like to draw your attention to the cost of this event. My staff has estimated the total cost at about \$ 110,000.00, of which DEC paid all but about \$ 18,000.00. The cash cost was about \$ 35,000.00 and, in addition, about 21 weeks of staff time were involved, two-thirds of it from EDI's professional staff. Clearly this is a costly event. Its advantages may well outweigh its cost but, if this is something which the Directors and you would like to continue, we should strive to find adequate proportions to share the expense--more in line with the value the Directors give to the annual colloquium.

Thank you.



Michael Bruno

WB DECVP 2024770549

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021	MEMORY TX	

TEL NO.
95221640

PAGE	RESULT
02/02	OK

ERRORS

1) HANG UP OR LINE FAIL 2) BUSY 3) NO ANSWER 4) NO FACSIMILE CONNECTION

THE WORLD BANK
Office of the Senior Vice President
and Chief Economist
Development Economics
1818 H Street, Room N6-043
Washington, D.C. 20433 U.S.A.
Tel. No. (202) 473-3774 • Fax (202) 552-1158•

FACSIMILE COVER SHEET AND MESSAGE

DATE: March 22, 1996

NO. OF PAGES:
(including cover sheet)

2

TO: Mr. Zhang

FAX:

FROM: Michael Bruno

SUBJECT: Attached.

MESSAGE:

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Senior Vice President
and Chief Economist

Mr. Ira Lieberman

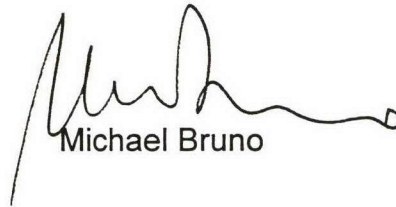
March 19, 1996

Russia & collaboration

Dear Ira,

Thank you for your reply. You raise some interesting (and disturbing) new issues and you are fundamentally right: ex-post we could always have done better. Indeed, as you well know I think very highly of the work you have done, in Russia and elsewhere. That is not the question. As you indicate, the question is what to do now, drawing to the best of our abilities from the lessons of the past. I am encouraged to know of your efforts to systematize the experience and form a pool of common knowledge to be analyzed and disseminated. On Russia, I support your initiative and it may work well to work through Paulo. He can then bring in the additional expertise we may have to address these difficult issues. But there is a deeper issue of understanding what is our strategy for Russia--and is it one we are comfortable with? I hope to meet soon with Johannes on this.

Regards,



Michael Bruno

cc: Messrs. Linn, Rischard

1093

THE WORLD BANK

ROUTING SLIP		DATE: March 12, 1996	
NAME		ROOM. NO.	
TO: Michael Bruno <i>also copied to PVC ✓</i>			
	URGENT		PER YOUR REQUEST
	FOR COMMENT		PER OUR CONVERSATION
	FOR ACTION		NOTE AND FILE
	FOR APPROVAL/CLEARANCE		FOR INFORMATION
	FOR SIGNATURE		PREPARE REPLY
	NOTE AND CIRCULATE		NOTE AND RETURN
RE: <i>The Rise and Fall of Russian Privatization</i>			
REMARKS: Michael, Sorry this took so long. I waited until we had a review meeting on the report to reply. Thank you for taking the time to respond so thoughtfully. The result of the review meeting is that we will prepare two notes on Russia for discussions with the Government--present and future--both notes centered on <u>Efficiency</u>. The first will be <u>privatization review of performance to-date, and recommendations on future policy</u>. The second, on competition, competitiveness and industrial policy re the Financial Industrial Groups. I would very much appreciate it if we could collaborate on this through Paulo or anyone else you suggest. Regards,			
FROM: Ira Lieberman		ROOM NO.	EXTENSION
DEPT/DIV:			

96 MAR 12 AM 5:42
RECEIVED
DEVELOPMENT ECONOMIST
CHIEF

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTBAFRAD
INTERNATIONAL DEVELOPMENT ASSOCIATION

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

(202) 477-1234
Cable Address:
Cable Address: INDEVAS

March 8, 1996

Mr. Michael Bruno
Senior Vice President &
Chief Economist
Room N6-043

The Rise and Fall of Russian Privatization

Dear Michael,

Thank you for taking the time to respond with such thoughtfulness to the report drafted by my colleagues. We put this together in about ten days during the snow period. It may, therefore, lack of the internal consistency from section to section, that a careful edit would bring out. But we felt timeliness was extremely important in this case. So thanks for your kind reception to the paper.

I am responding to your letter but hopefully we can have a deeper discussion/analysis of this situation. You raise some very difficult questions and issues which go to the heart of how we tend to operate generally in the Bank, some of which gives me great concern. I will try to identify some generic issues of importance in my response.

ISSUES

Technical Assessment and Policy advice

Refers primarily to the Svyasinvest transaction. Our advice on this matter was very clear and quite strong to Boycko. It involved a series of telephone calls, faxes, and direct meetings with Maxim, and a key associate, Ralf-Dieter Montag Girmes.

However, the Privatization Implementation Assistance Loan (PIAL) is a technical assistance loan to the Government through the Russian Privatization Center (RPC) of which Boycko is the CEO. Svyasinvest became a high priority for Chubais, GKI, and Boycko to meet revenue expectations from privatization as agreed with the IMF. We have every right to advise the RPC/Government, in this case, but little right to refuse to allow them to use their own loan to pursue this transaction. Unless, of course, we wanted to employ bureaucratic means to delay them. But I prefer not to use such non-transparent bureaucratic means with our clients. Since you know Boycko you will understand that he and Chubais would have protested this issue very strongly. Moreover, Boycko and team have previously always operated under severe time constraints, so it was very difficult to convince them this time would be different.

In addition, the fact that Rothschilds took on the mandate with very qualified accountants, lawyers, etc., meant that they felt there was some chance of success. In fact, they almost succeeded. Svyasinvest would not have been that critical, if it had not occurred on the heels of the loan-for-shares transactions.

Some good has come out of this transaction. We have been able to convince the Ministry of Communications and the RPC to allow us to work with them and external professionals to put a regulatory and structural framework together for the industry. The idea is to try and sell Svyasinvest or other configured entity after the June elections, if privatization continues thereafter. Moreover, STET has offered to come back to the table at its bid price.

good

Good Economics, poor politics

Nevertheless, you have raised very solid points with respect to Svyasinvest--did we cave in, should we have made a greater fuss over this issue, etc. It warrants discussions because it reflects how we will operate on scores of similar loans or components thereafter.

Alarm bells and trip-wires

The first stage of the Russian privatization, the mass (voucher) privatization program (MPP) raises many issues, but I tend to have a different slant or analysis on this than a number of people such as Gerhard Pohl, Alan Gelb, Cheryl Gray, and even John Nellis. Perhaps I was too close to it. Just a few points:

- The MPP was always a second best solution over straight cash auctions or class privatizations but with 25,000 or so medium to large SOEs it was really the only viable option.
 - Share to insiders clearly was excessive, but in my view was not fatal. There is considerable structural change going on in Russia today--people are buying and selling shares, management is being changed, etc., so with time I believe the MPP gave us a very good first step from which real structural change will occur. Restructuring was always going to be a long-term proposition. The mistake came later when the biggest enterprises were allowed into the program. Either, they should have opened up on the same basis as other firms--some 20-30% of shares going to the public at-large, or held back for later case-by-case transactions. The special deals reflected the power of the oil and heavy industry lobby. These deals only came late in the process and still, in my view, did not distort the process too badly. The key mistakes came in the last quarter of this year when the remaining block of shares in these companies came up for sale. Then, instead of auctions or a transparent bid process, Norilsk Nickel, Lukoil, Yukos, etc., were handed over to insider banks with the support of enterprise management and leading politicians.
 - Two other mistakes of the MPP not widely addressed but worth mentioning are: (i) a large number of small- and medium-sized enterprises were sold with 51% of shares or more average 66% going to management and workers. It probably
- yes
- key issue

would have been better to sell all of these as management-employee buyouts (MEBOs) as did some 1,000 smaller SOEs in Poland, or else openly auctioned them with no preferences to a bidding group. These are not by nature ideal as public companies with a large number of public/minority shareholders, and it is difficult to have a liquid market in the thousands of companies shares privatized this way. The Czechs are having the same problem. (ii) The second issues are investment funds. They are shares for some 30 million or so managing shareholders in the fund. The funds, some 630 of them, are mostly liquid and there needs to be a consolidation and way to have them convert to open-ended mutual funds or some other viable financial vehicle over time. The Russian SEC is slowly addressing this issue at our prodding and their own concern. But far too slowly to succeed.

The Czechs have the opposite problem. They have 15 or so funds controlling 60% or so of the country's industrial assets. Most of the funds are tied to Banks or insurance groups. It is my understanding that they have real governance problems; not a solution as Gerhard has implied plus the additional potential problems of excessive asset concentration. But all of these problems are easy to see in hindsight. I assisted in the design of the MPP in Russia and was also on the early phases of the Polish design. This was pioneering work. The outcomes were very hard to predict. We hoped for some voucher funds to emerge in Russia and instead got 630 or so, 50 of which are very large. The complexity of the problem, the scope, the decentralization geographically, etc., made outcomes very difficult to predict.

So ex-ante we did ask for indicators of progress such as

- number of enterprises to be privatized
- pace of privatization
- widespread participation of the public
- transparent process--auctions
- geographic decentralization
- bottom-up participation of enterprise managers and regional administration

In fact, we got it all and then some.

Ex-post we got much more than we ever expected, but also problems discussed above or problems we did not ever anticipate such as company registries kept captive by company management. We all thought state controlled registries at Federal or oblast level would be a disaster due to the potential for intervention or "clawing back" control over enterprises.

Transferring the experience good and bad to other countries

In fact, based on the experience in Russia, the Czech Republic, Lithuania, the design in Poland, etc. we have formed an MPP Group of Practitioners in the Bank to assist my staff, task managers, and others to try and deal with these issues. Right now an MPP is being implemented in countries as diverse as the Ukraine, Albania, Azerbaijan, Kazakhstan, Kyrgyzstan, and Moldova. Even Romania is trying however badly to implement an MPP from its terrible start with holding companies SOF and POFs. In fact, we wrote an extensive paper

comparing these early programs to disseminate the learning experience widely (we have enclosed a copy for your interest). Not surprisingly, each country is going its own way, each country is making many of the same mistakes. This is despite significant input from Bank staff, Eastern European and Russian advisers, and Western advisers, all of whom have worked on the MPP in these earlier cases. I am sure this does not surprise you.

Popular support for the MPP

Alan Gelb cites the lack of popular support for the MPP in Russia. You also address this issue in your letter. This again is a very complex issue. In fact, Mark Malloch-Brown can probably tell you lots more than I can about it. His company handled the public information and supervised focus group surveys for the MPP. Remember, inflation ran in parallel to the MPP. Our surveys demonstrated that the public perceived or recognized two key issues emerging from transition and reform--inflation and privatization. Naturally, it takes only a small leap of faith for the public to have assumed that privatization gave them unchecked inflation. In fact, the large issue in our paper is that privatization without macro-stabilization, a stable fix regime, etc., has great risk. It bears the weight of too much expectations. It simply cannot deliver enough without the rest, i.e., Mexico.

A second issue was the public's perception that under socialism/communism they were the real owners. No matter if they received a voucher or 10 vouchers they would always feel cheated. The biggest disappointment of the MPP was that we could not really create real distributive equity. Anything less leads you to very substantial public criticism in Russia and elsewhere in the FSU. The fact that some people are getting rich during transition, even legitimately, is a very bitter pill for much of the population. The fact that due to inflation many are getting very poor as well is corrosive politically.

Here the comparison to the Czech Republic is interesting. The Czech's pursued an aggressive privatization program within the context of a very interesting transition strategy. John Nellis and I once heard Klaus explain this during an hour presentation and an hour of questions and answers. It has given them low inflation, a stable fix regime, a liberal and open economy generally. Had Russia managed half so well the population would not be so unhappy. But this is also where resources come into play. The fact that gas, oil, metals, etc., were "protected" asset categories, meant that the reformers could not employ their natural resource advantage to assist the population and stabilize the economy. What we have seen in Russia is the losses socialized and the gains privatized, the latter for very few. old problem It has very little to do with the so called reformist nature of the Government under Yeltsin. Other than Chubais and his team, senior levels of Government have personally reserved key assets for themselves and their associates. I worked on Mexico for the Bank over an extended period of time after the first crisis, 1985-1988; the parallel between the two countries or Brazil perhaps more aptly is striking. The so called "Dutch disease" is a very real problem for Russia.

Sustainability of Reform

I firmly believe that the Federal Government is now stepping "back to the future" witness the FIGs. If competition is one of the key to an efficient and productive market economy, the FIGs represent a turning away. yes There is clear evidence that the Government will engage in a

form of industrial policy favored by Soskevits--FIGs and direct government support to, including subsidies, the major industrial sectors. Kadannikov who replaced Chubais is the prototype "Red Manager" and has already announced in favor of such programs. Reforms are, however, continuing in specific regions. Real power in many respects now resides in the regions. If the Bank wishes to help sustain reform it will need to work with regions where reforms are continuing. However, this may all change after the elections.

how?
contradiction!

Reforms in Russia have been like a car race. All cars started more or less at the same starting line. Some cars have gone backward--Chechnya or the Tartar Republic as examples. Some are clearly leading the pack--Nizhny Novgorod, St. Petersburg and Ekaterinburg. Others remain at various points in the race. The only way we can work effectively in Russia is in select regions. I do not believe we should have any expectations for now for real policy reforms at the Federal level except in isolated cases. If the paper implies or says that, it should be revised.

This will
not work

Your final question is clear. Other than political pressure, I cannot see why the Fund would commit \$9 billion to Russia now. As for the Bank, I do not set the policy on Russia but I would go slow. The recent portfolio review sought to consolidate the portfolio and cancel portions of the loan which were not disbursed. I would favor going slow on new loans until the Bank can see what type of regime comes out of the June elections. We need to start a dialogue with an entire new cast of characters.

Contamination of other countries

It is clear to our team that many aspects of Russia's industrial policy is still rapidly adopted, albeit informally by the "near abroad". The Ukraine, Kyrgyzstan, and Moldova have all established FIGs. We should be alert to this phenomenon.



Ira W. Lieberman

Attachment

cc: Messrs. J-F Rischard, FPDVP; P. Vieira da Cunha, DECVF; M. Gould, EC3AI
M. Iskander, I. Artemiev, G. Fine, E. Karlova, PSD; J. Nellis, WDR

March 19, 1996

Mr Ira Lieberman

Russia & collaboration

Dear Ira,

Thank you for your reply. You raise some interesting (and disturbing) new issues and you are fundamentally right: ex-post we could always have done better. Indeed, as you well know I think very highly of the work you have done, in Russia and elsewhere. That is not the question. As you indicate, the question is what to do now, drawing to the best of our abilities from the lessons of the past. I am encouraged to know of your efforts to systematize the experience and form a pool of common knowledge to be analyzed and disseminated. On Russia, I support your initiative and it may work well to work through Paulo. He can then bring in the additional expertise we may have to address these difficult issues. But there is a deeper issue of understanding what is our strategy for Russia--and is it one we are comfortable with? I hope to meet soon with Johannes on this.

Regards,

Michael Bruno

cc Messrs Lynn, Rischard.

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

OFFICE MEMORANDUM

DATE: March 19, 1996

TO: Mr. Richard Lynn

THROUGH: Michael Bruno 

FROM: Gregory Ingram, Administrator, RAD 

EXTENSION: 31052

SUBJECT: **Research Support Budget--FY96 Status**

Through long standing agreement between DEC and PBD, up to ten percent of the Research Support Budget can be carried forward or back between fiscal years. Notice of our plans must be given to you by March 20 of the relevant fiscal year.

We estimate that FY96 Research Support Budget expenditures will approximate this year's RSB budget of \$5,638,100. Hence we are not requesting any carry forward or carry back of funds for FY96. This situation is consistent with the estimates set forth in our earlier budget reports for this fiscal year.

cc: Lesley Davis, DECVP;
Boris Pleskovic, Clara Else, Vilma Mataac, RAD

L - I N - 1 N O T E

DATE: 15-Mar-1996 02:52pm

TO: Anjali Villagran

(ANJALI VILLAGRAN)

FROM: Lesley Davis, DECVP

(LESLEY DAVIS)

EXT.: 33775

SUBJECT: FY96 RSB

Anjali:

Greg Ingram will be sending a memorandum from him, through Michael Bruno, to Richard Lynn confirming that we will not be taking advantage of the plus or minus ten percent option for RSB in FY96. When you get it, please give it to Kate for Michael to sign and then send it on.

In case Michael wonders what is the implication of this, there's nothing sinister. Some years ago, in recognition of the conflict between the inflexibility of the fiscal year cut-off (use it or lose it), and of the rolling multi-year nature of research projects, a task force of PBD, ACT and DEC agreed to permit either (a) the advancing of 10% of the following year's RSB funds into the current year, or (b) the rolling over of 10% of the current year's RSB funds to the following year, to provide flexibility in the event of under- or over-spending by virtue of the uncertain nature of the pace of research projects. The rule was that by March 20 each year, we would tell PBD whether or not we wanted to take advantage of this.

In practice, we never have taken advantage of it, but we've been careful every year to recognize its existence by sending a formal memo to PBD saying we don't need to use it. This at least keeps it in front of everyone so that it doesn't get lost from the institutional memory.

Just in case you're asked ...

Lesley

CC: Kate Oram
CC: Mark Baird

(KATE ORAM)
(MARK BAIRD)

L - I N - 1 N O T E

DATE: 18-Mar-1996 06:00pm

TO: Simon Commander (SIMON COMMANDER)

FROM: Michael Bruno, DECVF (MICHAEL BRUNO)

EXT.: 33774

SUBJECT: RE: Research Workshop on Enterprise Restructuring & Unemployment

Simon,

Sorry. I'm afraid I'm already committed. Let me know
how it goes.

Michael

L - I N - 1 N O T E

DATE: 15-Mar-1996 10:56am

TO: Michael Bruno

(MICHAEL BRUNO)

FROM: Simon Commander, EDINP

(SIMON COMMANDER)

EXT.: 36293

SUBJECT: Research Workshop on Enterprise Restructuring & Unemployment

Michael,

Our research group is going to hold a one-day Workshop to present some of our results. Olivier Blanchard will present a paper on Modelling Restructuring; there will be a cross country empirical paper on firm responses by Saul Estrin and Jan Svejnar; country papers on firm behaviour on Hungary (Janos Kollo), Poland and Russia(myself).

We are planning to hold it on either MONDAY 3 JUNE or TUESDAY 4 JUNE (all day). Would you be able to come for some of the time; either to open it or perhaps be the discussant for Olivier's paper ?

Simon

Spain/Boston
Lejeb

Chon

THE WORLD BANK/IFC/MIGA

OFFICE MEMORANDUM

DATE: March 15, 1996

TO: Mr. Richard Lynn, Director, PBD

FROM: Michael Bruno, SVP, DEC *MB*

EXTENSION: 33774

SUBJECT: **FY97 Capital Budget Request - EDI**

1. Attached is a capital budget request for \$3.5 million in support of the proposed expansion of EDI's development training activities in FY97. Questions about this proposal may be directed to Mr. John Middleton, EDI (extension 85785).

Attachment

cc: Messrs. Katzenstein, McGinley, Middleton, Mss. Bedoya, Davis

ELECTRONIC MEDIA FOR PUBLIC AND DISTANCE EDUCATION

March 15, 1996

Introduction

1. At the request of the President, the Bank's Economic Development Institute (EDI) is planning a rapid expansion of development training activities beginning in FY97. The expansion builds on a relaunching of EDI in FY95-96, which focused the Institute on a three part mission: a) improving policies through the exchange of lessons of experience; b) strengthening policy and program implementation through skills training; and c) increasing civic participation in development through public education. EDI works with an expanding network of more than 100 partner institutions to develop and carry out a wide range of learning activities in support of this mission.

2. Central to rapid expansion of EDI's programs is the appropriate use of electronic media. Based on pilot efforts initiated in FY96, EDI would draw on the knowledge base of the Bank Group to produce broadcast television to promote public education and both television and CD-ROM to provide policy education and skills training at a distance.

3. The media materials that would be produced are analogous to textbook chapters in that they present public policy education and skills training in an educational format. They would not be information about the Bank, or indeed any development agency, nor would they be "development" news programs on current events. These characteristics distinguish EDI's educational use of media from EXT's important use of the same media to inform publics on Bank policies and programs.

4. All materials would be developed initially in English. Dubbing of television productions and electronic publications in other languages would be a second phase, with

partner institutions playing key roles as they have for EDI's print publications. The estimated cost of the proposed project is US\$ 3.5 million.

Rationale

5. **Public education.** The power of broadcast media to educate audiences and influence discussion of the public agenda has been demonstrated. Marginal costs are low compared to face-to-face teaching and discussion. All countries have radio broadcasting, and most have television. Rapid advances in digital and satellite technology have made international broadcasting technologically and economically feasible. CNN, BBC World Services, WorldNet, Star TV, Galaxy and other international networks are in operation, and new ones are emerging. Cable systems with 20-100 channels are mushrooming, even in low income countries. But the paucity of quality programming constrains the effectiveness of these media in helping countries achieve development objectives.

6. The Bank is well placed to provide programming for distribution through these networks. Its knowledge of country experience on a global basis is unparalleled. EDI has substantial experience in the design and development of educational materials. A pilot television program on education and growth in the Republic of Korea has been produced in FY96. Distribution time has been acquired from WETV, an emerging global satellite network, and discussions with other distributors, including the BBC, and partners such as UNESCO and UNICEF have been initiated. In cooperation with Bank Operations, CVPs, PRD and outside partners, EDI is poised to expand the production of programming for distribution through a number of channels.

7. **Distance education.** The use of electronic media for distance education is also well established. Britain's Open University (UKOU) and the National Technological University (NTU) of the United States are but two examples of sustainable programs that use television, print and, increasingly, the Internet to deliver formal instruction. Both

institutions are expanding into borrowing countries—the UKOU into Central and Eastern Europe and Russia, the NTU into East Asia. Similar open learning institutions have been functioning in Thailand, Malaysia, India, Indonesia, Korea and South Africa for more than a decade. Delivering professional education and training at a distance has become commonplace among multinational corporations, which use electronic media to deliver education and training for staff and customers on a global basis at low marginal cost.

8. NTU's tuition fees for a three-credit graduate course are less than half of EDI's average participant cost for a similar amount of instruction.

9. With a few exceptions, such as the UKOU's M.B.A. program, economics and public policy are missing from distance education. Transition economies and new democracies need formal knowledge in these crucially important areas, and the knowledge resources from EDI, Part I countries, and other teaching institutions can meet the demand. Yet these resources are available only through traditional classroom instruction.

10. Formal instruction at a distance, in which students and teachers can interact, requires complex institutional and technological arrangements. The Internet and other electronic networks are low-cost options. Within five years computer networks will be able to deliver text, audio and video materials. That will make broadcasting and physical distribution of materials less important. The pace at which these innovations would spread to low income countries, particularly Africa, is in question. But it is notable that more than a dozen computer networks have been established in Sub-Saharan Africa. Ethiopia and Mongolia have been connected to the Internet within the past six months.

11. EDI has moved to develop a distance education program in economics and public policy. Discussions with partners such as the UKOU, NTU, UNESCO and leading universities in North America aim to build a network of teaching institutions in developed and developing countries for the exchange of distance teaching, initially focused on non-

credit courses. The vehicles would be television, the Internet, and CD-ROMs. EDI has piloted Internet materials on policy lessons and prepared initial treatments for television programs focused on transition economies. Again, EDI's comparative advantage comes from its access to the intellectual resources of the Bank Group, its partnerships with other centers of excellence in economics and public policy, and its experience in policy education and skills training around the globe. A key contribution from EDI would be to develop quality course materials with partners. The first phase of this effort would focus on key policy lessons and management skills using television and CD-ROM.

Capital Project Description

12. The capital project includes the resources for EDI to implement the first phase of expansion into the use of television and CD-ROM for public and distance education. There would be three subprojects: (a) television for public education; (b) television for distance education; and (c) CD-ROM for distance education. Research and development for all products would be managed by EDI and its key partners and would be funded from the administrative budget. Capital budget resources would be used to contract services to design, develop and produce programs and materials. Line item detail is in Table 1; descriptions of subprojects are in Annex I.

13. Cost-benefit analyses of the project are somewhat speculative. The public education subproject is a new activity for EDI, with new audiences, and is thus not comparable to other activities for the purpose of estimating savings. The television programs can be expected to reach at least 20 million people over four years, at a cost of \$900,000, or an estimated 5 cents per person. The distance education television series would cost \$1.2 million. A conservative estimate of 5,000 students over four years yields a per student cost of \$240, about 20 percent of the average cost of an equivalent amount of instruction in a typical EDI seminar. CD-ROMs, at \$1.3 million, would have a similar cost/use ratio. In addition, some savings would be realized by substituting CD-ROM

distribution for printed materials.

Table 1: Subproject Costs (\$000)

Subprojects	Consultant Fees	Consultant Travel	Contract Services	Total
Public Education Television	150	50	800	1,000
Distance Education Television	50	50	1,100	1,200
Distance Education CD-ROM	100	50	1,150	1,300
Totals	300	150	3,050	3,500

Annex I

Details of Subprojects

Subproject I: Television for Public Education

1. Building on the pilot program begun in FY96, EDI would produce an additional six programs in a series tentatively titled "Policies and People." The programs would be aimed at educated adult audiences, but would also be usable with school and college audiences. Each program would provide a documentary case of successful development policy or practice, showing how the lives of citizens have been affected. Three of the seven programs would deal with basic education. Besides the Korea program, documentaries would be produced on educational reform in Chile and education for girls in Pakistan. Two programs would deal with environmental issues, one in Madagascar and the second in a country to be identified. The final two programs would focus on new democracies, one in Africa (tentatively Malawi or Angola) and one in the former Soviet Union.

2. Using procedures developed for the pilot production, a product team would be formed for each program. EDI staff and representatives from operations and the appropriate CVP would develop program treatments. EDI's New Products and Outreach Division (EDINP) would serve as executive producer. Filming, editing and other technical services would be provided by consultants and through contracts with independent film companies. The production of all six programs would take about 18 months.

3. Programs would be distributed through several arrangements. One option is WETV, which has granted distribution time in advance. Following industry practice, the Bank would retain rights for distribution through other means, which could include

Resident Missions working with local broadcasters. It is likely to take four years to broadcast the programs in a large proportion of countries, and they would be distributed through cable systems. Together with the following educational uses, this distribution stream would extend the life of the materials to at least four years. Wrap-around lesson materials assist teachers in classrooms, with distribution through EDI's development education program in Part I and Part II countries. The programs also would be used by EDI staff in workshops and courses and would be available to CVPs and Operations.

Subproject II: Television for Distance Education

4. The experience of countries that began the transition from command to market economies early is important to students of economics, public policy and business; to policymakers and analysts in countries that are still to join the global economy, and to concerned citizens everywhere. EDI has prepared initial treatments for a series of five, one-hour documentaries on transition economies in Central and Eastern Europe. Including Asian transition economies such as Vietnam is under consideration.

5. Because of the variety of audiences that could benefit from this material, EDI is developing an production design. It can be assumed that learners would view all of the television programs, and typically in sequence. One treatment would structure the programs accordingly--there would be an overview, followed by programs on (FILL IN). Public audiences, however, cannot be assumed to view all programs, thus each program must stand alone. The overall story must be told together with the focus of the given program. By working against two treatments, both kinds of programs can be produced from the same raw film. Editing costs, however, would be comparatively higher than that of the "Policies and People" series.

6. A course staff would be established from EDI, PRD, and Operations to develop program content. The programs would be produced by an independent film company,

with EDINP serving as executive producer. UNESCO has expressed interest in contributing funding and expertise. The production process would begin at the start of FY97.

7. The U.K. Open University has expressed interest in using the instructional version of the programs in its distance M.B.A. curriculum. The BBC is also interested. WETV and other international broadcasting networks provide additional possibilities. As with the "Policies and People" series, these materials would be available to EDI, Operations, and CVP staff.

8. Beyond these initial distribution arrangements, EDI would use these programs as the core of a pilot non-credit distance education course that uses the Internet to distribute interactive programs for policymakers, analysts, and students in collaborating institutions, in developing countries. During the 18-month production period, EDI would seek to develop a network of partner institutions that would add additional courses to an expanding program.

Subproject III: CD-ROM for Distance Education

9. Electronic publishing can increase the effectiveness of learning materials and cut distribution costs. CD-ROMs can offer learners efficient, portable access to text, audio and visual materials in a highly portable package. Some CD-ROMs, for example, contain entire encyclopedias in multimedia format. The same materials can be posted on the World Wide Web (the Web) segment of the Internet and downloaded for printing at tens of millions of sites. Once in digital form, the materials are readily updated and reproduced at marginal costs of less than \$2 per individual CD-ROM; distribution over the Web has even lower cost per user for updated materials.

10. This subproject would expand the reach and effect of learning materials already in the Bank. Four CD-ROMs, with associated Web placement, would be developed over two years.

11. **EDI project management curricula.** EDI's extensive curriculum materials, used for nearly 10 years in workshops and courses all over the world, would be published electronically. Distribution would be through partner institutions, other education and training organizations, and the Web.

12. **Best policy practices.** A data base of best policy practices in economic development would be developed as an interactive CD-ROM enabling the user to structure and analyze a policy problem and trace a sequence of policy responses. It would be used to support education and training and as a stand alone support product for EDI and its partners, the rest of the Bank Group, as well as policymakers, journalists and researchers.

13. **Education policy.** A data base of best policies and practices in education development would be developed using research and policy analysis from the Bank. It would serve education professionals, policymakers, interested citizens, and Bank staff.

14. **Topics in development economics.** This product would be designed as a hypertext electronic book for distribution on CD-ROM and the Web. It is intended for EDI participants and graduate students in economics, business, and public policy. It would be a building block in the development of distance education at EDI. The product would bridge the gap between theory and practice by drawing on eight WDRs to provide country case materials, lessons on economic reform, and the expertise of development professionals. It would be delivered on CD-ROM for both Macintosh and Windows, and it would enable the Bank to print in color on demand.

MICHAEL BRUNO
Senior Vice President
Development Economics and Chief Economist

March 12, 1996

Mr. Mark Malloch Brown

Mark:

Preparation of a Bankwide Communications Strategy

Thank you for your memorandum of March 6, 1996 on the above subject. I would like to respond from DEC's perspective to paragraphs 8 and 9, the tone of which I believe risks undermining the ownership you wish to see throughout the Bank for the planned communications strategy.

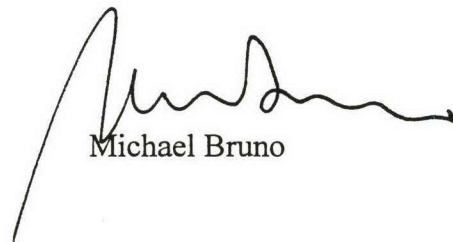
We fully agree that we need to shift specific core public affairs staff to EXT and that we need to have a common understanding of what is meant by "core" public affairs staff. A "common understanding," however, cannot mean a uniform approach across all Vice Presidencies. Each VPU's needs vary. Its initial conditions vary. I have three comments on what you propose.

First, the "personnel" model that is now being adopted for EXT specifically implies that the External Affairs function is a management function, and I expect each of my managers to continue to give high priority to it. This will mean the deployment of staff in DEC at various levels, as our managers see fit, to perform communications type functions along with other functions. Our communications strategy, and specifically, the dissemination of key findings from our work, is an integral, indeed essential, part of our work - and I am fully committed to it. But, continuing with the "personnel" model analogy, this does not mean (a) that all such staff should now report to EXT or (b) that the resources we expend on this effort should be transferred to EXT. The functions that managers and staff perform will need to continue to be performed regardless of whether or not there is a core EXT staff member located in DEC. They are a necessary part of our attempt to become more client-oriented.

Second, as you know, we in DEC chose not to go the route of pursuing our communications strategy through a decentralized public affairs staff member when this option was offered, but have instead coordinated with and relied on EXT to carry out our dissemination functions.

Third, we do not share the view that a core public affairs staff for DEC should constitute a "small team consisting of a Public Affairs Officer, a more junior officer and one staff assistant." You will recall that we discussed the issue in 1994 and concluded that DEC and EXT should jointly fund no more than one person for full time work on public affairs. I believe that this is still the appropriate way to proceed and the right level of effort. The reason why we failed to pursue this was because we were not able to identify the right person for such an assignment.

I would therefore propose that the "core public affairs staff" for DEC should comprise one level 22-24 Senior Public Affairs Officer. The cost of this person should be shared by DEC and EXT, as earlier agreed. This person will share one staff assistant with other staff in DECVP. In our view, we should advertise this position internally and externally to ensure that we get someone who combines the range of skills this position will call for.



Michael Bruno

cc: Messrs. Sandström, Lynn

bcc and cleared with: Messrs./Mme. Baird, Ahmed, Squire, Davis, Vieira da Cunha

M. Bruno's Copy

THE WORLD BANK/IFC/MIGA

OFFICE MEMORANDUM

DATE: March 12, 1996

TO: Mr. Richard Lynn, Director, PBD

FROM: Michael Bruno, SVP, DEC *MB*

EXTENSION: 33774

SUBJECT: **FY97-99 Business Plan**

1. Attached is DEC's FY97-99 Business Plan, which describes the key elements of our work program over the three-year period, and includes the data tables requested in your memorandum of February 8, 1996. This Business Plan does not include EDI's work program. As you know, because of the work being done on an expanded program for EDI for FY97 and beyond, the EDI Business Plan will be submitted at the end of March.
2. I would draw your attention to the budget issue raised in paragraph 32 of the Business Plan. We are currently discussing with the Africa Region's Vice Presidents an expanded program of research for Africa which looks at critical, but still open, questions facing African development. While urgently needed, this work can not be covered within DEC's proposed budget envelope for FY97. Attached to the Business Plan are notes from me to Mr. Wolfensohn and Mr. Sandstrom on this issue, with a proposal of an incremental budget of \$2 million for that purpose.

cc: Messrs/Ms. M. Ahmed, Baird, Cardona, Chhibber, Ingram, Squire, Thomas,
ter Weele, Vieira da Cunha
Mss. Ameal, Angeles, Calleja, Dhomun, Mataac, Siveroni, Villagran
Messrs/Ms. Malloch Brown, K. Ahmed, Garcia-Thoumi

Attachment

DEVELOPMENT ECONOMICS

BUSINESS PLAN, FY97-99

DECVP

March 11, 1996



Record Removal Notice

File Title Michael Bruno - Internal Chronological - January to April 1996		Barcode No. 30486497		
Document Date 03/12/1996	Document Type Budget Form			
Correspondents / Participants				
Subject / Title Administrative Program: Development Economics and Research				
Exception(s) Corporate Administrative Matters				
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 Salma Berrada</td><td>Date April 29, 2025</td></tr></table>	Withdrawn by Salma Berrada	Date April 29, 2025
Withdrawn by Salma Berrada	Date April 29, 2025			

March 6, 1996

MICHAEL BRUNO
Senior Vice President
and Chief Economist

Mr. Sven Sandstrom

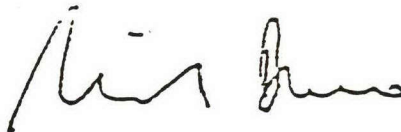
Sven:

*Pre-Meeting for March 13 Board Budget Committee Briefing
on Institutional Initiatives*

As anticipated, the question of the adequacy of Bank funding for research was raised at last week's Board discussion of DEC's Annual Review of Research. Board members were seriously concerned with the extent to which research funds are being cut, and asked that management review this situation. Richard Frank, as chair of the meeting, agreed on behalf of management to do so. The purpose of this note is to follow up on that commitment.

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I would very much like to see this issue raised in your pre-meeting tomorrow. In the meantime, I would be happy to discuss it with you further if you wish.



Michael Bruno

cc: Mr. Wolfensohn

bcc: Messrs/Ms. Ahmed, Baird, Ingram, Squire, Thomas, Vieira da Cunha, Lynn, Davis

**Development Economics
Communications Plan FY96-98**

Contents Page

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 - 2. Themes and Messages**
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 - DEC Publications Policy
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 - 5. External Clients**
 - Policy-makers and Opinion Shapers in Developing Countries
 - The Broader International Community
 - 6. Internal Clients**
 - Bank Operations and CVP staff
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 - 7. Evaluation and Feedback**
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- Annex I Status of Ten Key Initiatives**
- Annex II Sample Dissemination Checklist for DEC's Flagship Products**
- Annex III Departmental Lists of Key Products for Dissemination**

file copy

THE WORLD BANK/IFC/MIGA

OFFICE MEMORANDUM

DATE: March 8, 1996 ✓

TO: Mr. Michael Bruno, Senior Vice President and Chief Economist, DECVF 

FROM: Masood Ahmed, Director, International Economics Department 

EXTENSION: 33800

SUBJECT: Global Economic Prospects 1996

Attached for your signature is the transmittal memo to the Vice President and Secretary for Global Economic Prospects 1996. Subsequent to the Bankwide meeting that you chaired and the associated re-drafting, the draft has been reviewed by Gautam Kaji and the IMF. Their comments have necessitated only minor changes. Additionally, we have received clearance from the regions as to factual accuracy.

Attachment

cc: Messrs. Vieira da Cunha (o/r), Lateef, Dadush (o/r), Johannes, Brahmhatt

OFFICE MEMORANDUM

DATE: March 8, 1996

TO: Mr. Shengman Zhang, Vice President, SECVP

THROUGH: Michael Bruno, Senior Vice President and Chief Economist, DECVP 

FROM: Masood Ahmed, Director, International Economics Department 

EXTENSION: 33800

SUBJECT: Global Economic Prospects 1996 -- Distribution to the Board

1. Attached, for distribution to the Board of Executive Directors, please find the Global Economic Prospects 1996. As you will recall, the Board Seminar on this report is scheduled for Monday, March 25, 1996.
2. Questions by the Executive Directors on this report should be directed to Mr. Uri Dadush (X33962) or Mr. Ronald Johannes (X33802).

Attachment

cc: Messrs. Vieira da Cunha (o/r) (DECVP); Lateef (IECDR); Dadush (o/r),
Johannes, Brahmbhatt (IECAP)

FROM: Deputy Secretary

SecM96-
March 8, 1996

Global Economic Prospects and the Developing Countries 1996

1. Attached is a paper entitled "Global Economic Prospects and the Developing Countries 1996" for discussion at the seminar of Executive Directors scheduled for Monday, March 25, 1996.
2. Questions on this document should be referred to Mr. Uri Dadush (ext. 33962) or Mr. Ronald Johannes (ext. 33802).

Distribution:

Executive Directors and Alternates
President's Executive Committee
Senior Management, Bank, IFC and MIGA



Record Removal Notice

File Title Michael Bruno - Internal Chronological - January to April 1996		Barcode No. 30486497
Document Date 03/12/1996	Document Type Memorandum	
Correspondents / Participants To: DEC Department Directors From: Michael Bruno		
Subject / Title FY96 Action Plan		
Exception(s) Corporate Administrative Matters		
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 Salma Berrada</td><td>Date April 29, 2025</td></tr></table>
Withdrawn by Salma Berrada	Date April 29, 2025	

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Senior Vice President
and Chief Economist

March 6, 1996

Mr. Kemal Dervis

Kemal,

I enclose copy of a document that may interest you. I know it received a high mark from the Bank's Human Resources Vice-presidency recently. Netta and I happen to know the director of the project quite well, Tamar Barnea, in case you would want to meet with her in Jerusalem. Her husband is a well known political columnist (pro-peace), tragically they lost their oldest son, Yonatan, a young soldier of 20, in the first bus bomb in Jerusalem 2 weeks ago.

Hope to talk to you soon.

Sincerely,



Michael Bruno

HED-PAL PROJECT

Health Education for Palestinian School Children
in Gaza and the West Bank

Summary Report of the First School Year
November 1994 - October 1995

Palestinian Health Ministry
Health Promotion & Education Unit

American Jewish Joint Distribution Committee

Gaza Health Services Research Center

JDC - Brookdale Institute & JDC - Israel

Chen

March 6, 1996

MICHAEL BRUNO
Senior Vice President
and Chief Economist

Mr. Sven Sandstrom

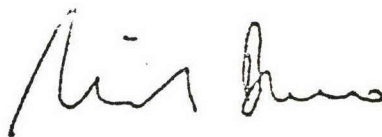
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March 6, 1996

MICHAEL BRUNO
Senior Vice President
and Chief Economist

Mr. Sven Sandstrom

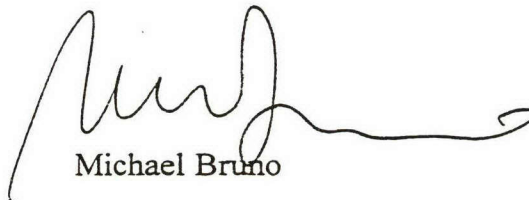
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Michael Bruno

cc: Mr. Wolfensohn

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Senior Vice President
and Chief Economist

Mr. James D. Wolfensohn

February 15, 1996

Jim:

Further to our conversation the other day, I wanted to get back to you on the issue of adequate funding for research in the Bank. This issue will probably also be raised in the Board discussion of the Research Report on February 27.

As you know, the share of the administrative budget allocated to research Bankwide has declined in recent years -- down from *over five percent* in FY92 to *just under three percent* in FY95. In the longer run, such a cut is most likely to undermine the Bank's knowledge base and to hamper its ability to cope with the problems it faces in the rapidly changing world. But, given the pressure to contain budgets throughout the institution, I have so far taken the position that we must develop the best possible research program within our budget envelope, and that we have done. In recent weeks, however, I have become increasingly concerned about the wisdom of this approach for two reasons.

First, DEC researchers are undertaking an increasing number of functions on behalf of the institution with the result that the time devoted to research is being squeezed beyond the cuts implied by the declining budget. I have in mind DEC's leadership on non-lending services, our substantial involvement in support to various task forces, and our review of operational and policy work. All of these activities cut into our research base at a time when research should be growing at least in tandem with the overall expansion in non-lending services and with the shift to more innovative (and analytically more demanding) projects.

Second, the need for a much more aggressive research program on Africa has emerged clearly from our own analysis and from the Region's recent report "A Continent in Transition." Africa is at the crossroads and, with the arrival of a new management team, now is the time to reopen basic questions and reexamine our approach. The issues that stand out in my mind include:

- how to integrate Africa into the world economy;
- how to assess and encourage commitment to reform;
- how to improve the institutional apparatus required to implement reform; and
- how to accelerate growth and make a quicker impact on reducing poverty.

A program organized around these issues would position the Bank as the leader of research in African economic policy. We have started to work with the new Vice Presidents for the region to arrive at a more elaborate proposal for an enhanced program of research and operational support for Africa. I hope to have such a joint proposal, including the budgetary implications, available for your consideration within two months.

Let me end where I started. It is my deep concern that in funding of research activities we are now substantially below the optimum that your vision of the Bank requires. I'd be happy to brief you further on this issue at your convenience.



Michael Bruno

cc. Messrs./Mmes: Einhorn, Frank, Kaji, Koch-Weser, Sandstrom, Lomax

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

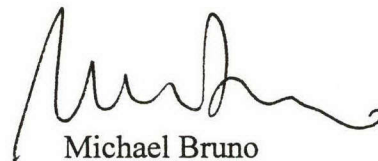
MICHAEL BRUNO
Senior Vice President
and Chief Economist

March 5, 1996

Mr. James D. Wolfensohn
Members of Executive Committee

Suggested Discussion of Bank Strategy at the Executive Committee

The attached note has been written in response to Jim's request to come up with a suggested agenda for discussion at the Executive Committee, in relation to issues of Bank strategy for the coming years.



Michael Bruno

Bank strategy towards the year 2000: Suggested discussion at the Executive Committee

The Bank, under the President's initiative and guidance, has been spending considerable effort in tackling issues of fundamental importance to its future such as the development of new external partnerships and the innovative internal change management and skill enhancement agenda. There are a number of related important cross-cutting issues that will dominate the President's agenda in the coming period be they sectoral-policy (Banking, Agriculture, Social Policy, etc) or budget-related (Income-Expenditure budget, Income Allocation Policy, adjustment of expenditure in view of new initiatives, etc). This note suggests that these issues could be consistently related to, and their clarification be the by-product of, a series of discussions, at the Executive Committee level, under the general heading of "Bank Strategy for the next 3-5 Years".

Why is this needed now? The rapidly changing external environment (IDA crunch, differential client access to globalized trade and technology, internal democratization processes, competitive 'threats' to the Bank's supremacy in both money and ideas) as well as the diversifying needs of our client countries (SILIC's versus MI or transition countries will require different compositions of Bank products in terms of money and ideas) clearly impose a changing agenda on the Bank, yet will involve a strain on its limited resources. The key limiting resources are perceived to be: Concessional finance, highly skilled staff (in major areas such as financial sector) and high level new-design country managers. Administrative budgets, though in principle fungible, are also limited. There will be no way to respond to each region's perceived demands in an adequate fashion, even if managers or skilled staff could be imported or trained in the longer run. Lack of consistent strategic planning now may abort the objectives laid out by the President. To give only one major example, unless Africa is given top priority in choice of Bank country managers and skills (as well as research and training effort), existing internal incentive mechanisms will not properly deploy these scarce resources. Assessment of aggregate demands on key resources, determination of priorities and the appropriate allocation of resources can only be the result of strategic thinking at the top, namely directly under the President. This is where the Executive Committee could be of help.

The idea is to take a top-down Bankwide view of a series of strategic issues, in light of the changing nature of the external environment, the diversifying needs of our clients and our perceived resource constraints. Such discussion would supplement the bottom-up processes of change-management, by making strategic decisions across different advocacy proposals.

How could one start going about it? Clearly collective thinking of the Executive Committee is no substitute for preparation of the required staff work. This would be prepared by units such as the new Vice Presidency for Financial Policy and Institutional Strategy, DEC and others, led by one or more of executive committee members. It would address questions such as the identification of a changed policy agenda (responding to the specific constraints and sectoral priorities in a particular region or area), the type of Bank products (both financial and non-lending) and external partnerships that will hopefully be developed and the perceived internal Bank constraints (e.g., specific sectoral skills) that may hamper their achievement. Short focused notes, based on issues rather than mountains of numbers, would thus be prepared for discussion in the Executive Committee. Cross-cutting issues of the kind mentioned at the beginning of this note could thus be closely integrated into an overall strategy. The evolution of a business plan for the medium-term horizon would follow next.

This is one way of going about it. There may be others. This tentative note is only meant to flag the importance of the exercise and the relevance of the Executive Committee as a vehicle for its initiation and discussion.

OFFICE MEMORANDUM

To P.V.C.

1063

RECEIVED
DEVELOPMENT ECONOMICS
VP & CHIEF ECONOMIST
96 MAR -6 PM 5:20

Date: March 5, 1996

To: Mss./Messrs. Berry, Bruno, Burki, Cheetham, Choksi, Dervis, Donovan, Fukui, Iida, Jaycox, Lindbaek, Linn, Muis, Perlin, Picciotto, Rischard, Serageldin, Shihata, Wood

From: Zhang Shengman and Mark Malloch Brown

Subject: 1996 Annual Meetings -
Program of Country and Thematic Seminars

As you are aware, at the 1995 Annual Meetings the Bank Group implemented a pilot program of country and thematic seminars designed to encourage greater interaction between the Bank Group's developing country clients and the private sector. Considerable positive feedback and support for this pilot has been received from member governments, panelists, audience participants, Bank Group staff, Board members and others. Mr. Wolfensohn endorsed the Program as "a highly successful innovation". Given this success, a decision was made by the Board to conduct, expand and improve the Program in 1996. This will be carried out as a second pilot.

Program Design and Approach

As in 1995, this year's Program will consist of:

- *country seminars* - featuring informal and direct discussions between high-level government representatives and private sector executives, placing special emphasis on investment and partnership possibilities,
- *thematic seminars* - focusing on specific issues of concern to Annual Meetings' participants (e.g., portfolio flows, local bond markets, private financing of infrastructure), and
- *exhibits and information kiosks* - featuring new and innovative Bank Group services designed to strengthen the private sector.

The seminars are expected to be highly interactive. A well respected, skillful moderator who is an expert on the subject is key to maintaining a dynamic exchange between the panel and audience. The most successful seminars in 1995 were those in which the moderator was well-briefed, ensured that introductory remarks were short and panelists did not deliver speeches, and kept the dialogue moving and targeted on issues.

Planning and Implementation

The Program will be prepared and coordinated as a joint SEC-EXT effort. Administratively it will be housed in SEC under the day-to-day management of a Seminar Program Manager. An *Oversight Committee* - consisting of Messrs. Iida, Lindbaek, Linn, Rischard, Wood, in addition to ourselves - will be responsible for broad Program design and policy issues. A *Steering Group* - under our direction and

comprised of Mr. Haddad (SECV), Ms. Davies (SECCO), Ms. Wilkins (EXT) and the Seminar Program Manager - will be responsible for program implementation.

As in 1995, any expenses incurred by the VPUs for this Program, including travel and other expenses for moderators and panelists, shipping of documents from participating countries, rental of special audio visual equipment, and so on, must be covered by departmental budgets. Incremental logistics costs incurred by SECCO will be partially covered this year by registration fees charged to seminar attendees (excluding country delegation members, press, staff, Observers, and possibly former senior staff of the Institutions invited as Special Guests).

Participation in the Seminar Program

You are hereby invited, if you wish to participate in the Seminar Program, to submit a proposal for one or more seminars and/or exhibits. Regional VPUs may select one or two countries to be featured in a country seminar and/or a theme or sector for the Region. Central VPUs, DEC, IFC and MIGA are invited to submit proposals for thematic seminars. Regional VPUs are encouraged to consult with colleagues in IFC and MIGA.

VPs wishing to participate should designate a point person (and an alternate) responsible for your program's organization. This person should have your full support, and authority to take decisions; be able to devote concerted time and energy to this endeavor; be senior enough to liaise effectively with high-level government officials and prospective panelists; and have a strong alternate designated to act in his/her absence. Organizing activities will include developing an agenda/discussion points; nominating, briefing and assisting the moderator and panel; and drafting relevant documentation. SEC and EXT will provide guidance and support.

Attached for your information is a detailed description of the "1996 World Bank Pilot Program of Country and Thematic Seminars". This covers Program objectives, approach and design, and implementation, including a tentative time table, and may be helpful to you as a background for selecting a seminar topic, identifying a suitable point person, and planning the follow-up.

We are confident that in 1996 the Seminar Program again will be an asset to the Annual Meetings and the World Bank Group. We hope that we can count on your support in the coming months to help us achieve this. Please send your response to Mr. W. Haddad, SECV (room MC11-313), by March 22.

Attachment

cc: Mss./Messrs. Einhorn, Frank, Kaji, Koch-Weser, Lomax, Sandstrom

Given the high cost of the seminars and the risk in generating turnout, DEC should chose topics very carefully, ideally focusing resources on only one seminar. It is important that any seminars undertaken be included in the pilot program organized by EXT and the World Economic Forum; events not included in this program face an uphill battle in attracting attention (discussants and audience), given the competition from many other activities. The disappointing cancelation of the WDR seminar may be due in part to it not having the backing of the pilot program.

One way of focusing DEC resources would be to alternate responsibility for mounting such events among departments, with DECVP providing some additional budget support to the department undertaking the task in any given year. DECVP and the DCWG should also need to be prepared to lobby with EXT to make sure that DEC events are not scheduled opposite competing attractions.

Knowledge Fair.

The Knowledge Fair included extensive participation from PRD, IEC and EDI staff, in preparation of materials and frequently in making presentations to passersby during the meetings. Fair displays attracted a steady but small stream of visitors throughout the meetings. Many visitors took time when research staff were not present to view the posters and computer displays and to pick up handouts. However, attendance at any given hour was too small to justify having a significant number of DEC staff standing by to answer questions. While it is possible that another venue or different time slots would have improved the turnout; there is no certainty that this is the case. A better alternative would be to re-design the event to include passive displays -- interactive computers (PowerPoint); videos, posters and help yourself handouts that can be set up and left in place throughout the Annual Meetings. This display could be staffed by one to three people on a rotating basis who could answer questions, re-stock the handouts and generally keep an eye on the displays, greatly reducing the demands on staff time.

DISTRIBUTION:

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(LYN SQUIRE)

1996 WORLD BANK PILOT PROGRAM OF COUNTRY AND THEMATIC SEMINARS

Background

At the 1995 Annual Meetings, the Bank Group implemented a pilot program of country and thematic seminars designed to encourage greater interaction between the Bank's developing country clients and the private sector. A great deal of positive feedback and support for this pilot has been received from member governments, panelists, audience participants, Bank staff, members of the Bank and Fund Executive Boards and others. The Joint Ad Hoc Committee on Arrangements for the Annual Meetings of the Boards of Governors of the Bank and the Fund (JCAAM), in its Final Report and Recommendations, endorsed the Seminars, and the Secretaries of the Bank and the Fund, in their overview of the 1995 Annual Meetings, recommended that a program of country and thematic seminars should again take place in 1996. The Bank and Fund Executive Boards, at their meetings on January 16 and 17, 1996, approved this recommendation and stated that the 1996 program should be improved and expanded.

After a series of review sessions, several conclusions have been reached about how best to proceed with the program in 1996. Most importantly, the planning process must begin much earlier than last year. As a result, this document is a first step in outlining a plan for the 1996 Program of Seminars drawing on experience from the first pilot.

Objectives

The objectives of the program are:

- Expand the traditional format of the Annual Meetings to take account of the purposes of the Meetings, as articulated by JCAAM in its Final Report and Recommendations, and to extend its benefits beyond the participants in the Meetings.
- Create an exciting, interactive forum for developing country governments, the Bank and a diverse group of potential investors and bankers to:
 - discuss economic prospects, investment opportunities, sectoral issues and other topics of mutual interest
 - develop new contacts and strengthen existing ones.
- Attract investment in countries featured in the program and in developing countries in general.
- Demonstrate the Bank's role in private sector development and as a catalyst for investment in emerging markets.

Approach and Program Design

The 1996 program will again be run as a pilot project, and will consist of i) country seminars, featuring informal and direct discussions between high-level government representatives and private sector executives, placing special emphasis on investment and partnership possibilities, ii) thematic seminars focusing on specific issues of concern to Annual Meetings participants such as portfolio flows, local bond markets, private financing of infrastructure etc., and iii) exhibits and information kiosks featuring the Bank's new innovative services designed to strengthen the private sector.

- **Seminar selection process**

Each VPU will be invited to submit a proposal for one or more seminars. Regional VPUs can select one or two countries to be featured in an individual country seminar and/or select a theme/sector for the region (e.g., Power in Asia). Central VPUs, DEC, IFC, MIGA will submit proposals for thematic seminars. Regional VPUs are encouraged to consult with colleagues in IFC and MIGA.

An Oversight Committee will be responsible for the overall program design (see page 5).

Seminars which do not 'fit' into the seminar program, or which do not meet the deadlines for finalization of program information and confirmation of moderator and panelists, will be excluded.

- **Organization**

Each VPU will be asked to designate a point person responsible for organizing its seminar(s). This person must have the full support of his/her VP; be able to devote serious time and effort to the program; have a strong back up for when he/she is on mission or vacation; be senior enough to contact prospective panelists and government officials directly and guide panelists through the preparatory period.

Organizing activities include:

- developing agenda/discussion points, in consultation with the Oversight Committee
- nominating a moderator and panelists
- briefing/guiding the moderator and panelists
- drafting foundation document and/or other written materials
- assisting the panel on the day of the event

- **Seminar Content**

Each VPU will be requested to develop clear discussion points for their country/regional or thematic seminar(s). For country/regional organizers, shaping the seminars will be done in consultation with participating governments. As learned in 1995, this may require persuading some governments of the most important and

engaging issues for a private sector audience and the most effective way to make a positive impact. Guidelines and examples (agenda points and seminar structures from 1995) will be provided to VPU point people and the Steering Group will offer support as needed.

The Bank will work closely with the governments to select panels but should exercise control over the final choice of panelists and moderators. Again, it is important for country/regional seminar organizers to explain to the governments concerned that the Bank will nominate a moderator and panelists with a view to presenting the country/region in the most appealing way to attract private sector interest and investment.

- **Creating a Panel**

Criteria for selection of a moderator:

- Well-known, well-respected individual; preferably one who knows members of panel
- Good English is a major asset, although simultaneous interpretation in official Annual Meetings languages (Arabic, English, French, Russian and Spanish) may be made available. However it should be noted that there is very limited space in the meeting rooms for booths, and the use of more than one or two languages should be avoided.
- A stimulating speaker able to handle impromptu questions and keep a lively discussion moving
- A person with strong ties to the country/region; strong experience/expertise in the sectors and themes for discussion
- A person with an engaging personality and authority

- **Seminar Structure**

Seminars will be highly interactive. Introductory remarks will be very brief and panelists will be asked not to deliver prepared speeches. A strong moderator is key to maintaining a dynamic exchange between the panel and the audience. In 1995, the seminars that worked best were those where the moderator was well briefed, had spoken/met with panelists beforehand and was able to keep the dialogue moving.

In addition to the moderator, there should be 3-4 panel members. For the country seminars ideally the panel should include: 1-2 government officials of ministerial rank or above; a leading CEO from the featured country; a leading foreign business leader or other prominent private sector figure with a long experience in the country. For regional and thematic seminars, the panels should include an appropriate mix of private sector representatives from Part II and in some cases Part I countries, Part II government officials, industry experts and other prominent individuals.

Immediately following the seminar discussion (for 30 minutes), the audience and press will have a chance to meet and talk informally with featured panelists.

- **Seminar Size**

Based on the 1995 experience, no seminar should be larger than 250/300 people. The interactive nature of the program is undermined if the numbers are higher than this. Overflow viewing areas/rooms will be set up in the event that numbers should exceed the preferred capacity of each room.

- **Documentation**

For the country/regional seminars a foundation document (highlighting economic prospects, the trade and investment environment, the Bank's relationship with the country/region, etc.) is produced by the Bank (the Regional VPU in liaison with EXT). Governments are encouraged to provide their own promotional materials (investment guides, favorable news/magazine articles, lists of newly privatized companies, economic assessments prepared by investment banks/accounting firms, etc.)

For thematic seminars, written materials are prepared by the relevant Central VPU.

- **Audience**

In addition to inviting the 12,000 people who routinely attend the Annual Meetings, in 1995 a special effort was made to involve more of the international business and finance community. The advisers (WEF), all the regional and central VPUs, IFC, MIGA, the Bretton Woods Committee, EDs Offices and others, contributed to the development of a supplemental, targeted private sector list for the seminar program. This list will be reviewed and updated for 1996 based on last year's registration results and the countries, regions, sectors and themes featured in this year's program.

- **Promotional Mailings**

An announcement in the Annual Meetings information booklet, and a copy of the seminar program to be included with the Annual Meetings registration mailing to all country delegations, Observers and Special Guests. Two mailings of the seminar program (a preliminary information leaflet with dates and basic information, followed by the seminar program and registration form/information) to the primary target audience (the private sector). Depending on the number of registrations received, a reminder mailing could be sent in late August/early September if necessary. One mailing to journalists (included in their Annual Meetings press package).

- **Dates and venue**

The dates will be Friday September 27 through Monday September 30. It should be possible to attract the private sector to seminars on Friday and Saturday morning if the program is sufficiently attractive. It will be necessary to make the maximum amount of time available, and to run seminars in parallel, to ensure that the expanded number

expected in 1996, including those of the Fund, can be accommodated in the limited number of meeting rooms available at the Sheraton Washington Hotel.

Implementation

- **Management and staffing**

The program will be prepared and coordinated as a joint SEC/EXT effort. Administratively it will be housed in SEC.

- **Oversight Committee**

An Oversight Committee at Vice Presidential level will be formed with responsibility for the oversight of the seminar program, including all policy issues and the overall program design. The membership of this Committee will be as follows:

- Mr. Iida
- Mr. Lindbaek
- Mr. Linn
- Mr. Malloch Brown
- Mr. Rischard
- Mr. Wood
- Mr. Zhang

- **Steering Group**

Under the direction of Mr. Malloch Brown and Mr. Zhang, a Steering Group comprised of Mr. Haddad, Ms. Davies, Ms. Wilkins and the Seminar Program Manager, will be responsible for the implementation of the program.

- **Staffing requirements**

Recruitment has begun to identify a Seminar Program Manager and the staff team. The Program Manager selected will report to Mr. Haddad and will be responsible for the day- to-day management of the seminar program, in liaison with SEC/BFCO and EXT, as necessary.

A Senior Staff Assistant (level 17/18) should be recruited in March/April to assist the Program Manager in all aspects of the organization. This could perhaps be a DAIS assignment.

Additional temporary staff and consultants, for logistical and editorial assistance, will be required throughout the planning and implementation process. These temporary staff will work with the Program Manager, the BFCO or EXT, depending upon the requirements.

- **Requirements for involvement of staff from Regional and Central VPUs**

Each Regional VPU organizing a country seminar must commit suitable resources at a high enough level to liaise effectively and closely with the appropriate senior government representatives, in consultation with the Country Officer, the Resident Representative, the Executive Director's office, and others, as necessary, to ensure that all concerned 'buy-in' to the seminar format and choice of moderator and panelists at an early stage.

By the same token, the Central VPUs, DEC, IFC and MIGA, organizing thematic seminars, must assign a senior and effective contact person to liaise with the Seminar Program Manager on all issues. This person must have the line authority to take decisions, approach potential moderators and panelists, and deal with all other issues arising in connection with the seminar.

It is also essential that each VPU nominates one single contact person, with an alternate who can act in their absence. The contact person should be based in Washington, as far as possible throughout the whole of the planning period, and not travel frequently on mission during this time.

- **Role of BFCO/Joint Secretariat**

As well as their role on the Steering Group, the BFCO/Joint Secretariat will arrange and oversee the logistical arrangements for the seminars, in liaison with the Seminar Program Manager, and ensure that i) seminars are accommodated within the Annual Meetings facilities with the minimum disruption to Annual Meetings activities; and ii) where possible, resources can be shared between Annual Meetings activities and seminar activities so as to minimize costs. The BFCO/Joint Secretariat will also be responsible for activities connected with registration of seminar participants.

- **Role of EXT**

As in 1995, in addition to the oversight of the seminar program, EXT will play a large role in determining their substance and format. It is assumed that EXT will again be responsible for the editorial aspects of the production of seminar documentation. In addition, EXT staff will be helpful in ensuring that the appropriate private sector audience is targeted.

- **Decision making process**

Once the format and budget for the seminars has been agreed, the day-to-day organization of the seminars and decision making, within the parameters agreed by the Oversight Committee, will be carried out by the Seminar Program Manager, in consultation with Mr. Haddad, Ms. Davies and Ms. Wilkins as appropriate. Regular progress reports will be submitted to the Oversight Committee.

• **Tentative Action Plan and Time Table**

February

- Prepare Terms of Reference for Seminar Program Manager (consultant position) and commence recruitment process.
- ZSM/MMB to discuss proposals for 1996 seminar program with JDW and Executive Committee

March

- Joint memorandum to VPs from ZSM/MMB spelling out proposed plans and clear and concise guidelines for the 1996 Program of Seminars, and requesting VPs to advise by mid-March whether their VPU would wish to propose a country or a thematic seminar for inclusion in the 1996 Program and, if so, the country or seminar title/theme, and the designated point person and alternate
- Finalize appointment of Seminar Program Manager
- Decision to be made about registration fees. Procedures for collection of fees and registration procedures to be agreed
- Recruitment and selection of Senior Staff Assistant
- Determine additional staffing needs

End of March

- Finalization of countries and thematic seminars to be included in the 1996 Program
- Initial meeting between Oversight Committee and designated VPU contacts

- Planning guideline package to be sent to contacts
- March/April**
 - Initial selection of Moderators and Panelists
 - Preparation of mailing list of potential private sector participants
- April**
 - Preparation of Preliminary Program Brochure for mailing to private sector including seminar titles
 - Commence preparation of Seminar Program and Registration Information
 - VPU contacts to develop agenda points, and other information for Seminar Program
- End April**
 - Mailing of Preliminary Brochure to private sector
- Early May**
 - Update meeting with VPU contacts
 - Confirm Moderators/Panelists
- May 30**
 - Cut off point for seminar selection
- Early June**
 - Text of Seminar Program to go to VPU contacts, and others as necessary, for approval
- June**
 - Commence preparation of Foundation Documents
 - Print Seminar Program and Registration Forms etc.
- Mid/end June**
 - Mail Seminar Program and Registration Information (with Annual Meetings information)

August

- Prepare updated information for second brochure (if necessary) and press mailing

- Update meeting with VPU contacts

End August

- If necessary, mail second brochure to private sector
- Mail press brochure/information (with Annual Meetings information)

July/August/September

- Process and monitor registrations
- Monitor seminars' progress and follow-up on Moderators/Panelists, as necessary

Early September

- Finalize Foundation Documents and send for printing
- Prepare Final Program

September 15

- Deadline for registration by mail

Week of September 16

- Update meeting with VPU contacts

September 21

- Seminar 'team' moves to Sheraton Washington Hotel

September 27 - 30

- Seminar Program

March 5, 1996

file

L - I N - 1 N O T E

DATE: 18-Jan-1996 04:46pm

TO: See Distribution Below

FROM: Lawrence Mac Donald, PRDDR

(LAWRENCE MAC DONALD)

EXT.: 37465

SUBJECT: DCWG Annuaam Meetings Assessment

Colleagues:

I have prepared the assessment of our annual meetings activities below as a contribution to our communications plan being readied for DECSM. I have tried to capture what seems to me to be the main lessons - undoubtedly I have missed some and maybe even got some wrong (could it be?!).

I am filing the document in W:IECDR/ANNUAL

Please make any changes you think needed and inform Leilynne, who is helping Sarwar to compile the final document.

Assessment of DEC s 1995 Annual Meetings Activities.

During the 1995 Annual Meetings, DEC departments planned and carried out an extensive program of dissemination targeted at official delegates and the private sector. Overall these events were quite successful and there was a sense among managers and the staff who organized and participated in them that DEC should continue to showcase its work during the Annual Meetings as part of the Bank s overall effort to highlight its role as a provider of information, advice and ideas, as well as funds. This view is in keeping with a recent Board decision, made in discussions with Mr. Wolfensohn, to continue the experimental program of Bank seminars for the private sector during the 1996 Annual Meetings. This note assesses the two main thrusts of DEC s dissemination during the Annual Meetings -- the seminars and the Knowledge Fair -- and suggests modifications to maximize the benefits while reducing the financial costs and the demands on staff time.

Seminars:

Seminars on private capital flows after Mexico (IEC) and Bureaucrats in Business (PRD) achieved good turnouts and generated interesting discussions; however, both were very demanding of staff time and, in the case of the BIB seminar at least, quite expensive, because it was necessary to bring in speakers from distant countries. A WDR seminar was canceled when key speakers dropped out.

Given the high cost of the seminars and the risk in generating turnout, DEC should chose topics very carefully, ideally focusing resources on only one seminar. It is important that any seminars undertaken be included in the pilot program organized by EXT and the World Economic Forum; events not included in this program face an uphill battle in attracting attention (discussants and audience), given the competition from many other activities. The disappointing cancelation of the WDR seminar may be due in part to it not having the backing of the pilot program.

One way of focusing DEC resources would be to alternate responsibility for mounting such events among departments, with DECVP providing some additional budget support to the department undertaking the task in any given year. DECVP and the DCWG should also need to be prepared to lobby with EXT to make sure that DEC events are not scheduled opposite competing attractions.

Knowledge Fair.

The Knowledge Fair included extensive participation from PRD, IEC and EDI staff, in preparation of materials and frequently in making presentations to passersby during the meetings. Fair displays attracted a steady but small stream of visitors throughout the meetings. Many visitors took time when research staff were not present to view the posters and computer displays and to pick up handouts. However, attendance at any given hour was too small to justify having a significant number of DEC staff standing by to answer questions. While it is possible that another venue or different time slots would have improved the turnout; there is no certainty that this is the case. A better alternative would be to re-design the event to include passive displays -- interactive computers (PowerPoint); videos, posters and help yourself handouts that can be set up and left in place throughout the Annual Meetings. This display could be staffed by one to three people on a rotating basis who could answer questions, re-stock the handouts and generally keep an eye on the displays, greatly reducing the demands on staff time.

DISTRIBUTION:

TO: Clara Else	(CLARA ELSE)
TO: Paulo Vieira Da Cunha	(PAULO VIEIRA DA CUNHA)
TO: Leilynne Lau	(LEILYNNE LAU)
TO: Sarwar Lateef	(SARWAR LATEEF)
TO: Lesley Davis	(LESLEY DAVIS)
TO: Edit Pena	(EDIT PENA)
TO: Timothy Carrington	(TIMOTHY CARRINGTON)
TO: Elizabeth Crayford	(ELIZABETH CRAYFORD)
TO: CARMELO FURCI	(CARMELO FURCI @A1@WBWASH)
CC: Lyn Squire	(LYN SQUIRE)

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

March 4, 1996

MICHAEL BRUNO
Senior Vice President
and Chief Economist

Mr. Alan Gelb

Alan:

Re: WDR - Cost Savings

Thank you for your EM of February 23, and for your ideas for cost savings in future WDRs.

On the two- or four-color issue, I still believe that four colors are not essential to the marketability of the WDR. However, in view of the fact that WDR 1996 is well advanced, I will not ask that you move now to a two-color publication. I will, however, instruct that future WDRs be printed in two colors.

With regard to your other ideas, it would be useful if you could provide me with an estimate of the savings that could be realized in FY97 through (a) the production of a less glossy summary in English, French, and Spanish; (b) the shorter WDI; and (c) contracting out the Chinese and Arabic editions.



Michael Bruno

cc: Messrs. Baird, Chhibber, Squire, Vieira da Cunha, Ms. Davis

Chen

THE WORLD BANK/IFC/MIGA

OFFICE MEMORANDUM

DATE: March 4, 1996

TO: Mr. William Katzenstein, PBDPS

FROM: Lesley Davis, DECVP

THROUGH: Mr. Michael Bruno, VP, DEC *h b*

EXTENSION: 33775

SUBJECT: **FY97 Capital Budget Proposal**

1. As requested in your EM of January 10, attached is an FY97 capital budget request from IEC for \$319,800 for high-end workstations, upgraded home connectivity, and upgraded peripherals. The improved performance of the high-end workstations in this proposal is required (a) to permit the integration of legacy systems in IEC's Trade Division with the rest of IEC, using Windows NT; and (b) to support IEC's existing data systems and provide a sound basis for data systems in the future.

Attachment

cc: Messrs. Ahmed, Burt, Outadi, Mss Badiee, Calleja



Record Removal Notice

File Title Michael Bruno - Internal Chronological - January to April 1996		Barcode No. 30486497		
Document Date 10/01/1995	Document Type Budget Form			
Correspondents / Participants				
Subject / Title Capital Budget				
Exception(s) Corporate Administrative Matters				
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 Salma Berrada</td><td>Date April 29, 2025</td></tr></table>	Withdrawn by Salma Berrada	Date April 29, 2025
Withdrawn by Salma Berrada	Date April 29, 2025			



Record Removal Notice



File Title Michael Bruno - Internal Chronological - January to April 1996		Barcode No. 30486497		
Document Date March 1, 1996	Document Type Memorandum			
Correspondents / Participants To: Ms. Erika Wagenhofer, Alternate Executive Director for Germany From: Michael Bruno, Senior Vice President and Chief Economist				
Subject / Title [Letter of thanks]				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		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 K. Brenner-Delp</td><td>Date June 24, 2025</td></tr></table>	Withdrawn by K. Brenner-Delp	Date June 24, 2025
Withdrawn by K. Brenner-Delp	Date June 24, 2025			

**THE TRANSITION IN CENTRAL AND EASTERN EUROPE:
Is There a German View?**

by

Horst Siebert

Martin Raiser

Rolf J. Langhammer

Kiel Institute of World Economics

Paper prepared for the World Bank 1996 World Development Report.

March 4, 1996, 1.42 pm

Office of the Senior Vice President/Chief Economist
Development Economics

Routing Slip

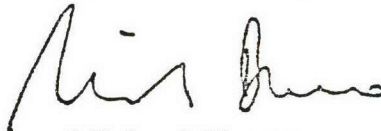
Mr. Kenneth Choi, SECBO

MC11-319

☐	Signature	☐	Clearance	☐	Comment
☐	Information	☐	FYI & Discard	☐	Read & Return

Ken:

Enclosed is an announcement regarding a DEC Seminar Series for the EDs. I understand that your office is responsible for issuing the notice and would be glad for your support. Thanks,



Michael Bruno

Michael Bruno

N6-043

X33774

DEC Informal Seminar Series

To increase awareness of its ongoing research, DEC is proposing a series of *informal* seminars for EDs and their staff on an experimental basis. This will also be an opportunity for DEC to receive early feedback on work in progress. The seminars would be open to all interested EDs or members of their staff and would be held in the EDs' lounge at lunch time. Those interested in attending are encouraged to bring a brown-bag lunch. The seminars would focus on research topics on which preliminary results are available but where we still plan to do further work. After three or four such seminars, we will ask for your feedback and decide how best to proceed.

To get the series started, we are proposing to hold the first seminar on Monday, March 18, from 12:30 to 2:00 p.m. The topic of the first seminar is ***Foreign Aid and Public Spending***, and will be presented by Vinaya Swaroop of PRD. This project asks how foreign aid affects public expenditures and in particular if aid allocated to, say, the education sector, results in a net increase in spending on that sector. The paper will be available at the seminar.

A list of topics to be discussed at future seminars will be distributed at this first seminar.

The seminar series will be managed by the Policy Research Department. Questions or comments should be addressed to Lyn Squire (x36099).

Chun

The World Bank
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Senior Vice President
and Chief Economist

February 28, 1996

Mr. Ismail Serageldin

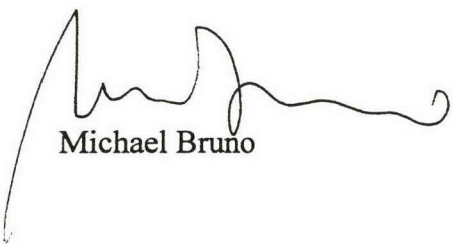
Ismail,

World Bank Support for CIESIN

Attached is a letter from Shaida Badiiee responding to your letter of February 15, 1996.

I think it would be a good idea, as she suggests, for one of your staff to contact her directly, to exchange information about the status of our respective groups' work with CIESIN, and to decide what steps to take -- particularly in respect of the funding issues.

Many thanks.



Michael Bruno

Attachment

cc: Mr. Masood Ahmed

The World Bank
Washington, D.C. 20433
U.S.A.

SHAIDA BADIEE
Sr. Manager
Development Data Group, IEC

96 FEB 28 PM 4: 34

RECEIVED
DEVELOPMENT ECONOMICS
VP & CHIEF ECONOMIST

February 27, 1996

Mr. Michael Bruno

Michael,

In response to Mr Serageldin's letter regarding CIESIN, we agree that working with CIESIN remains a worthwhile endeavor for the Bank, and we, too, hear that the Information Cooperative and the development of the browser are affected by funding difficulties. We would like to affirm our position stated in paragraph 2 of our July 13 letter—that we would be glad to join ESD in presenting a proposal to the Bank's Special Grants Program, with the three stated provisos. We still hope that our collaboration with CIESIN can be a joint exercise with ESD and with any other interested Bank units, for that matter, rather than have CIESIN rely on DEC for leadership or funding.

Over the past year, we have assisted CIESIN in practical ways, by providing premises for their annual conference and by helping set up Learning Center services for their continuing international training courses. But the main focus for us is data dissemination, for which CIESIN has been developing the browser—a very popular feature of CIESIN's Website. As this development is now becoming a high-cost operation for them, and, given the number of developers currently producing browsing tools for the World Wide Web, we are wondering whether it might not make more sense for CIESIN to look for a lower priced option. This will be a topic of discussion when we meet with CIESIN staff next month.

In the meantime, it would be useful for teams from ESD and IEC to talk directly and take advantage of the upcoming meeting with CIESIN. If Mr. Serageldin agrees with this approach, perhaps one of his team members could contact me at 33830.

Thanks,

Shaida 

cc: Masood Ahmed

0959

The World Bank
Washington, D.C. 20433
U.S.A.

ISMAIL SERAGELDIN
Vice President
Environmentally Sustainable Development

96 FEB 22 AM 10:35
RECEIVED
DEVELOPMENT ECONOMICS
VP & CHIEF ECONOMIST

February 15, 1996

Mr. Michael Bruno

Dear Michael,

Last July I had written to you and to Jean-Francois about CIESIN (copy attached). DEC had replied that they had maintained the primary contact with CIESIN and accordingly felt that they should continue to do so rather than having ESD take the lead in this (see para 9 of the attached July 7, 1995 memo). I fully supported that proposal.

I am concerned to hear echoes from outside sources that CIESIN is now disbanding its team working on the browser and that the likely outcome of the fund-raising efforts on the collaborative is not very promising. I would be very interested to know more about how you see this from your perspective, and whether there is anything that I can do to help.

Many thanks.

Sincerely,



cc: Mr. Jean-Francois Rischard, FPDVP

Chen

MICHAEL BRUNO
Senior Vice President
Development Economics and Chief Economist

February 28, 1996

Mr. Jack Boorman

Jack
Mr. Boorman:

Your comments on "Issues in Adjustment Lending"

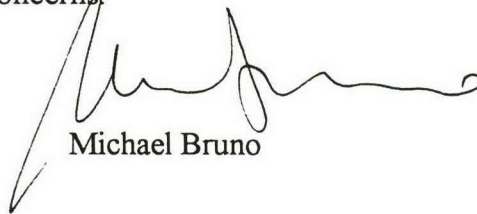
We thank you very much for your comments on the paper on Adjustment Lending. We have now revised the paper in light of comments from our Executive Directors, as well as your comments.

It is already noted in the paper that the relationship between balance of payments and fiscal gaps is not one-to-one. The relevant equation is explained. Also, the paper already stresses that a fiscal financing need does not per se justify adjustment lending: it has to be shown that a part of that financing need should be met by foreign borrowing.

Regarding Bank-Fund collaboration, we are adding a new paragraph at the end, very much along the lines of the existing Operational Directive. It would read as follows:

"25. Finally, the increased emphasis on fiscal policy recommended above implies continued close consultations with the Fund. Adjustment lending is not normally undertaken unless an appropriate Fund arrangement is in place. If there is no Fund arrangement, Bank staff should ascertain, before making their own assessment, whether the Fund has any major outstanding concerns about the adequacy of the country's macroeconomic policies."

I trust this will adequately reflect your concerns.


Michael Bruno

cc: Messrs. Baird, Ray
Ms. Alexander

OFFICE MEMORANDUM

DATE: February 28, 1996

TO: Distribution List

FROM: Michael Bruno *MB*

EXTENSION: 33774

SUBJECT: **Request for Nominations of Developing Country Participants for the Eighth Annual Bank Conference on Development Economics, April 25-26, 1996**

The Eighth *Annual Bank Conference on Development Economics (ABCDE)* will be held in Washington, D.C. on April 25-26, 1996. This conference series brings together international researchers, Bank staff, policymakers and development practitioners to focus on topical issues in development policy.

The four themes of the 1996 conference are:

- **Banking Failures: Crisis or Opportunity for Reform**
Frederic Mishkin and Gerard Caprio/Daniela Klingebiel
- **Reducing Poverty: Targeted Programs and Rural Credit**
Timothy Besley and Ernest Aryeetey
- **Legal Systems and Economic Development**
Robert Cooter and Avner Greif
- **Labor and Environmental Standards in International Trade**
Alan Krueger and Kym Anderson

I am writing to seek your assistance and that of your staff in identifying a small number of researchers from developing countries to participate in the Conference and to contribute to the floor discussion in the sessions relating to their areas of expertise. We are particularly interested in younger researchers who may not have had previous direct, professional contact with the Bank.

This year there will be cost sharing arrangements, with RAD paying 50% and the sponsoring department 50% of the costs (economy class airfare, subsistence expenses of \$350, and three days' hotel charges.)

Because we will be able to invite only a small number of participants, please do not discuss the conference with or make any commitments to the people you nominate. If we invite any of your nominees to participate, we will notify you about our decision.

A nomination form is attached. Please provide as complete details as possible to allow us to contact your nominees. In order to invite participants well in advance of the conference, we would need to receive your nominations by **March 12, 1996**.

If you have any questions or comments, please call Gregory Ingram (31052) or Boris Pleskovic (31062).

Thank you for your assistance.

cc: Directors, Chief Economists, and Resident Representatives

Attachment

(Duplicate as necessary)

EIGHTH ANNUAL BANK CONFERENCE ON DEVELOPMENT ECONOMICS

April 25-26, 1996

World Bank, Washington, DC

Nomination form

The four themes of the Annual Bank Conference on Development Economics 1996 are:

- Banking Failures: Crisis or Opportunity for Reform
- Reducing Poverty: Targeted Programs and Rural Credit
- Legal Systems and Economic Development
- Labor and Environmental Standards in International Trade

Name _____

(Please print or type in full)

Specific areas of expertise _____

Position/occupation _____

Organization _____

Mailing address _____

E-mail address _____

Facsimile number _____

Office telephone _____

Home telephone _____

Telex number _____

Name of nominator _____

Department, division charge-back code _____

Telephone extension _____

Please return your completed form to:

The Conference Coordinators, room N7-011

World Bank, 1818 H Street, NW, Washington, DC 20433

or facsimile number (202) 477-0955

A L L - I N - 1 N O T E

DATE: 28-Feb-1996 05:29pm

TO: Gautam S. Kaji
TO: CAIO KOCH-WESER

(GAUTAM KAJI)
(CAIO KOCH-WESER @A1@W

FROM: Michael Bruno, DECVF

(MICHAEL BRUNO)

EXT.: 33774

SUBJECT: Jam Session

Gautam/Caio:

As you know, we have started a series of monthly "jam sessions" with Jim on issues which are high on his agenda and on which we have something to offer. These are much less structured than the earlier workshops, and are intended to expose Jim to our work at an early stage and get his input in terms of future directions.

The next session is scheduled for Wednesday, March 6 at 11am. We are going to talk about country performance indicators and how they are (or should be) used to inform Bank decisions. We plan to discuss the IDA ratings exercise, FRS's risk ratings and the work on vulnerable countries (Brian Wilson and John Wilton will attend), and IEC's work on the Country-At-A-Glance Tables. We will also suggest ways in which these indicators can be improved, including some proposals for research, and better linked to decisions.

I very much hope that you (or your staff) will be able to attend. These sessions provide a small but open forum for discussion and debate. I know you're thinking about similar issues and I hope that our work will be able to contribute very directly to your operational agenda.

Michael

ALL - I N - 1 N O T E

ok

DATE:

TO: Gautam S. Kaji
TO: CAIO KOCH-WESER

(GAUTAM KAJI)
(CAIO KOCH-WESER @A1@W

FROM: Michael Bruno, DECV

(MICHAEL BRUNO)

EXT.: 33774

SUBJECT: Jam Session

Gautam/Caio:

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I very much hope that you (or your staff) will be able to attend. These sessions provide a small but open forum for discussion and debate. I know you're thinking about similar issues and I hope that our work will be able to contribute very directly to your operational agenda.

Michael

L - I N - 1 N O T E

DATE: 27-Feb-1996 06:05pm

TO: WEEKLY BULLETIN

(WEEKLY BULLETIN @A1@WBWASH)

FROM: Michael Bruno, DECVP

(MICHAEL BRUNO)

EXT.: 33774

SUBJECT: Weekly Bulletin--Announcements

-DECVP (Front Office) will be on Retreat in Annapolis, MD., Thursday-Friday, March 7-8. For urgent messages please call 473-3774. The phone will be answered by a temporary secretary who will transmit the calls to DECVP staff.

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World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: February 27, 1996 11:33am

TO: See Distribution Below

FROM: Michael Gould, EC3AI

(MICHAEL GOULD@A1@WBWASH)

EXT.: 32464

SUBJECT: The Rise and Fall of Russian Privatization

You are invited to a meeting on Thursday, February 29, 1996 at 2:30 p.m. in Conference Room G2-140 to discuss the above paper.

DISTRIBUTION:

TO: Yukon Huang	(YUKON HUANG@A1@WBWASH)
TO: Costas Michalopoulos	(COSTAS MICHALOPOULOS@A1@WBWASH)
TO: Marcelo Selowsky	(MARCELO SELOWSKY@A1@WBWASH)
TO: PRADEEP MITRA	(PRADEEP MITRA@A1@WBHQB)
TO: Qimiao Fan	(QIMIAO FAN@A1@WBWASH)
TO: Richard Westin	(RICHARD WESTIN@A1@WBWASH)
TO: Juergen Franz	(JUERGEN FRANZ@A1@WBWASH)
TO: Elena Kotova	(ELENA KOTOVA@A1@WBWASH)
TO: Jonathan Brown	(JONATHAN BROWN@A1@WBWASH)
TO: Charles McPherson	(CHARLES MCPHERSON@A1@WBWASH)
TO: Gerhard Pohl	(GERHARD POHL@A1@WBWASH)
TO: Douglas A. Webb	(DOUGLAS A. WEBB@A1@WBWASH)
TO: MICHAEL BRUNO	(MICHAEL BRUNO@A1@WBHQB)
TO: PAULO VIEIRA DA CUNHA	(PAULO VIEIRA DA CUNHA@A1@WBHQB)
TO: JEAN-FRANCOIS RISCHARD	(JEAN-FRANCOIS RISCHARD@A1@WBHQB)
TO: ANDREW EWING	(ANDREW EWING@A1@WBHQB)
TO: MAGDI R. ISKANDER	(MAGDI R. ISKANDER@A1@WBHQB)
TO: JOHN NELLIS	(JOHN NELLIS@A1@WBHQB)
TO: IRA LIEBERMAN	(IRA LIEBERMAN@A1@WBHQB)

*If suggest that
John Gould SA Love
Please regret
Hope Nellis will go.*

OFFICE MEMORANDUM

DATE: February 26, 1996

TO: Mr. Lyn Squire, PRDDR

FROM: Michael Bruno, SVP DEC 

EXTENSION: 33774

SUBJECT: **Terms of Reference: Paris and London**

You will leave Washington on Tuesday, February 27, and travel to Paris and London and, together with David Dollar, confer with officials of the OECD (Paris), ODA and OXFAM (London) about the forthcoming Policy Research Report on *Making Aid Work*.

On your return to Washington on March 12, you will prepare a short back-to-office report.

cc: Ahmed, Baird, Ingram, Thomas, Vieira da Cunha

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

DATE: February 26, 1996 11:00am

TO: Yaw Ansu

(YAW ANSU)

FROM: Michael Bruno, DECVF

(MICHAEL BRUNO)

EXT.: 33774

SUBJECT: Economist Week

Yaw:

I was sorry to hear that you have been laid low with a bad back. I know how painful that can be and I wish you a speedy recovery. I also wanted to thank you for the major contribution you made to the planning of the Economist Week. From what I saw in person and have heard from others, it turned out to be a great success. I'm just sorry you couldn't be there to see the fruits of your effort.

Michael

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

DATE: February 26, 1996 11:01am

TO: Lyn Squire

(LYN SQUIRE)

FROM: Michael Bruno, DECVP

(MICHAEL BRUNO)

EXT.: 33774

SUBJECT: Economist Week

Lyn:

I know from the program and the feedback, that PRD staff played a major role in providing the substantive material and resource people for most of the plenary and workshop sessions. I want to personally thank you and your team for this contribution to what has obviously been a highly successful event. I hope there is some payoff in terms of greater understanding and appreciation for our research work. From what I heard in the corridors, there is certainly a payoff to others from what they learnt.

Michael

OFFICE MEMORANDUM

DATE: February 29, 1996

TO: Mr. James D. Wolfensohn

FROM: Michael Bruno *mb*

EXTENSION: 33774

SUBJECT: Green Cover Draft of the 1996 World Development Report

1. Accompanying this memorandum are copies of the Green Cover version of the 1996 World Development Report for your review.
2. This draft was revised in response to comments received at the Bankwide meeting which I chaired on February 7, 1996, and to comments from regional and sectoral staff, and other parts of the Bank, IFC, and IMF. The revisions have mainly involved balancing the treatment of different regions across the chapters, and updating and clarifying the text and material. There has also been some reorganization to improve flow. As far as I am aware, there are no outstanding issues with other Vice Presidencies.
3. We look forward to your comments so that we may proceed with revisions for the Gray Cover version which is scheduled for distribution to the Board on March 29, 1996.

Attachments

cc: Messrs./Mmes. Gautam Kaji, Caio Koch-Weser, Rachel Lomax, Joanne Salop

THE WORLD BANK GROUP

ROUTING SLIP		DATE: February 25, 1996	
NAME			ROOM. NO.
Mr. Michael Bruno			
☐	URGENT	☐	PER YOUR REQUEST
☐	FOR COMMENT	☐	PER OUR CONVERSATION
☐	FOR ACTION	☐	NOTE AND FILE
☒	FOR APPROVAL/CLEARANCE	☐	FOR INFORMATION
☒	FOR SIGNATURE	☐	PREPARE REPLY
☐	NOTE AND CIRCULATE	☐	NOTE AND RETURN
☐		☐	
RE: WDR 1996 Green Cover—Memo to Mr. James D. Wolfensohn			
REMARKS: Michael, Here's the memo in draft; also in final in case you have no change. Alan  Attachments			
FROM Alan Gelb		ROOM NO. N-7-063	EXTENSION 37667

To
2/26

World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: February 26, 1996 10:06am

TO: See Distribution Below

FROM: Michael Bruno, DECVF Mb (MICHAEL BRUNO)

EXT.: 33774

SUBJECT: Delegation of Authority

I will be on mission to Mexico from Thursday, February 29 through Sunday, March 3. Mr. Masood Ahmed will act on my behalf.

Pursuant to paragraph 4 of Annex D of the Administrative Manual Statement No. 1.30, he is hereby designated to sign in the name and on behalf of the Bank/Association during that time any written instruments which I have been designated to sign.

(Signed copy to Legal Files)

DISTRIBUTION:

TO: James D. Wolfensohn	(PAPER MAIL)
TO: JESSICA EINHORN	(JESSICA EINHORN @A1@WBWASH)
TO: RICHARD FRANK	(RICHARD FRANK @A1@WBWASH)
TO: Gautam S. Kaji	(GAUTAM KAJI)
TO: CAIO KOCH-WESER	(CAIO KOCH-WESER @A1@WBWASH)
TO: SVEN SANDSTROM	(SVEN SANDSTROM @A1@WBWASH)
TO: IBRAHIM SHIHATA	(IBRAHIM SHIHATA @A1@WBWASH)
TO: RACHEL LOMAX	(RACHEL LOMAX @A1@WBWASH)
TO: MARK MALLOCH BROWN	(MARK MALLOCH BROWN @A1@WBWASH)
TO: ATSUKO Horiguchi	(ATSUKO Horiguchi @A1@WBWASH)
TO: ORSALIA KALANTZOPOULOS	(ORSALIA KALANTZOPOULOS @A1@WBWA
TO: Masood Ahmed - IECDR	(MASOOD AHMED)
TO: Mark Baird	(MARK BAIRD)
TO: Alan Gelb	(ALAN GELB)
TO: Gregory Ingram	(GREGORY INGRAM)
TO: Lyn Squire	(LYN SQUIRE)
TO: Vinod Thomas	(VINOD THOMAS)
TO: Lesley Davis	(LESLEY DAVIS)
TO: Paulo Vieira Da Cunha	(PAULO VIEIRA DA CUNHA)
TO: Jean Bradier	(JEAN BRADIER)



MICHAEL BRUNO
Senior Vice President
and Chief Economist

February 23, 1996

Mr. Sven Sandstrom

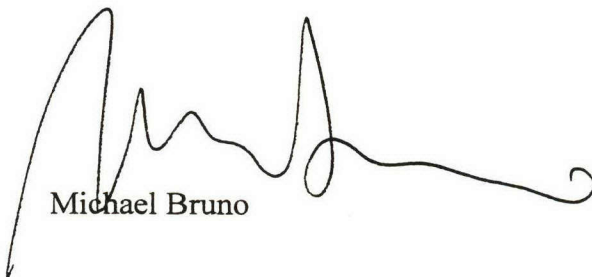
Sven:

Re: Multilateral Debt

You will recall that the basis on which we undertook the work on multilateral debt was your explicit agreement that the incremental costs to IEC would be funded from the President's contingency, if savings could not be found from within DEC. We estimated - and this has now been confirmed to PBD using actual costs - that the incremental cost of this work would amount to \$600,000. We have also confirmed to you and PBD that we are unable to identify savings to cover this cost.

I am concerned, then, to see that PBD's draft midyear review which was sent to DEC for comment yesterday, makes no reference to multilateral debt work in the section on midyear allocations from the President's contingency. A cover note indicates that "...other work program requests for funds will be reassessed at Third Quarter ...".

I would appreciate it if this amount could be transferred to DEC as part of the midyear contingency allocation so that this work can be continued.



Michael Bruno

cc: Messrs. Ahmed, Baird, Ms. Davis

L - I N - 1 N O T E

DATE: 20-Feb-1996 04:55pm

TO: ALEXANDER SHAKOW

(ALEXANDER SHAKOW @A1@WBWASH)

FROM: Michael Bruno, DECVF

(MICHAEL BRUNO)

EXT.: 33774

SUBJECT: Comments on Draft MDB Task Force Report

1. My comments here relate to the draft report's points concerning research.

2. In a discussion of possible areas for cost reduction, paragraph 56 suggests that the research program at the World Bank has "now attained a scale which deserves serious review". I find this statement both puzzling and at odds with the rest of the report.

3. Research at the World Bank has, in fact, been shrinking steadily in recent years. It now commands a smaller share of the Bank's administrative budget--less than 3 percent--than at any time over the past twenty years, and research expenditures (in current dollars) declined nearly 30 percent from FY92 to FY95, while the overall administrative budget of the Bank has increased by 30 percent over this period. Yet the increasing importance that the draft report correctly gives to advisory and technical services will place added demands on research. For example, paragraph 64 notes that one advantage of the World Bank is its "unmatched operational research base". In my view, research in the Bank is now seriously underfunded.

4. We have developed a research program focused on operationally relevant topics that produces highly-accessible and much-quoted outputs, such as the Policy Research Reports. Over the past two years, these reports have covered topics such as the East Asian miracle, adjustment in Africa, pension reform and reform of state-owned enterprises. Major research reports now have cover notes drawing out their operational implications for the Bank's lending and nonlending services. The days of large free-standing research studies are long gone.

5. The last section of paragraph 60 suggests the need to relate costs and results of activities--including research. Centrally funded research at the World Bank is now evaluated and its impact assessed. Research was recently described as the most systematically and rigorously evaluated nonlending activity in the Bank by OED in its publication, "Assessing Development Effectiveness."

6. The draft report recommends increased coordination in a variety of areas, including research, and in paragraph 77 it

suggests "consolidating operational research programs at the regional operating level." The intent and meaning of this is unclear. But a major strength of the World Bank's research program is in studies that examine issues and best practice across both countries and regions. This strength should be preserved.

7. It is regrettable that I was not consulted about these matters at any point in the process.

CC: Armeane Choksi

(ARMEANE CHOKSI)

L L - I N - 1 N O T E

DATE: 20-Feb-1996 01:25pm

TO: Gregory Ingram

(GREGORY INGRAM)

FROM: Michael Bruno, DECVP

(MICHAEL BRUNO)

EXT.: 33774

SUBJECT: Comments on Draft MDB Task Force Report

Greg,

Please see attached EM per changes made by Mr. Bruno for your review. We are still awaiting the administrative budget increase percentage figure from Lesley.

Thanks, Eunice

L L - I N - 1 N O T E

DATE: 20-Feb-1996 04:59pm

TO: See Distribution Below

FROM: Michael Bruno, DECVP (MICHAEL BRUNO)

EXT.: 33774

SUBJECT: Comments on Draft MDB Task Force Report

See attached.

DISTRIBUTION:

TO: Mark Baird	(MARK BAIRD)
TO: Gregory Ingram	(GREGORY INGRAM)
TO: Lyn Squire	(LYN SQUIRE)
TO: Vinod Thomas	(VINOD THOMAS)
TO: Masood Ahmed - IECDR	(MASOOD AHMED)

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Senior Vice President
and Chief Economist

February 13, 1996

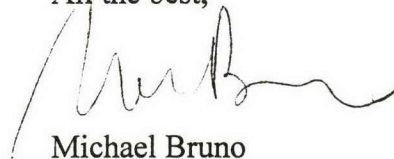
Mr. Timothy T. Thahane

Dear Tim,

Thanks for your note of February 7 and especially for the kind words at the end. Let me reciprocate by saying that I very much enjoyed working with you here and hope that we will indeed be able to collaborate in your challenging new job. South Africa has struck a special note with me ever since I visited it last year, and I hope to keep up with its development and that of its people.

On the Task Force management, as Mark may have told you, I don't think that I will be able to take it on. It is a matter of both comparative advantage and extreme pressure on my time. But as I told you at the time we will be happy to offer DEC's help both to you and your successor in matters of content.

All the best,

A handwritten signature in dark ink, appearing to read 'Michael Bruno', with a stylized, flowing script.

Michael Bruno

0918

The World Bank
Washington, D.C. 20433
U.S.A.

cc. m. Baird ✓

TIMOTHY T. THAHANE
Vice President
United Nations Affairs

96 FEB -8 PM 2:26

RECEIVED
DEVELOPMENT ECONOMICS
VP & CHIEF ECONOMIST

February 7, 1996

Mr. Michael Bruno

Michael

UNCTAD IX and Possible
Seminar on G.E. Prospects
and Developing Countries 1996

As I informed Mark Baird I will be leaving the Bank at the end of March to become Deputy Governor of the Reserve Bank of South Africa. I will therefore not attend UNCTAD IX. Gautam will represent Jim at the ACC meeting on April 27 and also at UNCTAD.

I suggest that Sarwar Lateef work with him directly on the speech and let me know so that I can reserve an early speaking slot for him at UNCTAD.

The dissemination of Global Economic Prospects 1996 and holding of a seminar on it is a very good idea. Please let me know if I can be of assistance in arranging the seminar. Regarding the Task Force on Enabling Environment, I plan to go to New York and finalize possible Terms of Reference with UNDP and the UN Secretariat so that the first organizational meeting can be held soon. I will chair that meeting which I hope can agree on Terms of Reference.

Finally, I want to thank you personally Michael for the support and cooperation you have rendered to me in my previous job and for your professional modesty and humanity which are a model for emulation. I hope that I can continue to enjoy your support in the future.

Sincerely yours,

Jim

OFFICE MEMORANDUM

0926

cc. Z.S✓

DATE: February 9, 1996

TO: Mr. Michael Bruno, DECVP
Mr. Armeane Choksi, HCOVP

FROM: Timothy T. Thane, UNAVP

EXTENSION: 39333

SUBJECT: UN Task Force on Enabling Environment: Chairmanship

RECEIVED
DEVELOPMENT ECONOMICS
& CHIEF ECONOMIST
96 FEB 12 PM 1:33

1. You kindly offered to support me in chairing the above Task Force on behalf of the Bank and I agreed. Your promise of support was critical to my decision because I do not have the infrastructure to do the necessary analytical work and definition of issues that must be considered by the Task Force and to support me during the meetings.
2. However, as events have since turned out, I will retire from the Bank on March 31, 1996. This reopens the question of Chairmanship of this Task Force. I do not know what the President's views on my successor are. In any case, I wish to do as much preparatory work as I can before I leave. My successor would take over where I leave off. I think the Task Force should:
 - Consist of Senior Representatives (Undersecretary and Deputy Secretary level) of a Core Group of Agencies, e.g. World Bank, IMF, WTO, UNDP, UN Secretariat, UNIDO, UNCTAD, Economic Commissions;
 - Appoint a Working Group which will do the work and present recommendations to the Task Force;
 - Focus on limited countries that provide "Best Practice" examples of Macro-economic frameworks that have resulted in successful economic and social development.
 - Set a time frame of 12 to 16 months to conclude its work;
 - Meet at Task Force level twice during the 12 to 16 months period, once to review the recommendations and the second time to finalize the Report.
3. If the above approach commends itself to you, I would suggest that Michael should chair the Task Force and appoint, from his Department, the Chairman of the Working Group. The chairmanship, given Michael's international stature, will indicate the importance the Bank attaches to the Task Force and add credibility to the selective conclusions I expect to come out of it. DEC has the intellectual and informational

0918

The World Bank
Washington, D.C. 20433
U.S.A.

TIMOTHY T. THAHANE
Vice President
United Nations Affairs

96 FEB -8 PM 2: 26

RECEIVED
DEVELOPMENT ECONOMICS
VP & CHIEF ECONOMIST

cc. m. Baird ✓

February 7, 1996

Mr. Michael Bruno

Michael

UNCTAD IX and Possible
Seminar on G.E. Prospects
and Developing Countries 1996

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Finally, I want to thank you personally Michael for the support and cooperation you have rendered to me in my previous job and for your professional modesty and humanity which are a model for emulation. I hope that I can continue to enjoy your support in the future.

Sincerely yours,

Jim

Chkon

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Senior Vice President
and Chief Economist

January 30, 1996

Mr. Armeane Choksi
HCOVP

Armeane:

Research on Gender

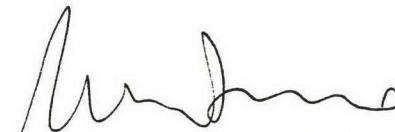
Thank you for your memorandum of January 24, 1996. In principle, DEC supports a research initiative on gender provided it has a strong policy focus. Indeed, we already have some activities which can serve as a basis for further work in each of the areas you mentioned.

On linking economic reforms and gender, I agree that methodology and data are important. As you may know, together with PSP, we are coordinating with UNDP and UNICEF to undertake work on poverty monitoring which, among other things, will look at the use of both qualitative and quantitative indicators. This work can be given more of a gender focus. But the critical issues are to establish causality and to provide plausible explanations on the pathways of the interaction. One way to do this is to work closely with operations to evaluate rigorously the impact of gender-oriented policy reforms. We are currently evaluating an experiment to provide incentives to increase girls' education in Pakistan, and Tanzania for example. We would be happy to discuss this with your team and try to identify and perhaps collaborate on other such research opportunities. Another way is through the Bank-wide NGO-committee on which Lyn Squire serves. In response to a proposal from a group of NGOs, we are exploring the possibility of undertaking an evaluation of selected adjustment countries with an eye to how the poverty impact of our operations can be improved. Again, this can have a strong gender focus.

On poverty and gender in general, the LSMS household surveys already have paved the way for innovative work on the impact of public expenditures by gender. PRD will continue to consider this activity as a priority. We can also use these and other data to examine ways to obtain more robust estimates linking poverty and gender, such as the percentage of the poor that are women. We can see how many of the surveys to which we have access allow the estimation of poverty by gender. As you know, even good estimates can be easily misinterpreted so I would want the team to identify first the ultimate use for such estimates. In particular, these estimates are obliged to make assumptions about how to assume that household resources are allocated among males and females -- assumptions that need to be carefully studied. On this issue, PRD is publishing a study (*Intrahousehold Resource Allocation In Developing Countries: Methods, Models, And Policy*) which explores these questions.

On environment and gender, we are already embarking on a research project that will look at fertility choice and environmental outcomes among poor households. There may also be other opportunities for gender differentiation in ongoing work on environment, although as you point out, data may be a constraint. PRD staff are willing to discuss other hypotheses on the role of women in natural resource management.

I suggest that the Gender Committee invite Lyn Squire to discuss the work that is already ongoing, and explore with you the scope and costs of any additional work.



Michael Bruno

0853

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

OFFICE MEMORANDUM

DATE: January 24, 1996

96 JAN 26 PM 2:05

TO: Mr. Michael Bruno, DEC

FROM: Armeane M. Choksi, HCD

RECEIVED
DEVELOPMENT ECONOMICS
& CHIEF ECONOMIST
Am

EXTENSION: 31811

SUBJECT: **Research on Gender**

As you might be aware, Mr. Wolfensohn recently requested the establishment of a Gender Committee, whose members represent a broad spectrum of operational Bank staff, to report to him regularly and to apprise him of specific support that he can provide to ensure that gender is mainstreamed into Bank operations (see Attachment 1). This Committee met with him on Thursday, January 18.

Among the recommendations that the Committee made, one focused exclusively on research (see Attachment 2). I was asked to discuss the research recommendations with you directly. I think that there are three areas that deserve attention:

Economic Reforms and Gender: There is a widely-held perception, at least outside the Bank, that Bank-supported structural adjustment programs have a systematically negative impact on women's welfare. Very little empirical research has addressed this issue; most accounts of adjustments impact on women are anecdotal. One key issue in terms of generating sound analysis on the gender impacts of adjustment is **methodological**. Most of what has been written fails to distinguish adequately between the impacts of adjustment programs and the economic crises that precipitate them. A second key issue involves the lack of suitable gender-disaggregated data to conduct such analyses. HCD and the Regions could deal with the issue on an ad hoc basis, but DEC is in a better position to provide the rigorous and systematic research necessary to shed light on this important debate.

Poverty and Gender: The literature in this area is rife with the phrase "the feminization of poverty." Several public opinion makers have been quoted recently as stating that 70 percent of the poor are women -- although it is not clear there is any evidence to support this assertion. We would like your help in clarifying this issue and in generating alternative poverty estimates to help enlighten the gender and poverty linkage. We also see DEC leading the way in improving data collection efforts in order to reflect gender differentiation at the household and intrahousehold levels. This would represent a big step forward in advancing our analytical knowledge on poverty.

Environment and Gender: The Bank has frequently come under attack for ignoring the role of women in natural resources management. In the context of women and natural resource management, we have not yet developed an analytical framework nor generated the empirical evidence to adequately address the key issues in policy dialogues. Moreover, we have recently conducted an exhaustive search on the literature and data related to gender, land rights and agricultural productivity. The search indicated that there is very little gender-disaggregated data, let alone research on the subject. At the same time, significant resources are being spent on land titling programs that may or may not have a salutary effects on productivity or household welfare. We think that DEC could lead the research community in this area by developing workable hypotheses, generating the necessary primary data, conducting empirical analysis, and evaluating the policy implications in this area.

The Committee also discussed with Mr. Wolfensohn the possibility of having a WDR, or an equivalent high-profile report, on gender. This proposal was discussed two years ago, and we are still convinced that the Bank should use this forum to reach a wider audience. We would like to have your views on the matter.

The Gender Committee and HCD are happy to discuss any, or all, of these points with you and your team.

Attachments

cc: Messrs./Mmes. Koch-Weser, Kaji, Salop, Lomax, Bassinette, Gender Committee members

OFFICE MEMORANDUM

DATE: December 6, 1995

TO: Ms. Rachel Lomax, EXC

FROM: Armeane M. Choksi, Vice President, HCO *Amc*

EXTENSION: 31811

SUBJECT: Report on Gender Work in the Bank

Mr. Wolfensohn asked HCO to form a committee to report to him, on a regular basis, on the progress of a Bankwide effort to integrate gender issues into Bank operations, as well as to advise him on specific actions he might take to lend support to this issue. The formation of such a committee was announced at the Beijing Conference during his meeting with NGOs and was mentioned to Bank staff during his remarks at "Beyond Beijing" on November 8. We have formed a Bankwide committee comprising the following members:

Ishrat Husain, Director, PSP (Chairman)
Daniel Ritchie, Director, MN1DR
Sri-ram Aiyer, Director, LATDR
Ravi Kanbur, Chief Economist, AFRCE
Ngozi Okonjo-Iweala, Division Chief, AF4CO
Dominique Lallement, Division Chief, EC4IN
Minh Chau Nguyen, Manager, PSP
Lynn Bennett, Senior Anthropologist, ASTHR

The committee has met and agreed on the following terms of reference:

- To keep Mr. Wolfensohn apprised of how well the Bank is integrating gender issues into Bank operations

We will be following up on monitorable actions to ensure that the findings we present to Mr. Wolfensohn are systematic and consistent, such as:

- o The rating system currently used by the monitoring unit in the Poverty and Social Policy Department (PSP)¹, to track the attention paid to gender issues in CASs and lending operations after these operations have been approved by the Board*
 - o A review of the progress in implementing the regional plan regarding gender*
 - o Periodic random surveys of Bank staff on how well they think gender issues are integrated in the Bank's work*
- To inform Mr. Wolfensohn of "best practices" in operations across the Bank, so that task managers and their teams will be acknowledged. We believe this recognition will provide incentives to staff to devote the time and effort to work on this difficult issue
- To report to Mr. Wolfensohn on progress in conducting a dialogue with, and the concerns of, the civil society
- To work on initiatives that would focus global attention on gender issues and encourage a spirit of worldwide cooperation. Two such proposals are a possible WDR on gender (in perhaps two or three years) and a global leadership fund for women

We propose to meet with Mr. Wolfensohn on a quarterly basis, starting in January 1996. A short report will be prepared as the basis for the discussions, which will focus on success in meeting the above targets and the specific actions that he might take to ensure continued progress.

cc: Messrs./Mmes.: Sandstrom, Kaji, Koch-Weser, Horiguchi, Tsatsakis
Bankwide Gender Committee

¹ The rating system classifies the Bank's operations into three categories: "0" for operations that do not address gender issues; "1" for operations where gender issues are discussed; and "2" for operations where specific actions are taken to advance gender equality.

Briefing Note for Mr. Wolfensohn

Meeting with the Bank's Gender Committee

Members of the Bank's Gender Committee

TAB 1

The purpose of this meeting is to

- o inform you on the progress made on internalizing the messages from Beijing and integrating gender issues in the Bank's work; and
- o advise you on specific actions that you could take to lend support to various efforts to ensure that gender issues become an integral part of the Bank's business

A. Internalization of Messages From Beijing

Actions taken:

- o Note from Mr. Choksi to Bank staff on the Beijing Conference TAB 2
- o Note to the Board on the Beijing Conference TAB 3
- o Memorandum from Mr. Husain to inform Bank staff about the petition received from women NGOs and your response to the petition TAB 4
- o The Beyond Beijing Conference TAB 5
- o Establishment of the Bank's Gender Committee and its terms of reference TAB 6

Further Action:

To leave no doubt in people's minds about your commitment to integrating gender issues into the Bank's operational work, the Committee recommends that you send a short announcement on the establishment of the Bank's Gender Committee, its terms of reference (see TAB 6), and how you will use this Committee (i.e. to advise you on operational issues on gender).

B. Progress in Integrating Gender in Bank's Work

- o The Human Capital Development (HCD) Vice Presidency developed a monitoring system (in 1988) to track the progress of addressing gender issues in the Bank's operations. A Bankwide review in FY 95 indicated that about 37% of the Bank's lending operations addressed gender issues; about 28% included specific actions TAB 7
- o All Regions are now preparing action plans to identify issues and priorities. An example of the Africa Region Action Plan is attached TAB 8

Further Actions:

The Committee recommends that you take the following course of action:

- o convey to the Regional Vice Presidents that you expect each Region to develop a monitoring system to track progress in implementing the regional action plans, and to report this progress periodically to the Bank's Gender Committee, which will then report to you;
- o ask the Bank's Gender Committee to report quarterly to you on good examples of flagship products provided by the Regions;
- o ask the Bank's Gender Committee to arrange for a flagship product to be presented and discussed with all the operational Vice Presidents every quarter. The presentation and the discussions will be recorded and made available to Bank staff. This will give a strong incentive signal to staff and to promote sharing of experience; and
- o discuss with Mr. Bruno the inclusion of gender issues in the Bank's research agenda and the possibility of having a World Development Report on Gender in FY98, for which preparatory work would need to be commissioned in FY97.

C. Implementing the Education Goals Proposed in Mr. Wolfensohn's speech

- o HCD (Minh Chau Nguyen and Maris O'Rourke) held a meeting on this topic at a retreat with human resources managers in the Bank, and is in the process of identifying countries that will need special assistance towards meeting the goals. A monitoring system to follow up on the Bank's commitment has been set up.

Further Action:

A report on the progress will be submitted to you at the end of June 1996 when annual Bank lending commitments for education can be reported.

D. Responding to the Petition from Beijing

- o HCD has established a process to communicate periodically with women NGOs (through the Internet) on the implementation of the four points raised in the petition (see TAB 4). The first communication will be in January 1996.
- o Some Regions (i.e. Africa, LAC) have established regular meetings with NGOs, with the objective of taking NGO views, including women NGOs, into account in the formulation of country assistance strategies.
- o Establishment of the External Gender Advisory Committee. TAB 9

Further Action:

The Committee recommends that you meet with the External Gender Advisory Committee (consisting of representatives from women NGOs) at the Bank in Spring 1996 to follow up on the commitments made in Beijing (see TAB 9).

The World Bank
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Senior Vice President
and Chief Economist

January 29, 1996

Mr. Ira Lieberman
Manager
Private Sector Development Department
G 4-123

The Rise and Fall of Russian Privatization

Dear Ira,

Thank you for sending me a copy of your joint paper. What you have produced is a quality analytical piece of strategic importance for our work in Russia. As you mention, the questions raised should be considered carefully by management; if your view is correct, the country strategy should be changed accordingly. I would like to congratulate you and your co-authors. I am convinced that it is through exchanges such as this--of candid assessments based on informed and sound professional judgment--that we can improve the quality of what we do by learning from experience and from our own role in a difficult process of change.

With due regard to the confidentiality of your findings, I have shared your paper with a few colleagues. All told, I would like to raise four issues of process and ask some questions of policy:

Issues

Technical assessment and policy advice. Your description of the Svyazinvest episode suggests that, despite the technical consensus that four months was not enough to conclude the transaction, we caved in to the political pressure as perceived by Maxim Boycko. We never said clearly that this proposition would not receive our support, perhaps because we feared that such a stand would be misinterpreted as lack of support for reform. Similarly, we caved in to the pressure to sell-off enterprises to help fund the budget deficit--as late as in September--despite the accumulated

knowledge that the objective of privatization is efficiency and not revenue generation. By then, your description suggests that the trade-off was inevitable and, arguably, we should have stood by the primary objective. You make no reference to accompanying macroeconomic assessments, and this points to the importance of buttressing sectoral conclusions on macro analysis to avoid the false imperatives of sectorally unsound "solutions" for "good" macro objectives.

Good economics and bad politics. It is clear from your account that we provided good quality technical expertise to the Russian authorities. Commonly, given the importance of the client, *and the interest that our staff had about these issues*, the advice had benefited from a salutary process of open internal debate and criticism. Often, however, the original advice was modified, toned-down or even over-ruled through a much less public and thus possibly also less competent process of political analysis. Indeed, my sense is that, as a normative guide, political analysis, and political-economy arguments, are less well developed analytically and more demanding empirically. This may help explain why the debate is more confined and opaque, especially when the purpose of discussion is to arrive at operational decisions. But this does not condone its results--and it points to the importance of developing workable analytical methods for answering questions of political economy and politics. Meanwhile, it does indicate that we should place more emphasis on what we know best; i.e., our technical, economic judgment. Our desire to contribute to reforms should not cloud our technical judgment and lead us to support actions that are quite apparently optimistic if not ill-conceived.

Alarm bells and trip-wires. Russian privatization is a good example of a problem that is too complex to be analyzed with a complete analytical model. In fact, even a partial model would be of little use, beset by faulty data and lack of policy relevance. For this reason alone, if not for others linked to acquiring more systematic knowledge, our actions should be conditional on indicators of progress. In the questions you address, there are many unsolved debates about means. But there may be accepted measures of outcomes, and generally agreed indicators of progress. For example, most of you agreed that the political decision to exclude the resource-intensive enterprises from the first stage of privatization was a serious mistake because it greatly devalued the privatization vouchers. As John Nellis has observed, the privatization program became flawed very early in its implementation, as substantial concessions were given to insiders in the firms. "Insiders representing 19% of adult Russians obtained 56% of equity sold through June of 1994 ... The public found this unfair ... Nonetheless, even then, the program had not been damaged to the point where the chances for public acceptance were reduced to zero. What did it in was the toleration of the numerous "special" arrangements (all of which the Chubais team fought, but lost) whereby the biggest and richest firms did not even have to obey the modest distribution rules of the voucher program, and insiders got a near complete and enormous transfer of wealth." With the benefit of hindsight, one may ask: Wouldn't it have been possible to agree ex-ante with the authorities on a series of clear indicators which, by sounding alarm bells, would stop our assistance and force reconsideration? Any one of us who

has worked in implementing macroeconomic policy knows how important these indicators are; without them it is always too easy to "hope for the best in the next turn of the market," to procrastinate and accept untested political "imperatives."

Sustainability of reform. We are all discovering that this is the most difficult test of reform. It is also, unfortunately, where our knowledge is weakest. Many of the issues raised in your analysis concern, fundamentally, questions of sustainability: Given that the process of privatization has been irreversibly damaged, what lessons should we draw? Should we conclude that this is the best that could be done and that flawed privatization at least puts the assets in the hands of people with some concern for the longer run health of the capital? Or should we conclude that, given that the process failed in its most basic intent of legitimizing a massive reassignment of property rights it thereby also failed to enfranchise a relatively wide spectrum of supporters for efficient and ultimately equitable economic *and political* reforms? This is not an easy question to settle, and it is not idle speculation. As your paper points out, it may well be that Russia is walking towards a major financial collapse; an answer to the previous question would impinge directly on the kind of policy to pursue should this event materialize. It will even influence our willingness to avert the meltdown. Here again, my conclusion is that, given the seriousness of the issues we are dealing with, we should not continue to act based on such a thin analytical capacity.

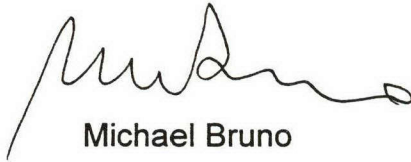
Questions

What are the implications for the Bank's role? At the more abstract level, you have already guessed what my answer is: We should stand by our technical assessments; we should learn how to do better political analysis, to discuss it more openly and, unless explicitly convinced otherwise, accept the precedence of technical-over-political insights; we should set up clear ex-ante indicators of performance, especially in complex reform processes and; we should spend more time and resources measuring and explaining the sustainability of reforms; i.e., understanding what makes an exogenous political impulse turn into an endogenous reform process.

But what about Russia? Here I find the paper particularly alarming. It demonstrates active government collusion in the conception and execution of these sub-optimal (to put it charitably) arrangements. It notes the removal from the scene of all leading reformers, and the marginalization of the remaining. But then at times the paper says the way to correct a perceived problem is by government designing and implementing the proper policy. What reason is there to believe that such recommendations will be adopted, much less implemented? If government is such a major part of the problem, how can it be the architect of the solution? If the regime is unwilling or unable to sell its huge natural resource assets transparently, or to subject the sector to an effective tax regime, what argument is there for financial support to the Government from the IFIs?

I hope these comments and questions are helpful. Again, let me thank you and congratulate you for your openness and constructive initiative.

Thank you,

A handwritten signature in black ink, appearing to read 'Michael Bruno', with a stylized, flowing script.

cc: Messrs: Linn, Selowsky, Huang (ECA); Rischard (FPD); Baird, Gelb, Nellis, Vieira da Cunha (DEC).

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Senior Vice President
Development Economics and Chief Economist

January 29, 1996

Mr. Sven Sandström

Sven:

Re: Review of World Bank Spending on External Affairs

Maria,
Copy for
your files
m
1/30

While I have much sympathy with the underlying intentions of your memorandum of January 15 initiating a review process on World Bank spending on external affairs, I must confess I have strong misgivings about the review process described therein.

Let me begin by saying that I strongly endorse any effort that would strengthen the external affairs function, enhance EXT's role in improving coordination of the Bank's external affairs activities and increase the cost effectiveness of our external affairs work. We in DEC are prepared to work closely with EXT in achieving these objectives, and as the attached note indicates, our partnership with EXT is close.

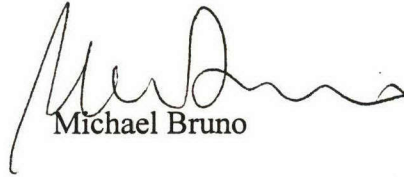
However, I have several misgivings about what is proposed in the memorandum. (The attached note spells these out in more detail.) I am particularly concerned that the proposals as set out would:

- undermine the accountability of managers
- draw artificial and damaging distinctions between what we produce and what we disseminate and communicate
- fail to permit sufficient time to build a consensus within the institution on an external affairs strategy
- separate the review of communications activities from that of the business plan.

I would strongly urge that we reconsider the proposed approach. We would propose instead that EXT should devote the better part of February to helping build a consensus within the institution on the Bank's medium term external affairs strategy, and develop jointly with VPUs an agreed set of priorities. The VPUs should then try to reflect these priorities as best they can in their business plans and not in a separate external affairs strategy. This will not be easy given the March 1 deadline for business plan submission to PBD (which you may need to revisit in this context). When the President reviews each VPU's business plan later this fiscal year, that review should, with EXT's help, make a determination on whether the business plan adequately reflects the

agreed priorities established for external affairs, just as it should examine whether the business plan reflects other Bank priorities such as development effectiveness.

I recommend you drop the proposal to freeze arbitrary sums of money from VPU budgets. If the intention is simply to provide more resources for EXT, a simpler solution is an across the board tax on all VPUs once EXT has made a clear and convincing case for the resources it needs.



Michael Bruno

Attachment

cc. Messrs./Mmes. Kaji, Koch-Weser, Einhorn, Frank (EXC) Malloch Brown (EXTVP)
Richard Lynn (PBDDR).

bcc: DEC Senior Managers

KSL:mct

**Review of World Bank Spending on External Affairs/
Public Information Activities**

Mr. Sandström's memorandum of January 15, initiating a review process on World Bank spending on external affairs/public information activities, raises a number of important issues.

The underlying intentions are indeed laudable. EXT's role in improving coordination of the Bank's external affairs activities needs to be strengthened, and a review of the cost effectiveness of external affairs work is long overdue. The Bank has paid a heavy price in the past for its failure to develop and project a coherent external affairs strategy. And there is no doubt that a critical look at the institution's external affairs program will reveal considerable opportunities for improvement and rationalization, and for reducing waste and duplication.

We in DEC are fully prepared to continue to work closely with EXT on our communications activities and in EXT's review of our work. At the beginning of the current fiscal year, we articulated a communications strategy for DEC which benefitted greatly from extensive comments from EXT. We have set up a small working group which helps us coordinate the communications activities of different DEC departments. EXT is represented on this group and its senior managers are invited to attend the monthly meetings whenever there is an important activity or issue to be addressed.

However, the memorandum's approach to this whole exercise is highly problematic:

First, it is a retrograde step to take expenditures on a certain function and to subject it to some form of centralized control from PBD and the central department concerned. This totally undermines the accountability of managers for delivering an effective work program. It is also bad budgetary practice since centralization, however limited, carries significant risks for the misallocation of resources at the individual department level. If a Ministry of Finance were to do this in one of our borrowing countries, we would certainly be advising against it.

Second, it tries to establish artificial distinctions between what we produce and what we disseminate to and communicate with the outside world. DEC's research and policy work or its analysis of development issues will be of no use to anyone if we do not effectively communicate it to the outside world. For DEC the Bank's operational staff are as important as external clients since they must intermediate the results of our work to the Bank's ultimate clients. Our communications efforts are, therefore, intended as much to reach internal clients as they are to reach external clients. If, for example, The Economist reviews a DEC publication, it is more likely that a Bank country economist will read it. Nor does it make sense to give task managers the impression that the communications effort is somebody else's headache and his sole responsibility is the research and policy work itself. We believe it is part of the task manager's job to learn how the Bank's clients view his product and what they want to see from the Bank in the future, and that the task manager must pay as much attention to the successful communication of his product as to its quality and relevance. We will only be successful in external communications when every staff member is sensitive to client needs and does not see external communications as a chore or someone else's responsibility.

Third, the logic of the budgetary process outlined in the memorandum is difficult to comprehend. It is proposed that we await an articulation by EXT of communications priorities as it sees them (due sometime this week). The VPUs are then expected to agree on a set of institutional priorities and to submit a communications plan based on these by the end of February. EXT will then make recommendations to the Executive Committee on a Bank wide external affairs budget, and the Executive Committee will make "final decisions" by the end of March. Until then, PBD will hold back the amount shown in the attached table to the memorandum. This raises several issues:

- the process does not allow sufficient time for the kind of consultations and consensus building within the institution that we know EXT is seeking and would like to achieve. Such consultations and consensus are important for two reasons. First, managers need to have a sense of ownership of the priorities to be agreed. Second, the VPUs will have important insights on their respective clients needs and priorities, since we deal with them on a daily basis. These need to be reflected in any institution-wide plan.
- more important, the process appears to separate the review of communications activities from that of the rest of the business plan. The Executive Council cannot be expected to evaluate a VPU's communications strategy without a full knowledge of its business plan. Nor can it be expected to evaluate the overall

priorities contained in a business plan with certain components already predetermined.

- the proposal for PBD to freeze the amounts identified in the attached table to the January 15 memorandum is fundamentally flawed. As the memorandum recognizes we are adding apples and oranges here. In DEC's case, for instance, we do not have "public affairs" officers as such. The staff who spend a significant amount of time on communications activities are also doing a number of other things related to their department's work programs. Nor, as noted above, does DEC attempt to distinguish between internal and external clients. The annual Bank Conference on Development Economics is an important external event. But one of its primary objectives is to expose the Bank's economists to the frontiers of their discipline. At the very least, therefore, an exercise is needed to agree on a common set of definitions of "external affairs".

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Senior Vice President
and Chief Economist

January 25, 1996

Mr. Timothy Thahane

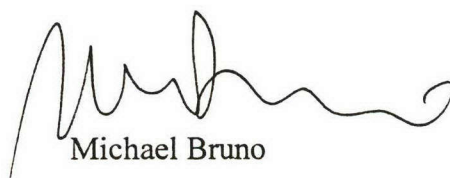
Tim,

UNCTAD IX

As you know, the Ninth Quadrennial United Nations Conference on Trade and Development (UNCTAD) will take place in Midrand, South Africa between April 26 and May 11, 1996. DEC is formally responsible for the Bank's relations with UNCTAD. We have traditionally been represented at fairly senior level at this conference. Atilla Karaosmanoglu attended UNCTAD VIII in Cartagena. The agenda or likely outcome does not warrant the President attending UNCTAD IX. I would have liked to go but there are other constraints on my time. On the other hand, I feel that it would be highly appropriate for you to represent the Bank in your new capacity as Vice President for United Nations Affairs and to make a Statement on its behalf. This will provide an opportunity to inform a large number of people of your appointment and of Mr. Wolfensohn's commitment to strong relations with the UN System.

Sarwar Lateef, from the International Economics Department, will be attending some parts of the conference and will take responsibility for briefing you and preparing the Bank's statement for you to deliver. The Secretary-General of UNCTAD, Mr. Ricupero, visited the Bank just before he took over and we had agreed that the DEC report, Global Economic Prospects and the Developing Countries, 1996 would cover issues that are very similar to the agenda. The document would, therefore, form the basis for our statement, and we would use the opportunity to disseminate it during UNCTAD IX in various ways, including possibly, a seminar. I am asking Sarwar to discuss this with you should you be willing to attend. Since we will need to finalize the logistics by the end of this month, I would appreciate an early response.

Enclosed is a copy of the Provisional Agenda and the Delegates Information Booklet. I look forward to hearing from you.



Michael Bruno

Attachments

cc: Messrs. Ahmed, Baird, Lateef

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

OFFICE MEMORANDUM

DATE: January 24, 1996

TO: Mr. James D. Wolfensohn

FROM: Michael Bruno *mb*

EXTENSION: 33774

SUBJECT: **Draft Transmittal Memorandum for the Report
on the World Bank Research Program**

On January 16, 1996 I sent to your office for comments and clearance a draft of the Report on the World Bank Research Program for Fiscal 1994/1995. A copy of my earlier memorandum is attached. I look forward to any comments you may have on the report.

When the Research Report is distributed to the Board, it has normally incorporated a signed transmittal memorandum from the president. Attached is a transmittal memorandum for your review and signature. To meet printing deadlines, I hope we can receive a signed copy of the transmittal memorandum by close of business on January 26, 1996.

Attachments

cc: R. Lomax, J. Bassinette

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

OFFICE MEMORANDUM

DATE: January 16, 1996

TO: Mr. James Wolfensohn

FROM: Michael Bruno *MB*

EXTENSION: 33774

SUBJECT: **Report on the World Bank Research Program, Fiscal 1994 and 1995**

1. Accompanying this memorandum is a copy of the draft Report on the World Bank Research Program for fiscal 1994/1995 for your review and clearance for distribution to the Board. This document is a biennial report to the Board reporting on the Bank's overall research program.
2. An earlier version of this report has been widely circulated within the Bank and discussed at a Bank-wide meeting which I chaired. The report has been revised in response to written comments and the discussion at the Bank-wide meeting.
3. Part 1 of the report presents a variety of indicators to measure the impact of Bank research on audiences outside the Bank and is an example of how it is possible to gauge the effectiveness of this nonlending service. Part 2 reviews recent trends in the financing of research, presents research results in several thematic areas, and summarizes external evaluations of research projects and research-related activities. Part 3 identifies areas of focus for Bank research over the next few years.
4. I look forward to any comments that you may have on this report. It is scheduled for discussion by the Board on February 27, 1996 and must be distributed to the Board by Friday, January 26, 1996.

Attachment

cc: G. Kaji, C. Koch-Weser, R. Lomax, J. Salop



Record Removal Notice

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File Title Michael Bruno - Internal Chronological - January to April 1996		Barcode No. 30486497		
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Correspondents / Participants From: James D. Wolfensohn, President To: Executive Directors				
Subject / Title Bank Group Research Program				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		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 Salma Berrada</td><td>Date April 29, 2025</td></tr></table>	Withdrawn by Salma Berrada	Date April 29, 2025
Withdrawn by Salma Berrada	Date April 29, 2025			

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

OFFICE MEMORANDUM

DATE: January 23, 1996

TO: Mr. Jean-François Rischard, FPDVP

FROM: Michael Bruno, DECVP 

EXTENSION: 33774

SUBJECT: **The Bank's Reimbursable Program with IDB**

In principle, we are very interested in participating in the Bank's reimbursable program with IDB. Of course we would need to see how the specific requests can be fit into divisional work programs before we can commit to providing assistance, but we welcome the initiative and hope we can participate actively. In the Finance and Private Sector Division of PRD, we have skills not only in private sector development, but also in related areas, such as finance, privatization of social services, fiscal issues and PSD. I could also envision that the support on PSD might well expand into Bank support in other areas where we have expertise, such as environment or poverty, for example.

cc: Mary Shirley, Lyn Squire, PRD

OFFICE MEMORANDUM

DATE: January 16, 1996

TO: Messrs. H. Fukui, CFSVP; M. Bruno, DECVP

FROM: Jean-François Rischard, Vice President, FPDVP *MR*

EXTENSION: 80920

SUBJECT: **The Bank's Reimbursable Program with IDB**

1. Nancy Birdsall and I have recently signed an agreement between the IDB and the World Bank providing for the World Bank to supply technical services to IDB on a reimbursable basis. Private sector development is the broad theme of this program. Given the capacities and interests of your staff in this area, I would like to invite both CFS and DEC to participate in the program.
2. This is an experimental program. We want to try it for a couple of years to see if it should be established long-term. Both Nancy and I think it will be of considerable benefit to both institutions. The Bank's critical mass of skills in private sector development should enable the IDB to become much more active in this area.
3. The attachments (the agreement itself and the side letters) explain the program, including the billing rates and the administrative arrangements, in some detail. During the pilot stage, FPD will absorb all internal management and overhead costs of the program, which are expected to be slight. However, the billing rates do include charges to IDB for all centrally administered World Bank functions related to the program (e.g. accounting services).
4. PBD has established a reimbursable budget for this program for FPD's use in FY96. If you wish to participate this year, PBD would be prepared to set up budgets of this type for your units--a simple matter now that the billing rates are fixed. PBD advises that the participation of Trust Funded Bank staff in this program might require special reimbursement procedures.
5. Please let me know if you have an interest in participating in the take-off of this promising initiative.

Attachments

cc: Messrs./Mmes. Chaparro, Kleynhoff, FPDVP; Perlin, FSDDR; Iskander, PSDDR; Stern, IENDR; Bonney, PBDPS; Webb, LEGPS; Davis-Arnold, DECVP; Olazo, CFSVP

TO
0875
L. Squire
E. M. Bernal
96 JAN 18 PM 2:05
RECEIVED
DEVELOPMENT ECONOMICS
V.P. CHIEF ECONOMIST



THE WORLD BANK GROUP
Vice President and Chief Economist
Development Economics

ROUTING SLIP		DATE: Jan. 23, 1996	
NAME			ROOM. NO.
Mr. Masood Ahmed			N-4-043
Mr. Mark Baird			N-6-055
Mr. Lyn Squire			N11-051
Mr. Vinod Thomas			M-7-021
☐	URGENT	☐	PER YOUR REQUEST
☐	FOR COMMENT	☐	PER OUR CONVERSATION
☐	FOR ACTION	☐	NOTE AND FILE
☐	FOR APPROVAL/CLEARANCE	☒	FOR INFORMATION
☐	FOR SIGNATURE	☐	PREPARE REPLY
☐	NOTE AND CIRCULATE	☐	NOTE AND RETURN
☐		☐	
RE: Attached.			
REMARKS:			
FROM Michael Bruno		ROOM NO. N-6-043	EXTENSION 33774

OFFICE MEMORANDUM

cc. m A
m B
LS
VT 0829

DATE: January 22, 1996

CONFIDENTIAL

TO: Mr. Gautam Kaji, EXC

FROM: Jules W. Muis, Vice President and Controller

DECLASSIFIED

EXTENSION: 81674

APR 29 2025

SUBJECT: **Corruption**

WBG ARCHIVES

Following the Dec. 15 meeting with Jim on CTR's "C--- Word" paper, we were to coordinate, under your guidance, the follow-up on how the Bank should address corruption. My recollection is that you, Caio, Sven, and Ibrahim were to follow up on the sensitive issue of the Part I countries' role in terms of their corporate tax policies, on any dialogue with the OECD and/or WTO, and on issues related to the integrity of Bank staff vis-a-vis the Bank's financial resources; and you, Caio, and I were to follow up on the rest (i.e., collaboration and awareness raising through multi-country initiatives; country-level initiatives; procurement; borrower accountability; and Bank staff's role in project financial management and covenant compliance).

As I have not heard from you on this, I'm wondering where things stand -- particularly as I am becoming increasingly uncomfortable (as are others in the Bank) with having to finesse my response to various inquiries I have been getting on the Bank's response to the issue of corruption, from a variety of sources.

One such inquiry which I just received today, from inside the Bank (from Professor Susan Rose-Ackerman, a visiting research fellow here at the Bank through May and engaged in research on the political economy of corruption in developing countries; and John Macgregor, a MNA staff member active in this area) is attached. (While Jim and Rachel were copied on their attached memo, I note that the senders' DEC and MNA line managers were not, and I infer from this a certain amount of frustration on their part at the Bank's inaction.)

Several EDs' offices have contacted me on the issue of corruption and what the Bank could do to strengthen its response. I have recently met with the French ED and the UK Alternate on the issue, in each case at their initiative.

I have also had inquiries from outside organizations -- Transparency International (TI) prior to their meeting with Jim earlier this month, the Business Roundtable, and the Minnesota Center of Corporate Responsibility (MCCR). The president of MCCR is coming to see me next month, having been referred to me by the US ED; I think it might be useful if you joined me at that meeting on Feb. 5. And as you know, Jim wants me to meet with Jerry Junkins of the Business Roundtable, and felt that my written response on his behalf to Mr. Junkins' letter and proposed Bank initiatives was perfunctory. Indeed it

was, given the lack of clarity at this point on actions the Bank is prepared to take and the confidentiality with which this delicate issue is to be handled.

Thus far, I believe I have been able to convince the various outside organizations and ED offices, and in a lively ambiance, that the Bank has its anti-corruption torch, but I have not been able to give any indication of the path being illuminated. I have therefore had to blow hot and cold at the same time, and that is not my mental metabolism.

I understand that Rachel is coordinating an all-day seminar on corruption in March, to be chaired by Jim, and in which Transparency International would likely participate; that Jim has had fruitful meetings with both EDI and TI on the issue; and that as part of EXT's annual convocation of journalists from around the world next week, a seminar on the issue of corruption will be led by Mike Stevens (PSP -- and task manager of the Bank's governance paper several years ago) and Jeremy Pope (of TI), and no doubt, the subject of the Bank's response will come up.

As you know, my own view is that it's important that the Bank get out in front on the issue of corruption, not as a "Dutch uncle" but nonetheless with a firm position, and not remain in its reactive mode vis-a-vis pressures/inquiries from the outside.

There clearly needs to be a focal point and a coordinated approach to develop some sort of action plan, and I'd like to know what you have in mind and get some guidance from you on how to respond to the various high expectation-predicated inquiries, beyond buying time. Could we get together sometime this week to discuss?

Attachment

cc: Messrs./Mmes. Wolfensohn, Lomax, Koch-Weser, Shihata, Bruno, Malloch-Brown, Einhorn, Bassinette, Williams

FFICE MEMORANDUM

DATE: January 19, 1996

TO: Mr. Jules W. Muis, Vice President and Controller

FROM: Susan Rose-Ackerman, Visiting Research Fellow-Yale University,
PPI-PSD, and John Macgregor, Senior Country Officer, MN2CO

EXTENSION: 37834, 37311

SUBJECT: **Proposal for a Meeting to Discuss the Bank's Role in Fighting Corruption**

1. The Bank's role in combating corruption has recently become a salient issue. Since President Wolfensohn has designated you to consider this issue, we are writing to suggest a way to channel that discussion within the Bank with the aim of producing constructive proposals.
2. One of us, Professor Rose-Ackerman, is, as you know, visiting the Bank until May 31 on academic leave from Yale and is engaged in general research on the political economy of corruption in developing and transitional economics. This work is a follow-up to her earlier research, carried out in the late seventies and early eighties, that helped introduce the topic to economists. Mr. Macgregor has just returned from helping to organize an international anti-corruption meeting in Jordan, and has a long-standing operational interest in governance issues in the developing world.
3. We are convinced that the Bank possesses, or can speedily develop, the tools to use its leverage more effectively to reduce corruption, and should apply these tools in the service of development. This would involve not just initiatives within borrower countries, but also efforts to change the attitudes and practices of the international business community. We have some ideas about how these tasks might be accomplished, but we don't have detailed, ready-to-implement answers. Instead, it seemed to us worthwhile to work with you to set up a preliminary brainstorming session with a small number of Bank personnel to talk about where to go from here. Since your assistant Myla Williams has been working on the same issue, perhaps we could join forces to organize this meeting. We envisage a two to three hour session designed to think through feasible options. The enclosed memo could provide background for the session.
4. We are bringing this suggestion to you at a time when the management of the Bank may itself be considering similar ideas. We realize that in the last few days Mr. Wolfensohn has spoken on this issue with both Peter Eigen of Transparency International and Petter Langseth of EDI. Our aim is to complement those initiatives by involving a broader range of Bank staff and operational concerns. We would like to explore how we can best contribute to the Bank's ongoing effort in this area, and would be glad to accommodate ourselves to your schedule and plans. In any case, we hope that our mixture of scholarly commitment and operational experience can be helpful to you. Please let us know if you want to pursue this further.

cc: James Wolfensohn, Rachel Lomax (EXC); Myla Williams (CTRP); Petter Langseth (EDIRP)

What should the World Bank do to combat corruption?

Ideas for discussion

1. For many years Bank staff have been stepping gingerly around the problem of corruption and malfeasance in Part II countries. Until recently the word "corruption" was seldom mentioned, replaced by euphemisms such as lack of transparency, weak governance, inappropriate capital-labor ratios, and, our favorite, "excessive purchase of vehicles." Experienced Bank staff report being asked to delete the term even from scholarly papers.

2. **Recognizing the Problem.** Nevertheless, the relationship between "good governance" and both economic development, in general, and Bank projects, in particular, is widely recognized within the Bank. The costs of corruption in terms of higher import costs, higher project costs, and higher costs of doing business in Part II countries are enormous. In Africa, for example, it is estimated that average unit costs of imports are 20% above comparable unit costs elsewhere - a difference not explainable by transport costs or tariffs. Stories of kickbacks and commissions raising project costs by 30% or more are common, and the immense wealth accumulated by senior public officials in many countries is well known. This "rent-seeking" not only imposes a drag on growth by suppressing investment and competitiveness, it also contributes to political instability by widening income disparities and, indirectly, swelling the ranks of the structurally unemployed. Recognizing these and other costs of corruption, the latest Bank publication on governance [*Governance: The World Bank Experience*, May 1994] explicitly discusses corruption and recommends preventive strategies. The draft 1995 World Development Report on countries in transition flags corruption as a serious concern. Civil service reform projects implicitly address the problem of payoffs when they include components to raise the pay and improve the working conditions of officials.

3. **Why We Have Done Little - Points and Counterpoints.** Opposition to explicit consideration of the problem comes, from five sources. First, operations people trying to appraise and implement projects under difficult conditions view fundamental government reform as a long term problem outside their competence to solve. They worry that too much attention on systemic corruption may derail "their" projects, which are urgently needed by a country's citizens. To them, corruption is a cost of doing business that should be minimized through Bank procurement, accounting and review procedures, but not be a focus of concern. Part II citizens and business people, in our experience, tend not to share this view.

4. Second, many seasoned staff have observed the endemic, top-to-bottom nature of corruption in many countries, and the cynical pronouncements of corrupt political leaders against corruption, and conclude that anti-corruption efforts are a lost cause. They reason that there is no use investing scarce Bank resources in these efforts when the expected benefit is zero. This widely held view reflects ignorance of success cases where practical measures are yielding tangible benefits.

5. Third, some development economists are unready to deal with corruption unless it can be expressed in formal macroeconomic models and tested with hard quantitative data. They are still not convinced that corruption is a serious problem. Although some economists at the Bank and the IMF have included corruption and government failures in their growth models, ultimately a concern with corruption should be part of the Bank's effort to apply the new institutional

economics, relating it to the developmental impact of state structure and market organization. Nevertheless, there is a need for better quantitative information on corruption, and qualitative details of how corruption operates, in different countries. Private sector assessments are a start towards this. Several of them asked small and medium private business owners about “informal” payments and provide useful information about the level and loci of payoffs. Similarly, some cross-country studies by Bank staff document the developmental costs of corruption.

6. Fourth, many payoffs involve not just people and institutions within borrower countries, but also multinational firms associated with donor countries. Those who represent the interests of these countries are often opposed to strong Bank action against corruption. In some Part I countries bribes paid in Part II countries are tax deductible at home. In general, multinationals worry that a crackdown on corruption will cost them business. In the United States, however, where the Foreign Corrupt Practices Act makes overseas bribery to obtain business a crime, the business community is active in support of multilateral initiatives. Elsewhere, firms widely recognize that they would benefit from an end to corruption, but that they cannot act unilaterally - and would welcome a broad effort by a multilateral institution like the Bank. The illegality of payoffs throughout the world is helpful here since even if a country's laws are not enforced, it remains difficult for corrupt rulers and corporations actually to defend the practice.

7. Finally, mirroring the opposition to strong Bank action found in some governments, many in the Bank view strong anti-corruption action as a diplomatic liability. They believe it would harm our relationships with borrowers, making the rest of our dialogue more difficult; and with Part I countries, making such matters as IDA replenishment and capital increases more difficult. There is considerable evidence that if the matter is handled properly, precisely the opposite may be true: In many countries undertaking Bank-supported adjustment programs, for example, the public image of the Bank is so negative that we must take care to avoid any public association of the Bank with proposed new adjustment measures. Publicly associating the Bank with an anti-corruption campaign restores our image and should reduce negative reactions to Bank-sponsored adjustment measures. A similar image-building effect is likely in Part I countries. We have only to exploit it.

8. **What We Are Doing Now.** The Bank is already engaged in three kinds of anti-corruption efforts. The mainstream traditional effort is through our procurement and financial accounting requirements. The review processes within in the Bank are primarily concerned with assuring that its own projects are not hijacked for private gain. Some within the Bank have criticized the internal auditing procedures as too focused on paper reports without enough concern for whether the inputs actually were delivered and used as specified in the project. A new group in the Africa region is reviewing Bank procedures along these lines.

9. However, although transparent procurement procedures and financial accountability are important, they are not the end of the story. Sometimes Bank officials have adopted a “clean hands” philosophy where the overall condition of the country's government is unimportant so long as Bank funds are isolated from the surrounding sea of corruption. Although understandable in individual cases, this is a poor long term position. Attaching conditionality to Bank loans may simply push the corrupt officials and their clients into other areas of government not affected by Bank lending. More comprehensive solutions are needed.

10. The Bank is already engaged in two others sorts of anti-corruption efforts to address this need. The first is in financial management, civil service, and judicial reform projects. One risk here is that since the outputs are difficult to quantify either ex ante or ex post, such projects may themselves more easily fall prey to corruption than other types of projects. They may also be difficult to sustain after project funds run out. Such projects need to be rethought in ways that take account of their distinctive character.

11. Second, the Economic Development Institute, sometimes in collaboration with Transparency International, an NGO devoted to reducing corruption worldwide, has carried out training and educational projects in several countries designed to help local people develop anti-corruption strategies. Such meetings have occurred in Tanzania, Uganda, Mozambique, and Jordan. One of us (Macgregor) helped organize the Jordan meeting, which demonstrated the usefulness of exposing local leaders and press to success cases achieved elsewhere, in catalyzing concrete actions.

Options for Future Action. What more should the Bank do, and how can it improve what it is already doing? We provide a list of options below to facilitate a discussion of these questions. Since these ideas are meant to provoke debate, we have included some proposals that are sure to be controversial. Nevertheless, each seems to have some merit and should help focus the discussion.

- Begin a process of **Accountability or Integrity Assessments** on a country by country basis on the analogy of the private sector assessments currently carried out by the Bank. The idea is to assess the standards and the actual practices of financial accountability, and identify measures to improve them.
- To give perspective to these assessments, sponsor a **cross-national study** in which people try to set up and operate legal businesses. Design the study to obtain both an estimate of the cost of legally complying with the rules, and the level of payoffs. Hernando DeSoto's experiment in recording the steps needed to set up a small business in Peru is the classic prototype of this for a single country. Some of the Bank's existing private sector assessments have provided similar data.
- Experiment with further applications of **service delivery surveys** measuring citizen satisfaction with public services. Such surveys have been used in many countries to inform performance assessments, to aid local groups in pressuring officials to improve performance, and occasionally to guide budget allocations. They help develop the capacity of ordinary citizens, as well as government leaders, to monitor government performance.
- Carry out "**Reinventing Government**" reviews that focus on ways to reform substantive programs to remove the bottlenecks and vague standards that produce corrupt incentives. Unlike the first option that focuses on improving official performance under existing programs, this second possibility contemplates changes in substantive laws. Thus some corrupt programs could be eliminated, others could be reformed to permit the legal sale of the scarce benefits, and others could be redesigned to lower the incentives for payoffs.

- Feed the output of the above proposals into a new set of **governance or public sector management projects** that would respond to the problems identified in these assessments. These might specifically address corruption through support for Independent Commissions along the successful lines of the ICAC in Hong Kong. They are likely to be supervision-intensive, and the Bank should reassess the process by which such projects are managed and evaluated. Since they are also technical assistance-intensive and therefore invite resistance from some governments which by policy do not borrow for TA, the Bank might establish a grant window for certain kinds of targetted interventions, and in any case should seek to blend its loan funds with grant funds from official cofinanciers.
- Review **criminal and regulatory laws** that impose penalties on those who pay and receive bribes, those who profit from public office, and organized crime. Review **campaign finance laws**. The Bank can not, of course, become involved in individual criminal prosecutions. Nevertheless, it could review the structure of laws used against corrupt officials and ask if campaign finance laws are designed to permit the legal funding of campaigns at reasonable levels.
- Work with major multinationals engaged in development contracts and with their home countries to develop **codes of conduct**. Support OECD efforts to induce members to enact laws restricting foreign bribery. Consider a form of conditionality in which multinationals are forbidden from bidding on Bank supported projects unless their home country has enacted a law forbidding the tax deductibility of bribes.
- Require all those bidding on Bank projects and Bank assisted privatizations to sign **anti-bribery pledges**. This is an idea supported by Transparency International, but seldom implemented. With government agreement, it could be tried on an experimental basis in a few countries.
- Establish an **international tribunal** to hear complaints from bidders who believe they have lost contracts or privatization auctions because of corruption. The Bank at one time has such a tribunal for its own contracts, but it was not much used. That experience should be investigated, but the idea here might be broadened to create a court whose judgments would be respected by the Bank and as many governments and IFIs as can be persuaded to refer disputes involving alleged corrupt practices to it, covering all official externally funded projects. Such a tribunal would complement efforts to obtain the cooperation of international firms in reducing "grand" corruption.
- **Give clout to the tribunal** by providing for mandatory debarment from participation in Bank-funded projects, for a sufficiently punitive period, for any firm or individual found by the above tribunal to have broken the anti-bribery pledge.
- Streamline the Bank's existing **procurement regulations**. Overly restrictive rules can themselves produce incentives to corruption. The ITO has a set of procurement standards that countries can accept if they wish. These might form the basis for a push from the Bank to improve general procurement practices in borrower countries, not just those associated with Bank projects.

- Work to develop and promulgate international **cost benchmarks** for common types of procurement. Although every project will have unique features, benchmarks can help isolate outliers and can put the burden of proof on the borrower to justify paying high prices or purchasing specialized features. The Bank could learn from the experience of health insurance firms in setting caps on payments to service providers.
- Develop **standards for privatizations** similar to the procurement regulations that could help reduce incentives for corruption and self-dealing during the process of privatization.

Susan Rose-Ackerman

John Macgregor

The World Bank

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

Kate

Chron.

January 17, 1996

MICHAEL BRUNO
Senior Vice President
Development Economics
and Chief Economist

Mr. Sven Sandstrom

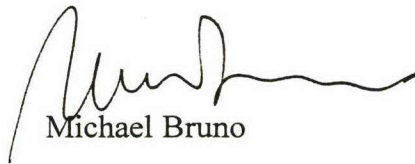
Sven:

Re: Multilateral Debt

As part of our midyear review, we have taken a very close look at DEC's budget situation, to see to what extent the incremental costs associated with Masood Ahmed's and IEC's work on multilateral debt could be covered from savings within DEC. We have concluded that this will not be possible.

Our budget is very tight this year. The work program set out in our Business Plan assumed savings of close to 8% in IEC resulting from its renewal program. As you may know, the savings from this program will not now accrue as soon as expected, due both to delays in the implementation of the program and to IEC's decision to phase redundancies through FY97 in cases of personal hardship. We are struggling, therefore, to protect even our core work program through redeployment within DEC, and the postponement of lower priority activities. We therefore have no savings that we could redeploy to the multilateral debt work.

Your note to me of November 7 indicated that these costs would be covered from the President's contingency if we were unable to cover them from savings. Masood's estimate of the funds needed in FY96 for multilateral debt was \$1.1 million, of which \$500,000 is coming from IEC's existing resources earmarked for debt work. The balance which we request from the President's contingency is therefore \$600,000.



Michael Bruno

cc: Messrs. Ahmed, Baird, Lynn, Kabir, Garcia-Thoumi, Ms. Calleja

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

OFFICE MEMORANDUM

DATE: January 22, 1996

TO: Mr. Alan Gelb, *WDR 1996*

FROM: Michael Bruno, DECVP *u B*

EXTENSION: 33774

SUBJECT: **Terms of Reference: Paris Consultation Meeting**

You will travel to Paris from January 27 to 30, 1996 to participate at the consultation meeting in Paris to discuss the yellow cover of the 1996 WDR.

Run Date: 1/20/96

OPERATIONAL TRAVEL REQUEST

Run Time: 12:07:36

TR Number: Z36293

Status of TR: Committed

Vendor: American Express

Major revision to this TR was done on 01/20/96

Entering Division: 62499

Staff No.: 10589

Name: ALAN HAROLD GELB

Title: STAFF DIRECTOR

Room: N 7-063

Extension: 37667

Dept. Div: 64320

Acknowledged by Vendor? No

Acknowledge Date:

Spouse Accompany: NO

Departure Date: 01/27/96

Return Date: 01/30/96

Airfare: 3536.00 + Other Travel:

= Total Transport: 3536.00

Subsistence: 300.00

Total Advance Requested at HQ: 300.00

Pick-up Date: 01/24/96

Total Advance Requested at NON-HQ:

Advances Issued to Date:

Total Advance Requested at OTHER Sources:

----- Purpose of the Trip -----

TO PARTICIPATE AT THE PARIS CONSULTATION MEETING TO DISCUSS
THE YELLOW COVER OF 1996 WDR.

----- Charge Information -----

-----Fiscal Year 96-----

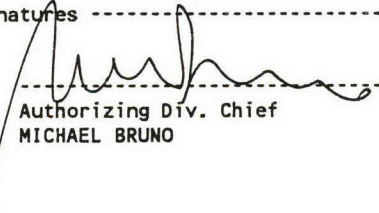
Task ID	Product Id	Product	Name	Dest.	Dept. Charged	Pct. Chrg.	Source Of Funds	SOF Account	Days
WDR	1W - WD - 23996	WDR 1996		FR	62499	100	BB		3

----- Itinerary -----

City Name	Arrive Date	Departure Date	M/C	Hotel Name	Bus	No. of Nights				Tot
						Auth	Conn	Bm	Per	
WASHINGTON DC		01/27/96	AE							
NEW YORK	01/27/96	01/27/96	AF							
PARIS	01/28/96	01/30/96	AF	WARWICK	2					2
NEW YORK	01/30/96	01/30/96	AE							
WASHINGTON DC	01/30/96		AE							

----- Remarks -----

----- Signatures -----

	1/22/96		1/22/96
Traveller GELB	Date	Authorizing Div. Chief MICHAEL BRUNO	Date



Record Removal Notice



File Title Michael Bruno - Internal Chronological - January to April 1996		Barcode No. 30486497		
Document Date January 19, 1996	Document Type Memorandum			
Correspondents / Participants Ali Bourhane EDS13 and Michael Bruno, DECVP				
Subject / Title RE: On a "TITLE"				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		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 K. Brenner-Delp</td><td>Date June 24, 2025</td></tr></table>	Withdrawn by K. Brenner-Delp	Date June 24, 2025
Withdrawn by K. Brenner-Delp	Date June 24, 2025			



MICHAEL BRUNO
Senior Vice President
and Chief Economist

January 18, 1996

Mr. James D. Wolfensohn

Jim,

Booklet on Managing Commodity Booms and Busts

You may have seen the attached article in *The Financial Times* of January 16 reporting on a recent Bank study on managing commodity booms and busts. I thought you might be interested in the booklet itself which we have just produced. This is part of a new series to disseminate the findings of our more important ongoing research in a form that will appeal to busy policymakers.

This particular report draws lessons from the experience of past commodity booms, which were often so mismanaged that the beneficiary countries were left in worse shape at the end than before world prices increased. These lessons are particularly applicable to our work in Africa, where as you know, over 20 countries depend on primary commodities for over one half of their export revenue. They are also timely since the current commodity price boom is expected to come to an end during the coming year or so.

A handwritten signature in black ink, appearing to read 'Michael Bruno', with a stylized, flowing script.

Michael Bruno

Attachments

cc: Messrs. Masood Ahmed, Takamasa Akiyama

Bank warns over boom in commodities

By Guy de Jonquieres

Developing countries still have an opportunity to use the recent strength of world commodity prices to improve their fiscal positions, and limit the damage to their economies regularly caused by booms, according to a World Bank report.

The report says the opportunity may prove short-lived and will only be seized effectively if producer countries learn from past policy mistakes.

The report says the recent boom, which began in 1992, resulted mainly from supply shocks, such as poor weather and voluntary production cuts, not from higher demand. It expects prices to fall once normal production returns.

It says the World Bank index of primary commodities is projected to fall this year, after rising 3.6 per cent in nominal terms last year. In real terms, the index would be 3 per cent below last March's peak by the year 2000, and would then stagnate for five years.

The report says past commodity booms have left many developing countries worse off because windfall revenues were mismanaged by governments. Booms also damaged competitiveness by forcing up exchange rates and handicapping diversification.

Governments must resist the temptation to use short-term revenues from this boom to fund long-term investment commitments, and should also pursue counter-cyclical fiscal and monetary policies aimed to check excessive and unsustainable economic expansion.

Governments should seek to relax capital controls, invest abroad some of the increase in

foreign exchange assets and liberalise trade restrictions, to curb real exchange rate appreciation and encourage diversification of their economies.

The report warns strongly against punitive export taxes.

Past commodity booms have left many developing countries worse off because windfall revenues were mismanaged by governments

It says these encouraged tax evasion and smuggling, while governments had often spent the proceeds unwisely.

However, it favours judicious investment in research, infrastructure and structural adjustment programmes.

The report is cautious about the value of stabilisation funds and market hedging instruments, emphasising that these should be used only by countries with sound administration and good credit ratings.

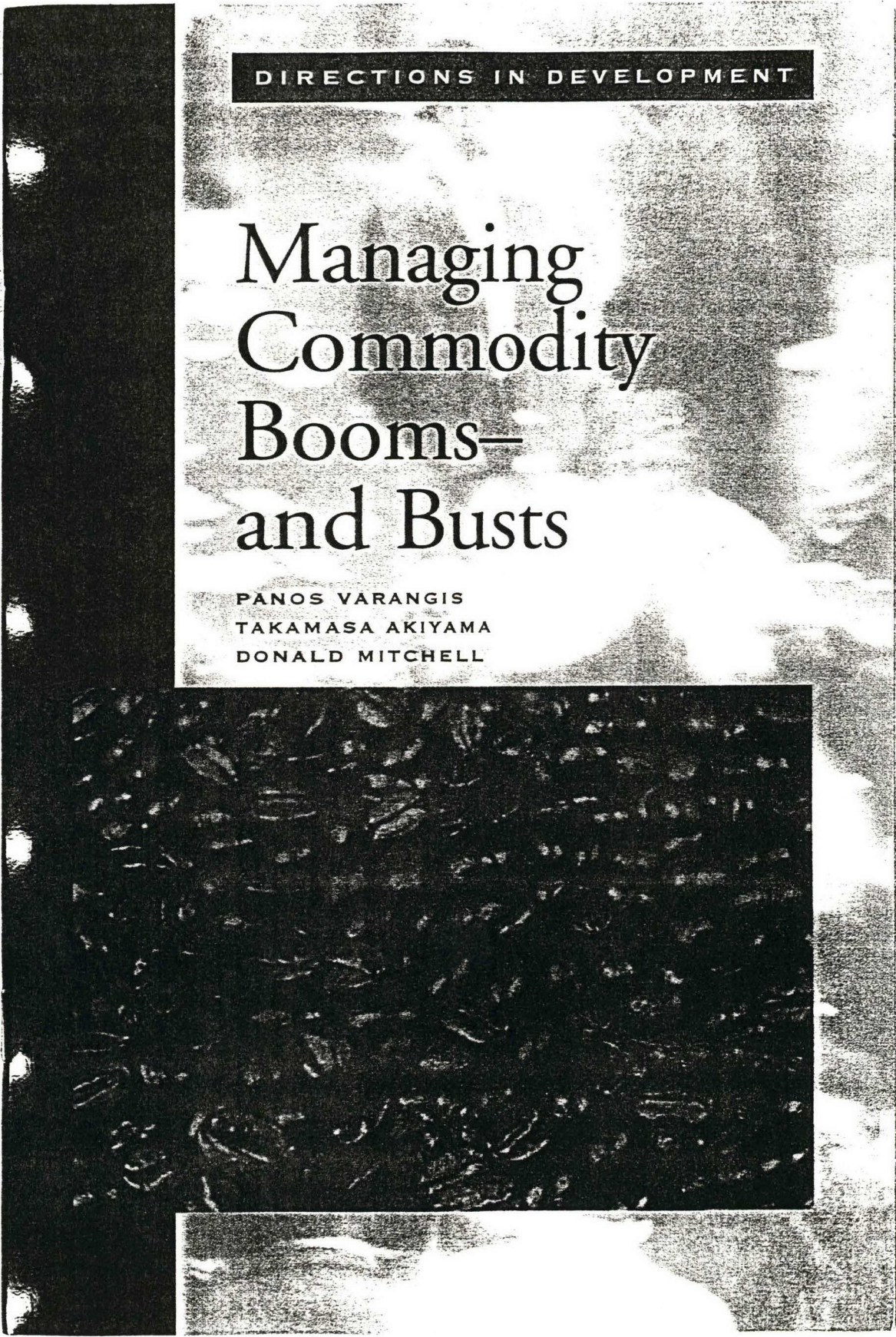
It says commodity booms might be managed more effectively if some of the windfall gains were left with farmers, rather than appropriated by their governments. However, such an approach must be accompanied by sound macro-economic policy, financial liberalisation and market reforms.

**Managing Commodity Booms - and Busts. The World Bank, 1818 F Street N.W., Washington DC 20433. Tel: 202-477 1234. Fax: 477 5391.*

Export revenues from commodities (\$bn)

Region	1992	1993	1994
East Asia and the Pacific	9.3	9.1	13.4
Europe and Central Asia	2.1	4.3	8.4
Latin America and the Caribbean	12.2	12.2	17.3
Middle East and North Africa	0.4	0.5	0.5
South Asia	1.3	0.9	0.7
Sub-Saharan Africa	3.7	3.4	7.2

Source: Estimates by the Commodity Policy and Analysis Unit, International Economics Department, World Bank



DIRECTIONS IN DEVELOPMENT

Managing Commodity Booms— and Busts

PANOS VARANGIS
TAKAMASA AKIYAMA
DONALD MITCHELL

The World Bank
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Senior Vice President
and Chief Economist

January 16, 1996

Mr. Alexander H. ter Weele

DEC's Advisory Group on Women

Alex,

Many thanks for your note of December 26, 1995. I accept with regret your decision to step down as chairman of our Advisory Group on Women. Under your leadership, we have made significant strides in our recruitment of women and thinking about ways to improve the work environment for women in DEC. I thank you for this contribution.

I'm pleased to accept your recommendation that Manny Jimenez should take over as chairman. I'm also looking forward to a lively discussion on your proposed Action Plan for FY96 at our next DECSM meeting. I hope that both you and Manny will be able to attend.



Michael Bruno

cc: Messrs./Ms. Jimenez, Baird, Davis

A L L - I N - 1 N O T E

DATE: 10-Jan-1996 02:09pm

TO: Michael Bruno (MICHAEL BRUNO)

FROM: Mark Baird, DECVF (MARK BAIRD)

EXT.: 31666

SUBJECT: DEC's Advisory Group on Women

Michael:

You had raised some questions on Alex's note:

- I agree that Manny is a good choice to replace Alex.
I'll draft a short reply from you, thanking Alex for his service and Manny for agreeing to take it on.
- The Group has prepared a draft action plan for FY96.
I've suggested that this be discussed at the next DECSM meeting. You could invite the members of the Group to join for that item.

Mark

Alexander H. Ter Weele

0820

RECEIVED
DEVELOPMENT ECONOMICS
VP & CHIEF ECONOMIST
95 DEC 26 PM 5:18

December 26, 1995

Mr. Michael Bruno

DEC's Advisory Group on Women

Michael:

Attached is the Advisory Group's report for FY95 and proposed plan for FY96 for your review. We suggest that the plan be placed on the agenda for discussion with DEC managers.

I have been chairman of this group for three years now, and believe that it's time for fresh leadership. I recommend that Manny Jimenez replace me as Chair. Manny attended our last meeting and has indicated that he would be agreeable to serving.

If you agree to this change please let me know.

Alex

Alex

Attachment

Mark,
what do you think?

1. Manny's drive seems fine
2. Should I have a separate meeting with advisory group or should we have the group meet with managers?

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

OFFICE MEMORANDUM

DATE: January 16, 1996

TO: Mr. James Wolfensohn

FROM: Michael Bruno *MB*

EXTENSION: 33774

SUBJECT: **Report on the World Bank Research Program, Fiscal 1994 and 1995**

1. Accompanying this memorandum is a copy of the draft Report on the World Bank Research Program for fiscal 1994/1995 for your review and clearance for distribution to the Board. This document is a biennial report to the Board reporting on the Bank's overall research program.
2. An earlier version of this report has been widely circulated within the Bank and discussed at a Bank-wide meeting which I chaired. The report has been revised in response to written comments and the discussion at the Bank-wide meeting.
3. Part 1 of the report presents a variety of indicators to measure the impact of Bank research on audiences outside the Bank and is an example of how it is possible to gauge the effectiveness of this nonlending service. Part 2 reviews recent trends in the financing of research, presents research results in several thematic areas, and summarizes external evaluations of research projects and research-related activities. Part 3 identifies areas of focus for Bank research over the next few years.
4. I look forward to any comments that you may have on this report. It is scheduled for discussion by the Board on February 27, 1996 and must be distributed to the Board by Friday, January 26, 1996.

Attachment

cc: G. Kaji, C. Koch-Weser, R. Lomax, J. Salop

OFFICE MEMORANDUM

DATE: January 8, 1996

TO: All DEC Staff

FROM: Michael Bruno, Senior Vice President Development Economics and Chief Economist *MB*

EXTENSION: 33774

SUBJECT: Performance Management Process

As we review our experiences in 1995 and begin preparations for the 1996 Performance Management process, I would like to thank you for your contribution in meeting our challenges this past year. In particular, I am pleased that DEC's enhanced role in quality assurance and strategic thinking has been made possible through your collective efforts. I would also like to take this opportunity to highlight some of my expectations of the upcoming performance management process:

Firstly, I would like staff and managers to take *joint ownership* of the performance management process, establish a meaningful work plan, and agree on the performance priorities for 1996. This collaborative process provides the foundation for a desirable and effective workplace climate.

Secondly, I would like managers and staff to *evaluate the results* achieved in 1995, *recognize accomplishments*, and use the *job competencies* in order to identify areas for increasing effectiveness, and to *set priorities* for the future.

Thirdly, I expect all staff to have a *development plan* as an outcome of the performance review discussions with their managers. This plan should focus on skill gaps which need to be addressed and ensure that training and development needs are linked to business objectives. It will be the joint responsibility of the manager and the staff member to ensure that the actions identified on the development plan are monitored and implemented during the year.

Fourthly, I would like all designated supervisors to provide staff members with *feedback from multiple sources*, wherever appropriate. These could be other supervisors, peers and clients who have worked with staff during the review period.

Above all, it is very important to me that managers and staff hold *ongoing, open and candid discussions* about individual and team performance. The success of our Vice Presidency rests not only on our ability to recognize good performance, but our ability to assist those staff members who are having difficulty in meeting the performance standards of their position. It is paramount that staff and managers acknowledge performance problems and mobilize the resources and support to overcome them. It is

not acceptable to lower performance standards in DEC in order to avoid dealing with performance issues.

These are my priorities for the upcoming Performance Management Process. Additionally, outlined below are the logistics of the process:

- The performance year runs from **January 1 through December 31, 1995.**
- There is a Bank-wide requirement that the Management Reviews be completed by the **end of March, 1996.**
- All professional growth promotions agreed to during the Management Review meetings will be effective **June 1, 1996**, unless a later date is agreed upon.
- More detailed guidelines on the PMP process will be issued to managers shortly.

Good performance management is an opportunity to make improvements in the quality of our work, increase job motivation, and foster individual development. I am committed to bringing about these improvements and look forward to your help in achieving an effective performance management process.

OFFICE MEMORANDUM

DATE: January 8, 1996

TO: All DEC Managers / Designated Supervisors

FROM: Michael Bruno, Senior Vice President Development Economics and Chief Economist *MB*

EXTENSION: 33774

SUBJECT: **Performance Management Process (PMP)**

As you are aware, the President has identified performance management as one of the significant areas for improvement in the Bank. Mr. Wolfensohn has stressed the importance of results on the ground, on development planning, and on the need for honesty and candor in the performance management system.

Even in the best of circumstances, there is a need for continuous improvement, and our Vice Presidency is no exception. I am committed in this year's Performance Management cycle to achieving improvement in the quality of our performance appraisal process.

The key elements which we must achieve in this year's PMP process are:

1. An honest evaluation of the results achieved and the impact of work done from January 1, 1995 to December 31, 1995.
2. A meaningful and jointly-developed work plan for the 1996 calendar year.
3. A well-conceived and action-oriented development plan derived from the Department/Division's business needs, as well as the individual's needs, in order to fulfill the work plan.

I am highlighting below some of the important components of the process as it should be conducted this year:

1. Preparation

The success of a PMP discussion hinges on the degree of advanced preparation, by both the staff member and the designated supervisor. A complete picture of the individual's performance should include, wherever appropriate, feedback from multiple sources such as the next-in-line manager, clients, and peers.

2. Appraisal Discussion

Although you have been providing regular feedback to your staff throughout the year, please allow sufficient time for a meaningful appraisal discussion. Recognize contributions and take the opportunity to coach and counsel where necessary. In addition, emphasis should be placed on the staff member's future work and development.

3. Recording

Every effort should be made to record your views as candidly as possible, honestly reflecting reality.

Please do not make written comments regarding promotion on the PMP form as this can create expectations that may not be fulfilled. Promotions and panel nominations need to be discussed and agreed to at Management Review meetings, and subsequently written on the Management Review Record page.

4. Management Review

At the Management Review we will be looking at several outputs of the Appraisal process:

- final evaluations
- reassignment recommendations
- identification of high potential staff using the Current Estimated Potential methodology which has been presented to you
- confirmations, extensions, conversions (from consultant to fixed term, etc.)
- promotions
- panel recommendations
- training/development plans for staff
- performance improvement plans for marginal/unsatisfactory performers

This is the overall timetable I would like to follow for our VPU this year:

PMP discussions and forms to be completed no later than February 16, 1996.

PMP forms to be sent to the front office of the Director no later than February 20, 1996.

Management Review meetings to be completed by March 22, 1996.

Finalized PMP and Management Review Forms provided to individual staff members by April 2, 1996.

5. Post Management Review

My expectation is that, after the Management Review records are finalized, each designated supervisor will meet personally with the staff who report to him/her to give them a copy of the completed PMP form and explain:

- *the agreed decisions*; and
- *the skills category to which you have assigned each staff member* (level 18 and above) (Additional information for this will be supplied to you shortly). Note that your recommendations on the skills categorization of the staff member will be subject to final ratification by the appropriate Staffing Group, before it is recorded in the skills data bank which is currently being refined by Central Human Resources.

6. Other Important Points for Clarification

DESIGNATED SUPERVISOR: Each manager should ensure that there is clarity on who is the “designated supervisor” for staff whose work is supervised by more than one person.

SUPPLEMENTAL REVIEWS: Where appropriate, the manager (or designated supervisor) or the staff member may request supplemental reviews from supervisors who have overseen substantial portions (3 months or more) of the staff member’s work program during the period under review.

CONSISTENCY WITH SALARY REVIEW INCREASE RATINGS: Salary Review decisions should be consistent with the evaluation given at the time of the performance evaluation exercise.

I have asked the HR Team to hold PMP briefing seminars for all Managers during January, and, as you know, they are available to assist you throughout the process.

I am looking forward to your support in achieving a genuine improvement in the quality of the performance management process in DEC this year. I believe this is a very significant part of our responsibility as managers. I will be evaluating my direct reports accordingly. Thank you for giving the Performance Management Process the time it deserves.

To C. Best 1/3/96

POLICY RESEARCH WORKING PAPER Log no. 0-1096

Attached is the FINAL DRAFT of the cover
of your working paper.
Please approve it by initialing
and dating it and return it to us
by special messenger
TODAY!

LS MB

Please initial here

1/3/96

Date

Evelyn Alfaro
Room N7-024
Extension 33984



Equity and Growth in Developing Countries

Old and New Perspectives on the Policy Issues

Michael Bruno

Martin Ravallion

Lyn Squire

*economic
growth*

There is no intrinsic tradeoff between long-run aggregate ~~efficiency~~ and overall equity.

Policies aimed at helping the poor accumulate productive assets — especially policies to improve schooling, health, and nutrition — when adopted in a relatively nondistorted framework, are important instruments for achieving higher growth.



Summary findings

with economic growth

The “stylized fact” that distribution must get worse in poor countries before it can get better turns out not to be a fact at all. Growth’s effects on inequality can go either way and are contingent on several other factors.

Bruno, Ravallion, and Squire found no sign in the new cross-country data they assembled that growth has any systematic impact on inequality. Possibly measurement errors confound the true relationship, but they think it more likely that the relationship between growth and distribution is not as simple as some theories have held.

Since distribution does not worsen, growth reduces absolute poverty. Indeed, absolute poverty measures typically respond quite elastically to growth, and the benefits are certainly not confined to those near typical poverty lines.

Of course, one cannot say that growth *always* benefits the poor or that *none* of the poor lose from pro-growth policy reform. Only aggregate effects are studied. But for 17 of the 20 countries for which they assemble quite good data (from at least two surveys since the mid-1980s), the mean and the proportion of people living below \$1 a day moved in opposite directions.

The gains to poor people from a distribution-neutral growth process will tend to be lower, the higher the extent of initial inequality. A smaller share of total income must imply a smaller absolute gain from a given increment to total income. Compensatory direct interventions can be important, provided they are integrated into a framework of fiscal and monetary discipline.

The evidence does not suggest that growth is always distribution-neutral, and it would be wrong to conclude that changes in distribution are of little consequence. The point is not that distribution is irrelevant or that it never changes, but that its changes are roughly uncorrelated with economic growth.

There is no intrinsic tradeoff between long-run aggregate efficiency and overall equity. Policies aimed at helping the poor accumulate productive assets — especially policies to improve schooling, health, and nutrition — when adopted in a relatively nondistorted framework, are important instruments for achieving higher growth.

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